Procaps Group, S.A. and subsidiaries (The Group)
***Consolidated Financial Statements for the years ended* December 31, 2023, 2022 (restated) and 2021 (restated)**

TABLE OF CONTENTS

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To the Shareholders of
Procaps Group, S.A.
9, rue de Bitbourg
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REPORT OF THE *REVISEUR D'ENTREPRISES AGREE*

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Procaps Group, S.A (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2023, December 31, 2022 (restated) and January 1, 2022 (restated), and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended December 31, 2023, 2022 (restated) and 2021 (restated), and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at December 31, 2023, December 31, 2022 (restated) and January 1, 2022 (restated), and of its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023, 2022 (restated) and 2021 (restated) in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier* (CSSF). Our responsibilities under the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the *réviseur d'entreprises agréé* for the Audit of the consolidated financial statements " section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Material Uncertainty Related to Going Concern

We draw attention to 2.1 of the financial statements, which describes that due to the uncertainty caused by current economic conditions, including inflation growth, increasing interest rates, global disruption to the supply chain, volatility in foreign exchange rates and industry price regulations, the Group may not achieve the liquidity levels required to meet its financial covenants. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Prior year restatement

As discussed in Note 4 to the financial statements, the comparative figures for the years ended December 31, 2022 and December 31, 2021 have been restated to correct some prior year misstatements. Our opinion is not modified in respect of this matter.

Other Matter

The audit reports on the consolidated financial statements as of December 31, 2022 and December 31, 2021 issued by Deloitte Audit on respectively May 31, 2023 and May 30, 2022 have been withdrawn in accordance with the Notification published by the Company on July 23, 2024.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the Management Report but does not include the consolidated financial statements and our report of the *réviseur d'entreprises agréé* thereon.
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Responsibilities of the réviseur d'entreprises agréé for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the *réviseur d'entreprises agréé* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the *réviseur d'entreprises agréé* to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the *réviseur d'entreprises agréé*. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

For Deloitte Audit, *Cabinet de révision agréé*

PP

David Osville

Ludovic Mosca, *Réviseur d'entreprises agréé*
Partner

November 21, 2025

Procaps Group, S.A. and subsidiaries (The Group)
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the years ended December 31, 2023, 2022 (restated) and 2021 (restated)
(In thousands of United States Dollars, unless otherwise stated)

		For the year ended December 31		
	Notes	**2023**	**2022 As restated***	**2021 As restated***
Revenue	8	$ **423,748**	$ **403,203**	$ **403,739**
Cost of sales		(185,772)	(168,075)	(173,667)
Gross profit		**237,976**	**235,128**	**230,072**
Sales and marketing expenses		(95,068)	(93,007)	(80,974)
Administrative expenses		(98,279)	(104,686)	(83,175)
Other income (expenses), net	11	27,454	(27,622)	(80,985)
Operating Profit		**72,083**	**9,813**	**(15,062)**
Finance income		19,724	74,087	10,413
Finance expense		(45,847)	(36,161)	(89,252)
Net finance (expense) income	10	(26,123)	37,926	(78,839)
Profit (Loss) before tax		**45,960**	**47,739**	**(93,901)**
Income tax expense	12	(5,617)	(11,613)	(13,091)
Profit/(loss) for the year		$ **40,343**	$ **36,126**	$ **(106,992)**
Profit/(loss) for the year attributable to:				
Owners of the parent company		40,343	36,126	(106,992)
Non-controlling interests		—	—	—
Earnings per share:				
Basic and diluted, earnings/(loss) for the year attributable to ordinary equity holders of the Company (USD)	26	***0.40***	***0.36***	***(1.09)***

*Refer to Note 4. Independent Investigation and Restatement

The accompanying notes are an integral part of these Consolidated Financial Statements.

Procaps Group, S.A. and subsidiaries (The Group)
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the years ended December 31, 2023, 2022 (restated) and 2021 (restated)
(In thousands of United States Dollars, unless otherwise stated)

	Notes	For the year ended December 31 2023	2022 As restated*	2021 As restated*
Profit/(loss) for the year		**$ 40,343**	**$ 36,126**	**$ (106,992)**
Other comprehensive income/(loss)				
Items that will not be reclassified to profit or loss:				
Remeasurement of net defined benefit liability		244	(222)	504
Income tax relating to items that will not be reclassified subsequently to profit or loss		85	107	(191)
Net of Tax		**329**	**(115)**	**313**
Items that will be reclassified subsequently to profit or loss:				
Foreign currency exchange differences on translation of foreign operations		1,182	(3,377)	(300)
Net investment hedge	29.3.3	(3,670)	—	—
Foreign currency exchange differences from liquidated foreign operations reclassified to profit or loss		—	—	(751)
Other comprehensive income/(loss) for the year, net of tax		**(2,159)**	**(3,492)**	**(738)**
Total comprehensive income/(loss) for the year		**$ 38,184**	**$ 32,634**	**$ (107,730)**
Total comprehensive income/(loss) for the year attributable to:				
Owners of the parent company		38,193	32,631	(106,013)
Non-controlling interests		(9)	3	(1,717)

*Refer to Note 4. Independent Investigation and Restatement

The accompanying notes are an integral part of these Consolidated Financial Statements.

Procaps Group, S.A. and subsidiaries (The Group)
Consolidated Statement of Financial Position
As of December 31, 2023, 2022 (restated) and January 1, 2022 (restated)
(In thousands of United States Dollars, unless otherwise stated)

	Notes	As of December 31		As of January 1
		2023	2022 As restated*	2022 As restated*
Assets				
Non-current assets				
Property, plant and equipment, net	15	90,982	70,585	71,449
Right-of-use assets, net	16	46,659	42,393	41,356
Goodwill, net	13	—	5,791	6,803
Intangible assets, net	14	42,870	32,179	30,133
Investments in joint ventures	17	2,028	1,505	2,443
Other financial assets		2,186	210	256
Deferred tax assets, net	22	10,475	7,485	8,469
Other assets		1,654	3,078	4,531
Total non-current assets		**$ 196,854**	**$ 163,226**	**$ 165,440**
Current assets				
Cash and cash equivalents	20	17,514	43,003	72,112
Trade and other receivables, net	19	124,854	106,416	100,045
Inventories, net	18	101,825	99,763	81,556
Amounts owed by related parties, net	30	3,908	4,587	3,257
Current tax assets	12	18,323	21,187	22,082
Other current assets		2,911	4,344	5,839
Other financial assets		6,310	—	—
Total current assets		**$ 275,645**	**$ 279,300**	**$ 284,891**
Total assets		**$ 472,499**	**$ 442,526**	**$ 450,331**
Liabilities and Shareholders' Equity (Deficit)				
Equity (Deficit)				
Share capital	25	1,011	1,011	1,011
Share premium account	25	375,493	377,677	377,677
Reserves	25	50,238	45,743	42,749
Accumulated deficit		(396,286)	(432,541)	(465,891)
Accumulated other comprehensive loss		(30,246)	(28,087)	(24,595)
Equity (deficit) attributable to owners of the parent		**$ 210**	**$ (36,197)**	**$ (69,049)**

Non-controlling interest		(946)	(937)	(940)
Total equity (deficit)		**$ (736)**	**$ (37,134)**	**$ (69,989)**
Non-Current liabilities				
Borrowings	21	31,114	29,168	29,043
Warrant liabilities	27	3,039	10,916	23,112
Shares held in escrow	28.1	28,877	40,064	101,859
Deferred tax liabilities, net	22	2,485	6,747	4,945
Other liabilities		6,069	6,480	5,079
Total non-current liabilities		**$ 71,584**	**$ 93,375**	**$ 164,038**
Current liabilities				
Borrowings	21	268,389	257,898	224,323
Hedging derivative financial instruments		1,792	—	—
Trade and other payables	23	93,063	90,560	87,356
Amounts owed to related parties	30	21,233	19,286	24,393
Current tax liabilities	12	7,819	6,926	12,293
Provisions	24	142	138	501
Other non-financial liabilities		9,213	11,477	7,416
Total current liabilities		**$ 401,651**	**$ 386,285**	**$ 356,282**
Total liabilities and shareholders' equity (deficit)		**$ 472,499**	**$ 442,526**	**$ 450,331**

*Refer to Note 4. Independent Investigation and Restatement

The accompanying notes are an integral part of these Consolidated Financial Statements.

Procaps Group, S.A. and subsidiaries (The Group)
Consolidated Statement of Changes in Equity (Deficit)
As of December 31, 2023, 2022 (restated) and 2021 (restated)
(In thousands of United States Dollars, unless otherwise stated)

	Attributable to equity holders of the Company							
	Share Capital	**Share premium account**	**Other reserves[2]**	**Accumulated deficit**	**Accumulated other comprehensive loss**	**Total**	**Non-controlling interest**	**Total equity (deficit)**
Balance as of January 1, 2021 (As Previously Reported)	**$ 2,001**	**$ 54,412**	**$ 39,897**	**$ (327,344)**	**$ (24,421)**	**$ (255,455)**	**$ 777**	**$ (254,678)**
Restatement for correction of errors	—	—	—	(28,589)	565	(28,024)	—	(28,024)
Balance as of January 1, 2021 (As restated)	**$ 2,001**	**$ 54,412**	**$ 39,897**	**$ (355,933)**	**$ (23,856)**	**$ (283,479)**	**$ 777**	**$ (282,702)**
Loss for the year 3	—	—	—	(106,992)	(751)	**(107,743)**	—	**(107,743)**
Transfer to reserves	—	—	2,852	(2,852)	—	**—**	—	**—**
Other comprehensive (loss)/income for the year	—	—	—	—	1,729	**1,729**	(1,717)	**12**
Non-controlling interest	—	—	—	—	(1,717)	**(1,717)**	—	**(1,717)**
Termination of put option agreements	903	297,796	—	—	—	**298,699**	—	**298,699**
Subtotal	**2,904**	**352,208**	**42,749**	**(465,777)**	**(24,595)**	**(92,511)**	**(940)**	**(93,451)**
Capital restructuring of Crynssen Pharma Group Limited (at exchange ratio of 1:33.4448)	(1,933)	1,933	—	—	—	—	—	**—**
Subtotal - restructured	**971**	**354,141**	**42,749**	**(465,777)**	**(24,595)**	**(92,511)**	**(940)**	**(93,451)**
Acquisition of Union Acquisition Corp. II	202	174,738	—	—	—	**174,940**	—	**174,940**
Shares held in escrow	(117)	(106,247)	—	—	—	(106,364)	—	(106,364)
Redemption of redeemable shares	(45)	(44,955)	—	—	—	**(45,000)**	—	**(45,000)**
Other	**—**	**—**	**—**	**(114)**	**—**	**(114)**	**—**	**(114)**
Balance as of December 31, 2021 (As restated)	1,011	377,677	42,749	(465,891)	(24,595)	**(69,049)**	(940)	**(69,989)**
Profit for the year	—	—	—	36,126	—	**36,126**	—	**36,126**
Transfer to reserves	—	—	2,994	(2,994)	—	**—**	—	**—**
Other comprehensive (loss)/income for the year	—	—	—	—	(3,495)	**(3,495)**	3	**(3,492)**

Non-controlling interest	—	—	—	—	**3**	**3**	—	**3**
Other	—	—	—	218	—	**218**	—	**218**
Balance as of December 31, 2022 (As restated)	**$ 1,011**	**$ 377,677**	**$ 45,743**	**$ (432,541)**	**$ (28,087)**	**$ (36,197)**	**$ (937)**	**$ (37,134)**
Profit for the year	—	—	—	40,343	—	**40,343**	—	**40,343**
Transfer to reserves	—	—	4,495	(4,495)	—	—	—	—
Other comprehensive income/(loss) for the year	—	—	—	—	(2,150)	**(2,150)**	(9)	**(2,159)**
Non-controlling interest	—	—	—	—	(9)	**(9)**	—	**(9)**
Treasury shares acquired1	—	(2,184)	—	—	—	**(2,184)**	—	**(2,184)**
Other	—	—	—	407	—	407	—	407
Balance as of December 31, 2023	**1,011**	**375,493**	**50,238**	**(396,286)**	**(30,246)**	**210**	**(946)**	**(736)**

[1] Comprises the cost of the Company's shares held by the Group . As of December 31, 2023, the Group held 653,784 of the Company's Ordinary Shares.

[2] Includes the appropriate values from net income to comply with legal provisions related to asset protection according to applicable jurisdictions with cumulative earnings.

[3] Includes the OCI related to foreign currency exchange difference from liquidated foreign operations reclassified to Other Expenses, net for the year ended December 31, 2021.

*Refer to Note 4. Independent Investigation and Restatement

The accompanying notes are an integral part of these Consolidated Financial Statements.

Procaps Group, S.A. and subsidiaries (The Group)
Consolidated Statement of Cash Flows
For the years ended December 31, 2023, 2022 (restated) and 2021 (restated)
(In thousands of United States Dollars, unless otherwise stated)

		For the year ended December 31		
	Notes	2023	2022 As restated*	2021 As restated*
Operating activities				
Profit/(loss) for the year		**$ 40,343**	**$ 36,126**	**$ (106,992)**
Adjustments to reconcile net profit (loss) with cash flow from operating activities before changes in working capital:				
Depreciation of property, plant and equipment	15	5,781	5,656	6,072
Depreciation of right-of-use assets	16	6,170	6,255	4,223
Amortization of intangibles	14	6,243	4,933	4,817
Income tax expense	12	5,617	11,613	13,091
Finance (income) expense	10	21,128	(37,926)	78,839
Share-based payment expense (listing expense)	11	—	—	73,917
Unrealized net foreign currency exchange difference		(24,869)	1,652	—
Share of result of joint ventures		(503)	919	305
Loss on sale/ Net (gain) of property, plant and equipment	15	560	450	(477)
Net loss on sale or disposal of intangibles	14	56	187	—
Impairment loss on property, plant and equipment	15	6,723	4,689	—
Impairment loss on right-of-use assets	16	374	356	—
Impairment loss on intangible assets	14	859	135	—
Impairment loss on goodwill	13	5,791	838	—
Inventory provision	18	12,132	6,332	5,254
Expected credit loss (reversals)	19	2,931	2,673	(819)
Provisions	24	91	43	—
Cash flow from operating activities before changes in working capital		**89,427**	**44,931**	**78,230**
Changes in working capital:				
Trade and other receivables, net		(5,570)	(10,799)	(15,617)
Amounts owed by related parties		2,284	470	1,376
Inventories, net		6,591	(34,109)	(20,433)
Current taxes assets		2,864	895	(5,308)
Other current assets		1,433	—	(5,479)
Trade and other payables		32,511	(29,997)	20,975

Amounts owed to related parties		3,271	49,180	(85)
Current taxes liabilities		(6,507)	(6,708)	1,675
Other liabilities		(8,034)	7,062	(6,519)
Provisions	24	(101)	(416)	—
Other financial assets		(7,626)	143	561
Other assets		2,560	2,206	(2,660)
Cash generated from operations		**113,103**	**22,858**	**46,716**
Dividends received		—	—	300
Income tax paid		(5,468)	(7,308)	(11,562)
Cash flow provided by operating activities		**$ 107,635**	**$ 15,550**	**$ 35,454**
Investing activities				
Acquisition of property, plant and equipment	15	(20,331)	(23,157)	(15,437)
Proceeds from sale of property, plant and equipment		—	1,681	954
Acquisition and development of intangibles	14	(12,462)	(10,963)	(10,403)
Proceeds from related parties	31	42	61	28
Payment of hedging derivative financial instruments		(1,878)	—	—
Cash flow used in investing activities		**(34,629)**	**(32,378)**	**(24,858)**
Financing activities				
Proceeds from borrowings	21	83,253	136,257	280,794
Payments of borrowings	21	(137,955)	(124,916)	(272,301)
Advances from related parties	31	—	61	—
Payments to related parties	31	—	(7,191)	(9,154)
Interest paid on borrowings		(34,832)	(10,028)	(17,428)
Payment of lease liabilities	21	(5,992)	(6,679)	(8,854)
Repurchase of treasury shares		(2,184)	—	—
Redeemed shares	25	—	—	(45,000)
Cash obtained in acquisition (reverse reorganization)	25	—	—	129,986
Other distributions		(120)	(300)	(200)
Cash flow (used in) generated from financing activities		**$ (97,830)**	**$ (12,796)**	**$ 57,843**
Net (decrease) increase in cash		**(24,824)**	**(29,624)**	**68,439**
Cash at beginning of the year		43,003	72,112	4,229

Effect of foreign currency exchange rate changes		(665)		515		(556)
Cash at end of the year	**$**	**17,514**	**$**	**43,003**	**$**	**72,112**
Non-cash financing and investing activities [1]	**$**	**60,165**	**$**	**50,897**	**$**	**64,280**

[1] For the year ended December 31, 2023, non-cash investing and financing activities include new lease liabilities $2,574 (2022: $12,647, 2021: $7,283), interest capitalization on property, plant and equipment under IAS 23 $912 (2022: $196, 2021: $571), invoices from suppliers financed via reverse factoring classified as Borrowings $47,161 (2022: $32,358, 2021: $48,138) and derivative financial liabilities $1,792 (2022: $0, 2021: $0). For the year ended December 31, 2021, it also included 50% of the purchase price for the acquisition of a pharmaceutical production facility $744, termination of the put option agreements in exchange for new equity instruments in Procaps Group, S.A. $(239,273) (refer to Note 25. Shareholder's equity), and conversion of SPAC Warrants to Warrants in Procaps Group, S.A. $29.

*Refer to Note 4. Independent Investigation and Restatement

The accompanying notes are an integral part of these Consolidated Financial Statements.

(In thousands of United States Dollars, unless otherwise stated)

Note 1. General Company Information

Procaps Group, S.A., (the "Company"), a public limited liability company (société anonyme) governed by the laws of the Grand Duchy of Luxembourg and its subsidiaries (collectively, the "Group") primarily engages in developing, producing and marketing pharmaceutical solutions. Further information about the Group's business activities, reportable segments and related party relationships is included in Note 8. Revenue, Note 9. Segment reporting and Note 33. Events after the reporting period, respectively.

The Group's principal subsidiaries as of December 31, 2023 and 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of Ordinary Shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/country of incorporation	Ownership interests held by the Group		Principal activities
		2023	2022	
Procaps S.A.	Colombia	**100%**	100%	Manufacturing and distribution of prescription and over-the-counter pharmaceutical products.
C.I. Procaps S.A.	Colombia	**100%**	100%	
Procaps S.A. de C.V	El Salvador	**100%**	100%	
Softcaps - Colbras	Brazil	**100%**	100%	
Diabetrics Healthcare S.A.S.	Colombia	**100%**	100%	Diabetes solutions and chronic disease management tool.

There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities.

The Consolidated Financial Statements of the Group for the years ended December 31, 2023, 2022 and 2021 comprise the Group and its interest in joint ventures, investments and operations. The Group prepares and publishes its Consolidated Financial Statements in United States Dollars ("USD"), and the numbers are rounded to the thousands of USD unless otherwise stated. Foreign operations are included in accordance with the policies set out in Note 2.2. Functional and reporting currency.

The Consolidated Financial Statements were authorized for issue by the Board of Directors on November 6, 2025.

Reverse reorganization

On March 31, 2021, Union Acquisition Corp. II, a publicly-traded special purpose acquisition company previously listed on the NASDAQ under "LATNU" domiciled in the Cayman Islands ("SPAC"), Crynssen Pharma Group Limited, a private limited liability company registered under the laws of Malta ("OpCo"), Procaps Group, S.A. ("Holdco") and OZLEM Limited, an exempted company incorporated under the laws of the Cayman Islands ("Merger Sub"), entered into a Business Combination Agreement (the "Business Combination Agreement" or "BCA" or the "Transaction").

The Transaction was approved at an Extraordinary General Meeting of LATNU's shareholders on September 22, 2021 and subsequently consummated on September 29, 2021.

As a result of the consummation of the Transaction, OpCo and SPAC had become direct wholly-owned subsidiaries of Holdco and the OpCo shareholders and SPAC shareholders became holders of issued and outstanding Holdco Ordinary Shares: Procaps Group, S.A.

Emerging Growth Company Status

Procaps Group, S.A. is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). The Group will remain an emerging growth company until the earliest of:

- The last day of the first fiscal year (a) following the fifth anniversary of a public equity offering, (b) in which its annual gross revenue totals at least $1.235 billion or (c) when the Group is deemed to be a large accelerated filer, which means the market value of the Group's Ordinary Shares held by non-affiliates exceeds $700 million as of the prior June 30th; and

- The date on which the Group has issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

Grupo Somar and Pearl Mexico Acquisition

On May 16, 2022, Procaps Group, S.A. entered into a Stock Purchase Agreement (the "SPA") with AI Global Investments PCC Limited (Netherlands), a protected cell company limited by shares organized under the laws of the Island of Guernsey ("PCC"), acting for and on behalf of the Soar Cell, Triana Capital S.A. de C.V., a corporation organized under the laws of Mexico ("Triana"), AI Pearl (Netherlands) B.V., a private limited company (besloten vennootschap met beperkte aansprakelijkheid) incorporated under the laws of the Netherlands ("Pearl Holding Seller"), Perrigo Ireland 7 DAC, a company duly organized and validly existing under the laws of the Republic of Ireland ("Pearl Ireland", and together with PCC, Triana and Pearl Holding Seller, each a "Seller" and collectively, the "Sellers"), AI Soar (Netherlands) BV, a (besloten vennootschap met beperkte aansprakelijkheid) incorporated under the laws of the Netherlands ("Somar Holding Company"), Química y Farmacia S.A. de C.V., a Sociedad Anónima de Capital Variable duly organized and validly existing under the laws of Mexico ("Quifa"), PDM Acondifarma S.A. de C.V., a Sociedad Anónima de Capital Variable duly organized and validly existing under the laws of Mexico ("PDM"), Gelcaps Exportadora de México S.A. de C.V., a Sociedad Anónima de Capital Variable duly organized and validly existing under the laws of Mexico ("Gelcaps", and together with Quifa and PDM, "Pearl Mexico") and Grupo Farmacéutico Somar S.A.P.I. de C.V., a Sociedad Anónima Promotora de Inversión de Capital Variable organized under the laws of Mexico ("Somar" and together with Somar Holding Company, "Grupo Somar", and together with Pearl Mexico, the "Targets") (the "Acquisition").

The Acquisition, which was expected to close in the fourth quarter of 2022, was delayed indefinitely and subsequently terminated on January 1, 2023, after the Group was informed by the Sellers that a court in Mexico City issued a precautionary lien affecting a portion of capital stock of Grupo Somar in connection with a pending dispute that involves an investment by a fund managed by Advent International but that is otherwise unrelated to the Sellers, Grupo Somar, the Group, or the Acquisition.

Debt Commitment Letter and Bridge Loan Credit Agreement

Concurrently with the execution of the SPA, the Group, as borrower, entered into a Commitment Letter with Bank of America, N.A., BofA Securities, Inc., JPMorgan Chase Bank, N.A. and Morgan Stanley Senior Funding, Inc. ("Commitment Letter") for a bridge loan of up to $485 million (the "Bridge Loan"), which would have been guaranteed by each existing and future direct and indirect material subsidiary of the Group, and the Targets and each of their subsidiaries upon the Closing. The Bridge Loan would have also been secured by a pledge from the Group of its shares in the Targets. The proceeds of the Bridge Loan would have been used, together with the Group's cash on hand, to finance the cash portion of the purchase price of the Acquisition (including related fees and expenses) and, in the event necessary, to prepay certain of the Group's existing debt.

On October 11, 2022, Procaps Group, S.A. entered into a Credit Agreement with Bank of America, N.A., BofA Securities, Inc., JPMorgan Chase Bank, N.A. and Morgan Stanley Senior Funding, Inc. who are the book runners and joint arrangers (the "Bridge Credit Agreement") for the Bridge Loan. The Bridge Credit Agreement terms are consistent with the terms of the Commitment Letter. The Bridge Credit Agreement effectively replaced the Commitment Letter upon its execution.

Following the Group's termination of the SPA, the Group advised the joint arrangers and book runners on January 1, 2023 of its desire to terminate the transaction documents (including, without limitation, the commitments under the Bridge Credit Agreement and, for the avoidance of doubt, any commitments under the Commitment Letter) and pay all outstanding obligations, amounting to $5,719, under the Bridge Credit Agreement and any other transaction document as of January 10, 2023.

Senior Notes Amendment

The Group intended to prepay in full the aggregate principal amount of the 4.75% guaranteed senior notes due November 12, 2031 (the "Senior Notes") issued by Procaps, S.A., the Group's subsidiary, pursuant to a note purchase agreement (the "NPA") entered into on November 5, 2021, with the noteholders thereunder (collectively, the "Noteholders"), together with interest accrued thereon to the date of such prepayment and the make-whole amount determined for the date of such prepayment pursuant to the NPA (the "Notes Payoff"). The Group previously expected that the closing of the Acquisition would occur on October 14, 2022, and accordingly, pursuant to the requirements of the NPA, delivered advance notice to the Noteholders of the Notes Payoff to occur on such date. As a result of a delay and subsequent termination in the closing of the Acquisition, the expected borrowing under the Credit Agreement did not occur, and the Group was unable to complete the Notes Payoff on the date scheduled, which technically constituted an event of default under the NPA. The Noteholders informed the Group that they would not exercise any rights or remedies under the NPA due to such technical default pending entry into an amendment to the NPA formally waiving such default, and the Group and the Noteholders executed temporary waivers in connection therewith. On November 1, 2022, the Group and the Noteholders entered into an amendment to the NPA (the "NPA Amendment"), formally waiving the technical default and which also (i) provided the Group the ability, until November 30, 2022, to prepay the Senior Notes with two business days' notice, (ii) provided that the make-whole amount under the NPA shall in no case be less than $1,488, and (iii) provided that, if the Notes Payoff did not occur on or prior to November 30, 2022, a waiver fee of 3.75% per annum on the outstanding principal amount of Senior Notes outstanding shall (a) accrue from (and including) October 14, 2022 and (b) be payable to the Noteholders on the 12th day of February, May, August and November in each year (commencing on February 12, 2023), on the maturity date of such Senior Note and on each other date on which interest on such Senior Note is due and payable in accordance with the terms of the NPA and such Senior Note. The Notes Payoff did not occur on or prior to November 30, 2022, therefore triggering the 3.75% per annum waiver fee on the outstanding principal amount of Senior Notes with the terms mentioned above. Refer to Note 21. Borrowings for further detail on impact of the NPA Amendment.

Ongoing Military Operation in Ukraine and Related Sanctions

The ongoing military operation in Ukraine and the related sanctions targeted against the Russian Federation have disrupted international commerce and the global economy. In 2023, a subsidiary of the Group located in Colombia entered into a standard, arms-length commercial agreement with a Russian entity and began the sale and shipment of goods to Russia, which is permissible under the current US sanctions to Russia as established by the Office of Foreign Assets Control (OFAC). The Group does not hold any investments or assets in Russia and the sales to Russia for the year ended December 31, 2023 represent less than 1% of the total sales of the Group. The Group performed an initial compliance diligence before engaging in transactions and as of December 31, 2023, management evaluated if any risk associated with these transactions existed and concluded that there were no financial or any other risks identified. The Group does not have any other direct exposure to Ukraine, Russia or Belarus considering there are not any additional existing operations or sales in those locations, but management will continue to monitor new implementations of US restrictions and prohibitions related to transactions with Russia.

The length and severity of the effects on its business and the global economy are inherently unpredictable. Management will continue to monitor the effects of the war in Ukraine and its potential further impacts, including global supply chain disruptions, inflation, and high interest rates, when making certain estimates and judgments relating to the preparation of the Consolidated Financial Statements of the Group.

Note 2. Basis of preparation and accounting

The Consolidated Financial Statements of the Group for the years ended December 31, 2023, 2022 and 2021 have been prepared on a going concern basis in accordance with IFRS Accounting Standards as adopted by the European Union.

The Consolidated Financial Statements consist of the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and have been prepared under a historical cost basis, except for certain financial instruments that have been measured at fair value.

The Group opted to present a single Consolidated Statement of Profit or Loss and Other Comprehensive Income, combining the presentation of profit or loss and comprehensive income in the same statement. Due to the activities of the Group, costs and expenses presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income were classified according to their function.

The Consolidated Statement of Financial Position has been prepared based on the nature of the Group's operations, distinguishing: (a) current assets from non-current assets, where current assets are assets that should be realized, sold or used during the normal operating cycle, the assets are held primarily for the purpose of trading, or the assets owned with the aim of being sold in the short term (within 12 months); (b) current liabilities from non-current liabilities, where current liabilities are liabilities that should be paid during the normal operating cycle, , the liability is held primarily for the purpose of trading, the liability is due to be settled within twelve months after the reporting period, or it does not have the unconditional.

The Consolidated Statement of Cash Flows has been prepared using the indirect method.

The Consolidated Financial Statements present comparative information in respect of the previous periods, 2022 and 2021 for Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and related notes. Foreign operations are included in accordance with the policies set out in Note 2.2. Functional and reporting currency.

The accounting policies set out in Note 3. Material information on accounting policies have been applied in preparing the Consolidated Financial Statements for the year ended December 31, 2023, and the comparative information presented for the years ended December 31, 2022 and 2021.

The Group has applied accounting judgments, estimates and significant accounting assumptions described in Note 5. Critical accounting judgements and key sources of estimation uncertainty in preparing the Consolidated Financial Statements.

Note 2.1. Going concern

Management identified the following events and conditions which cast significant doubt on the Group's ability to continue as a going concern:

Financial debt

As of December 31, 2023, the Group was in breach of certain of the covenants included under the Club Deal Credit Agreement, Note Purchase Agreement ("NPA") and BTG agreements. Refer to Note 21. Borrowings for further details regarding the breach of each covenant. Although none of the lenders declared an event of default under the applicable agreements, these breaches resulted in the lenders having the right to require immediate repayment of the applicable indebtedness and as a result, the Group has classified the respective indebtedness, amounting to $190.3 million in the aggregate, to short term debt in current liabilities.

In 2024, Club Deal, NPA and BTG included payment commitments, of which $19.3 million corresponding to Q1 2024 and Q2 2024 were duly settled. However, in Q3 2024, the Group experienced an adverse liquidity situation that resulted in a missed payment of $18.7 million. In response, the Group initiated a debt renegotiation process, under which its outstanding obligations were categorized as follows:

- Categories 1, 2, and 3 comprise the so-called financial debt, amounting to approximately USD 30 million. The restructuring of this debt was finalized in December 2024, with payment commitments as follows: monthly installments during 2026 (Category 1); a single payment in December 2025 (Category 2); and principal repayment during 2026 with monthly interest payments from January 2025 through December 2026 (Category 3). It is important to note that these debt instruments are not subject to any covenant requirements.

- Category 4 corresponds to the largest credit facilities, amounting to approximately USD 190 million, entered into with Club Deal; NPA; and BTG Pactual S.A and Banco BTG Pactual S.A. Negotiations related to these borrowings were concluded in April 2025 and resulted in revised interest rates, extended amortization schedules and new covenants, and enhanced collateral packages. Refer to Note 33. Borrowings for further details.

Private capital raise

On March 24, 2025, the Board of Directors of Procaps Group, S.A. approved (i) the issuance, through a private offering of ordinary shares ofUS$90,000,000; and (ii) the amendment to the Secured Convertible Note Subscription Agreement dated November 29, 2024, by and between the Company and Hoche Partners Pharma Holdings S.A., pursuant to which the Company issued the Secured Convertible Note to Hoche on November 29, 2024, in the principal amount of US$20,000,000 (the "First Note"), and the Secured Convertible Note to Hoche on December 27, 2024, in the principal amount of US$20,000,000.

Shareholders' agreement

In November 2024, a Master Termination and Release Agreement was executed between the Minsky Family Group and Procaps, reflecting the parties' mutual intention to terminate all obligations that any entity within the Procaps Group might owe, be required to pay, or otherwise perform in favor of any individual or entity of the Minsky Family Group and its Affiliates, arising from or related to any of the existing Agreements, with the exception of those defined as Excluded Agreements (collectively, the "Terminated Obligations"). Accordingly, each member of the Family Group, individually and on behalf of its respective affiliates, fully and irrevocably releases the Group from all of the Terminated Obligations; and waives and agrees not to bring, initiate or pursue, directly or indirectly, any claim, action or proceeding (whether judicial, administrative or extrajudicial) against any member of the Group arising from, related to or in connection with the Terminated Obligations.

As a result of the private capital raise and the related agreement, the ownership structure of the Entity was modified, resulting in a reduction of the former shareholders' interest. In addition, following changes in Senior Management, the Company implemented a renewed corporate governance framework, aligned with international best practices and the standards applicable to a publicly listed entity, thereby strengthening its culture of ethics, transparency, and compliance.

Working capital

As of December 31, 2023, the Group had a net working capital deficit of $126,006 (2022: $106,985, 2021: $71,391), which consists of $268,389 of current borrowings, $1,792 of hedging derivative financial instruments, $93,063 of trade and other payables, $21,233 of amounts owed to related parties, $7,819 of current tax liabilities, net, $142 of provisions, $9,213 of other non-financial liabilities, offset by $275.645 of current assets.

Management's assessment

Management assessed the Group's cash flow projections, its ability to meet future levels of EBITDA and to meet its obligations and sustain its operations for the next twelve months from the issuance date. Based on the Group's cash flow projections, Management believes that the Group will have sufficient funds to repay their obligations as they fall due and to meet its financial covenants. However, due to the uncertainty caused by current economic conditions, including inflation growth, increasing interest rates, global disruption to the supply chain, volatility in foreign exchange rates and industry price regulations, there is a material uncertainty regarding the Group's ability to achieve the liquidity levels required to meet its financial covenants. The Group's failure to comply with such financial covenants would result in an event of default, which could materially adverse affect the Group's business, financial condition, liquidity and results of operations. In that event, the Group would seek additional waivers or alternative financing arrangements. As a result of these material uncertainties, Management concluded the above conditions and events raise significant doubt about the Group's ability to continue as a going concern.

Management has implemented or is in the process of implementing the following plan to mitigate the effects of these events and conditions:

Revenue growth and cost saving

Management has identified specific opportunities for revenue growth. Revenue growth initiatives include the (i) diversification of the customer base for the Nextgel business line and (ii) the partial recovery of unfulfilled sales in 2024, estimated, primarily due to liquidity constraints, which have been addressed through a private capital raise executed in the first half of 2025.

In addition, the Group has identified several gross margin improvement measures. These include negotiations with current and new suppliers to reduce raw material costs, realization of efficiencies from previously implemented cost-saving initiatives, price adjustments, and optimization of the product mix with a focus on higher-margin offerings.

Additional measures

Management has identified additional measures which could be implemented to further reduce costs and increase total revenues in order to provide sufficient cash flow to meet obligations as they fall due including: 1) reduce discretionary spending on marketing and capital expenditures; 2) sell additional trademarks and sanitary records not aligned with current plan; and 3) the execution of a strategic divestment plan involving non-core assets,; 4) further reduce headcount.

Summary

Management has evaluated the Group's capital position, its ability to continue in the normal course of business for the foreseeable future, specifically regarding its ability to meet its financial obligations for the next twelve months from the issuance date. While Management believes that their revenue growth and cost savings, will allow the group to be able to meet its financial obligations and finance its growth, there is no assurance that these plans can be successfully implemented to generate the liquidity required to meet the Group's needs. Failure to successfully implement these plans may have a material adverse effect on the Group's business, results of operations and financial position, and may materially adversely affect its ability to continue as a going concern. As a result, Management concluded there is material uncertainty related to the events and conditions noted above that cast significant doubt on the entity's ability to continue as a going concern. However, Management believes that the Group will be able to successfully implement these plans and, accordingly, have prepared the consolidated financial statements on a going concern basis. As a result, the consolidated financial statements do not include any adjustments relating to the recoverability or classification of assets, the amounts or classification of liabilities, or any other adjustments that might be necessary should the Group be unable to continue as a going concern.

Note 2.2. Functional and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in USD, which is Procaps Group, S.A. functional and presentation currency.

Note 2.3. Basis of consolidation

The Group's subsidiaries are fully consolidated from the date on which control is transferred to the Group. Consolidation ceases from the date on which control ends.

All financial results are consolidated with similar items on a line-by-line basis. If necessary, adjustments are made to the financial statements of the consolidated companies in order to adapt their accounting policies to those used by the Group.

All transactions, balances, revenues and related expenses between the consolidated companies are eliminated.

2.3.1. Reverse reorganization

The SPAC did not meet the definition of a business because it lacked substantive processes as defined by IFRS 3 - Busines Combination. Thus, the Transaction was accounted for as an asset acquisition in exchange for a share based payment within the scope of IFRS 2 - Shared based payment.

The Transaction was treated as a common control transaction due to the fact both OpCo and Holdco are ultimately controlled by the same party or parties, that are all controlled by the Minski family, both before and after the Transaction, and that control is not transitory. Management concluded that it would be appropriate to account for it as a restructuring using book value accounting in Holdco's Consolidated Financial Statements, on the basis that there has been no business combination between Opco and Holdco.

For purposes of calculating earnings per share, shareholders' equity of the Group prior to the Transaction was retrospectively adjusted as a capital restructuring for the equivalent number of shares received and on a pro rata basis for prior reporting periods. Retained earnings and relevant reserves of the Group were carried forward after the Transaction. Any difference to shareholders' equity of Group arising from the restructuring of share capital and equity instruments issued was recorded in equity under share premium.

Refer to Note 28.1. Reverse reorganization for further information related to the accounting and presentation of the Transaction.

Note 3. Material information on accounting policies

Note 3.1. Goodwill

Goodwill arising from the acquisition of a business is recorded at cost at the acquisition date, less accumulated impairment losses, if any.

Goodwill is stated at cost and not amortized but is tested for impairment on an annual basis and whenever there is an indicator that the cash-generating unit to which goodwill has been allocated may be impaired.

3.1.1 Goodwill impairment

Goodwill is tested for impairment annually at the cash-generating unit level, which is the level at which the assets generate largely independent cash inflows and are monitored for internal management purposes. An impairment loss is recognized whenever the carrying amount of an asset or the related cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and are not subsequently reversed.

Impairment losses recognized for cash-generating units first reduce allocated goodwill and then the carrying amounts of the other non-financial assets in the unit on a pro rata basis.

Refer to Note 13. Goodwill, net and Note 5. Critical accounting judgements and key sources of estimation uncertainty for further information on the goodwill exposure and estimates applied, respectively.

Note 3.2. Transactions in foreign currency

When preparing the financial statements of the individual underlying entities of the Group, transactions in a currency other than the functional currency of the entity ("foreign currency") are recorded using the exchange rates in effect on the transaction date. At the end of each reporting period, monetary items denominated in a foreign currency are translated at the exchange rates prevailing at that date. Non-monetary items calculated in terms of historical cost, in foreign currency, have not been translated.

For purposes of presenting the Consolidated Financial Statements, the assets and liabilities of the Group's foreign currency transactions are expressed in USD, using the exchange rates prevailing at the end of the respective reporting period. Revenues and expenses are translated at the average exchange rates for the respective period. The exchange differences that arise, if applicable, are recognized through other comprehensive income and are accumulated in equity (attributed to the non-controlling interests when appropriate).

Note 3.3. Leases - Right-of-use assets & lease liabilities

The Group assesses whether a contract is or contains a lease at contract inception. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of less than 12 months) and leases of low value assets (defined as assets with a value less than five thousand USD). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, and payments for these leases are presented in the combined statements of cash flows from operating activities.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, any initial direct costs and less any lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are depreciated starting at the commencement date and over the shorter period of useful life of the underlying asset (in the case the lease transfers ownership of the underlying asset to the Group by the end of the lease term or cost of the right-of-use assert reflects that the Group will exercise a purchase option) and lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate specific to the country, term and currency of the contract. In addition, the Group considers its recent indebtedness as well as publicly available data for instruments with similar characteristics when calculating the incremental borrowing rates.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate known at the commencement date, and purchase options or extension option payments if the Group is reasonably certain to exercise these options. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and right-of-use asset and are recognized as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year/period in which the event or condition that triggers those payments occur.

A lease liability is remeasured upon a change in the lease term, changes in an index or rate used to determine the lease payments or reassessment of exercise of a purchase option. The corresponding adjustment is made to the related right-of-use asset.

The lease liability is presented in Borrowings and the right-of-use assets are presented in a single line in the Consolidated Statement of Financial Position.

Note 3.4. Financial Instruments

Financial assets and liabilities are recognized when an entity of the Group becomes party to the contractual provisions of an instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than those designated at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, when appropriate, at initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities designated at fair value through profit or loss are recognized immediately through profit or loss.

3.4.1 Classification of financial assets

If and when applicable the Group follows the framework and requirements outlined in IFRS 9 - Financial Instruments to classify financial assets based on whether:

- The financial asset is held within a business model whose objective is to collect contractual cash flows or whose objective is achieved through the collection of contractual cash flows and the sale of financial assets; and

- The contractual terms give rise to cash flows that are only payments of principal and interest.

By default, all other financial assets are subsequently measured at fair value through profit or loss.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore, measures them subsequently at amortized cost using the effective interest method.

3.4.2 Gains and losses in foreign currency

Trade receivables denominated in a currency other than the subsidiaries' functional currency are determined in that foreign currency and converted to the subsidiaries' functional currency at the end of each reporting period using the then prevailing spot rate. Exchange differences are recognized through profit or loss and are classified within other expenses.

3.4.3 Impairment of financial assets

The Group recognizes an impairment for expected credit losses on trade and other receivables.

The Group applies the 'simplified' approach as required by IFRS 9 - Financial Instruments since generally the Group's trade receivables do not include a significant financing component. The Group recognizes the lifetime expected credit losses over the life of the trade receivables.

Other receivables are generally assessed individually and a lifetime expected credit loss is estimated based on the receivable and debtor specific facts and circumstances.

3.4.4 Definition of default

The Group considers that an event of default has occurred when more than 50% of the customers trade receivable balance is more than 90 days overdue, unless there is reasonable and supportable information to demonstrate that such default is not in existence.

3.4.5 Impaired trade receivables

A financial asset has been impaired when one or more events have occurred that have a negative impact on the estimated future cash flows of the trade receivable. The evidence of credit impairment includes observable data on the following events:

- significant financial difficulty of the customer;

- customer enters into or is likely to enter into bankruptcy;

- a breach of contract, such as an expired event; and

- for economic or contractual reasons one or more concessions have been granted.

3.4.6 Measurement of impairment

The expected credit losses on trade receivables are estimated using a methodology where a probability of default is estimated based on historical information, adjusted for current and forecasted economic conditions, if applicable. If applicable and significant, the Group may adjust the provision based on a probability weighting of various scenarios and factors in the time value of money:

- Probability of default ('PD'): The PD is derived by analyzing a rolling dataset of twenty-four months in which trade receivables are tracked and analyzed as they move through the aging buckets.

- Loss given default: The Group typically defines the loss given default to be one hundred percent.

- Exposure at default: The trade receivable balance as of the reporting date, net of advances and credit notes.

  As of the reporting dates presented, the Group has not deemed these to be significant.

The Group estimates the probability of default at the pool level and then applies such pool level PD to the trade receivables within that pool. The Group generally defines each pool within its main subsidiaries as:

- Domestic

- Export

- Government

- Related parties

The Group recognizes an impairment loss or gain in the aggregate for all trade receivables as a provision with corresponding amount recognized in *Sales and marketing expenses*.

The Group writes-off individual trade receivables when they become 365 days past due.

3.4.7 Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the asset's cash flows expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group does not transfer or substantially retains all risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its interest retained in the asset and an associated liability for the amounts to be paid. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a loan secured by the consideration received.

Upon derecognition of a financial asset measured at amortized cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognized through profit or loss.

The Group also derecognizes a financial asset when there is information which indicates that the counterparty is in serious financial difficulty and there is no realistic prospect of recovery. The derecognized financial assets may still be subject to compliance activities in accordance with the Group's recovery procedures, taking into account legal advice when appropriate. Any recovery is recognized through profit or loss when occurs.

Accounts receivable factoring

As part of the regular business and in case of immediate cash needs, the Group could sell its accounts receivable (i.e., invoices) to a third party (factor) at a discount. The Group analyzes whether these transactions are *with recourse* or *without recourse* and applies the recognition criteria in IFRS 9 - Financial Instruments to assess whether the arrangement transfers substantially all risks and rewards to the factor. For arrangements *with recourse,* where substantially all risks and rewards have not been transferred, the cash received from the factor is accounted for as a secured borrowing. In the case of arrangements *with recourse*, the assets are not derecognized. In contrast, for arrangements without recourse, where the Group transfers substantially all the risks and rewards of the receivables to the factor, including the credit risk, and retains no significant control, the accounts receivable are derecognized

Note 3.4.8. Derivative financial instrument and hedge accounting

Derivative financial instruments are initially measured at fair value. Subsequent to initial recognition, they are measured at fair value, and changes therein are recognized in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge foreign currency exposure related to net investments in foreign operations. At the inception of the hedge relationship, the Group documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge.

Hedges of net investments in foreign operations

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of a derivative or foreign exchange gains and losses for a non-derivative is recognized as Net investment hedge in Other Comprehensive Income and presented under such concept within Equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the Other income (expense), net. Gains and losses on the hedging instrument are accumulated in Other Comprehensive Income and will be reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

Note 3.5. Inventories, net

Inventories are presented at the lower of acquisition cost or net realizable value. Cost is determined by the weighted average method. The net realizable value represents the estimated sale price less all the estimated termination and selling costs. The cost of finished products and products in progress includes the costs of raw materials, direct labor, other direct costs and the respective direct production expenses (based on normal operating capacity), excluding borrowing costs. Inventories are presented net of the allowances for obsolescence and, in consolidation, net of eliminations of unrealized profit on inventories.

Note 3.6. Property, plant and equipment, net

Property, plant and equipment are measured at historical cost less accumulated depreciation and any impairment loss, except for those acquired in a business combination, which are then recorded at fair value; assets under construction and land are not depreciated. The cost of the property, plant and equipment is the fair value of the consideration initially provided to acquire or construct the item and prepare it for use. Subsequent costs incurred for repair and maintenance, are expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income unless these costs meet the criteria for capitalization (i.e., extension of the useful life). Depreciation commences when the assets are ready for use.

Property, plant and equipment is depreciated based on the straight-line method over estimated useful lives.

An item of property, plant and equipment will be derecognized upon disposal or when future economic benefits from the continued use of the asset are no longer expected. The gain or loss arising from the derecognition is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized through profit or loss.

The useful lives of property, plant and equipment are:

Buildings	20 - 40 years
Machinery and equipment	10 - 20 years
Furniture and fixtures	2 - 10 years
Other equipment	2 - 10 years

Note 3.7. Intangible assets

3.7.1 Internally generated intangible assets

Disbursements originated by research activities are recognized as an expense in the period in which they are incurred.

An internally generated intangible asset as a result of development activities (or the development phase of an internal project) is recognized if, and only if, the following conditions are met:

- It is commercially and technically feasible to complete the production of the intangible asset so that it can be available for use or sale;
- Management intends to complete the intangible asset in question in order to use or sell it or can demonstrate the way in which the intangible asset will likely generate future economic benefits;
- Adequate technical, financial or other resources are available to complete the development and to use or sell the intangible asset; and
- The Group is able to reliably measure the disbursement attributable to the intangible asset during its development.

The expenses incurred in developing new pharmaceutical technologies, combination of active ingredients and formulation improvements meet the conditions of the previous paragraph, usually from the beginning of pilot batches (completion of the experimental batch stage), at which point Management considers that achieving regulatory approval (sanitary records) is a legal formality.

The amount initially recognized for an internally generated intangible asset will be the sum of the disbursements incurred once the element meets the recognition conditions. When an internally generated intangible asset cannot be recognized, development disbursements are charged through profit or loss in the period in which they are incurred.

Subsequent to initial recognition, an internally generated intangible asset will be accounted for at cost less accumulated amortization and the accumulated amount of impairment losses, on the same basis as intangible assets that are acquired separately.

3.7.2 Disposal of intangible assets

An intangible asset is derecognized at the time of its disposal, or when future economic benefits of its use or disposal are not expected. Gains or losses arising from the derecognized of an intangible asset, measured as the difference between the net proceeds from the sale and the carrying amount of the asset, are recognized through profit or loss when the asset is derecognized.

3.7.3 Impairment of definite-lived tangible and intangible assets and intangibles not yet available for use, and other assets

At the end of each reporting period, the Group evaluates the carrying amounts of its definite-lived tangible and intangible assets in order to identify any indication that these assets have been impaired. In such a case, the recoverable amount of the asset is calculated in order to determine the extent of the impairment loss (if any). Intangible assets not yet available for use are tested for impairment annually to determine if an impairment loss should be recognized. When it is not possible to estimate the recoverable amount of an individual asset, the Group calculates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of distribution is identified, the common assets are also allocated to the individual cash generating units or distributed to the smallest group of cash generating units for which a reasonable and consistent distribution base can be identified.

The recoverable amount is the higher of the fair value less disposal costs and the value in use. When estimating the value in use, the estimated future cash flows are discounted to the present value, using a pre-tax discount rate that reflects the current market valuations with respect to the time value of money and the specific risks for the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) calculated is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately through profit or loss. If an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) increases to the revised estimated value of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been calculated if the impairment loss had not been recognized for said asset (or cash-generating unit) in previous years. The reversal of an impairment loss is automatically recognized through profit or loss.

3.7.4 Amortization of internally generated intangibles

Internally-generated intangible assets such as licenses, bioequivalence studies, new platforms, tablet improvements, combinations and concentrations, and soft gel capsule improvements, among others, are of finite useful lives and their amortization period will begin only when the following two milestones are met:

- The pre-industrial batch is completed with satisfactory results.
- The regulatory body approves the corresponding sanitary records.

When these milestones are met, the capitalized developments will have met the necessary conditions to generate economic benefits in accordance with management’s expectations, so the amortization of the assets begins using the straight-line method through profit or loss during the minimum projected time of generated economic benefits.

(In thousands of United States Dollars, unless otherwise stated)

The amortization will also cease at the earliest of either the date when the asset is classified as held for sale or the date when the asset is derecognized.

3.7.5 Useful lives of intangibles

The following useful lives are used to calculate amortization:

Trademarks	10 – 20 years
Sanitary records	2 - 5 years
Licenses, customers and agreements	3 – 10 years
Product development	3 years

Note 3.8. Financial liabilities and equity instruments

3.8.1 Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and definitions of financial liability and equity instrument.

3.8.2 Equity instruments

An equity instrument consists of any contract that evidences a residual interest in the assets of an entity, after deducting all of its liabilities. Equity instruments issued by a Group entity are recognized for income received, net of direct issuance costs.

The repurchase of equity instruments of the Group is recognized and deducted directly in equity for the amount of consideration paid, which includes directly attributable costs. Repurchased shares are classified as treasury shares and are presented in the Treasury shares reserve. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium. No gain or loss is recognized through profit or loss, arising from the purchase, sale, issue or cancellation of the equity instruments of the Group.

3.8.3 Financial liabilities

Financial liabilities are classified at their inception at fair value minus transaction costs directly attributable to the transaction through profit or loss and subsequently measured at amortized cost, using the effective interest amortization method.

3.8.4 Warrant liabilities

The Group has warrants that are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. Gains and losses will be recorded in profit or loss.

3.8.5 Shares held in escrow

The shares to be delivered, in an escrow, are initially recognized at fair value of the equity instruments granted for services received in an equity-settled share-based payment determined at grant date, and they are subsequently remeasured to their fair value at the end of each reporting period until they are released from escrow or are forfeited.

Note 3.9. Trade and other payables

Trade and other payables are recognized when the Group has a legal or a constructive obligation, as a result of a past event, and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation and the obligation can be measured reliably. These amounts represent liabilities for goods and services provided to the Group prior to the end of the reporting period which are unpaid. The average credit period for purchases is between 90 and 180 days, including cases in which the invoices have been assigned by the supplier to third parties. Other payables correspond mainly to employment obligations and provisions.

Reverse factoring

Suppliers of the Group initiate and enter into reverse factoring arrangements in which the Group participates. Under such arrangements suppliers sell or assign their receivables from the Group to third parties (i.e., 'the factor'), after which the Group pays and settles the underlying invoices directly with the factors. Provided that certain conditions are met, the invoices sold or assigned to factors remain classified within trade and other payables. The criteria are that: 1) the assignment is contractually initiated and decided by the supplier, 2) it does not extend the period in which the Group regularly pays the supplier, 3) the amount of the invoices is not modified, and there are no charges in this regard by third parties. Otherwise, the Group reclassifies those balances as a financial liability, other term loans with a corresponding reclassification from operating cash flows to financing cash flows, for the amount paid to factors.

Note 3.10. Taxes

Income tax expense represents the sum of current income tax payable and deferred tax.

3.10.1 Current tax

Current tax is based on the taxable income registered during the year. The taxable income differs from the income reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, due to the items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The liabilities of the Group for current tax purposes are calculated using the tax rates enacted or substantially approved at the end of the respective reporting period.

3.10.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of the assets and liabilities included in the Consolidated Financial Statements and the corresponding tax basis used to determine the taxable income. The deferred tax liability is generally recognized for all temporary tax differences. A deferred tax asset will be recognized, as a result of all deductible temporary differences, to the extent that it is likely that each entity will have future taxable income against which to charge those deductible temporary differences. These assets and liabilities are not recognized if the temporary differences arise from the initial recognition (rather than through a business combination) of other assets and liabilities in an operation that does not affect the taxable income or the accounting income. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

A deferred liability is recognized for taxable temporary differences associated with investments in subsidiaries and joint ventures, and interests in joint ventures, except for those in which the Group is able to control the reversal of the temporary difference and when there is a possibility that it cannot be reversed in the near future. Deferred tax assets arising from the deductible temporary differences associated with such investments and participation are only recognized to the extent that it is likely that each entity will have future taxable profits against which to charge those temporary differences and when there is the possibility that these can be reversed in the near future.

The carrying amount of a deferred tax asset must be reviewed at the end of each reporting period and reduced, to the extent that it is likely that it will not have sufficient taxable income in the future to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates expected to be applied in the period in which the asset is realized or the liability is settled, based on the rates (and tax laws) enacted or substantively enacted at the end of the respective reporting period.

The measurement of deferred tax liabilities and deferred tax assets will reflect the tax consequences that would arise based on each Group company's expectations, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and relate to taxes levied by the same tax authority on the same taxable entity, or on different taxable entities.

3.10.3 Current and deferred taxes

Current and deferred taxes are recognized through profit or loss, except when they relate to items listed in other comprehensive income or directly in equity, in which case the current or deferred tax is also recognized though other comprehensive income or directly in the equity, respectively. In cases of business combinations, when the current tax or deferred tax arises from the initial accounting of the business combination, the tax effect is considered within the accounting of the business combination.

Note 3.11. Provisions, Contingent Liabilities and Contingent Asset

Provisions are recognized when (i) the Group has a present legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.11.1 Disputes and litigation

A provision for disputes and litigation is recognized when it is more likely than not that the Group will be required to make future payments as a result of past events, such items may include but are not limited to claims, lawsuits and actions relating to employment related disputes and claims from tax authorities.

3.11.2 Contingent Liabilities and Contingent Asset

Contingent liabilities are not recognized in the financial statements. However, they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. In contrast, contingent assets are not recognized in the financial statements unless the inflow of economic benefits is virtually certain. In the event the inflow of benefits is probable but not practically guaranteed, the Group does not recognize the asset but discloses relevant information. If the inflow is not probable, no asset is recognized and no disclosure is required.

Note 3.12. Employee benefits

Note 3.12.1. Retirement and termination benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements for actuarial gains and losses are recognized immediately in the Consolidated Statement of Financial Position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs or when the Group recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability.

Defined benefit costs are split into three categories:

- service cost, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense; and
- remeasurements.

The retirement benefit obligation recognized in the Consolidated Statement of Financial Position represents the deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

The Group recognized a net interest expense within finance costs for the year ended December 31, 2023 of $528 (2022: $268, 2021: $67) while remeasurements of the calculations are reflected in the Statement of Other Comprehensive Income. Remeasurements of the calculations represented an increase of $244 (decrease in 2022: $222 and increase in 2021: $195).

Note 3.12.2. Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in the form of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. As of December 31, 2023, the Group recognized employee benefits costs within profit or loss as cost of sales of $33,184 (2022: $28,494 and 2021: $25,051), $43,001 (2022: $41,329 and 2021: $31,973) as administrative expenses and $36,138 (2022: $36,304 and 2021: $30,227) as sales and marketing expense.

Note 3.13. Revenue recognition

The Group recognizes revenues from the sale of pharmaceutical products and the provision of services primarily related to product development projects.

Revenue is measured based on the consideration specified in a contract with a customer and excludes balances collected on behalf of third parties. The Group recognizes revenue when transferring control of a product or service to a customer.

The Group recognizes a variable consideration component in the transaction price when it expects to provide discounts, rebates, early settlement discounts, incentives, refunds, or other similar price reductions to customers, whether explicitly stated in the contract or arising from customary business practices.

Additionally, the transaction price is reduced for payments made to customers that do not represent a separate good or service received, such as commissions or incentives paid for purchases made by the customer itself. These amounts are recognized as a reduction of revenue when they relate directly to the revenue contract.

3.13.1 Sale of goods

Revenue from the sale of goods is recognized when the control of the goods is transferred (both in export and domestic operations) and the performance obligations have been fulfilled by the Group, which occurs when the product is delivered to the location specified by the customer, according to the agreed shipping terms. Revenues are reduced by discounts or rebates and other similar allowances estimated for customers.

3.13.2 License revenues

Revenue from the sale of intellectual property (licenses) is recognized based on the evaluation of whether an entity's commitment to grant a license provides the customer with a right to access intellectual property, which is transferred over time, or a right to use the intellectual property of an entity, which is transferred at a point in time.

The license is a commitment to provide a right to access the entity's intellectual property if all the following criteria are met:

- the contract requires, or the customer reasonably expects, that the entity carries out activities that significantly affect the intellectual property to which the customer is entitled;

- the rights granted by the license directly expose the customer to the positive or negative effects of the entity's activities identified in subsection a above; and

- those activities do not result in the transfer of a good or service to the customer as such activities take place.

If these criteria are not met, the license grants the customer a right to use the license, and the transaction is recognized when the license is granted to the customer.

3.13.3 Service provision

Revenue from service contracts is recognized based on the percentage of completion of the contract. If the Group transfers control of a service to satisfy the performance obligation over time, it then recognizes revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the entity's performance creates or enhances an asset that the customer controls as it is created or enhanced; or
- the entity's performance does not create an asset with an alternative use for the entity and the entity has an enforceable right to payment for performance that has been completed to date.

3.13.4 Sale of trademarks and sanitary records

Revenue from contracts for the sale of a trademark or sanitary records is recognized at the point of the transfer of possession, use, enjoyment and other real and personal rights at the price agreed in the contract, fulfilling the following conditions:

- The customer has the right to all the benefits of the commercial use of the trademark or sanitary records.
- The customer can redirect the use of the trademark or sanitary records.
- The customer is responsible for sales, marketing and advertising activities.
- The customer obtains control of the trademark or sanitary records, which includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, the trademark or sanitary records.

Note 3.14. Segment reporting

An operating segment is a component that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the other components, and for which discrete financial information is available. The Group is engaged in the business of developing, producing and marketing pharmaceutical solutions and related activities and is considered an integrated international healthcare and pharmaceutical company across the three core therapeutic areas: hospitals/clinics, pharmacies (prescription) and over-the-counter (non-prescription).

The Group's customer revenue recognition (external revenue) policy has been consistent with inter-segment revenue generated.

The Group's business is organized and managed through a combination of geographical regions and business units through 40 legal entities, of which 23 are operating entities, divided in five strategic divisions, which are its operating segments. These divisions offer different products and services and are managed separately as they require different technology and marketing strategies. The five operating segments correspond to each of its five reportable segments for financial reporting purposes.

The following summary describes the operations of each reportable segment:

Reportable segment	Operations
NextGel	Development and manufacturing of Softgel and related technologies in USA, Brazil and Colombia
Procaps Colombia	Manufacturing and distribution of prescription and over-the-counter pharmaceutical products in Colombia
CAN	Manufacturing and distribution of prescription and over-the-counter pharmaceutical products in Northern Central America (Salvador, Guatemala, Nicaragua and Honduras)
CASAND	Manufacturing and distribution of prescription and over-the-counter pharmaceutical products in Southern Central America (Panama and Costa Rica) and the North Andes District (Ecuador, Peru and Bolivia)
Diabetrics	Diabetes solutions and chronic disease management tool

The Group's chief executive officer reviews the internal management reports of each division at least quarterly.

Note 3.15. Principles of consolidation and equity method

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Financial Position respectively.

3.15.1. Joint ventures

Joint ventures are arrangements whereby the Group maintains joint control of the underlying net assets of the arrangement with the counterparties. The Group holds a single 50% interest in one joint venture and the Group holds 50% of the voting rights and management board representation. Investments in joint ventures are accounted for using the equity method of accounting, after initially being recognized at cost.

3.15.2. Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in *3.7.3 Impairment of definite-lived tangible and intangible assets and intangibles not yet available for use, and other assets.*

3.15.3. Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

Note 3.16. Earnings Per Share

Earnings per share is computed by dividing basic net income attributable to ordinary shareholders by the weighted-average number of Ordinary Shares outstanding. Diluted income per ordinary share is computed by dividing diluted net income attributable to ordinary shareholders by the weighted-average number of Ordinary Shares outstanding plus dilutive potential Ordinary Shares, if any. Dilutive potential Ordinary Shares include outstanding warrants or other contracts to issue ordinary stock and are determined by applying the treasury stock method or if-converted method, as applicable, if dilutive.

For the years ended December 31, 2023, 2022 and 2021 no dilutive effect has been identified.

Number of shares prior to the Transaction is retrospectively adjusted as a capital restructuring for the equivalent number of shares received and on a pro rata basis for prior reporting periods.

Note 4. Independent Investigation and Restatement

On November 13, 2023, the Company received a letter from Deloitte & Touche SAS, the Company's independent auditors, with respect to its consolidated financial statements for the year ending December 31, 2022. The letter requested that the Audit Committee undertake an independent investigation with respect to two transactions. The first related to a $2.5 million loan dating back to 2012, and the second had to do with a separate, unrelated $700,000 loan. The Deloitte & Touche SAS letter also requested that the independent investigation consider any other transactions that were not properly recorded in the year-end 2022 financial statements. In addition, Deloitte Audit S.à r.l. has withdrawn its examination reports on the consolidated financial statements as of December 31, 2022 and December 31, 2021, originally issued on May 31, 2023 and May 30, 2022, respectively, in accordance with the Notification published by the Company on July 23, 2024 on its website.

On May 1, 2024, the Company announced that it was in the process of conducting an investigation initiated by the Audit Committee of the Board of Procaps with the assistance of independent legal and forensic accounting advisors, into matters relating to the Company's historical accounting treatment and associated financial statement disclosure related to a 2012 related party loan in the amount of $2.5 million (the "Independent Investigation"). In addition, the Company announced that it had determined its inability to timely file its Annual Report on Form 20-F for the fiscal year ended December 31, 2023 ("2023 Form 20-F"), as a result of the ongoing internal investigation. In context of the nature of these findings, the Audit Committee concluded that, as of June 25, 2024, the investigation moving forward would be treated as a Section 10A investigation under the rules of the SEC.

During the course of the Independent Investigation, in October 2024, the Audit Committee reported to the Board certain interim findings relating to additional historical related party, intercompany and other transactions, certain of which were with the awareness and/or at the direction of, senior management of the Company at the time, that involved or appeared to involve accounting errors, misstatements and/or actions or omissions by Company management and employees that violated laws, rules, or regulations.

In light of the discovery of such additional transactions during the Independent Investigation and related accounting issues, on October 7, 2024, the Board, upon the recommendation of the Audit Committee, determined that the Financial Statements, and each as included in any reports, presentations, or similar communications of the Company's financial results, should no longer be relied upon. Accordingly, the Audit Committee determined that a restatement of the Company's Prior Period Financial Statements following the conclusion of the Independent Investigation was required..

As a result of the Company's failure to file its 2023 Form 20-F by the November 11, 2024 extension granted by Nasdaq, on November 13, 2024, the Company was notified by the "Staff" Listing Qualifications Department that the Staff had determined to delist the Company's Ordinary Shares from the Nasdaq Capital Market, unless the Company timely requested a hearing before the Panel, which the Company requested alongside its request for a further stay of any suspension action by Nasdaq pending the ultimate conclusion of the hearing process.

Following the Company's hearing before the Panel, which took place on January 21, 2025, on January 31, 2025, the Company received a letter from the Panel of Nasdaq. This letter notified the Company that the Panel determined to delist the Company's Ordinary Shares from the Nasdaq Capital Market as a result of the Company's failure to demonstrate compliance with Nasdaq Listing Rules 5250(c)(1) and 5250(c)(2) for failing to file periodic and interim financial reports with the SEC. As a result, the Company's Ordinary Shares were suspended from trading on the Nasdaq on February 4, 2025. The Company's ordinary shares have been quoted on the OTC Expert Market under the symbol "PROCF," on an "unsolicited only" basis, since the Nasdaq suspended the trading of the Company's Ordinary Shares on February 4, 2025.

After applying the extensive forensic procedures, the Investigation Team has identified a total of ten transactions which – in the opinion of GT involve illegal acts. The Audit Committee concluded the investigation on January 31, 2025, as amended on February 6, 2025, and was satisfied that the investigation was complete and that the findings of the investigation identified the root causes of illegal acts and related accounting irregularities. In concluding on the Investigation, the Audit Committee advised that the: (i.) accounting impact of the investigative findings, (ii.) completeness procedures to be performed on accounts with identified irregularities, (iii.) tax implications, and related concepts, would be further evaluated as part of the Company's restatement process.

As a result, the Group is restating its consolidated statements of financial position as of December 31, 2022 and January 1, 2022, its consolidated statements of income and other comprehensive income, and its consolidated statements of cash flows for the years ended December 31, 2022 and 2021.

The categories of restatement adjustments and their impact on the previously presented consolidated financial statements are described below.

(a) Recognition of the interest expense of certain loan not attributable to the Group

In 2012, the Group assumed interest payments related to a $2.5 million loan agreement entered into by the Minski family (shareholders of the Group) related to which the Group did not receive any cash proceeds. The agreement expressly stipulated that the Group was only obligated to pay interest, without assuming any liability for the principal, which remained the sole obligation of the Minski family. The Group made interest payments to the lender starting in 2012 through the date that the loan was extinguished in 2023. The payments, which were originally recorded as interest expense, are deemed to have been paid on behalf of the Minski family and have therefore been reclassified to other distributions.

This adjustment resulted in a reclassification of Financial Expenses of $300 and $200 to dividends paid for the years ended December 21, 2022 and 2021.

(b) Advanced payments to Dilcrest, a related party, under a services contract

In April 2019, Procaps Colombia entered into a renewable 12-month sales commission agreement with Dilcrest, an entity controlled by the Minski family, under which Dilcrest was to provide client acquisition services outside of Colombia in exchange for commissions of up to $4.0 million annually. Although the Group never received services under the contract, the Group advanced certain payments to Dilcrest totaling $4 million, which were originally recognized as advanced payments to suppliers. Dilcrest transferred the advances to certain other related parties, which in turn used the funds to settle past due amounts payable to the Group. A balance of $839 net of allowances for credit losses of $799 were previously reported as of December 31, 2022 and January 1, 2022.

To adjust the identified misstatements, the Group reversed the impairment loss recognized in 2021 of $799 in Sales and marketing expenses, which gave rise to foreign exchange gains of (2022: $245; 2021: $118) in Other income (expenses), net. The adjustments also include a decrease to the Accumulated Deficit of $1,346 and $429, respectively, and to Accumulated Other Comprehensive Income for the foreign exchange translation adjustment as of December 31, 2022 and January 1, 2022 of $331 and $86, respectively, and the reclassification of the advanced payments to accounts receivable from related parties as of December 31, 2022 and January 1, 2022 of $2,099 in amounts owed by related parties, net as the transactions were, in substance, a loan to related parties. The loan was subsequently collected in 2024.

(c) Unsubstantiated sales of brand licenses to Herfroze & Bindermoor (related parties)

In 2017, the Group recognized revenue from the sales of brand licenses to Bindermoor and Herfroze, entities under the control of the Minski family, for $13 million, which were collected between 2018 and 2019. These transactions do not meet revenue recognition requirements as no rights to brand licenses were transferred to the customers.

To adjust the identified misstatements, the Group recognized accounts payable to related parties as of December 31, 2022 and January 1, 2022 of $13,090 as the transactions were, in substance, a loan from related parties, which generated foreign exchange losses (2022: $1,685; 2021: $1,268) in other income (expenses), net. This adjustment also resulted in an increase in the accumulated deficit as of December 31, 2022 and January 1, 2022 of $14,722 and $13,454 respectively, and in Accumulated Other Comprehensive Income for the foreign currency translation adjustment as of December 31, 2022 and January 1, 2022 of $3,317 and $1,632, respectively.

(d) Debit notes issued to Originates, a related party supplier

The misstatement refers to the recognition of debit notes which reduced accounts payable to Originates. Debit notes totaling $1.5 million were issued by the Group in 2017 and 2019 without the authorization or consent of Originates.

The correcting adjustment caused an increase in accounts payable as of December 31, 2022 and January 1, 2022 of $1,552 and increases in the Accumulated Deficit of $1,927 and $1,700 as of December 31, 2022 and January 1, 2022, respectively, and a gain in Other Comprehensive Income for the foreign exchange translation adjustment of $677 and $375 as of December 31, 2022 and January 1, 2022, respectively. Finally, the adjusted accounts payable balances gave rise to foreign exchange losses (2022: $302, 2021: $ 227) in other income (expenses), net, that were recognized in results.

(e) Inappropriate recognition of a certain services contract and sales discounts to a certain third party customer

The Group entered into a service contract that established commission payments based on a percentage of sales invoiced and collected from customers. The Group subsequently determined that the service provider and the customer were the same party and therefore concluded that the commissions were, in substance, discounts offered on the sales price of the products sold. During the period from 2017 to 2020, the Group posted improper adjustments to reverse Discounts payable totaling $3.9 million in an effort to improve financial results. Despite the reversals, the Group continued settling its discounts payable to the customer. Eventually the value of the cash payments exceeded the balance of the accrued discounts payable liability, at which point the Group improperly capitalized cash outflows of $1,007 and $1,699 as of December 31, 2022 and 2021, respectively, as an asset in its consolidated statements of financial position. In addition to the above, the Group made the following errors:

- In 2022, the Group incorrectly recognized a portion of the cash advances as selling and marketing expenses based on invoices issued by the customer for $849.
- The Group understated discounts payable in 2022 by $518 and overstated discounts payable by $182 in 2021.

To correct the described misstatements, the following correcting adjustments were made:

- In 2022, the Group incorrectly recognized a portion of the cash advances as selling and marketing expenses based on invoices issued by the customer for $849.
- The Group understated discounts payable in 2022 by $518 and overstated discounts payable by $182 in 2021.

To correct the described misstatements, the following correcting adjustments were made:

- Reversals to selling and marketing expenses recognized in 2022 and 2021 of $977 and $1,073, respectively were recorded against revenue in 2022 and 2021 and accounts payable in 2021
- Revenues in 2022 increased by $169 and were decreased by $891 in 2021 to properly reflect the effects of the sales price
- Discounts payable were decreased by $972 and were increased by $972 as of December 31, 2022 and January 1, 2022, respectively
- Trade and other receivables, net were decreased by $1,526 and $1,699 as of December 31, 2022 and January 1, 2022, respectively
- Foreign exchange losses of $303 and $407 were recognized in 2022 and 2021, respectively
- Accumulated deficit was increased by $2,808 and $2,583 as of December 31, 2022 and January 1, 2022, respectively
- The cumulative translation adjustment in accumulated other comprehensive income was increased by $440 as of December 31, 2022 and $137 as of January 1, 2022

(f) Inappropriate recognition of revenue from a services agreement to develop products

Certain revenues for product development services and sales of sanitary registries of $548 recognized in 2020 did not meet the recognition criteria under IFRS 15 as no goods or services were transferred to the customers under such arrangements.

Accordingly, the Group recorded correcting entries to write-off previously reported Trade and other receivables, net of $448 as of December 31, 2022 and January 1, 2022. In addition, adjustments to the consolidated statement of profit and loss include the reversal of provisions for credit losses and other discounts of $122 and $202 previously recorded to sales and marketing expenses in 2022 and 2021 as well as foreign exchange losses of $87 in 2022 and $77 in 2021. Adjustments to equity included increases to Accumulated deficit of $364 and $488 as of December 31, 2022 and January 1, 2022, respectively, and gains to Accumulated other comprehensive loss for cumulative translation effects of $81 and $27 as of December 31, 2022 and January 1, 2022, respectively.

(g) Revenue recognition under Bill and Hold (B&H) & Ex-Works (EXW) incoterm transactions

The Group recorded revenue for goods invoiced but not shipped under certain B&H and EXW arrangements in which the transfer of control criteria of IFRS 15 was not met at the time of recognition thereby overstating previously reported revenue for the years ended December 31, 2022 and 2021. The revenues on these arrangements were further overstated by the Group's failure to properly account for certain volume discounts.

The correcting adjustments are summarized as follows:

- Revenue was reduced by $5,077 in 2022 and $314 in 2021
- Cost of sales were reduced by $1,930 in 2022 and $425 in 2021
- Trade and other receivables were decreased by $10,375 and $6,108 as of December 31, 2022 and January 1, 2022, respectively
- Advances received from customers of $363 was recognized as of December 31, 2022 to account for a negative balance with a certain customer that arose as a result of the aforementioned correcting adjustments to trade receivables
- Inventory increased by $4,435 as of December 31, 2022 and $2,475 as of January 1, 2022
- Accumulated deficit increased by $3,170 and $3,861 as of December 31, 2022 and January 1, 2022, respectively
- Cumulative translation adjustment within accumulated other comprehensive income increased by $13 and $118 as of December 31, 2022 and January 1, 2022

(h) Inappropriate recognition of revenue under IFRS 15

The Group failed to properly account for the impacts of variable consideration arising from discounts, return agreements and credit notes on the sales price of certain revenue transactions. Based on its investigation, the Group determined that some of the errors were intentional and formed part of efforts to inflate the revenue of certain business units to achieve sales targets, while other cases were unintentional.

The adjustments to correct misstatements related to unintentional failures to account for variable consideration are summarized as follows:

- Revenue decreased by $1,362 in 2022 and $419 in 2021
- Accounts receivable decreased by $4,607 as of December 31, 2022 and $3,215 as of January 1, 2022
- Accumulated Deficit increased by $3,245 as of December 31, 2022 and $3,664 as of January 1, 2022
- Accumulated Other Comprehensive Income was increased by $30 for the foreign exchange translation adjustment as of January 1, 2022.

Adjustments to correct misstatements that were determined to be intentional in nature are summarized as follows:

- Revenue increased by $612 in 2022 and decreased by $4,521 in 2021
- Trade and other receivables, net decreased by $3,670 and $4,428 as of December 31, 2022 and January 1, 2022, respectively
- Accumulated Deficit increased by $4,521 as of December 31, 2022
- Accumulated Other Comprehensive Income for the foreign exchange translation adjustment as of December 31, 2022 and January 1, 2022 increased by $239 and $93, respectively.

(i) Unrecognized maintenance orders

The Group failed to properly accrue maintenance expenses which led to understatements of such expenses in 2022 and 2021, as well as misstatements to the related accounts payable as of December 31, 2022 and January 1, 2022.

The correcting adjustments generated an increase in maintenance expenses of $177 and $475 for the years ended December 31, 2022 and 2021, respectively in Administrative expenses. The adjustments recognized to the consolidated statements of financial position include increases to trade and other payables of $816 and $772 as of December 31, 2022 and January 1, 2022, respectively, as increases to Accumulated Deficit of $792 and $317, respectively gains in Accumulated Other Comprehensive Income for the foreign exchange translation adjustment of $153 and $20, as of December 31, 2022 and January 1, 2022, respectively.

(j) Unrecognized liability with certain third party supplier

The misstatement refers to the recognition of debit notes totaling $492 to reduce accounts payable and related expenses that were issued between 2006 and 2013 without the authorization or consent by the supplier.

The adjustments caused an increase in trade and other payables as of December 31, 2022 and January 1, 2022 of $492 and an increase in Accumulated deficit of $855 and $785 as of December 31, 2022 and January 1, 2022, respectively, and a gain in Accumulated Other Comprehensive Income for the foreign exchange translation adjustment of and $448 and $363 as of December 31, 2022 and January 1, 2022, respectively. Finally, the Group recognized foreign exchange losses of $85 in 2022 and $70 in 2021 in other income /expenses), net.

(k) Misclassification of financing liabilities related to supplier financing agreements

The Group identified misclassified payables from supplier financing contracts entered into during 2022 that qualified as financing arrangements,
The adjustments resulted in a decrease in trade and other payables to suppliers for $1,131, an increase in short-term loans of $373, and an increase in long-term loans of $758 as of December 31, 2022. In addition, previously reported cash flows in 2022 were adjusted to reflect increases in operating cash flows of $1,131 and noncash financing activities for the reclassification of accounts payable to suppliers to financing liabilities of $1,131.

(l) Misclassification of long term debt which was not in compliance with covenants

Certain debt for which the lender possessed the right to accelerate payment due to previously unidentified breaches of non-financial covenants were misclassified as long-term liabilities as of December 31, 2021 (see further discussion in Note 21 – Borrowings).

The adjustment resulted in an increase in short-term loans and a decrease in long-term loans of $149,677 as of January 1, 2022.

(m) Inventory Adjustments

In connection with a review of inventory balances, the Group identified misstatements due to (i) certain items that did not comply with the definition of inventories according to IAS 2 and (ii) certain inventories that were not recognized at the lower of cost or their net realizable value.

Adjustments to properly reflect the balance of inventories are summarized as follows:

- Administrative expenses were increased by $390 in 2022 and $499 in 2021
- Selling and marketing expense increased by $749 in 2022 and decreased by $137 in 2021
- Inventories decreased by $1,504 and $349 as of December 31, 2022 and January 1, 2022, respectively
- Accumulate deficit increased by $362 as of December 31, 2022
- Accumulated Other Comprehensive Income for the foreign exchange translation adjustment decreased by $3 as of December 31, 2022 and increased by $13 as of January 1, 2022

(n) Misclassification of leasing improvements in Property, Plant and Equipment

The Group identified certain capitalized improvements made to right-of-use assets under lease agreements that were improperly classified within property, plant and equipment.

The Group reclassified from property, plant, and equipment of $2,191 and $1,189 to right-of-use assets as of December 31, 2022 and January 1, 2022, respectively.

(o) Inappropriate revenue recognition on development services

A misstatement related to recognition of revenue on development services was identified due to lack of evidence and analysis related to timing of fulfillment of the performance obligations meaning that the Group did not have the right to recognize revenue under IFRS 15. Therefore, revenue for the periods ended December 31, 2022 and 2021 was overstated.

The adjustments to decrease in revenue from development services are summarized as follows:

- Revenue decreased by of $1,058 and $877 for the years ended December 31,2022 and 2021, respectively
- Trade and others receivable, net decreased by $1,907 and $847 as of December 31, 2022 and January 1, 2022, respectively
- Accumulated deficit increased by $877 as of December 31, 2022
- Accumulated Other Comprehensive Income for the foreign exchange translation adjustment as of December 31, 2022 and January 1, 2022 increased by $27 and $30, respectively

(p) Write off of certain accounts receivable

The Group held accounts receivable with related parties, located in Venezuela, originally denominated in USD. In 2019, the Group entered into an agreement with these parties to change the payment currency to Venezuelan Bolivars. Such agreement was recently identified by management. From 2016 through 2019, the Group kept recognizing impairments of the receivables based on the original amount in USD.

The adjustment consisted in the write off of the outstanding balance of $23,393 and $23,390 as of December 31, 2022 and January 1, 2022.

(q) Inappropriate recognition of long-term employee benefit liabilities

A misstatement related A misstatement related to the recognition of long-term employee benefits corresponding to seniority premiums and retirement bonuses was identified in 2022 and 2021. The Group recognized in 2022 long-term employee benefit liabilities amounts that should have been recognized in the statements of financial results and comprehensive income of prior periods

To correct the described misstatements, the following adjustments were made:

- Cost of sales were decreased by $346 in 2022 and increased by $63 in 2021
- Sales and marketing expenses were decreased by $209 in 2022 and increased by $25 in 2021
- Administrative expenses were decreased by $1,798 in 2022 and increased by $9 in 2021
- Income tax expense was increased by $814 in 2022 and decreased by $121 in 2021
- Finance expenses were increased by $158 in 2021
- Current other liabilities were increased by $185 as of January 1, 2022
- Non-current other liabilities were increased by $2,329 as of January 1, 2022
- Deferred tax assets were increased by $779 as of January 1, 2022
- Accumulated deficit decreased by $2,144 as of December 31, 2022 and $2,011 as of January 1, 2022
- Accumulated Other Comprehensive Income was increased by $605 as of December 31, 2022 and $409 as of January 1, 2022

(r) Recognition of current tax expense

The impacts on current tax expense derived from the adjustments described in this note are summarized as follows:

- Income tax expense was increased by $467 in 2022 and $234 in 2021
- Financial expenses were increased for related penalties and interest of $145 and $171 in 2022 and 2021, respectively
- Trade and other payables was increased by $1,087 as of December 31, 2022 and $731 as of January 1, 2022
- Current tax liabilities was increased by $793 as of December 31, 2022 and $537 as of January 1, 2022
- Accumulated Deficit was increased by $1,268 and $856 as of December 31, 2022 and January 1, 2022, respectively

(s) Recognition of deferred tax

The impacts on deferred taxes derived from the adjustments described in this note are summarized as follows:

- Deferred tax expense increased by $162 in 2022, and decreased by $727 in 2021
- Deferred tax assets increased by $511 as of December 31, 2022 and $623 as of January 1, 2022; and deferred tax liabilities decreased by $1,075 and $1,125 as of December 31, 2022 and January 1, 2022, respectively
- Accumulated Deficit decreased by $1,748 as of December 31, 2022 and $1,021 as of January 1, 2022

(t) Other adjustments

Other restatement matters not described in items (a) to (s) of this Note were identified that are not quantitatively or qualitatively material, either individually or in aggregate to the Group´s consolidated statements of financial position as of December 31, 2022 and January 1, 2022, consolidated financial statements of income and other comprehensive income, and consolidated statements of cash flows for the years ended December 31, 2022 and 2021. The adjustments to correct the misstatements resulted in a decrease of $29 and an increase of $40 in total assets; an increase of $477 and $308 in total liabilities; and an increase in Accumulated Deficit of $249 and $211 as of December 31, 2022 and January 1, 2022. The adjustments decreased net income by $257 and $57 for the years ended December 31, 2022 and 2021 respectively.

(In thousands of United States Dollars, unless otherwise stated)

Consolidated Statement of Financial Position

	December 31, 2022 (As previously reported)	Adjustment	Note	2022 (As restated)	December 31, 2021 (As previously reported)	Adjustment	Note	2021 (As restated)
Assets								
Non-current assets								
Property, plant and equipment, net	73,965	(3,380)	(n)	70,585	72,638	(1,189)	(n)	71,449
Right-of-use assets, net	39,013	3,380	(n)	42,393	40,167	1,189	(n)	41,356
Intangible assets, net	32,208	(29)	(t)	32,179	30,171	(38)	(t)	30,133
Deferred tax assets, net	6,974	511	(q), (s)	7,485	7,067	1,402	(s)	8,469
Total non-current assets	**$ 162,744**	**$ 482**		**$ 163,226**	**$ 164,076**	**$ 1,364**		**$ 165,440**
Current assets								
Trade and other receivables, net	129,602	(23,186)	(b), (e), (f), (g),(h), (o), (p), (t)	106,416	117,449	(17,404)	(b), (e), (f), (g),(h), (o), (t), (p), (t)	100,045
Inventories, net	96,833	2,930	(g), (m)	99,763	79,430	2,126	(g), (m)	81,556
Amounts owed by related parties, net	2,474	2,113	(p), (t)	4,587	1,147	2,110	(p),(t)	3,257
Total current assets	**$ 297,443**	**$ (18,143)**		**$ 279,300**	**$ 298,059**	**$ (13,168)**		**$ 284,891**
Total assets	**$ 460,187**	**$ (17,661)**		**$ 442,526**	**$ 462,135**	**$ (11,804)**		**$ 450,331**

(In thousands of United States Dollars, unless otherwise stated)

	December 31, 2022 (As previously reported)	Adjustment	Note	2022 (As restated)	December 31, 2021 (As previously reported)	Adjustment	Note	2021 (As restated)
Liabilities and Shareholders' Equity (Deficit)								
Equity (Deficit)								
Accumulated deficit	(391,513)	(41,028)	(a-j), (m), (o-t)	(432,541)	(431,059)	(34,832)	(a-j), (m), (o-t)	(465,891)
Accumulated other comprehensive loss	(33,859)	5,772	(q)	(28,087)	(27,778)	3,183	(q)	(24,595)
Total equity (deficit)	**$ (1,878)**	**$ (35,256)**		**$ (37,134)**	**$ (38,340)**	**$ (31,649)**		**$ (69,989)**
Non-current liabilities								
Borrowings	28,410	758	(k), (l)	29,168	178,720	(149,677)	(k), (l)	29,043
Deferred tax liabilities, net	$ 7,821	$ (1,074)	(s)	$ 6,747	$ 6,070	$ (1,125)	(s)	$ 4,945
Other liabilities	6,480	—		6,480	2,750	2,329	(q)	5,079
Total non-current liabilities	**$ 93,691**	**$ (316)**		**$ 93,375**	**$ 312,511**	**$ (148,473)**		**$ 164,038**
Borrowings	257,525	373	(k), (l)	257,898	74,646	149,677	(k), (l)	224,323
Trade and other payables	90,187	373	(e),(i), (j), (r), (t)	90,560	85,381	1,975	(e),(g),(i),(j),(k),(g), (r), (t)	87,356
Amounts owed to related parties	2,914	16,372	(b), (c), (d), (t)	19,286	8,450	15,943	(b), (c), (d), (t)	24,393

(In thousands of United States Dollars, unless otherwise stated)

	December 31, 2022 (As previously reported)	Adjustment	Note	2022 (As restated)	December 31, 2021 (As previously reported)	Adjustment	Note	2021 (As restated)
Current tax liabilities, net	6,133	793	(r)	6,926	11,756	537	(r)	12,293
Other non-financial liabilities	11,478	—		11,478	7,230	186	(q)	7,416
Total current liabilities	$ 368,374	$ 17,911		$ 386,285	$ 187,964	$ 168,318		$ 356,282

(In thousands of United States Dollars, unless otherwise stated)

Consolidated Statement of Profit or Loss

	December 31, 2022 (As previously reported)	Adjustment	Note	2022 (As restated)	December 31, 2021 (As previously reported)	Adjustment	Note	2021 (As restated)
Revenue	409,920	(6,717)	(e), (f), (g), (h),(o), (t)	403,203	409,742	(6,003)	(e), (g), (h), (o), (t)	403,739
Cost of sales	(170,351)	2,276	(g), (q)	(168,075)	(174,029)	362	(g), (q)	(173,667)
Gross profit	**$ 239,569**	**$ (4,441)**		**$ 235,128**	**$ 235,713**	**$ (5,641)**		**$ 230,072**
Sales and marketing expenses	(93,566)	559	(b), (e), (f), (q)	(93,007)	(83,057)	2,083	(b), (e), (f), (q)	(80,974)
Administrative expenses	(105,911)	1,225	(i), (m), (q), (t)	(104,686)	(82,187)	(988)	(i), (m), (q), (t)	(83,175)
Other income (expenses), net	(25,299)	(2,323)	(c), (d), (e), (f), (j), (q),(r), (t)	(27,622)	(78,991)	(1,994)	(c), (d), (e), (f), (j), (q), (r), (t)	(80,985)
Operating Profit	**$ 14,793**	**$ (4,980)**		**$ 9,813**	**$ (8,522)**	**$ (6,540)**		**$ (15,062)**
Finance expense	(36,170)	9	(a), (b), (q),(r), (t)	(36,161)	(89,049)	(203)	(a), (b), (m), (q), (r), (t)	(89,252)
Net finance (expense) income	**$ 37,917**	**$ 9**		**$ 37,926**	**$ (78,636)**	**$ (203)**		**$ (78,839)**
Income (loss) before tax	**$ 52,710**	**$ (4,971)**		**$ 47,739**	**$ (87,158)**	**$ (6,743)**		**$ (93,901)**
Income tax expense	$ (10,170)	$ (1,443)	(q), (r)	$ (11,613)	$ (13,705)	$ 614	(q), (r),	$ (13,091)
Profit (Loss) for the year	**$ 42,540**	**$ (6,414)**		**$ 36,126**	**$ (100,863)**	**$ (6,129)**		**$ (106,992)**

(In thousands of United States Dollars, unless otherwise stated)

	December 31, 2022 (As previously reported)	Adjustment	Note	2022 (As restated)	December 31, 2021 (As previously reported)	Adjustment	Note	2021 (As restated)
Profit/(loss) for the year	**42,540**	**$ (6,414)**		**$ 36,126**	**$ (100,863)**	**$ (6,129)**		**$ (106,992)**
Other comprehensive income/(loss)								
Items that will not be reclassified to profit or loss:								
Remeasurement of net defined benefit liability	(222)	—	(q)	(222)	195	309	(q)	504
Income tax relating to items that will not be reclassified subsequently to profit or loss	107	—	(q)	107	(58)	(133)	(q)	(191)
Net of Tax	**(115)**	**—**		**(115)**	**137**	**176**		**313**
Items that will be reclassified subsequently to profit or loss:								
Exchange differences on translation of foreign operations	(5,966)	2,589	(b)-(j), (m),(o), (q),(t)	(3,377)	(2,743)	2,443	(b)-(j), (m),(o),(q),(t)	(300)
Other comprehensive income/(loss) for the year, net of tax	**(6,081)**	**2,589**		**(3,492)**	**(3,357)**	**2,619**		**(738)**
Total comprehensive income/(loss) for the year	**36,459**	**(3,825)**		**32,634**	**(104,220)**	**(3,510)**		**(107,730)**

(In thousands of United States Dollars, unless otherwise stated)

	December 31, 2022 (As previously reported)	Adjustment	Note	2022 (As restated)	December 31, 2021 (As previously reported)	Adjustment	Note	2021 (As restated)
Total comprehensive income/(loss) for the year attributable to:								
Owners of the parent company	36,456	(3,825)		32,631	(102,503)	(3,510)		(106,013)
Non-controlling interests	3	—		3	(1,717)	—		(1,717)

(In thousands of United States Dollars, unless otherwise stated)

Consolidated Statement of Cash Flows

	December 31, 2022 (As previously report)	Adjustment	Note	2022 (As restated)	December 31, 2021 (As previously report)	Adjustment	Note	2021 (As restated)
Operating activities								
Profit/(loss) for the year	$ 42,540	$ (6,414)		$ 36,126	$ (100,863)	$ (6,129)		$ (106,992)
Adjustments to reconcile net profit (loss) with cash flow from operating activities before changes in working capital:								
Income tax expense	$ 10,170	$ 1,443	(q),(r)	$ 11,613	$ 13,705	$ (614)	(q),(r)	$ 13,091
Finance expenses	(37,917)	(9)	(a), (b), (q), (r),(t)	(37,926)	78,636	203	(a),(b), (q),(r), (t)	78,839
Loss on sale/ Net (gain) of property, plant and equipment	$ (555)	$ 1,005	(n)	$ 450	$ (317)	$ (160)	(n)	$ (477)
Net loss on sale or disposal of intangibles	203	(16)	(t)	187	—	—		—
Inventory provision	$ 5,717	$ 615	(m)	$ 6,332	$ 5,391	$ (137)	(m)	$ 5,254
Cash flow from operating activities before changes in working capital	**48,307**	**(3,376)**		**44,931**	**85,067**	**(6,837)**		**78,230**

(In thousands of United States Dollars, unless otherwise stated)

	December 31, 2022 (As previously report)	Adjustment	Note	2022 (As restated)	December 31, 2021 (As previously report)	Adjustment	Note	2021 (As restated)
Changes in working capital:								
Trade and other receivables, net	(16,582)	5,783	(b), (e), (f), (g), (h), (o), (p),(t	(10,799)	(21,257)	5,640	(b), (e), (f), (g),(h) , (o),(t)	(15,617)
Amounts owed by related parties	474	(4)	(p),(t)	470	1,387	(11)	(p),(t)	1,376
Inventories, net	(32,690)	(1,419)	(g), (m)	(34,109)	(20,536)	103	(g), (m)	(20,433)
Current tax assets	895	—		895	(5,308)	—		(5,308)
Other current assets	1,500	(1,500)		—	(5,441)	(38)		(5,479)
Trade and other payables	14,210	(44,207)	(e),(i),(j), (r), (t)	(29,997)	32,825	(11,850)	(e),(g) ,(i),(j), (k), (g),	20,975
Amounts owed to related parties	1,998	47,182	(b), (c), (d),(t)	49,180	(3,448)	3,363	(b), (c), (d),(t)	(85)
Current tax liabilities	(6,643)	(65)	(r)	(6,708)	2,103	(428)	(r)	1,675
Other liabilities	9,604	(2,542)	(q)	7,062	(14,633)	8,114	(q)	(6,519)
Other financial assets	46	97		143	505	56		561

(In thousands of United States Dollars, unless otherwise stated)

	December 31, 2022 (As previously report)	Adjustment	Note	2022 (As restated)	December 31, 2021 (As previously report)	Adjustment	Note	2021 (As restated)
Other assets	710	1,495		2,205	(2,699)	39		(2,660)
Cash generated from operations	**21,414**	**1,444**		**22,858**	**48,565**	**(1,849)**		**46,716**

(In thousands of United States Dollars, unless otherwise stated)

	December 31, 2022 (As previously report)	Adjustment	Note	2022 (As restated)	December 31, 2021 (As previously report)	Adjustment	Note	2021 (As restated)
Cash flow provided by operating activities	**14,106**	**1,444**		**15,550**	**37,303**	**(1,849)**		**35,454**
Investing activities								
Acquisition of property, plant and equipment	(20,612)	(2,545)	(n)	(23,157)	(14,122)	(1,315)	(n)	(15,437)
Proceeds from sale of property, plant and equipment	2,686	(1,005)	(n)	1,681	794	160	(n)	954
Cash flow used in investing activities	**(28,828)**	**(3,550)**		**(32,378)**	**(23,703)**	**(1,155)**		**(24,858)**
Financing activities								
Proceeds from borrowings	134,412	1,845	(k), (l)	136,257	280,795	(1)		280,794
Payments on borrowings	(124,202)	(714)	(k), (l)	(124,916)	(272,301)	—		(272,301)
Other distributions	—	(300)	(a)	(300)	—	(200)	(a)	(200)
Cash flow (used in) generated from financing activities	**(13,627)**	**831**		**(12,796)**	**58,044**	**(201)**		**57,843**

(In thousands of United States Dollars, unless otherwise stated)

	December 31, 2022 (As previously report)	Adjustment	Note	2022 (As restated)	December 31, 2021 (As previously report)	Adjustment	Note	2021 (As restated)
Net (decrease) increase in cash	**(28,349)**	**(1,275)**		**(29,624)**	**71,644**	**(3,205)**		**68,439**
Cash at beginning of the year	72,112	—		72,112	4,229	—		4,229
Effect of foreign currency exchange rate changes	(760)	1,275		515	(3,761)	3,205		(556)
Cash at end of the year	**43,003**	**—**		**43,003**	**72,112**	**—**		**72,112**

Note 5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, which are described in Note 3. Material information on accounting policies, management must make judgments, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily observable in other sources. The estimates and underlying assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed regularly. Changes to accounting estimates are recognized in the period of the review, if the change only affects that period, or in future periods if the change affects both the current and subsequent periods.

Note 5.1. Critical accounting judgements

5.1.1 Reverse factoring

Significant judgement is involved to evaluate whether a liability under a reverse factoring arrangement is in essence a continuation of an account payable or a derecognition of the account payable liability and recognition of a financing liability. The Group evaluates the requirements under IFRS 9 - Financial instruments and applies judgment to the facts and circumstances as a whole. Specifically, whether interest charged from the suppliers to the Group creates a substantial change in the amount payable, i.e., financing.

5.1.2 Factoring

The Group enters into factoring arrangements where it sells or assigns certain trade receivables to third parties under both recourse and non-recourse programs. Similar, to reverse factoring, significant judgment is required under IFRS 9 to assess whether the Group has substantially transferred all risk and rewards incidental to the trade receivables to the factor. Specifically, whether or not the factor has the right to collect the unpaid invoice amount from the transferor (seller).

5.1.3 Going Concern

Refer to Note 2.1. Going concern for judgements related to going concern.

Note 5.2. Key sources of estimation uncertainty

5.2.1 Goodwill impairment

Determining whether goodwill has been impaired involves calculating the value in use of the cash generating units to which the goodwill has been assigned. The calculation of value in use requires the entity to determine the future cash flows that should arise from the cash-generating units and an appropriate discount rate to calculate the present value. When actual future cash flows are less than expected, an impairment loss may arise.

Goodwill impairment testing relies on a number of critical judgments, estimates and assumptions. Goodwill is tested for impairment at the cash generating unit level. The Group tests at least annually for impairment by calculating the recoverable amount of the cash generating unit and comparing this to its carrying value.

The Group's impairment testing methodology is in accordance with IAS 36 - Impairment, where the value in use approach is taken into consideration.

The value in use calculations primarily use cash flow projections. There are a number of assumptions and estimates involved for the preparation of cash flow projections. Key assumptions include the growth rate, expected market share, expected gross margin and selection of discount rates, to reflect the risks involved.

Management prepared the financial projections reflecting actual and prior year/period performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore, the results of the impairment reviews. Refer to Note 13. Goodwill, net for further information on the goodwill exposure and estimates applied.

5..2.2 Provisions for contingencies, litigation and lawsuits

The litigation and lawsuits to which the Group is exposed are managed by appropriate legal personnel and are primarily related to labor, civil and administrative disputes. The Group considers that a past event has given rise to a present obligation if there is no realistic alternative to settling the present obligation, independent of future events, considering all the evidence available at the reporting date. It is understood that the probability of an event is more likely than not when the likehood of occurrence is greater than 50%, in which case the provision is recorded. The possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely under the control of the Group are not recognized in the Consolidated Statement of Financial Position, but are disclosed as contingent liabilities. The occurrence or non-occurrence of events that are deemed remote are not recorded or disclosed. The Group uses the professional judgment of internal and external specialists to determine the possibility of the occurrence of a present obligation. In the estimation of the provision for litigation and lawsuits, Management considers assumptions such as appraisal of the attorneys, estimated duration of the litigation or lawsuit and statistical information of litigation or lawsuits with similar characteristics, among others.

5.2.3 Impairment of accounts receivable

The Group evaluates the impairment of its accounts receivable by the expected credit loss model where it determines its value based on the probability of default, the loss due to default (i.e., the extent of the loss in case of default) and the exposure in the default. The assessment of the probability of default and the loss due to default is based on historical data adjusted by prospective information. Further details of other judgments are in Note 3. Material information on accounting policies.

5.2.4 Recognition of deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences only to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be used. In determining whether it is probable that taxable profit will be available to realize the Group’s deferred tax assets, Management considered the following sources of taxable income:

- Reversal of taxable temporary differences
- Future taxable profit excluding reversal of temporary differences
- Tax planning opportunities

5.2.5 Reverse reorganization

The excess between the fair value of the shares and equity instruments issued and the net assets acquired is treated as an expense under IFRS 2 (the ‘listing expense’) and it includes certain elements of judgement and estimation including the estimation of the fair value of OpCo prior to the Transaction and the fair value of the private warrants. Refer to Note 28.1. Reverse reorganization for further information related to the Transaction.

The fair value of OpCo was estimated using a combination of a market and income approach under IFRS 13 where the Group forecasted an annual adjusted EBITDA. A market based multiple, as negotiated amongst the independent parties to the Transaction, was then applied to the adjusted EBITDA to arrive at the enterprise value which was then adjusted for OpCo's net debt.

5.2.6 Private warrants

The private warrants are recorded as financial liabilities on the Consolidated Statement of Financial Position and are remeasured on each reporting date. In assessing the fair value of the private warrants, a Black-Scholes option pricing formula for European calls was used since the warrants are not publicly traded. The model requires the input of subjective assumptions, including the volatility of its own ordinary shares, the expected life, and strike price of the warrants. Any changes in these assumptions can significantly affect the estimate of the fair value of the warrants.

5.2.7 Shares held in escrow

Significant judgement is involved to evaluate whether a contract that may be settled in the issuer's own equity instruments meets the equity or liability classification. The shares to be delivered in an escrow are recorded as financial liabilities on the Consolidated Statement of Financial Position and are remeasured on each reporting date. In assessing the fair value of the shares, Monte Carlo simulation was applied in a risk-neutral framework assuming a Geometric Brownian Motion for the future stock price. This model is consistent with the Black-Scholes option pricing framework, and was used to account for the path-dependent + 20 out of 30 day features.

5.2.8 Inventory Impairment

The Group evaluates the impairment of its inventories keeping in mind two items:

a. Net Realizable Value(NRV)
b. Inventories Obsolescence analysis.

The NRV is calculated reducing from the sale price the estimated cost to fulfill the inventory and the estimated costs necessary to do the sale.

The inventories obsolescence includes the analysis of goods expiration date, low inventory turnover, unused inventories and other internal and external factors that hit the inventory fulfillment

5.2.9 Useful life of property, plant and equipment and amortization of intangibles with finite useful lives

The Group reviews the estimated useful lives of property, plant and equipment and intangibles with finite useful lives at the end of each annual period.

5.2.10 Useful lives of right-of-use assets

Right-of-use assets depreciate during the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the asset related to the right of use depreciates during the useful life of the underlying asset.

Depreciation begins at the commencement of the lease.

Note 6. New and amended IFRS Standards that are effective for the current year

The Group adopted the following accounting standard amendments from January 1, 2023. The evaluation performed by management determined that these amendments did not result in a significant impact in relation to the Group as of December 31, 2023.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - Effective January 1, 2023

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The Group adopted this amendment to IAS 1 and IFRS Practice Statement 2 from January 1, 2023. Although the amendments do not result in any changes to the accounting policies themselves, they impact the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Management reviewed the material accounting policies and the information disclosed in Note 3. Material information on accounting policies (2022: Summary of significant accounting policies) in line with the amendments and determine that there was not a significant impact as of December 31, 2023.

Definition of Accounting Estimate (Amendments to IAS 8) - Effective January 1, 2023

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively.

The evaluation performed by Management determined that there was not significant impact in relation to the Group as of December 31, 2023.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction –Amendments to IAS 12 Income Taxes - Effective January 1, 2023

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The evaluation performed by Management determined that there was not significant impact in relation to the Group as of December 31, 2023.

Global minimum top-up tax -Amendments to IAS 12 Income Taxes -Effective December 31, 2023

The Group has considered the International Tax Reform-Pillar Two Model Rules-Amendments to IAS 12 upon their release on 23 May 2023. The amendments provide a temporary mandatory exemption from deferred tax accounting for top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from December 31, 2023. The mandatory exemption applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted as of December 31, 2022, in any jurisdiction in which the Group operates and no related deferred taxes were recognized at that date, the retrospective application has no impact on the Group.

This Amendment, which modified IAS 12 -Income Taxes, applies to income taxes arising from tax legislation enacted to implement the rules of the Pillar I and II model published by the Organization for Economic Cooperation and Development (OECD). The rules of this model ensure that large multinational companies are subject to a minimum tax rate of 15%. The minimum tax is calculated based on financial accounting standards and is based on two main components: profits and taxes paid. The Amendment grants companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Cooperation and Development (OECD) international tax reform.

Note 7. Recent accounting pronouncements not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended December 31, 2023 and have not been early adopted by the Group. The Group is still assessing the potential impact of these standards in the current or future reporting periods and on foreseeable future transactions.

As of the issue date of these Consolidated Financial Statements, the following new and revised IFRS standards have been issued, but are not yet effective:

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1) - Effective January 1, 2024

The narrow-scope amendments to IAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity.

In addition, the amendments also indicate that a company should classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. Covenants with which the company must comply after the reporting date (i.e., future covenants) do not affect a liability’s classification at the reporting date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The Group is in the process of performing its assessment of the impacts of the new standard and anticipate a change in the classification of warrants and shares held in escrow upon adoption from non-current to current liabilities. However, early adoption was not elected.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - Effective January 1, 2024

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

The evaluation performed by management determined that these amendments did not result in a significant impact. However, early adoption was not elected.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) - Effective January 1, 2024

The amendments introduce additional disclosure requirements for companies that enter into supplier finance arrangements that have all of the following characteristics; (i) A finance provider pays amounts a company (the buyer) owes its suppliers, (ii) A company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid, and (iii) The company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

Additional disclosures include qualitative and quantitative information about its supplier finance arrangements, such as terms and conditions – including, for example, extended payment terms and security or guarantees provided.

The IASB decided that, in most cases, aggregated information about an entity's supplier finance arrangements will satisfy the information needs of users of financial statements.

Lack of Exchangeability (Amendments to IAS 21) - Effective January 1, 2025

Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. The spot exchange rate is defined as the exchange rate available for immediate delivery. However, in rare cases, it is possible that one currency cannot be exchanged into another and external events may result in economic uncertainty and cause a lack of exchangeability between two currencies. Therefore, companies may need to assess whether there is a temporary or a long-term lack of exchangeability and determine an appropriate foreign exchange spot rate to use for the purposes of foreign currency translation. Consequently, market participants are unable to buy and sell currency to meet their needs at the official exchange rate and turn instead to unofficial, parallel markets.
Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements.

IFRS 10 and IAS 28 - Amendments - Sales or contributions of assets between an investor and its associate or joint venture.

The IASB has made limited scope amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures*.

The amendments clarify the accounting treatment for sales or contributions of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognize the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognized by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

The effective date of the amendments has been deferred indefinitely by the IASB; however, early application of the amendments is permitted.

Note 8. Revenue

The Group recognizes its revenues from the transfer of goods and services to the fulfillment of its performance obligations. The Group's annual revenue includes $5,913 (2022: $7,098, 2021: $3,637) recognized from intellectual property licensing and dossier generation.

Products

The Group primarily engages in developing, producing and marketing pharmaceutical solutions. It is considered an integrated international healthcare and pharmaceutical company across the three core therapeutical areas: hospitals/clinics, pharmacies (prescription) and over-the-counter (non-prescription).

The Group's main products for the years ended December 31, 2023, 2022 and 2021 are:

a. Business to Business

   Nextgel

   i. Softgel: Integrated CMDO, soft gelatin capsules, softgels, gummy-gels and GTabs.

b. Business to Consumer

   Procaps Colombia, CAN and CASAND

   a. VitalCare: Branded drugs, consumer over-the-counter and generics.

      i. Clinical Specialties: High-complexity drugs and medical devices.

      ii. Farma: Branded prescription drugs.

   Diabetrics

   i. Diabetrics: Diabetes solutions and chronic disease management tool.

(In thousands of United States Dollars, unless otherwise stated)

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated by primary geographical market and major products (refer to Note 9. Segment reporting) and by timing of revenue recognition in the table below.

For the year ended December 31 2023	Reportable segments						
	NextGel	Procaps Colombia	CAN	CASAND	Diabetrics	Corporate	Total
Segment revenue	243,035	148,270	75,663	96,324	40,102	—	603,394
Inter-segment revenue	(120,061)	(404)	(24,165)	(17,108)	(17,908)	—	(179,646)
Revenue from contracts with customers	**122,974**	**147,866**	**51,498**	**79,216**	**22,194**	**—**	**423,748**
Timing of revenue recognition							
Goods transferred at a point in time	117,317	147,866	51,498	79,216	22,194	—	418,091
Services transferred over time	5,657	—	—	—	—	—	5,657
Total revenue from contracts with customers	**122,974**	**147,866**	**51,498**	**79,216**	**22,194**	**—**	**423,748**

For the year ended December 31 2022	Reportable segments						
	NextGel	Procaps Colombia	CAN	CASAND	Diabetrics	Corporate	Total
Segment revenue	253,467	145,275	77,306	80,043	34,466	—	590,557
Inter-segment revenue	(131,100)	(2,985)	(22,461)	(17,062)	(13,746)	—	(187,354)
Revenue from contracts with customers	**122,367**	**142,290**	**54,845**	**62,981**	**20,720**	**—**	**403,203**
Timing of revenue recognition							
Goods transferred at a point in time	116,753	142,290	54,845	62,554	20,720	—	397,162
Services transferred over time	5,614	—	—	427	—	—	6,041
Total revenue from contracts with customers	**122,367**	**142,290**	**54,845**	**62,981**	**20,720**	**—**	**403,203**

(In thousands of United States Dollars, unless otherwise stated)

For the year ended December 31 2021	Reportable segments						
	NextGel	Procaps Colombia	CAN	CASAND	Diabetrics	Corporate	Total
Segment revenue	241,563	156,850	64,198	67,605	47,622	—	577,838
Inter-segment revenue	(122,557)	(1,493)	(16,633)	(14,276)	(19,140)	—	(174,099)
Revenue from contracts with customers	**119,006**	**155,357**	**47,565**	**53,329**	**28,482**	**—**	**403,739**
Timing of revenue recognition							
Goods transferred at a point in time	116,246	155,357	47,565	53,329	28,482	—	400,979
Services transferred over time	2,760	—	—	—	—	—	2,760
Total revenue from contracts with customers	**119,006**	**155,357**	**47,565**	**53,329**	**28,482**	**—**	**403,739**

Revenue recognized from goods transferred at a point in time include revenues related to "sales of goods" and "sales of trademarks and sanitary records". Revenue recognized from services transferred over time include revenues related to "intellectual property licensing" and "dossier generation". Revenues, other than sales of goods, are not material to the Group.

Note 9. Segment reporting

Segment information is presented at a combination of geographical segments and business units, consistent with the information that is available and evaluated regularly by the chief operating decision maker.

The Group operates its business through five segments which are its reportable segments for financial reporting purposes: Procaps Colombia, Central America North ("CAN"), Central America South and North Andes ("CASAND"), NextGel and Diabetrics. Segment management, the respective Vice Presidents, are responsible for managing performance, underlying risks and operations. Management uses a broad set of performance indicators, to measure segment performance and to make decisions around resource allocation.

(In thousands of United States Dollars, unless otherwise stated)

The Group's customer revenue recognition (external revenue) policy has been consistent with inter-segment revenue generated.

	NextGel			Procaps Colombia			CAN			CASAND		
Year 2023	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**
Revenue	243,035	(120,061)	122,974	148,270	(404)	147,866	75,663	(24,165)	51,498	96,324	(17,108)	79,216
Contribution margin [1]	50,138	(3,791)	46,347	43,575	14	43,589	13,029	(175)	12,854	27,081	16,735	43,816

	Diabetrics			Corporate			Total		
Year 2023	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**
Revenue	40,102	(17,908)	22,194	—	—	—	603,394	(179,646)	423,748
Contribution margin [1]	212	(969)	(757)	(19,144)	16,203	(2,941)	114,891	28,017	142,908
Administrative expenses	—	—	—	98,279	—	98,279	98,279	—	98,279
Finance expenses	—	—	—	26,123	—	26,123	26,123	—	26,123
Other expenses	—	—	—	(27,454)	—	(27,454)	(27,454)	—	(27,454)
Income (loss) before tax							**17,943**	**28,017**	**45,960**

	NextGel			Procaps Colombia			CAN			CASAND		
Year 2022	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**
Revenue	253,467	(131,100)	122,367	145,275	(2,985)	142,290	77,306	(22,461)	54,845	80,043	(17,062)	62,981
Contribution margin [1]	66,752	(14,307)	52,445	44,594	156	44,750	18,681	(1,861)	16,820	14,602	14,869	29,471

	Diabetrics			Corporate			Total		
Year 2022	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**
Revenue	34,466	(13,746)	20,720	—	—	—	590,557	(187,354)	403,203
Contribution margin [1]	2,965	116	3,081	38	(4,484)	(4,446)	147,632	(5,511)	142,121
Administrative expenses	—	—	—	104,686	—	104,686	104,686	—	104,686
Finance expenses	—	—	—	(37,926)	—	(37,926)	(37,926)	—	(37,926)
Other expenses	—	—	—	27,622	—	27,622	27,622	—	27,622
Income (loss) before tax							**53,250**	**(5,511)**	**47,739**

(In thousands of United States Dollars, unless otherwise stated)

	NextGel			Procaps Colombia			CAN			CASAND		
Year 2021	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**
Revenue	241,563	(122,557)	119,006	156,850	(1,493)	155,357	64,198	(16,633)	47,565	67,605	(14,276)	53,329
Contribution margin [1]	66,679	(12,573)	54,106	51,431	490	51,921	18,767	(231)	18,536	9,949	11,754	21,703

	Diabetrics			Corporate			Total		
Year 2021	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**	**Total**	**Inter-segment eliminations**	**External**
Revenue	47,622	(19,140)	28,482	—	—	—	577,838	(174,099)	403,739
Contribution margin [1]	6,981	(133)	6,848	(3,469)	(547)	(4,016)	150,338	(1,240)	149,098
Administrative expenses	—	—	—	83,175	—	83,175	83,175	—	83,175
Finance expenses	—	—	—	78,839	—	78,839	78,839	—	78,839
Other expenses	—	—	—	80,985	—	80,985	80,985	—	80,985
Income (loss) before tax							**(92,661)**	**(1,240)**	**(93,901)**

1 Contribution Margin is determined by subtracting sales and marketing expenses from gross profit. The Group's customer revenue recognition (external revenue) policy has been consistent with inter-segment revenue generated.

Major customer

The Group does not have revenue from a single customer comprising more than ten percent of its consolidated revenue.

Geographical information

In presenting the geographic information, segment revenue is based on the geographical location of the customers.

	For the year ended December 31		
	2023	**2022**	**2021**
South America	293,458	275,767	280,699
Central America	83,493	83,006	68,194
North America	39,026	34,237	46,330
Europe	7,771	10,193	8,516
Total	**423,748**	**403,203**	**403,739**

(In thousands of United States Dollars, unless otherwise stated)

Note 10. Net finance (expense) income

	For the year ended December 31		
	2023	2022	2021
Net fair value gain of warrant liabilities	7,877	12,195	5,851
Net fair value gain of shares held in escrow	11,187	61,795	4,506
Interest income	660	97	56
Finance income	**19,724**	**74,087**	**10,413**
Banking expenses	$ (1,315)	$ (781)	$ (1,056)
Bank fees	(2,812)	(8,498)	(2,263)
Other financial expenses	(868)	(1,033)	(354)
Interest expense	(40,852)	(25,849)	(85,579)
Finance expense	**$ (45,847)**	**$ (36,161)**	**$ (89,252)**
Net finance (expense) income	**$ (26,123)**	**$ 37,926**	**$ (78,839)**

In 2022, $6,076 of the bank fees relate to the amortization of upfront and commitment fees incurred under the Bridge Credit Agreement which was subsequently terminated, as mentioned in Note 1. General Company Information. The upfront and commitment fees are amortized using the straight-line method over the commitment period.

Refer to Note 27. Warrant Liabilities, Note 28.1. Reverse reorganization and Note 29. Financial instruments for further information related to net fair value gains for the years ended December 31, 2023, 2022 and 2021.

For the year ended December 31, 2021, interest expense includes the finance expense related to the obligation to repurchase the Group's Ordinary Shares from IFC and Hoche under the Put Option Agreements and is measured using the effective interest rate method, inclusive of eligible transaction costs. The amount of interest expense, related to the put options recognized in 2021, amounts to $23,506. Additionally, an extinguishment loss of $35,920 was recognized in 2021, reflecting the re-negotiated commencement date for the annual return of the obligation under the Put Option Agreement with Hoche. On the effectiveness of the Transaction, September 29, 2021, both Put Option Agreements were terminated in exchange for Ordinary Shares issued by Holdco. The termination of the put option resulted in the associated liabilities to be reclassified into Company's equity.

In 2023, interest on lease liabilities amounted to $828 (2022: $1,033, 2021: $720). Refer to Note 3.3. Leases - Right-of-use assets & lease liabilities for method of recognition of interest expense applied by the Group.

In 2022, interest expense includes an extinguishment loss of $1,601, as a result of the substantially modified terms of the Senior Notes. Refer to Note 21. Borrowings for further information related to the debt extinguishment.

Net fair value gains recognized in Net finance (expense) income during 2023, 2022, and 2021 are unrealized.

(In thousands of United States Dollars, unless otherwise stated)

Note 11. Other income (expenses), net

	For the year ended December 31		
	2023	2022	2021
Foreign currency exchange rate differences gain (loss)	$ 24,369	$ (18,283)	$ (5,994)
Economic emergency contribution expenses	(1,358)	(1,325)	(1,411)
Fines, surcharges, penalties and taxes assumed	(355)	(1,119)	(775)
Donations	(1,142)	(814)	(720)
Listing expense [1]	—	—	(73,917)
Impairment loss [2]	(13,524)	(6,018)	—
Other [3]	19,464	(63)	1,832
Total Other income (expenses), net	**$ 27,454**	**$ (27,622)**	**$ (80,985)**

1 Corresponds to the difference between the fair value of the net assets received through SPAC and the value of the equity interest issued, adjusted by dilutive effect of shares held in escrow at a weighted average fair value per share. Refer to Note 28.1. Reverse reorganization for further information related to the Transaction.

2 Refer to Note 13. Goodwill, net for further details regarding the impairment loss and to Note 15. Property, plant and equipment, net Note 14. Intangible assets and Note 16. Leases for the impairment recognized within each asset group.

3 Includes income from a legal settlement with a third party to recover costs incurred relating to a business opportunity with such third party. The open receivable balance as of December 31, 2023 is included within Other financial assets in the Consolidated Statement of Financial Position. The amount, counter party and any further details can not be disclosed due to contractual restrictions within the settlement agreement.

Note 12. Income tax

Income tax recognized through profit or loss

	For the year ended December 31		
	2023	2022	2021
Current year	12,892	8,874	12,484
Current tax expense	**12,892**	**8,874**	**12,484**
Origination and reversal of temporary differences	(7,275)	2,739	607
Deferred tax (income) expense	**(7,275)**	**2,739**	**607**
Total income tax expense	**5,617**	**11,613**	**13,091**

(In thousands of United States Dollars, unless otherwise stated)

	For the year ended December 31		
	2023	**2022**	**2021**
Profit/ (loss) before tax	45,960	47,739	(93,901)
Income tax (benefit)/expense at corporate tax rate	10,759	9,428	(14,583)
Tax effect of expenses that are not deductible in determining taxable profit	38,181	27,187	49,442
Tax effect of income not taxable in determining taxable profit	(42,890)	(30,292)	(8,822)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,503	(1,249)	(9,423)
Others - Includes exchange effect for reversal rates of long-term temporary differences, income taxed at differential rates, effect of change in deferred tax rate and tax discounts	(2,908)	6,539	(3,523)
Tax effect use of tax losses not previously recognized	(28)	—	—
Tax expense for the year	**5,617**	**11,613**	**13,091**
Effective tax rate for the year	**12.22%**	**24.33%**	**(13.94)%**

The tax rate used for 2023 represents the corporate tax rate of 17% (2022: 17%, 2021: 17%) from Luxembourg on the taxable income payable by the Group, in accordance with the tax laws of said jurisdiction. Income tax for other jurisdictions is calculated based on the substantially enacted nominal tax rates prevailing in the respective jurisdictions. After effectiveness of the Transaction on September 29, 2021, the Group's corporate tax jurisdiction changed from Malta to Luxembourg where the corporate tax rate is 17%.

On September 14, 2021, Colombia's President approved the Social Investment Law (Ley de Inversión Social, or the "2022 Colombian Tax Reform"), which includes certain tax measures intended to generate additional tax revenues to fund social programs for purposes of mitigating the impact of the COVID-19 pandemic. The 2021 Colombian Tax Reform took effect beginning in 2022 and, among other things, includes a corporate tax rate increase from 30% to 35% for both domestic and foreign entities, permanent establishments and branches.

On December 13, 2022, the Colombian President enacted Law 2277 of 2022, which contains the tax reform proposals previously approved by congress. The purpose of the amendments is to promote equality and social justice, as well as to consolidate adjustments to the tax system. These tax measures included, among other things, corporate tax rate to remain unchanged at 35%. However, a new net tax rate was introduced, under which Colombian companies, including free trade zone users, are subject to a minimum 15% effective tax rate, calculated based on financial net profit, in accordance with the OECD Pillar Two global minimum tax rules. Some changes that alter substantial matters concerning periodic taxes entered into force as from January 1, 2023, and certain other provisions entered into force on a date specified in the legislation.

Transfer pricing regimen

Considering that the Group carries out transactions with related parties abroad, it is subject to the regulation that was introduced regarding transfer pricing. Due to the above, the Group prepared a technical study over the transactions performed during 2022, in which concluded that there are no conditions for affecting or adjusting income tax as from said year.

Up to date, the Group has completed the technical study related to the transactions carried out with related parties during 2023, 2022 and 2021, with no impact on the 2023, 2022 and 2021 tax return

Global minimum top-up tax

On October 8, 2021, 136 countries reached an agreement for a two-pillar approach to international tax reform.

Specifically, Pillar Two Global Anti-Base Erosion Rules propose four new taxing mechanisms under which multinational enterprises would pay a minimum level of tax: the subject to tax rule, a tax treaty-based rule that generally proposes a minimum tax on certain cross-border intercompany transactions that otherwise are not subject to a minimum level of tax; the income inclusion rule; the under taxed payments rule; and the qualified domestic minimum top-up tax, which generally propose a minimum tax on the income arising in each jurisdiction in which the Group operates.

The Group operates in several jurisdictions, but it has been determined that the UPE (Ultimate Parent Entity) is located in Luxembourg. Luxembourg enacted legislation to implement the global minimum top-up tax on 2024 about QDMTT (Qualified Domestic Minimum Top-up Tax) and IIR (Income Inclusion Rule). The UTPR (Undertaxed Payment Rule) has entered into force in 2025.

As the group turnover is below €750 million for periods 2021, 2022 and 2023, Pillar Two is not applicable and consequently the Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two model Rules would have no impact to the Group.

Regarding the amendments to IAS 12 (International Tax Reform-Pillar Two Model Rules), since no new legislation to implement the top-up tax was enacted or substantially enacted as of December 31, 2023 in any of the jurisdictions where the Group operates, no related deferred taxes were recognized at that date, hence the retrospective application has no impact on the Group's Consolidated Financial Statements.

Colombia domestic minimum tax

Separately from the OECD Pillar Two rules, Colombia introduced a domestic minimum tax regime though Law 2277 of 2022, effective from fiscal year 2023. Unlike the OECD framework, the Colombian minimum tax does not apply a global revenue threshold of €750 million, but rather establishes a local minimum effective tax rate requirement. This regime is accounted for as part of current income tax expense when payable, and it does not give rise to deferred tax assets or liabilities. The impact of this measure has been recognized in the Group’s 2023 current tax expense

(In thousands of United States Dollars, unless otherwise stated)

Current tax assets and current tax liabilities:

	As of December 31	
Current tax assets	**2023**	**2022**
Income Tax Advance	5,654	9,227
Surplus in Private Liquidation	10,533	9,563
Other Taxes	2,136	2,397
Total	**18,323**	**21,187**
Current tax liabilities		
Income Tax Withholding	(3,341)	(2,274)
Income Tax Payable	(4,069)	(3,590)
Other Taxes	(409)	(1,062)
Total	**(7,819)**	**(6,926)**

As of December 31, 2023, 2022, the following is the detail of the tax losses of the Group that have not been used and on which deferred tax asset has not been recognized:

	As of December 31	
	2023	**2022**
Tax Losses unused	5,513	4,752
Total	**5,513**	**4,752**

Note 13. Goodwill, net

	As of December 31	
	2023	**2022**
Balance as of January 1	**$ 5,791**	**$ 6,803**
Effect of foreign currency exchange rate changes	—	(174)
Impairment losses	$ (5,791)	$ (838)
Balance as of December 31	**$ —**	**$ 5,791**

The Group completed its annual impairment test for goodwill for the years ended December 31, 2023, 2022

As of December 31, 2023, the Group concluded that the recoverable amount of the goodwill and related assets of the cash-generating units (CGUs) Procaps S.A. de C.V. and Biokemical S.A. de C.V. was lower than their carrying amounts. Accordingly, an impairment loss was recognized for the full amount of goodwill allocated to these CGUs. No impairment losses were identified for these CGUs in the analyses performed for the years ended December 31, 2022. However, in 2022, the evaluation performed on the Rymco CGU resulted in the recognition of a full impairment of the related goodwill..

(In thousands of United States Dollars, unless otherwise stated)

Therefore, as of December 31, 2023, the goodwill allocated to all three CGUs had been fully impaired.

Allocation of goodwill to cash generating units

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating units, which belong to different reportable segments:

Cash-generating unit	Reportable segment	As of December 31	
		2023	2022
Procaps S.A. de C.V.	CAN	$ —	$ 549
Biokemical S.A. de C.V.	CAN	—	5,242
Rymco	Procaps Colombia	—	—
		$ —	**$ 5,791**

The Group has three cash generating units - *Procaps, S.A, de C.V.,* is engaged in the manufacturing and distribution of pharmaceutical products, *Biokemical S.A. de C.V.* which also manufactures and distributes pharmaceutical products, and *Rymco,* a manufacturer and seller of syringes, needles, and infusion equipment.

As of December 31, 2023, these CGUs are recognized at their recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of these CGUs. Since 2022, the Rymco CGU has been recognized at its recoverable amount, and in 2023, the CGUs Procaps S.A. de C.V. and Biokemical S.A. de C.V. were also recognized at their recoverable amount. The recoverable amount of these CGUs was determined using a value-in-use calculation based on cash flow projections from approved financial budgets over a specific period, together with an annual discount rate. For cash flows beyond the number of years used in projection, a fixed annual growth rate was used to extrapolate the projections. The chosen period for the cash flow projection represents the stable long-term position, and hence, the cash flows were extrapolated using a steady growth rate in the second stage. The sales growth rate and fixed gross margins were used as inputs for the cash flow projections during the budgeted period, and the directors estimated the growth rate based on past performance and their expectations of market development. The following key assumptions and inputs were considered in the calculation of projected the cash flows of the cash generating units:

	Procaps S.A. de C.V.		Biokemical S.A. de C.V.		Rymco	
	2023	2022	2023	2022	2023	2022
Post-Tax Discount Rate	16.5%	16.5%	16.5%	16.5%	N/A	17.5%
No. of years used In projection (In Years)	5	6	5	6	5	5
Fixed annual growth rate[1]	4%	3%	4%	3%	—%	3.0%
Average sales growth rate	0.6%	15.0%	0.9%	12.6%	— %	(3.5%)
Average gross margin[2]	52.8%	53%	39.4%	41.2%	—%	28%

1 This rate is consistent with the growth of the pharmaceutical and medical supplies markets in the current and potential operating areas of the cash-generating units.

2 Fixed gross margins were used in the cash flow projections for Procaps S.A. de C.V.

(In thousands of United States Dollars, unless otherwise stated)

The table below indicates the amount by which estimated recoverable amount of the cash generated units exceeded its carrying amount:

Cash-generating unit	**Reportable segment**	**2023**	**2022**
Procaps S.A. de C.V.	CAN	$ 15,424	$ 11,863
Biokemical S.A. de C.V.	CAN	5,804	7,205
Rymco	Procaps Colombia	—	(11,741)

As of December 31, 2023, Rymco cash generating unit is fully impaired.

Rymco

The impairment in Rymco as of December 31, 2022 was due to the decrease in sales and declining market conditions during the year. During 2021, the production capacity of Rymco's manufacturing facilities was expanded to meet the increased demand for its products that helped reduce the spread of the COVID-19 virus. However, during 2022, due to the end of the COVID-19 epidemic, the demand for those products significantly declined and, as a result, so did the selling prices due to oversupply in the marketplace.

As a result of the impairment identified as of December 31, 2022, the Group assessed the assets within Rymco subject to IAS 36 and recognized an impairment loss up to the greater of the recoverable amount of the individual assets or zero. The recoverable amount of the assets is its individual Level 2 fair value less costs of disposal, which is calculated based on observable market prices for similar assets. Therefore, a total impairment loss expense of $6,018, which was allocated to the non-financial assets of Rymco as follows:

- Impairment of Goodwill of $838, with $0 remaining carrying amount;
- Impairment of Property Plan and Equipment of $4,689, with a remaining carrying amount of $1,596;
- Impairment of Right-of-use assets of $356, with a remaining carrying amount of $2,744; and
- Impairment of Intangible assets of $135, with $0 remaining carrying amount.

The impairment loss was recognized for the year ended December 31, 2022 in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as Other expenses, net.

As of December 31, 2022, after impairing assets within the scope of IAS 36 by $6,018, an unallocated impairment of $5,723 remained unrecognized by the Group. As of December 31, 2023, the Rymco is fully impaired and it is recognized at its recoverable value, therefore, no further adjustments were made to this cash generating unit during the year.

During the year ended December 31, 2023, the Group permanently ceased Rymco's operations. Subsequently, in August 2024, part of its assets was sold. The remaining assets, with a carrying amount of $1,705, were subject to an independent valuation that estimated their fair value at $481.

This information constitutes objective evidence of conditions existing as of December 31, 2023. Accordingly, the Group recognized an additional impairment of $1,225, recorded in the consolidated statement of profit or loss under "Other expenses, net."

Procaps S.A. de C.V. and Biokemical S.A. de CV

As of December 31, 2023, the impairment of Procaps S.A. de C.V. and Biokemical S.A. de C.V. was primarily attributable to increased expenses associated with the cost to serve, as well as higher discounts, returns, and complimentary products granted during the period. In addition, during the year, the Company implemented a commercial strategy aimed at reducing the inventory days maintained by its distributors (customers). This initiative, which resulted in lower stock levels across these channels, reduced the frequency and volume of purchase orders, thereby significantly impacting sales for the period. Although the impairment test is based on projections of future cash flows, such projections incorporated the anticipated negative effects of this strategy, contributing to the recognition of the impairment loss.

As a result of the impairment identified as of December 31, 2023, the Group assessed the assets within Procaps S.A. de C.V. and Biokemical S.A. de C.V. subject to IAS 36 and recognized an impairment loss up to the greater of the recoverable amount of the individual assets or zero. The recoverable amount of the assets is its individual Level 2 fair value less costs of disposal, which is calculated based on observable market prices for similar assets. Therefore, a total impairment loss expense of $12,175, which was allocated to the non-financial assets of Procaps S.A. de C.V. and Biokemical S.A. de C.V. as follows:

- Impairment of Goodwill of $5,791, with $0 remaining carrying amount;
- Impairment of Property Plan and Equipment of $5,478, with a remaining carrying amount of $11,195;
- Impairment of Right-of-use assets of $374, with a remaining carrying amount of $10; and
- Impairment of Intangible assets of $533, with $0 remaining $ 6,197 carrying amount.

As of December 31, 2023, after impairing assets within the scope of IAS 36 by $12,175, an unallocated impairment of $17,141 remained unrecognized by the Group.

(In thousands of United States Dollars, unless otherwise stated)

Note 14. Intangible assets

Cost	Trademarks and sanitary records	Licenses, customers and agreements	Product development	Total
Balance as of January 1, 2022	**14,615**	**15,935**	**23,285**	**53,835**
Additions	1,684	566	—	2,250
Additions from internal developments	—	—	8,713	8,713
Derecognition of assets	16	(49)	(154)	(187)
Effect of foreign currency exchange rate changes	(1,180)	(1,574)	(4,697)	(7,451)
Transfers	233	363	—	596
Balance as of December 31, 2022	**15,368**	**15,241**	**27,147**	**57,756**
Additions	1,724	818	—	2,542
Additions from internal developments	—	—	9,920	9,920
Derecognition of assets	(18)	—	(51)	(69)
Effect of foreign currency exchange rate changes	1,791	2,229	7,417	11,437
Transfers	(707)	282	(526)	(951)
Balance as of December 31, 2023	**18,158**	**18,570**	**43,907**	**80,635**

(In thousands of United States Dollars, unless otherwise stated)

Accumulated amortization and impairment losses	Trademarks and sanitary records	Licenses, customers and agreements	Product development	Total
Balance as of January 1, 2022	**4,179**	**12,512**	**7,011**	**23,702**
Amortization expense	1,205	995	2,733	4,933
Impairment loss	114	21	—	135
Derecognition of assets	5	—	—	5
Effect of foreign currency exchange rate changes	(495)	(1,200)	(1,503)	(3,198)
Balance as of December 31, 2022	**5,008**	**12,328**	**8,241**	**25,577**
Amortization expense	1,686	1,032	3,525	6,243
Derecognition of assets	(13)	—	—	(13)
Impairment loss	521	11	327	859
Effect of foreign currency exchange rate changes	933	1,686	2,480	5,099
Balance as of December 31, 2023	**8,135**	**15,057**	**14,573**	**37,765**
As of December 31, 2022				
Net book value	10,360	2,913	18,906	32,179
As of December 31, 2023				
Net book value	10,023	3,513	29,334	42,870

For the years ended December 31, 2023, 2022 amortization expenses are recognized within the Consolidated Statement of Profit or Loss and Other Comprehensive Income as administrative expenses.

Impairment loss recognized as of December 31, 2023 in Other expenses, net, mainly corresponds to the Procaps S.A. de C.V. and Biokemical S.A. de C.V. cash-generating units, and the impairment loss recognized as of December 31, 2022 in Other expenses, net relates to the Rymco cash-generating unit. Refer to Note 13. Goodwill, net for further information.

Foreign currency exchange corresponds to the effect of translating the intangible asset amounts attributable to the subsidiaries of the Group whose functional currencies are different from that of the Group.

(In thousands of United States Dollars, unless otherwise stated)

Note 15. Property, plant and equipment, net

Cost	Land and buildings	Machinery and equipment, furniture and fixtures	Projects in progress	Other [1]	Total
Balance as of January 1, 2022	**30,319**	**71,233**	**9,885**	**4,028**	**115,465**
Additions	4,425	2,556	16,055	121	23,157
Disposals	(2,072)	(2,071)	—	(2)	(4,145)
Effect of foreign currency exchange rate changes	(1,283)	(9,698)	(2,008)	(512)	(13,501)
Transfers	759	(180)	(3,216)	179	(2,458)
Balance as of December 31, 2022	**32,148**	**61,840**	**20,716**	**3,814**	**118,518**
Additions	27	1,123	19,078	103	20,331
Disposals	(293)	(280)	—	(470)	(1,043)
Effect of foreign currency exchange differences	2,952	14,694	2,638	701	20,985
Transfers	3,695	17,820	(19,044)	29	2,500
Balance as of December 31, 2023	**38,529**	**95,197**	**23,388**	**4,177**	**161,291**

(In thousands of United States Dollars, unless otherwise stated)

Accumulated depreciation and impairment losses	Land and buildings	Machinery and equipment, furniture and fixtures	Projects in progress	Other [1]	Total
Balance as of January 1, 2022	**7,637**	**32,856**	**—**	**3,523**	**44,016**
Disposals	—	(2,013)	—	(1)	(2,014)
Depreciation expense	775	4,662	—	219	5,656
Impairment loss	—	4,247	403	39	4,689
Effect of foreign currency exchange rate changes	508	(4,648)	—	(315)	(4,455)
Transfers	—	39	—	2	41
Balance as of December 31, 2022	**8,920**	**35,143**	**403**	**3,467**	**47,933**
Disposals	(278)	(228)	—	(445)	(951)
Depreciation expense	859	4,750	—	172	5,781
Impairment loss	4,138	2,536	—	49	6,723
Effect of foreign currency exchange differences	292	7,602	104	671	8,669
Transfers	—	2,158	—	(4)	2,154
Balance as of December 31, 2023	**13,931**	**51,961**	**507**	**3,910**	**70,309**

As of December 31, 2022					
Net book value	23,228	26,697	20,313	347	70,585
As of December 31, 2023					
Net book value	24,598	43,236	22,881	267	90,982

[1] 'Other' includes computer equipment and other office furniture and equipment.

As of December 31, 2023, depreciation expense was recognized as follows: $4,557 was recognized as Cost of sales (2022: $4,504), for manufacturing costs, and $1,218 (2022: $1,152) within Administrative expenses.

Impairment loss recognized as of December 31, 2023 in Other expenses, net, relates to the Procaps S.A. de C.V. and Biokemical S.A. de C.V. cash-generating units, and the impairment loss recognized as of December 31, 2022 in Other expenses, net, relates to the Rymco cash-generating unit. Refer to Note 13. Goodwill, net for further information.

Financial Commitments.

As of year-end 2023, the Group has commitments to acquire capital expenditures for $3,878 (2022: $2,304).

(In thousands of United States Dollars, unless otherwise stated)

Note 16. Leases

The Group has leases of office and warehouse buildings, land, vehicles, machinery and computer hardware. Rental contracts are for fixed terms varying between one and seven years.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Reconciliation of asset balances:

	Land and Buildings [1]	Equipment and Machinery	Vehicles	Computers	Total
Balance as of January 1, 2022	**35,582**	**5,076**	**—**	**698**	**41,356**
Addition to right-of-use asset	8,940	2,293	—	1,219	12,452
Depreciation	(4,323)	(1,343)	(7)	(582)	(6,255)
Derecognition of contracts	(437)	(33)	—	—	(470)
Impairment loss	—	(356)	—	—	(356)
Transfers	201	47	61	—	309
Effect of foreign currency exchange differences	(3,887)	(685)	1	(72)	(4,643)
Balance as of December 31, 2022	**36,076**	**4,999**	**55**	**1,263**	**42,393**
Addition to right-of-use asset	3,453	538	216	926	5,133
Depreciation	(4,076)	(1,327)	(71)	(696)	(6,170)
Derecognition of contracts	(380)	—	—	(88)	(468)
Impairment loss	(374)	—	—	—	(374)
Transfers	2,132	(2,542)	—	—	(410)
Effect of foreign currency exchange differences	5,610	796	5	144	6,555
Balance as of December 31, 2023	**42,441**	**2,464**	**205**	**1,549**	**46,659**

1 Includes net right-of-use assets of $1,161 (2022: $1,373) with related party WM Partners, LP.

As of December 31, 2023 depreciation expense was recognized as follows: $4,557 was recognized within administrative costs (2022: 4,504) for manufacturing costs, and $1,218 (2022: $1,152) within Administrative expenses.

Impairment loss recognized as of December 31, 2023 in Other expenses, net, relates to the Procaps S.A. de C.V. and Biokemical S.A. de C.V. cash-generating units, and the impairment loss recognized as of December 31, 2022 in Other expenses, net, relates to the Rymco cash-generating unit. Refer to Note 13. Goodwill, net for further information.

(In thousands of United States Dollars, unless otherwise stated)

Lease Liabilities

The Group's lease liabilities are guaranteed by the lessor's title to the leased assets. As of December 31, 2023 and 2022 the Group maintains the following opened balances:

	2023	2022
Non-current	$ 29,811	$ 25,139
Current	5,436	9,053
Total	**$ 35,247**	**$ 34,192**

The remaining contractual maturity and repayment periods of the Group's leases liabilities are exhibited in Note 29. Financial instruments.

Carrying amounts of lease liabilities are included in Borrowings' balance, refer to Note 21. Borrowings.

Amounts recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended December 31	
	2023	2022
Interest on lease liabilities	$ 828	$ 1,033
Expense relating to leases of low-value assets	450	115
Expense relating to short-term leases	559	862

Amounts recognized in Consolidated Statements of Cash Flows

The total cash outflow for leases amounts to December 31, 2023 $5,992 and (2022: $6,679). The principal amount of the lease liabilities and estimated interest payments contractual maturity and repayment periods are included in Note 29. Financial instruments.

Note 17. Investment in joint ventures

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Company	
			As of December 31, 2023	As of December 31, 2022
Promedical S.A.	Marketing and pharmaceuticals	Santa Cruz de la Sierra, Bolivia	50%	50%

(In thousands of United States Dollars, unless otherwise stated)

Promedical S.A. is accounted for using the equity method in these Consolidated Financial Statements. Pursuant to a shareholder agreement, the Group has the right to cast 50% of the votes at shareholder meetings of Promedical S.A.

The other summary information that precedes the reconciliation to the Group's carrying amount represents amounts included in the IFRS financial statements of the joint venture, not the Procaps Group share of these amounts, although they are adjusted to reflect fair value adjustments upon acquisition or accounting policy alignments.

Summarized financial information of Promedical S.A is set out below. The summarized financial information below represents amounts in the Promedical S.A.'s financial statements prepared in accordance with IFRS Standards, adjusted by the Group for equity accounting purposes.

	As of December 31	
	2023	**2022**
Current assets	$ 9,128	$ 10,107
Non-current assets	2,940	2,970
Current liabilities	7,848	8,422
Non-current liabilities	1,047	866
Equity	3,173	3,789

	For the year ended December 31	
	2023	**2022**
Revenue	19,891	19,844
(Loss)/income for the year	(647)	(2,040)
Total comprehensive (loss)/income	(647)	(2,040)

	As of December 31	
	2023	**2022**
Net assets of Promedical S.A.	$ 3,173	$ 3,789
Proportion of the Group's ownership interest in Promedical S.A.	1,587	1,895
Other adjustments	441	(390)
Carrying amount of the Group's interest in Promedical S.A.	**$ 2,028**	**$ 1,505**

(In thousands of United States Dollars, unless otherwise stated)

Note 18. Inventories, net

	2023	2022
Raw materials and supplies	48,291	$ 42,701
Products in process	6,085	7,412
Finished products and merchandise	45,561	45,036
Inventory in transit	10,116	11,531
Subtotal	**110,053**	**106,680**
Less: Provision	(8,228)	(6,917)
Total	**$101,825**	**$99,763**

Inventories recognized as cost of goods sold during the year ended December 31, 2023 amounted to $185,772 (2022: $168,421). Inventories used as samples for the year ended December 31, 2023 amounted to $4,686 (2022: $6,659) were recognized as marketing expenses.

Write-downs of inventories to net realizable value and obsolescence adjustments amounted to 12,132 (2022: 6,332), were recognized within sales expenses during the year ended December 31, 2023.

Note 19. Trade and other receivables, net

	As of December 31	
	2023	2022
Trade receivables, net of discounts [1]	$ 133,116	$ 106,824
Other receivables	8,648	11,657
Impairment of trade and other receivables [2]	(16,910)	(12,065)
Trade receivables, net of discounts and impairment	**$ 124,854**	**$ 106,416**

1 Discount and return provision amounts to 30,867 (2022: 22,240)

2 Total impairment balance is comprised of 14,509 (2022: 10,768) for trade receivables and $2,401 (2022$1,297) for other receivables.

Refer to Note 29. Financial instruments for the Group's disclosures on credit risk management and expected credit losses.

The Group has entered into factoring arrangements to sell certain trade receivables to third parties under recourse programs, retaining all risk and rewards incidental to the trade receivables, so no derecognition of the financial assets has been performed. Trade receivables which collateralize factoring obligations as of December 31, 2023 amount to $3,548 (2022: $2,547).

(In thousands of United States Dollars, unless otherwise stated)

Note 20. Cash and cash equivalents

	As of December 31	
	2023	**2022**
Cash on hand	$ 14,745	$ 39,770
Tax refund titles[1]	2,769	3,233
Total cash and cash equivalents	**$ 17,514**	**$ 43,003**

1. The balance as of December 31, 2023 and 2022 relates to tax refund titles (Colombian Tax Reimbursement Certificates) that are securities issued by the Colombian Ministry of Finance and Public Credit which are highly liquid and tradeable. They must be redeemed within one year with the tax authority to compensate payable taxes.

As of December 31, 2023 and 2022, cash and cash equivalents were not restricted or levied in anyway as to limit availability thereof.

Note 21. Borrowings

	2023	**2022**
Borrowings at amortized cost [1]		
Syndicated term loans (1)	$ 64,275	$ 38,626
Other term loan (2)	80,717	96,851
Lease liabilities (3)	35,247	34,192
Factoring obligations (4)	4,111	2,317
Bank overdrafts (5)	153	80
Senior Notes (6)	115,000	115,000
Total interest bearing liabilities	**$ 299,503**	**$ 287,066**
Current	**$ 268,389**	**$ 257,898**
Non- Current	**$ 31,114**	**$ 29,168**

1 Borrowings at amortized cost are unsecured, with the exception of factoring obligations which are collateralized by trade receivables. Refer to Note 19. Trade and other receivables, net.

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in Note 29. Financial instruments.

1. Syndicated term loan

(In thousands of USD)	**Principal currency**	**Range of Interest**	**Maturity Year**	**2023**	**2022**
Syndicated term loan	COP	IBR+5.3% (Variable)	2023-2025	$ —	$ 38,626
New *Banco* Credit Agreement	COP	IBR +8.5% (Variable)	2029	64,275	—

On November 20, 2018, Procaps S.A. entered into a syndicated term loan agreement (the "Syndicated Loan Agreement") with the following banks: Portion in COP - Davivienda and Bancolombia; USD portion - Banco de Credito del Peru, Bancolombia Panama and Banco Sabadell. The total value of the syndicated loan amounts to $200,434 million COP (portion in COP) and $35 million USD (portion in USD), Fiduciaria Bancolombia acts as the agent of the loan. C.I. Procaps S.A., Procaps S.A. de C.V, Biokemical S.A., Pharmarketing S.A. (Panama), Pharmarketing Salvador S.A. de C.V., Pharmarketing S.A. (Guatemala S.A.), C.D.I. Salvador S.A. de C.V., C.D.I. Nicaragua S.A., C.D.I. Guatemala S.A., Pharmarketing Dominicana SRL, and Pharmarketing Costa Rica S.A., act as co-debtors, while Pharmayect S.A., Inversiones Crynssen S.A.S., Inversiones Ganeden S.A.S., Inversiones Henia S.A.S., Inversiones Jades S.A.S., and Industrias Kadima S.A.S., act as guarantors.

The resources obtained were used for advance payment and/or novation of some obligations to be refinanced. The conditions of the loan had a term of 5 years for installment payments and the interest rates agreed are as follows: IBR + 5.30% for the portion in COP and Libor + 4.80% for the USD portion.

The loans received by Banco de Crédito del Peru and Banco Sabadell were prepaid during the month of November 2021, due to the improvement in terms and conditions under the NPA.

The significant covenants required by the Syndicated Loan Agreement were as follows:

- Indebtedness index (Indebtedness/EBITDA) as of June 30 and December 30 of each year, during the loan term, must be less than or equal to 3.5 times. If the index is greater than 3.0 and less than 3.5, it proceeds to the extent that this value is originated by causes other than additional debt and the justification of the increase must be presented to the agent.

- Short-term leverage ratio must be less than 1.0 on the last day of each semester.

- EBITDA ratio / financial expenses = or > 3.0 on the last day of each semester.

- The payment of dividends is restricted to anyone other than the jointly obligated parties.

The Syndicated Loan Agreement established that, in the event of breach of covenants by the debtor, the lenders shall be entitled to declare early maturity of the indebtedness thereunder.

As of December 31, 2022, the Group was not in compliance with certain loan covenants under the Syndicated Loan Agreement. As a result, as of December 31, 2022, the $19,665 unpaid principal balance previously classified as a non-current borrowings, was reclassified to current borrowings within the Group's Consolidated Statement of Financial Position. On May 2, 2023 the Group obtained a waiver for the loan covenant breaches described above. Under the terms of the waiver, the lenders agreed to waive the event of default as of December 31, 2022.

For the period ended June 30, 2023, as part of the Waiver negotiations, the lenders agreed to adjust the ratios, the Group complied.

On August 16, 2023, Procaps S.A. and other entities of the Group (Procaps Group, S.A., C.I. Procaps, S.A., Diabetrics Healthcare, S.A.S., Procaps, S.A. de C.V., and Funtrition, S.A.S.) as guarantors (collectively, the "Obligors") entered into a Credit Agreement with Bancolombia S.A. and Banco Davivienda S.A (the "New *Banco* Credit Agreement"). The New *Banco* Credit Agreement provides for a loan of up to $247,817 million COP and the proceeds are to be used exclusively for the prepayment of $5,486 USD of previously existing loans and $225,325 million COP for the refinancing of existing indebtedness of the Group, including the Syndicated Loan Agreement. The New *Banco* Credit Agreement provides for a term of six-years, and interest accrues thereunder at a rate equal to the Colombian Central Bank's reference rate (for a three-month tenor) plus 8.50% per annum.

The New *Banco* Credit Agreement contains customary affirmative and negative covenants, including limitations on the ability of the Group to incur additional debt, guarantee other obligations, grant liens on assets, make investments or acquisitions, dispose of assets, pay dividends or other payments on capital stock, make restricted payments, engage in mergers or consolidations, engage in transactions with affiliates, and enter into certain restrictive agreements.

The New *Banco* Credit Agreement requires the Group's compliance with the following financial covenants, each measured on a trailing twelve-month basis on the final day of each fiscal quarter of the Group:

- Consolidated debt to consolidated EBITDA ratio of no greater than 3.50:1:00 (other than for the period ended September 30, 2023, for which the ratio shall be no greater than 4.30:1.00).
- EBITDA interest coverage ratio of greater than 3.00:1.00 (other than for the period ended September 30, 2023, for which the ratio shall be greater than 1.90:1.00).

Additionally, the Obligors are required to maintain combined total assets and combined EBITDA equal to no less than 80% of the Group's consolidated total assets and consolidated EBITDA, respectively, as of June 30 and December 31 of each year.

On December 26, 2023, the Group obtained Incremental Waivers under the New Banco Credit Agreement in anticipation of a potential breach of the consolidated EBITDA to consolidated interest expense ratio, which adjusts such ratio for the period ended December 31, 2023, that shall be greater than 1.90:1.00.

As of December 31, 2023 the Company did not provide information regarding financial ratios to the lenders. Also, according to the consolidated financial results for the year ended December 31, 2023, Management determined that the Group was not in compliance with the following financial covenant ratio: consolidated debt to consolidated EBITDA ratio 3.71. The Company complied with EBITDA interest coverage ratio 1.98. Also, the Group did not comply with other non-financial covenants for which a waiver was not obtained.

As a result, the Group reclassified the respective indebtedness of $62,894 related to the New Banco Credit Agreement to current liabilities as of December 31, 2023.

2.Other term loans

(In thousands of USD)	**Principal currency**	**Range of Interest**	**Maturity Year**	**2023**	**2022**
Other term loans[1]	COP	17.72%-32% A.E., 23.50% A.N. (Fixed) (2022:IBR+ 5%, DTF+ 3%, 13.99%-25.3%)	2024-2025	$ 14,323	$ 9,549
	COP	IBR+2.25%-7.25% (2022: IBR+2.25%-10.2%)	2024-2025	13,468	21,267
	Soles	8% - 12.79% A.N.(Fixed)	2024	7,364	6,837
	Reales	9.84%-13.08% A.N. (2022: 9.84% - 18% A.N.)	2024	545	2,176
	USD	SOFR+ (3%-5.80%) (2022: SOFR+ (4.8%-5.8%))	2024	23,621	23,454
	USD	8%-19.68% A.N. (2022: 6.36%-16.8%)	2024-2025	21,396	33,568
Total Other term loans				**$ 80,717**	**$ 96,851**

1. Other term loans includes reverse factoring transactions. The balance of reserve factoring as of December 31, 2023 and 2022 was of $17,813 and $10,080, respectively.

On June 28, 2022, Procaps, S.A. entered into a credit agreement with BTG Pactual (the “BTG Credit Agreement”) to borrow $8,672. The financial covenants required by the BTG Credit Agreement are as follows:

- Consolidated Indebtedness Indicator (Indebtedness / EBITDA) must not be greater than 3.5 times.
- EBITDA interest coverage ratio must not be less than 3 times.

As of December 31, 2022, the Group was not in compliance with certain loan covenants related to the BTG Credit Agreement. As a result, as of December 31, 2022, the $4,490 unpaid principal balance previously classified as a non-current borrowings, has been reclassified to current borrowings within the Group’s Consolidated Statement of Financial Position.

On March 28, 2023 the Group obtained a waiver for the loan covenant breach. Under the terms of the waiver, BTG Pactual agreed to waive the event of default as of December 31, 2022. As part of the waiver negotiations, the lenders agreed to adjust the covenant ratios as noted below for the period ended June 30, 2023:

- Procaps S.A. and its subsidiaries consolidated Indebtedness Indicator (Indebtedness / EBITDA) must not be greater than 4.5x.
- Procaps S.A and its subsidiaries EBITDA interest coverage ratio must not be less than 1.8x.

Further, on September 29, 2023, the Group negotiated with BTG to change the covenant reporting entity to be the Group instead of just Procaps S.A. and its subsidiaries.The changes in the ratios are as follows:

- For the remainder of 2023, Indebtedness Indicator (Indebtedness / EBITDA) must be greater than 4.30x. For the period starting 2024, it must be greater than 3.5x.
- For the remainder of 2023, EBITDA interest coverage ratio shall be greater than 1.9x. For the period starting 2024, it must be greater than 3.0x.

Along with the BTG Credit Agreement, the Group borrowed $19,000 on October 14, 2022 as part of a short-term agreement with BTG Pactual which was initially payable in 2022. On December 15, 2022, February 13, 2023, and May 10, 2023, the Group executed amendments to extend the maturity date.

On August 18, 2023, the Group entered into a Credit Agreement with Banco BTG Pactual S.A.-Cayman Branch. (the "New BTG Credit Agreement"). The New BTG Credit Agreement provides for a loan of up to $19 million, the proceeds are to be used exclusively for the prepayment of existing indebtedness under the BTG Credit Agreement. The New BTG Credit Agreement provides for a term of 30 months, interest accrues at a rate equal to SOFR 3M plus 5.80%.

The New BTG Credit Agreement requires the Group's compliance with the following financial covenants, each measured on a trailing twelve-month basis on the final day of each period ending June 30 and December 31:

- Consolidated debt to consolidated EBITDA ratio of no greater than 3.50:1:00 (other than for the twelve-month period ended December 31, 2023, for which the ratio shall be no greater than 4.30:1.00).
- EBITDA interest coverage ratio of greater than 3.00:1.00 (other than for the twelve-month period ended December 31, 2023, for which the ratio shall be greater than 1.90:1.00).

As of December 31, 2023, the Company did not provide information regarding financial ratios to the lenders. Also, according to the consolidated financial results for the year ended December 31, 2023, Management determined that the Group was in compliance with the following financial covenant ratios: consolidated debt to consolidated EBITDA ratio 3.71 and EBITDA interest coverage ratio 1.98. Also, the Group did not comply with other non-financial covenants for which a waiver was not obtained.

As a result, the Group reclassified the respective indebtedness for BTG Credit Agreement, amounting to $12,448 to current liabilities as of December 31, 2023.

Management continuously oversees compliance with the obligations.

3. Lease liabilities

(In thousands of USD)	**Principal currency**	**Range of Interest**	**Maturity Year**	**2023**	**2022**
Lease liabilities	COP	IBR+3.82%-7.30% (2022: DTF + (5.18% - 10.11%) T.A., IBR+7.5%)	2024-2030	$ 11,082	$ 10,475
	COP	IBR+4.20%-8.20% (2022: DTF+ 4.54%-10.42% T.A.)	2024-2025	6,340	3,653
	USD [1]	0.75%-21.75%	2024-2032	17,180	14,787
	COP	1.91%-12.23%, IBR+4.68%	2023	—	4,703
	Reales	0.33% - 19.08% A.N. (2022: 0.70% - 8.72% (Fixed))	2024	645	574
Total Lease liabilities				**$ 35,247**	**$ 34,192**

[1] Includes lease liabilities of $1,331 (2022: $1,501) with related party WM Partners, LP.

4. Factoring obligations

(In thousands of USD)	**Principal currency**	**Range of Interest**	**Maturity Year**	**2023**	**2022**
Portfolio factoring	COP	DTF+8% (2022: DTF+7%)	2024	$ 1,802	$ 1,508
	COP	2.15% A.N. Fixed (2022: 15%-27% A.N.)	2024	1,553	809
	Reales	18% A.N.	2024	551	—
	USD	9.95% A.N.	2024	205	—
Total Factoring obligations				**$ 4,111**	**$ 2,317**

5. Bank overdraft

(In thousands of USD)	**Principal currency**	**Range of Interest**	**Maturity Year**	**2023**	**2022**
Overdrafts and credit cards	COP	32.00% A.E. (Fixed) (2022: 19.68% - 32% A.E.)	2024	$ 20	$ 80
	USD	SOFR+3.00%+FECI 1.00%	2024	18	—
	USD	11.29% - 29.99% A.E. (Fixed)	2024	115	—
Total Overdrafts and credit cards				**$ 153**	**$ 80**

6. Senior Notes

(In thousands of USD)	**Principal currency**	**Range of Interest**	**Maturity Year**	**2023**	**2022**
The Prudential Insurance Company Of America	USD	8.50% A.N.(Fixed)	2031	$ 60,020	$ 60,020
Prudential Annuities Life Assurance Corporation	USD	8.50% A.N.(Fixed)	2031	29,980	29,980
Healthspring Life & Health Insurance Company, Inc	USD	8.50% A.N.(Fixed)	2031	18,350	18,350
CIGNA Health and Life Insurance Company	USD	8.50% A.N.(Fixed)	2031	6,650	6,650
Total Senior Notes				**$ 115,000**	**$ 115,000**

On November 12, 2021, the Group closed the private placement offering of $115 million aggregate principal amount of 4.75% guaranteed senior notes (the "Senior Notes") issued by Procaps, S.A., a subsidiary of the Group, due November 12, 2031, pursuant to the NPA entered into on November 5, 2021 with The Prudential Insurance Company of America, Prudential Annuities Life Assurance Corporation, Healthspring Life & Health Insurance Company, Inc. and Cigna Health and Life Insurance Company Inc

The Senior Notes are a senior unsecured obligations of Procaps, S.A. and unconditionally guaranteed by Procaps Group, S.A. and the following subsidiaries of the Group: C.I. Procaps, S.A., Diabetrics Healthcare S.A.S., Pharmayect S.A., Procaps, S.A. de C.V., Biokemical, S.A. de C.V., Colbras Indústria e Comércio Ltda., and Sofgen Pharmaceuticals LLC.

Debt issuance costs related to the Senior Notes of $2,142, comprised of commissions payable to the initial purchasers of $1,390 and attorneys' costs of $752, were allocated to the liability of the Notes based on their relative values. Issuance incremental costs are part of the effective rate and amortized to interest expense using the effective interest method over the contractual term.

As mentioned in Note 1. General Company Information the Notes Payoff did not occur on or prior to November 30, 2022, therefore triggering the 3.75% per annum waiver fee on the outstanding principal amount of Senior Notes, raising the interest rate from 4.75% to 8.50%. As a result, the Group has treated the rate increase as a debt extinguishment, derecognized a liability in the amount of $113,400, expensed $1,600 in unamortized transaction costs, and recognized a new liability in the amount of $115,000.

The Senior Notes require Procaps, S.A., the Group and the following subsidiaries of the Group: C.I. Procaps, S.A., Diabetrics Healthcare S.A.S., Pharmayect S.A., Procaps, S.A. de C.V., Biokemical, S.A. de C.V., Colbras Indústria e Comércio Ltda., and Sofgen Pharmaceuticals LLC. to comply with the following financial ratios:

- The consolidated total debt of Procaps, S.A., the Group and the other obligors thereunder to consolidated EBITDA for the last twelve months of 3.50:1.00 or less (Indebtedness Indicator), measured on a trailing twelve-month basis on the final day of each fiscal quarter of the Group;

- An EBITDA interest coverage ratio (calculated as the consolidated EBITDA for the last twelve months of Procaps, S.A., the Group and the other obligors thereunder divided by the consolidated interest expenses of Procaps, S.A., the Group and the other obligors thereunder) in excess of, or equal to, 3.00:1.00, measured on a trailing twelve-month basis on the final day of each fiscal quarter of the Group.

- Short-term leverage ratio equal to or less than 1.00

Complying with the NPA protocols and as a result of the more favorable provisions of the Syndicated Loan Agreement, the Group gave notice on April 7, 2022 that specific provisions related to reporting covenants, affirmative covenants, negative covenants, events of default, and mandatory prepayment events, as set forth in the Syndicated Loan Agreement, shall apply to the Senior Notes.

As of December 31, 2022, the Group was not in compliance with the certain loan covenants related to the Senior Notes. As a result, the $115,000 unpaid principal balance previously classified as a non-current borrowings, were reclassified to current borrowings within the Group's Consolidated Statement of Financial Position as of December 31, 2022.

On March 31, 2023 the Group obtained a Waiver for the NPA covenant breaches described above. Under the terms of the Waiver, the noteholders agreed to waive the event of default as of December 31, 2022. For the periods ending March 31, June 30 and September 30, 2023, as part of the Waiver negotiations, the lenders agreed to adjust the covenant ratios as noted below.

The consolidated total debt of Procaps, S.A., the Group and the other obligors thereunder to consolidated EBITDA for the last twelve months of 4.00:1.00 or less:

- An EBITDA interest coverage ratio in excess of, or equal to, 2.20:1.00.
- Short-term leverage ratio equal to or less than 1.60:1:00.

As of June 30, 2023 the Group obtained an Additional waiver under the NPA in anticipation of a potential breach of the covenant ratios contained within the March 31, 2023 waiver. For the periods ending June 30 and September 30, 2023, the lenders agreed to adjust the covenant ratios as noted below (the covenants returned to the original terms from December 31, 2023, onwards):

- The consolidated total debt of Procaps, S.A., the Group and the other obligors thereunder to consolidated EBITDA for the last twelve months of 4.30:1.00 or less.
- An EBITDA interest coverage ratio in excess of, or equal to, 1.90:1.00.

On December 29, 2023, the Group obtained Incremental Waivers under the NPA in anticipation of a potential breach of the EBITDA interest coverage ratio, which adjusts such ratio for the period ended December 31, 2023, that shall be greater than or equal to 1.90:1.00.

As of December 31, 2023, the Company did not provide information regarding financial ratios to the lenders. Also, according to the consolidated financial results for the year ended December 31, 2023, Management determined that the Group was not in compliance with the following financial covenant ratio: consolidated total debt to consolidated EBITDA ratio 3.71. The Company complied with EBITDA interest coverage ratio 1.98. Also, the Group did not comply with other non-financial covenants for which a waiver was not obtained.

As a result, the Group reclassified the respective indebtedness for the NPA, amounting to $115,000 to current liabilities as of December 31, 2023.This reclassification causes the Group to breach the short-term leverage ratio under the NPA as of December 31, 2023.

(In thousands of United States Dollars, unless otherwise stated)

On March 29, 2024, the Group obtained the March 2024 waivers, under which, the noteholders agreed to adjust the short-term leverage ratio to be less than or equal to 3.0 for the period ended December 31, 2023.

For information related to debt financial restructuring refers to Note 33.

Working capital

Reconciliation of liabilities arising from financing activities

	January 1, 2023	Payment cash flows	New liabilities [1]	Other changes [2]	December 31, 2023
Syndicated term loans	38,626	(4,043)	5,556	24,136	$ 64,275
Other term loan	96,851	(112,880)	102,677	(5,931)	$ 80,717
Lease liabilities	34,192	(5,992)	2,574	4,473	$ 35,247
Factoring obligations	2,317	(20,607)	21,702	699	$ 4,111
Bank overdrafts	80	(425)	479	19	$ 153
Notes	115,000	—	—	—	$ 115,000
Total liabilities from financing activities	**$ 287,066**	**$ (143,947)**	**$ 132,988**	**$ 23,396**	**$ 299,503**

1. New liabilities include non-cash activities for invoices from suppliers financed via reverse factoring $47,161 and new lease liabilities for $2,574.
2. Other changes include foreign currency exchange differences, cost amortization of $98 and the novation of debt of $13,707 between the Other term loan and the Syndicated term loan.

	January 1, 2022	Payment cash flows	New liabilities [1]	Other changes [2]	December 31, 2022
Syndicated term loans	$ 46,505	(7,850)	7,923	(7,952)	$ 38,626
Other term loan	$ 51,593	(94,306)	145,631	(6,067)	$ 96,851
Lease liabilities	$ 31,747	(6,679)	12,647	(3,523)	$ 34,192
Factoring obligations	$ 10,609	(21,943)	14,042	(391)	$ 2,317
Bank overdrafts	$ 55	(817)	1,019	(177)	$ 80
Notes	$ 112,857	—	—	2,143	$ 115,000
Total liabilities from financing activities	**$ 253,366**	**$ (131,595)**	**$ 181,262**	**$ (15,967)**	**$ 287,066**

1. New liabilities include non-cash activities for invoices from suppliers financed via reverse factoring $32,358 and new lease liabilities for $12,647.
2. Other changes include foreign currency exchange differences, the write-off of the Notes unamortized transaction costs of $1,600 due to the debt extinguishment, and cost amortization of $360.

(In thousands of United States Dollars, unless otherwise stated)

Note 22. Deferred tax

The deferred tax assets and liabilities by type of temporary difference are as follows:

	As of December 31	
	2023	**2022**
Net deferred tax asset (liability)		
Trade and other receivables	$ 13,362	$ 2,035
Inventories	3,199	3,930
Property, plant and equipment	(4,251)	(4,019)
Intangibles	(6,540)	(5,112)
Borrowings and Trade and other payables	224	2,648
Provisions and Other liabilities	1,014	1,780
Others [1]	982	(524)
Total net deferred tax asset (liability)	**$ 7,990**	**$ 738**

1 As of December 31, 2022, includes a deferred tax asset of $381 related to Procaps S.A. tax losses of $1,088 generated during the year. The NOLs ($1,088) where completely offset in 2023 with taxable income of Procaps S.A. for which as of December 31, 2023 this Company has no pending NOLs

	As of December 31	
	2023	**2022**
Deferred tax asset	$ 10,475	$ 7,485
Deferred tax liability	(2,485)	(6,747)
Net deferred tax asset (liability)	**$ 7,990**	**$ 738**

	2023	**2022**
Balance as of January 1	**$ 738**	**$ 3,524**
Recognized in Profit or Loss	7,275	(2,739)
Recognized in Other Comprehensive Income [1]	85	107
Others [2]	(108)	(154)
Balance as of December 31	**$ 7,990**	**$ 738**

1 Deferred tax related to employee defined benefit plans.

2 Deferred tax related to the purchase price acquisition of intangible assets in Procaps S.A. de C.V.

The deferred tax assets are ordinary in character and comprised of temporary differences primarily related to the impairment of trade receivable for financial reporting purposes, differences in the financial statement carrying amount and tax basis of inventories, property, plant and equipment, intangibles, borrowings, provisions, and others. Given the expected near-term reversal of the deductible temporary differences giving rise to deferred tax assets, it is probable that future taxable profit will be available as a result of reversing taxable temporary differences to realize the tax benefit of the deferred tax assets either in the year of reversal or within the twelve-year carryforward period permitted by Colombian income tax law.

(In thousands of United States Dollars, unless otherwise stated)

There was a deferred tax asset that would have been recognized for $1,929 as of December 31, 2023 (2022: $1,663) for temporary differences of $5,513 (2022: $4,752) related to subsidiary Rymco Medical's fiscal losses. However, this asset was not recognized because the Group's management considers that there is no certainty of future taxable income available for compensation. Likewise, no deferred tax liabilities have been recognized from those entities in which the Group has control and in the foreseeable future it is not expected that the same will be carried out.

Note 23. Trade and other payables

	As of December 31	
	2023	2022
Trade payables	**$ 79,799**	**$ 80,287**
Other payables		
Trade current accounts	—	808
Interest payable	5,479	3,785
Withholdings and payroll contributions	3,429	2,512
Others	4,356	3,168
Total other payables	**13,264**	**10,273**
Total accounts payable	**$ 93,063**	**$ 90,560**

Note 24. Provisions and contingencies

	2023	2022
Provisions and contingencies		
Balance as of January 1	**$ 138**	**$ 501**
Effect of foreign currency exchange rate changes	14	9
Provisions made	91	43
Provisions used	(101)	(415)
Balance as of December 31	**$ 142**	**$ 138**

Provisions

The Group recognizes provisions for contingencies that are probable of requiring an outflow of resources due to adverse effects. The Group recognized the estimated probable losses against the company for labor, administrative and ligation, which are calculated based on the best estimate of the disbursement required to settle the obligation at the date of preparation of the Consolidated Financial Statements. Such contingencies are disclosed with possible adverse effects for the entity, as follows:

Legal provisions

Softcaps legal proceedings – The total balance of $58 (2022: $76) is comprised of labor, administrative, and civil litigation. There are no tax litigation provisions recognized as of December 31, 2023 and 2022.

The remaining balance of $84 (2022: $62) is for labor litigation in the following entities: *Procaps, S.A., Unimed del Perú and Diabetrics;* and $21 is for tax litigation in CDI Nicaragua.

Contingencies

Procaps SA de CV legal proceedings - The General Tax Directorate of El Salvador (DGII), determined that the company failed to declare taxable and presumed income from revenue obtained and loans made to non-domiciled companies in 2018, the proposed tax charge and sanction amounts to $1,087. Also, the DGII determined that the company incurred in the infraction of non-intentional evasion due to the incorrect filing of the "VAT" declarations for 2019. The proposed tax charge and penalty amounts to $348 as of December 31, 2023.

However, the Group's external advisor indicates that it is not probable for this claim to proceed, therefore, there is no provision for the effect of this contingency.

CDI Nicaragua legal proceedings - The tax authority of Nicaragua (Administración de Renta Linda Vista), determined that the Group applied discounts not related to taxable income generation in 2018. Also the Group reported higher cost of sales for undocumented purchases not deductible for income tax purposes in 2018, the proposed tax burden and penalty amount to $537 as of December 31, 2023.

However, the Group's external advisor indicates that it is not probable for this claim to proceed, therefore, there is no provision for the effect of this contingency.

Note 25. Shareholder's equity

Note 25.1. Authorized and issued shares

The authorized shareholder's equity is represented by 800,000,000 (2022: 800,000,000, 2021: 800,000,000) Ordinary Shares with a par value of one cent each, of which 112,824,183 (2022: 112,824,184, 2021: 112,824,184) are issued and outstanding as of December 31, 2023. Ordinary Shares grant one vote per share and one right to dividends. Also, 4,000,000 Redeemable A Shares are issued and held in treasury by the Group and 4,500,000 Redeemable B Shares are issued and held in treasury by the Group.

(In thousands of United States Dollars, unless otherwise stated)

Reconciliation of share capital and share premium related to the reverse reorganization:

Ordinary authorized and issued shares	**Number of shares**	**Share capital amount**	**Share premium**
As of January 1, 2021 pre-restructuring	**2,001,071**	**2,001**	**54,412**
Termination of put option agreements (a)	903,075	903	297,796
Subtotal	**2,904,146**	**2,904**	**352,208**
Capital restructuring of Crynssen (1:33.4448 exchange ratio) (b)	94,224,544	(1,933)	1,933
Subtotal - restructured	**97,128,690**	**971**	**354,141**
Acquisition of Union Acquisition Corp. II (c)	20,195,494	202	174,738
Escrowed shares (d)	(11,714,612)	(117)	(106,247)
Redemption of redeemable shares (e)	(4,500,000)	(45)	(44,955)
As of December 31, 2021	**101,109,572**	**1,011**	**377,677**
As of December 31, 2022	**101,109,572**	**1,011**	**377,677**
Treasury shares acquired (f)			(2,184)
As of December 31, 2023	**101,109,572**	**1,011**	**375,493**

a. On the effectiveness of the Transaction, September 29, 2021, the put option agreements were terminated in exchange for new equity instruments in Procaps Group SA.

b. On completion of the Transaction, each of the OpCo Shareholders, contributed its respective OpCo Ordinary Shares to Holdco in exchange for Holdco Ordinary Shares, and, in the case of IFC for Holdco Ordinary Shares and 4,500,000 Holdco Redeemable B Shares, subscribed for by each OpCo Shareholder. The OpCo Shareholders were issued 97,128,690 new shares in the Group (92,628,689 Holdco Ordinary Shares and 4,500,000 Holdco Redeemable B Shares) in exchange of the 2,904,146 outstanding OpCO Ordinary Shares. The resultant share exchange ratio being 33.4448.

c. SPAC Ordinary Shares outstanding (including those held by the PIPE Investors and Union Group International Holdings Limited and Union Acquisition Associates II, LLC (the “SPAC Sponsors”) were exchanged with Holdco for Holdco Ordinary Shares pursuant to a share capital increase of HoldCo.

New Shares were issued for an aggregate subscription price of $201,955, corresponding to a total aggregate amount of $202 to be allocated to the share capital of the Group.

Aggregate subscription price is as follows:

	Number of shares	**Aggregate value**
Public shares	5,895,494	58,955
Founder shares	4,300,000	43,000
PIPE Shares	10,000,000	100,000
	20,195,494	**201,955**

(In thousands of United States Dollars, unless otherwise stated)

Cost-basis of the exchange reflects:

	Share premium
SPAC net assets	131,086
Transactions costs	(30,063)
IFRS 2 Share-based payment expense	73,917
Share Capital issued	(202)
	174,738

d. 1,250,000 Holdco Ordinary Shares issued to the SPAC Sponsors and 10,464,612 Holdco Ordinary Shares issued to certain Opco Shareholders in connection with the Transaction are subject to an escrow arrangement that is applicable to both SPAC Sponsors and to such OpCo Shareholders. On September 29, 2021, considering that the condition to deliver a fixed number of shares for a consideration that is settled in One's own equity instruments is not met for the 11,714,612 Holdco Ordinary Shares issued to the SPAC Sponsors and certain Opco Shareholders, the escrow shares were classified as a financial liability with changes in fair value through profit or loss for the amount of $106,364.

e. Immediately following the Exchange, the Group redeemed 4,500,000 Holdco Redeemable B from IFC for a total purchase price of $45,000 in accordance with that certain share redemption agreement entered into by and between the Group and IFC on March 31, 2021, and subsequently amended on September 29, 2021.

f. Treasury shares – Comprises the cost of the Company's shares held by the Group.

Refer to Note 28.1. Reverse reorganization for further information related to the Transaction.

Note 25.2. Reserves

	As of December 31	
	2023	2022
Legal[1]	$ 4,898	$ 4,892
Working Capital[2]	42,209	40,851
General[3]	3,131	—
	$ 50,238	**$ 45,743**

	2023	2022
Balance as of January 1	**$ 45,743**	**$ 42,749**
Increase in working capital reserves	1,358	2,994
Increase in legal reserves	6	—
Increase in general reserves	3,131	—
Balance as of December 31	**$ 50,238**	**$ 45,743**

[1] *Legal Reserves* – Includes the appropriate values from net income to comply with legal provisions related to asset protection according to applicable jurisdictions with cumulative earnings.

(In thousands of United States Dollars, unless otherwise stated)

[2] *Reserves for working capital* – These are eventually used to transfer earnings from the retained earnings for appropriation purposes.

[3] *General reserves* – These are eventually used to transfer earnings from the retained earnings for fulfilling various business needs, like enhancing the working capital, distributing dividends to the shareholders, meeting various kinds of other contingencies, etc.

[1] *Legal Reserve* - Includes the appropriate values from net income to comply with legal provisions related to asset protection according to applicable jurisdictions with cumulative earnings.

[2] *Reserves for working capital* – These are eventually used to transfer earnings from the retained earnings for appropriation purposes.

Note 26. Earnings Per Share

The Group reports net earnings per share in accordance with *IAS 33 - Earnings Per Share*. The income/(loss) per share is calculated by dividing the income/(loss) for the year attributable to ordinary equity holders of the Group by the weighted average number of Ordinary Shares outstanding in the year.

The income/(loss) per fully diluted share shall be calculated based on the income/(loss) for the year divided by the weighted average number of fully diluted shares. No dilutive effect has been identified for the years ended December 31, 2023, 2022 and 2021.

	2023	2022	2021
Net income/(loss) of the year	40,343	36,126	(106,992)
Number of Ordinary Shares issued at December 31*	100,456	101,110	101,110
Weighted average basic number of Ordinary Shares	**101,006**	**101,110**	**98,143**
Weighted average diluted number of shares	**101,006**	**101,110**	**98,143**
Basic and diluted income/(loss) per share in the year	***0.40***	***0.36***	***(1.09)***

* *Includes 903,075 shares held under put option before the transaction as such ordinary shareholders were entitled to receive dividends.*

Note 27. Warrant Liabilities

	As of December 31	
	2023	2022
Public warrants	$ 2,600	$ 9,200
Private warrants[1]	439	1,716
	$ 3,039	**$ 10,916**

[1] *Private warrants include 2,875,000 warrants held by the former SPAC sponsors deposited in an escrow account.*

(In thousands of United States Dollars, unless otherwise stated)

Note 27.1. Public warrants

	2023	2022
As of January 1	**$ 9,200**	**$ 16,000**
Acquired public warrants	—	—
Fair value remeasurement	(6,600)	(6,800)
As of December 31	**$ 2,600**	**$ 9,200**

Public warrants were issued by the SPAC to certain shareholders whereas prior to the Transaction such public warrants (together with the private warrants issued to the SPAC sponsors) were exchanged, on a one per one basis, for warrants in the Group's Ordinary Shares. The public warrants have the following terms:

- Each whole warrant entitles the holder to purchase one ordinary share at an exercise price of $11.50
- The warrant is exercisable post Transaction and expires on the earlier of:
  - 5 years after the completion of the Transaction, i.e., September 29, 2026
  - the Redemption Date, or
  - the liquidation of the Group.
- The Group may redeem the outstanding warrants, in whole and not in part, at a price of $0.01 per warrant at any time while the warrants are exercisable upon a minimum of 30 days prior written notice of redemption:
  - if, and only if, the last sales price of the common stock equals or exceeds $18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalization and the like) on each of twenty (20) trading days within any thirty (30) trading day period ending on the third trading day prior to the date on which notice of redemption is given.
  - however, that if and when the Public Warrants become redeemable by the Group, the Group may not exercise such redemption right if the issuance of Ordinary Shares upon exercise of the Public Warrants is not exempt from registration or qualification under applicable state blue sky laws or the Group is unable to effect such registration or qualification.
- The Public Warrants may be exercised, for cash (or on a "cashless basis") at any time after notice of redemption shall have been given by the Group and prior to the Redemption Date.

The Public Warrants are redeemable on the occurrence of change in control (merger, re-organization, tender offer, exchange), and the Group does not have an unconditional right to avoid delivering cash, the Public Warrants meet the criteria for classification as a financial liability. In addition, Warrants may be settled in a variable number of shares in case of cashless basis of exercise. Therefore, the Public Warrants meet the criteria for classification as financial liability.

Additionally, Public Warrants also meet the definition of a derivative, which may be settled other than by the exchange of a fixed amount of cash for a fixed number of the entity's shares. Therefore, Public Warrants are derivatives that are classified as financial liability.

(In thousands of United States Dollars, unless otherwise stated)

The public warrants were traded on Nasdaq and the closing trade price on 29 September, 2021 was used to measure their initial fair value. On September 30, 2021, the warrants had a fair value of $21,600 (20,000,000 warrants valued at $1.08 each).

Note 27.2. Private warrants

	2023	2022
As of January 1	**$ 1,716**	**$ 7,112**
Acquired private warrants	—	—
Fair value remeasurement	(1,277)	(5,396)
As of December 31	**$ 439**	**$ 1,716**

Simultaneously with the closing of the initial public offering of the SPAC, the SPAC consummated the sale of 6,250,000 warrants (the "SPAC Private Placement Warrants") at a price of $1.00 per warrant in a private placement to the SPAC Sponsors, generating gross proceeds of $6,250. Pursuant to the Business Combination Agreement, the Group entered into an Assignment, Assumption and Amendment Agreement with SPAC and the Warrant agent to amend and assume SPAC's obligations under the existing Warrant Agreement and to give effect to the conversion of SPAC public warrants and SPAC Private Placement Warrants to Holdco public warrants and Holdco private warrants (the "Private Warrants"), respectively.

Additionally, immediately prior to the consummation of the Transaction, the SPAC Sponsors forfeited 2,875,000 SPAC Private Placement Warrants and, in connection with consummation of the Transaction, placed 2,875,000 Private Warrants in escrow.

The Private Warrants have the following terms:

- Each warrant entitles the holder to purchase one ordinary share at an exercise price of $11.50 per share. Only whole warrants are exercisable.
- Exercisable post Transaction and expires on the earlier of:
    - 5 years after the completion of the Transaction,
    - the Redemption Date, or
    - the liquidation of the Group.
- Redemption for cash shall not apply.

The Private Warrants are redeemable on the occurrence of change in control (merger, re-organization, tender offer, exchange), and the Group does not have an unconditional right to avoid delivering cash, the Private Warrants meet the criteria for classification as a financial liability. In addition, Warrants may be settled in a variable number of shares in case of cashless basis of exercise. Therefore, the Private Warrants meet the criteria for classification as a financial liability.

Additionally, Private Warrants are classified as derivatives and financial liabilities, these shall be initially measured at fair value, with subsequent changes in fair value recognized in profit or loss. Refer to Note 10. Net finance (expense) income.

Warrants in escrow

On March 31, 2021, concurrently with the execution of the Business Combination Agreement, the SPAC, Holdco, OpCo, certain OpCo Shareholders and certain shareholders of the SPAC prior to the consummation of the Transaction (including the SPAC Sponsors), entered into the Transaction Support Agreement, pursuant to which the SPAC Sponsors agreed to forfeit 2,875,000 of their Private Placement Warrants immediately prior to the Merger and to subject certain of their Holdco Ordinary Shares and Private Warrants to certain restrictions by depositing such securities in an escrow account.

Warrants in Escrow shall be treated as follows:

- First Level Release Target: The escrow agent shall hold 1,437,500 SPAC Sponsor Private Warrants (the "First Level Sponsor Escrow Warrants") in escrow until the earlier to occur of (a) the date on which the closing price of the Holdco Ordinary Shares on the Nasdaq Stock Market equals or exceeds $12.50 per Holdco Ordinary Share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-day trading period, or (b) the date that is the fifth (5th) anniversary of the closing of the Transaction (the "Five Year Expiration Date").

- Second Level Release Target: The escrow agent shall hold 1,437,500 SPAC Sponsor Private Warrants (the "Second Level Sponsor Escrow Warrants") in escrow until the earlier to occur of (a) the date on which the closing price of the Holdco Ordinary Shares on the Nasdaq Stock Market equals or exceeds $13.00 per Holdco Ordinary Share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-day trading period, or (b) the Five-Year Expiration Date.

- Automatic Release: if Group shall consummate a liquidation, merger, stock exchange or other similar transaction which results in all of the holders having the right to exchange their Holdco Ordinary Shares for cash, securities or other property, then the escrow agent shall (subject to customary escrow notification provisions) promptly release all the First Level Sponsor Escrow Warrants and Second Level Sponsor Escrow Warrants to the SPAC Sponsors.

- Cancellation: On the Five-Year Expiration Date, any First Level Sponsor Escrow Warrants and Second Level Sponsor Escrow Warrants that have not been released and remain in escrow, shall be released by the escrow agent to the Group for cancellation.

Private Warrants issued by the Holdco which are deposited in escrow and are subject to cancellation if certain conditions are not met are recorded as contingent consideration and therefore initially measured at fair value. Further, since they are liability classified instruments, subsequent changes in fair value are recognized in profit or loss as a Net finance (expense) income. Refer to Note 10. Net finance (expense) income.

Note 28. Acquisitions

Note 28.1. Reverse reorganization

As further outlined in Note 2.3, the Group underwent a reverse reorganization as a result of the Transaction consummated on September 29, 2021.

The amount of the net identifiable assets of $131,086 acquired on the date of Transaction, were as follows:

(Amount in thousands)		**2021**
Cash held in trust	$	138,046
Cash and cash equivalents		100,000
Redemption liability		(77,997)
Warrants liability		(28,963)
Total SPAC identifiable net assets at fair value	**$**	**131,086**

Procaps Group, S.A. was considered to be the accounting acquirer and the merger between Procaps Group, S.A. and SPAC was accounted for as an asset acquisition under IFRS, considering SPAC was not considered a business. Therefore, IFRS 2 was applied to recognize the value of equity interests issued in excess of the assets received.

		After Redemption
Step 1 - Deemed cost of shares issued		
Fair value of OpCo	$	926,287
Equity interest in Holdco issued to SPAC shareholders & PIPE investors		19%
Equity interest in Holdco of Selling shareholders		81%
Deemed costs of shares issued*	$	213,584
SPAC identifiable net assets at fair value	$	131,086
Deemed cost of shares issued	**$**	**82,498**
Step 2 - Dilutive impact of shares held in escrow		
Dilutive effect of 945,036 shares held in escrow at a weighted average fair value per share of $9.08	$	8,581
Step 3 - IFRS 2 ‘listing expense’	**$**	**73,917**

* *The deem cost of the shares was estimated based on the fair value of the OpCo issued shares (legacy Crynssen Pharma Group Limited) prior to the merger with SPAC and Holdco.*

The IFRS 2 ‘listing expense’ per above, has been recognized in profit or loss within O*ther expenses, net* for the year ended December 31, 2022. Refer to Note 11. Other income (expenses), net.

As a result of the transaction, prepaid expenses of $4,602 have been recognized in Other current assets as of December 31, 2022.

Shares in an escrow

Holdco Ordinary Shares in an escrow are subject to an arrangement that is applicable to 1,250,000 Holdco Ordinary Shares issued to the SPAC Sponsors and 10,464,612 Holdco Ordinary Shares issued to certain Opco Shareholders.

(In thousands of United States Dollars, unless otherwise stated)

Certain market conditions will be required to be met after the Transaction for these securities in escrow to be released to the eligible securities owners. If the market conditions wouldn't be met within a defined time period (five years for warrants in escrow and ten years for Holdco Ordinary Shares in escrow), such securities in escrow would be forfeited.

a) Sponsors' Holdco Ordinary Shares in escrow: On the closing of the Transaction, 1,250,000 Holdco Ordinary Shares received in exchange for the equivalent number of SPAC Ordinary Shares upon the consummation of the Merger (the "Sponsor Escrowed Securities") held by the SPAC Sponsors were deposited in escrow. Fifty percent (50%) of the Sponsor Escrowed Securities will be released to the SPAC Sponsors if the closing price of the Holdco Ordinary Shares on the Nasdaq Stock Market equals or exceeds $12.50 per Holdco Ordinary Share for any 20 trading days within any 30-day trading period, and the remaining 50% of the Sponsor Escrowed Securities will be released to the Sponsors if the closing price of the Holdco Ordinary Shares on the Nasdaq Stock Market equals or exceeds $13.00 per Holdco Ordinary Share for any 20 trading days within any 30-day trading period (in each case, subject to any applicable lock-up restrictions under the Registration Rights and Lock-Up Agreement or any other applicable escrow arrangement).

b) Eligible Procaps Shareholders Holdco Ordinary Shares in escrow: On the closing of the Transaction, 10,464,612 Holdco Ordinary Shares received in the Exchange (the "ECS Escrowed Securities") by certain OpCo Shareholders were deposited in escrow. Fifty percent (50%) of the ECS Escrowed Securities will be released to such OpCo Shareholders if the closing price of the Holdco Ordinary Shares on the Nasdaq Stock Market equals or exceeds $12.50 per Holdco Ordinary Share for any 20 trading days within any 30-day trading period, and the remaining 50% of the ECS Escrowed Securities will be released to such OpCo Shareholders if the closing price of the Holdco Ordinary Shares on the Nasdaq Stock Market equals or exceeds $13.00 per Holdco Ordinary Share for any 20 trading days within any 30-day trading period.

If the market conditions wouldn't be met within a defined time period (ten years for Ordinary Shares in escrow), such securities in escrow would be forfeited. All dividends payable, whether in cash, stock or other non-cash property with respect to the Sponsor Escrowed Securities and the ECS Escrowed Securities while such securities are held in escrow will be delivered to the escrow agent to hold and distribute in the same manner as the Sponsor Escrowed Securities and the ECS Escrowed Securities held in escrow.

If Holdco consummates a liquidation, merger, stock exchange or other similar transaction which results in all of its shareholders having the right to exchange their Holdco Ordinary Shares for cash, securities or other property, then all Sponsor Escrowed Securities and the ECS Escrowed Securities will be released to the SPAC Sponsors and those certain OpCo Shareholders. Any Sponsor Escrowed Securities and the ECS Escrowed Securities not released from escrow within ten years from the date of the closing of the Transaction will be released by the escrow agent to Holdco for cancellation.

Shares held in escrow subject to cancellation if certain conditions are not met, are recorded as contingent consideration and therefore, initially measured at fair value. Because the shares held in escrow will be settled in a variable number of the Group's own equity instruments, they are classified as a liability. As a result, subsequent changes in fair value are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as *Net finance (expense) income*. Refer to Note 10. Net finance (expense) income.

	2023	2022
As of January 1	$ 40,064	$ 101,859
Escrowed shares	—	—
Fair value remeasurement	(11,187)	(61,795)
As of December 31	**$ 28,877**	**$ 40,064**

As of December 31, 2023, shares held in escrow measured at fair value include $25,795 and $3,081 (2022: $35,789 and $2,138) owned by the Minski Family and Union Acquisition Associates II, LLC, respectively, which are related parties.

Note 28.2. Asset acquisition - Pharmaceutical production facility

On November 5, 2021, Procaps Group entered into an asset purchase agreement to acquire an 86,000 sq. ft. pharmaceutical production facility located in West Palm Beach, Florida with production capacity of approximately 1.8 billion capsules per year for its iCDMO (integrated Contract and Manufacturing Organization) business unit.

The pharmaceutical production facility was purchased from Strides Pharma, Inc., a U.S. subsidiary of the Indian-based pharmaceutical corporation, the Strides Group. The core assets of this asset acquisition includes several soft gelatin capsule (“Softgel”) encapsulation lines, new critical support systems, automated packaging line capabilities, as well as development facilities including pilot and scale up capabilities. Softgels are designed to deliver high precision dosage by achieving homogeneity of ingredients. The Softgel capsules are well recognized in the supplement, OTC, and the prescription market for improving patient adherence to the drug and therapy by facilitating swallowing due to the texture of its shell.

The purchase price for the purchased assets is $1.6 million, and transaction costs of $213.6. On the Closing Date, December 31, 2022, the Group paid the amount corresponding to the 50% of the Purchase Price and the remaining 50% will be paid on December 31, 2023.

The fair value of the identifiable assets acquired on December 31, 2022, the date of the Transaction, were of $1,813.

The following table summarizes the final allocation of the purchase price based on the estimated fair values of the assets acquired and liabilities assumed at the date of asset acquisition.

(Amount in thousands)	**2022**
Property, plant and equipment	$ 1,487
Inventories	133
Other receivables	193
Right-of-use assets	4,533
Lease liabilities	(4,533)
Total	**$ 1,813**

Note 29. Financial instruments

29.1 Accounting classification and fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value, the Group uses observable market data whenever possible. Fair values are categorized into different levels in a hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs are observable either directly (e.g. as prices) or indirectly (e.g. derived from prices).

(In thousands of United States Dollars, unless otherwise stated)

- Level 3: fair value measurements incorporate significant inputs that are based on unobservable market data.

The following table shows the carrying amounts of financial assets and financial liabilities. The amortized cost basis of the financial assets and liabilities not measured at fair value approximates their fair value.

	As of December 31, 2023			As of December 31, 2022	
	FVTPL[1]	FVOCI[2]	Amortized cost[3]	FVTPL[1]	Amortized cost[3]
Financial assets not measured at fair value					
Trade and other receivables, net	$ —	$ —	$ 124,854	$ —	$ 106,416
Amounts owed by related parties, net	—	—	3,908	—	4,587
Cash and cash equivalents	—	—	17,514	—	43,003
Other financial assets	—	—	8,496	—	210
Total financial assets not measured at fair value	**$ —**	**$ —**	**$ 154,772**	**$ —**	**$ 154,216**
Financial liabilities measured at fair value					
Warrant liabilities	$ 3,039	$ —	$ —	$ 10,916	$ —
Shares held in escrow	28,877	—	—	40,064	—
Derivative financial liabilities	$ —	$ 1,792	$ —	$ —	$ —
Total financial liabilities measured at fair value	**$ 31,916**	**$ 1,792**	**$ —**	**$ 50,980**	**$ —**
Financial liabilities not measured at fair value					
Borrowings	$ —		$ 299,503	$ —	$ 287,066
Trade and other payables	—		93,063	—	90,560
Amounts owed to related parties	—		21,233	—	19,286
Total financial liabilities not measured at fair value	**$ —**	**$ —**	**$ 413,799**	**$ —**	**$ 396,912**

1 The fair value is comprised of $2,600 level 1 and $29,316 level 3 as of December 31, 2023 (2022: $10,916 and $40,064, respectively).

2 The fair value of the exhibited figures as of December 31, 2023 are Level 2.

3 The amortized cost approximates fair value as of December 31, 2023 and 2022, respectively.

(In thousands of United States Dollars, unless otherwise stated)

29.2 Measurement of fair values

The following table shows the valuation techniques used in measuring Level 3 fair values for financial instruments in the Consolidated Statement of Financial Position, as well as the significant unobservable inputs used.

Type	Fair value	Valuation Technique	Significant unobservable input	Relationship between significant unobservable input to fair value	Sensitivity of significant unobservable input to fair value	
					+5%	-5%
Private warrants	$ 2,600	The fair value of the Private Warrants is estimated using the Black-Scholes option pricing formula for European calls, since the underlying stock is not expected to pay dividends over the term of the Warrants.	Volatility of 38.8% (2022: 36.6%)	The higher (lower) the volatility, the higher (lower) the fair value.	$ 604	$ 201
Private warrants in escrow	439	The fair value of the Private Warrants is estimated using Monte Carlo simulation in a risk-neutral framework assuming a Geometric Brownian Motion for the future stock price.	Volatility of 38.8% (2022: 37.5%)	The higher (lower) the volatility, the higher (lower) the fair value.	105	35
Shares held in escrow	28,877	The fair value of the shares to be delivered is estimated using Monte Carlo simulation in a risk-neutral framework assuming a Geometric Brownian Motion for the future stock price.	Volatility of 44.0% (2022: 36.5%)	The higher (lower) the volatility, the higher (lower) the fair value.	31,922	25,245

29.3 Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk

- Market risk, including: currency and interest rate risk

29.3.1. Risk management framework

The Group analyzes each of these risks individually as well as on a combined basis and defines strategies to manage the economic impact on the Group's performance in line with its financial risk management policy. The Group does not subscribe or negotiate hedging instruments.

The Group's Financial Administrative Unit ("UAC", for its Spanish initials) supports, monitors and manages financial risks through internal reports, which are analyzed individually in each country depending on the degree and magnitude of the risks thereof. The financial UAC periodically reports to the shareholders the conclusions of such risk monitoring and proposes the plans and policies necessary to mitigate exposures.

29.3.2. Credit risk

Credit risk refers to the risk that one of the parties fails to comply with its contractual obligations, resulting in a financial loss for the Group. As a corporate policy, the Group conducts business only with strong financial institutions and credit institutions with renowned national and international prestige. For banks, only independently rated parties with a minimum rating of 'A' are accepted.

The Group only makes transactions with financial entities that have risk certifications and/or that are monitored by the relevant authorities in each country. The information provided by rating agencies is consistently monitored and, if not available, the Group uses other available financial information and its own business records to qualify its main customers and finance providers. Before accepting any new customer, the Group uses a rating system to assess the credit quality of the potential customer and defines the credit limits for each customer. Limits and ratings attributed to customers are reviewed twice a year. Trade accounts receivable that are not past due or impaired have the best credit rating according to the credit rating system used by the Group.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the Group. The carrying amount is presented net of impairment losses. None of the receivable balances as of December 31, 2023 or 2022 constitutes a significant concentration of credit risk. There are no other single customers representing more than 10% of total gross trade receivables for the years ended December 31, 2023 and 2022.

Expected credit losses

The average credit period on the sale of medicines is 60 to 120 days. In some cases, depending on market conditions and strategy, longer payment periods are granted. No interest surcharge is made on commercial accounts receivable. Refer to Note 3.4. Financial Instruments for further information on financial instruments significant accounting policies.

The Group has recognized a provision for doubtful accounts. The Group evaluates the impairment of its accounts receivable for the expected credit loss model, where it determines its value based on the probability of default, the loss due to default (i.e., the extent of the loss in case of default) and the exposure, by the application of the 'simplified method' for trade receivables without a significant financing component. The assessment of the probability of default and the loss due to default is mainly based on historical data and adjust historical loss rates to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions.

(In thousands of United States Dollars, unless otherwise stated)

The following table provides information about the exposure to credit risk and expected credit losses for Trade and other receivables and Amounts owed by related parties as of December 31, 2023 and 2022:

December 31, 2023	**Current (not past due)**	**1-30 days past due**	**31-60 days past due**	**61-90 days past due**	**91-120 days past due**	**More than 120 days past due**	**Total**
Weighted-average loss rate	0.24%	3.33%	3.53%	4.64%	8.44%	83.33%	14.21%
Gross carrying amount	142,127	9,669	7,257	5,972	4,691	32,590	**202,306**
Impairment loss allowance	(340)	(322)	(256)	(277)	(396)	(27,156)	**(28,747)**
	141,787	**9,347**	**7,001**	**5,695**	**4,295**	**5,434**	**173,559**

December 31, 2022 (as restated)	**Current (not past due)**	**1-30 days past due**	**31-60 days past due**	**61-90 days past due**	**91-120 days past due**	**More than 120 days past due**	**Total**
Weighted-average loss rate	0.39%	3.42%	4.50%	14.25%	19.89%	83.88%	14.07%
Gross carrying amount	124,219	11,816	3,864	1,958	890	26,605	169,352
Impairment loss allowance	(483)	(404)	(174)	(279)	(177)	(22,317)	(23,834)
	123,736	**11,412**	**3,690**	**1,679**	**713**	**4,288**	**145,518**

For the year ended December 31, 2023, additions of $3,840 (2022: $2,477) to the impairment loss allowance were recognized within Sales and marketing expenses and these amounts includes reversal of $909 (additions 2022: $195) of impairment losses recognized for balances in connection with related parties and others, net $1,982 (2022: $(491)).

29.3.3. Market risk

Net Investment Hedges

A foreign currency exposure arises from the Group's net investment in its subsidiary Procaps, S.A., that is a Colombian Peso functional currency entity. The risk arises from the fluctuation in spot exchange rates between the Colombian Peso and the USD, which causes the amount of that net investment to vary.

Part of the Group's net investment in Procaps, S.A. is hedged by average rate forward contracts (pay Colombian Peso and receive USD), which mitigates the foreign currency risk arising from the subsidiary's net assets. The forward contracts are designated as hedging instruments for the changes in the value of the net investment that are attributable to changes in the Colombian Peso/USD spot rate. The counterparty is a top-tier financial institution with low credit risk.

The hedged risk in the net investment hedge is the risk of a weakening Colombian Peso against the USD that will result in a reduction in the carrying amount of the Group's net investment in Procaps, S.A. The Group has established a hedge ratio of 1:1 where the notional amounts of the hedging instruments match the carrying amount of the hedged net investment.

The Group assesses hedge effectiveness qualitatively, as the critical terms (i.e., the notional amount and underlying exchange rate) of the hedging instruments are closely aligned with those of the hedged net investment in Procaps, S.A. It is expected that the value of the hedging instruments and the value of the hedged net investment will systematically change in opposite directions in response to movements in the Columbian Peso/USD exchange rate.

(In thousands of United States Dollars, unless otherwise stated)

The main potential sources of ineffectiveness identified by the Group in these hedging relationships are timing mismatches, forward points used to calculate the settlement amount of the hedging instruments which are not reflected in the value changes of the hedged net investment, and changes in the Group's and/or derivative counterparty's credit that would result in movements in fair value of the hedging instruments that would not be reflected in the movements in the value of the hedged net investment.

The amounts related to items designated as hedging instruments were as follows:

Average Currency Forward Contracts (Sell COP)	Settlement Date	Forward Exchange rate	Notional amount (COP)	Notional amount (thousands of USD)
Less than 3 months	1/3/2024	4,791	48,837,000,000	12,654

As of December 31, 2023

Average Currency Forward Contracts (Sell COP)	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Change in value used for calculating hedge ineffectiveness
	Assets	Liabilities		
Less than 3 months	—	1,792	Hedging derivative financial instruments	1,792

As of December 31, 2023

Average Currency Forward Contracts (Sell COP)	Change in value of hedging instruments recognized in OCI	Hedge ineffectiveness recognized in PL	Line item in profit or loss that includes hedge ineffectiveness
Less than 3 months	1,792	—	N/A

The amounts related to items designated as hedged items were as follow:

As of December 31, 2023

	Change in value used for calculating hedge ineffectiveness	Foreign currency translation reserve for continued hedges	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
Net investment in Procaps S.A.	1,792	1,792	1,878

(In thousands of United States Dollars, unless otherwise stated)

Foreign currency risk

The Group carries out transactions denominated in foreign currency, mainly imports, exports and indebtedness; thereby generating exposures to exchange rate fluctuations. The Group does not usually cover exposures to the exchange rate, but rather monitors frequently the foreign exchange market as a strategy to prevent significant loss in the short- and medium-term.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2023	**2022**	**2023**	**2022**
COP	133,255	98,166	(111,164)	(72,006)
Reales	7,462	25,479	(1,178)	(9,962)
Cordoba	3,154	—	—	—
Quetzales	2,440	—	(107)	—
Soles	3,687	14,666	(254)	(8,905)
Dominican Peso	3,673	1,064	(133)	(3,563)
Colones	2,300	1,346	(9)	(2,814)

The following table details sensitivity per company to a 10% increase and decrease in the U.S. dollar against the relevant foreign currencies. The sensitivity analysis includes only the outstanding monetary items denominated in foreign currency and adjusts its conversion at the end of the period for a 10% change in exchange rates.

	+10% Impact to profit or loss before tax		**-10% Impact to profit or loss before tax**	
	2023	**2022**	**2023**	**2022**
COP	(1,381)	(494)	1,688	604
Reales	(566)	(270)	698	330
Cordoba	(287)	—	350	—
Quetzales	(212)	—	259	—
Soles	(313)	(137)	381	168
Dominican Peso	12	4	(14)	(5)
Colones	628	133	(728)	(163)

Interest rate risk

The Group is exposed to interest rate risks because it borrows money at both fixed and variable interest rates connected with Secured Overnight Financing Rate ("SOFR") and IBR/DTF (according to its Spanish acronym of "*Indicador bancario de referencia*" which is the benchmark banking indicator, in Colombia). The risk is managed by the Group, by monitoring the macroeconomic variables that determine the variation of the interest rates and generating an appropriate mix between fixed rate and variable rate loans.

(In thousands of United States Dollars, unless otherwise stated)

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. In 2023, the Group undertook amendments to its financial obligations with contractual terms indexed to IBORs such that they incorporate new benchmark rates. As of December 31, 2023, the Group modified all of its variable rate liabilities indexed to LIBOR to reference SOFR.

The following sensitivity analyzes have been determined based on exposure of financial liabilities to the highlighted variable interest rates:

	2023			**2022**		
	Carrying amount	**+1%**	**-1%**	**Carrying amount**	**+1%**	**-1%**
DTF/IBR	97,532	98,507	96,557	79,345	80,138	78,552
SOFR	23,638	23,875	23,401	23,454	23,689	23,219
Total	**121,170**	**122,382**	**119,958**	**102,799**	**103,827**	**101,771**

$121,170 or 40.46% as of December 31, 2023 and 102,799 or 35.81% as of December 31, 2022, of the Group's interest-bearing financial liabilities bears interest at a variable rate. An increase of 1% in interest rates for the year ended December 31, 2023 would have decreased profit before tax by $1,212 in 2023 and decreased profit before tax by $1,028 in 2022. A decrease of 1% will have an equal and opposite effect on profit before tax. This sensitivity does not include the balances of financial obligations with a fixed rate.

29.3.4. Liquidity risk

The Group's Financial UAC has ultimate responsibility for the liquidity management of each of the companies and has established an appropriate framework so that Management can make decisions on short-, medium- and long-term financing, as well as liquidity management. The Group manages liquidity risk by maintaining reserves, adequate financial and loan facilities, continuously monitoring projected and actual cash flows, and reconciling the maturity profiles of financial assets and liabilities. In the same sense, financial assets to afford obligations represent cash and trade receivables intended to be collected in short term, net of the expectations of recoverability.

As part of other liabilities within borrowings, the Group includes obligations to factors associated with factoring and reverse factoring arrangements. Ordinary payment terms with suppliers range between 60 and 90 days but may be extended through reverse factoring arrangements up to 180 days in aggregate.

The Group's obligations to individual factors typically is less than 5% of the Group's total indebtedness. The majority of the Group's factoring obligations are concentrated with Banco Serfinanza S.A. and Nefincol S.A.S., while the main reverse factoring obligations are concentrated with Sufactura S.A., Bancolombia S.A. and Finamco S.A.S..

The following table details the most representative remaining contractual maturity and repayment periods of the Group's financial liabilities. This reflects the undiscounted cash flows of financial liabilities, considering the date on which the Group must make the final payments.

(In thousands of United States Dollars, unless otherwise stated)

	As of December 31, 2023						
	Carrying amount	**Contractual cash flows**	**Less than 1 year [1]**	**1-2 years**	**2-3 years**	**3-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Borrowings	$ 264,256	$ 301,502	$ 299,966	$ 1,269	$ 267	$ —	$ —
Trade and other payables	93,063	93,063	93,063	—	—	—	—
Lease liabilities	35,247	54,285	9,038	8,956	6,901	15,397	13,993
Amounts owed to related parties	21,233	21,233	21,233	—	—	—	—
	$ 413,799	**$ 470,083**	**$ 423,300**	**$10,225**	**$ 7,168**	**$15,397**	**$13,993**

1. As mentioned in Note 21. Borrowings, as of December 31, 2023, $190,137 in the aggregate were classified as payable in less than 1 year as a result of a breach in certain covenants included under the NPA, BTG and the New *Banco* Credit Agreement.

	As of December 31, 2022 (as restated)						
	Carrying amount	**Contractual cash flows**	**Less than 1 year [1]**	**1-2 years**	**2-3 years**	**3-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Borrowings	$ 252,875	$ 279,625	$ 275,577	$ 3,518	$ 530	$ —	$ —
Trade and other payables	90,560	90,560	90,560	—	—	—	—
Lease liabilities	34,192	46,001	11,174	6,629	5,962	7,962	14,274
Amounts owed to related parties	19,286	19,286	19,286	—	—	—	—
	$ 396,913	**$ 435,472**	**$ 396,597**	**$10,147**	**$ 6,492**	**$ 7,962**	**$ 14,274**

1. As mentioned in Note 21. Borrowings, as of December 31, 2022, $139,155 in the aggregate were classified as payable in less than 1 year as a result of a breach in certain covenants included under the NPA, the Syndicated Loan Agreement, and BTG Credit Agreement for which the Group afterwards executed waivers with the lenders mentioned above.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximizing returns to its shareholders through the optimization of debt and asset balances. The Group's capital structure consists of net debt (loans offset by cash and bank balances) and Group assets (comprised of issued and paid-in capital, reserves, retained earnings and non-controlling interests).

The Group is not subject to any externally imposed capital requirement. The main indebtedness of the Group is associated with the balances of a Syndicated Loan and the Senior Notes, and are subject to covenants that obligate it to comply with a series of financial indicators, primarily financial leverage (Debt/EBITDA), short-term leverage ratio and EBITDA on interest expense. These financial indicators serve as local management parameters.

The executive members of the UAC of the Group, who provide support for the analysis and management of capital risk to the Group, review their capital structure on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group is reviewed in an internal administrative manner, with the same covenants that apply to the Syndicated Procaps S.A. The main financial covenant is determined as the ratio of the debt to the EBITDA generated by the Group.

(In thousands of United States Dollars, unless otherwise stated)

Indebtedness Index

The indebtedness index for the reporting period is the following:

	2023	2022
Total assets [1]	472,499	442,526
Total liabilities [2]	473,235	479,660
Liabilities to assets ratio	1.00	1.08

1 Defined as short-term assets plus long-term assets
2 Defined as short-term liabilities plus long-term liabilities

Note 30. Related party transactions

Balances and transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its related parties are disclosed below.

Outstanding activities

During the year, the Group entities carried out the following transactions with joint ventures and other related parties:

	For the year ended December 31		
	2023	2022	2021
Sale of finished products	$ 4,534	$ 7,733	$ 5,628
Revenue from services and consulting	478	1,034	116
Purchases of raw materials and other services	15,542	12,367	10,240

For the year ended December 31, 2023 there were no interest expense derived from related parties (2022: $76, 2021: $61).

The following current amounts were outstanding at the reporting date:

	As of December 31	
	2023	2022
Trade and other receivables by related parties	$ 13,474	$ 14,042
Loans owed by related parties	2,272	2,314
Less: provisions	(11,838)	(11,769)
Amounts owed by related parties, net	**$ 3,908**	**$ 4,587**

(In thousands of United States Dollars, unless otherwise stated)

	As of December 31	
	2023	**2022**
Trade and other payables to related parties	$ 8,083	$ 6,135
Loans owed to related parties	13,150	13,151
Amounts owed to related parties	**$ 21,233**	**$ 19,286**
Current	$ 21,233	$ 19,286
Non-current	$ —	$ —

For the year ended December 31, 2023 other expenses derived from related party transactions are comprised of donations $690 (2022: $494), leases $260, consulting services $480 and others $227, which are recognized as other expenses in profit or loss.

Goods and services were sold or provided parties during the year based on the price lists in force and terms that would be available to third parties.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within two months of the reporting date. None of the balances are secured. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

Loans to and from related parties

Loans to related parties	**2023**	**2022**
Balance as of January 1	**$ 215**	**$ 276**
Loans advanced	—	—
Loan repayments received	(215)	(61)
Balance as of December 31	**$ —**	**$ 215**

Loans from related parties	**2023**	**2022**
Balance as of January 1	**$ 61**	**$ 7,115**
Loans advanced	—	61
Loan repayments	(61)	(7,191)
Interest accrued	—	76
Balance as of December 31	**$ —**	**$ 61**

The loans to and from related parties are repayable between one year from the reporting date. As of December 31, 2023, there are no loans to and from related parties. The average interest rate on the loans during 2022 was 6%. Outstanding balances are unsecured and are repayable in cash.

No loss allowance was recognized in expense in 2023 or 2022.

(In thousands of United States Dollars, unless otherwise stated)

For 2022, put option agreements with IFC and Hoche for the right to put back all or some of the Ordinary Shares they held in Crynssen was presented as a separate financial liability, until the effectiveness of the Transaction, even though both are related parties. See Note 21. Borrowings for further detail.

Transactions with directors and executive board management members

Total management compensation included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income are as follows:

	For the year ended December 31	
	2023	**2022**
Short-term employee benefits	$ 3,288	$ 2,415
Consulting fees	2,205	3,357
Total	**$ 5,493**	**$ 5,772**

[1] The Group corrected the disclosure of short-term employee benefits and consulting fees for the year ended December 31, 2021. The correction does not impact the results presented in the prior period.

Compensation of Directors

Each non-employee member of our board of directors receives compensation in the amount of $ 56,000 per annum. Members of our board of director who also serve as an officer of theCompany do not receive any additional compensation with respect to their role as a director.

In February 2023, Jose Minski and Alejandro Weinstein renounced their compensation to be received by them for serving as Directors for the fiscal year ended December 31, 2023. TheBoard of Directors submitted these renunciations to the general meeting of shareholders of the Company held on June 30, 2023, for acknowledgement.

Compensation of Executive Officers and Senior Management Team

For the years ended December 31, 2023, 2022 and 2021, our executive officers and senior management team received an aggregate compensation of approximately $3.9 million, $3.6million, and $3.0 million (including a special bonus paid in connection with the Closing of the Business Combination and the listing of the Ordinary Shares on the Nasdaq), respectively. Theaggregate compensation paid directly or indirectly to our executive officers and senior management team consists of: (i) wages paid by our subsidiary, Procaps Group S.A.; (ii) consulting fees paid tocertain of Procaps' executive officers and senior management team members by Horslig GMBH or Pharminter GMBH, indirect subsidiaries of Procaps; and (iii) employee benefits.

Our executive officers and members of our senior management team are employed directly by Procaps S.A., or one of our other subsidiaries, and participate in such company's benefits planand government pension plan, if any, on the same basis as its other employees. We have a strategic variable bonus system that grants cash compensation for achievement of both financial and tacticalobjectives. These bonuses represent approximately 30% of our executive officers' and senior management team's total compensation and are paid on a semi-annual basis.

(In thousands of United States Dollars, unless otherwise stated)

The table below sets forth the entities Procaps has engaged in related party transactions with and their relationship to Procaps.

Related Party	Relationship to Procaps
Promedical S.A.	A Bolivian sociedad anónima owned 50% by the Minski Family and measured as an equity method investment.
Fundación Procaps	A Colombian non-profit entity owned 100% by members of the Minski Family.
Industrias Intercaps de Venezuela, C.A.	A Venezuelan compañía anónima owned 100% by members of the Minski Family and Hoche.
Originates Inc.	A Florida corporation owned 100% by members of the Minski Family.
Gelco S.A.S.	A Colombian sociedad por acciones simplificada that is 18.75% owned by members of the Minski Family.
Gelco Gelatinas do Brasil	A Colombian sociedad por acciones simplificada that is 18.75% owned by members of the Minski Family.
Laboratorios Vivax Pharmaceutical C.A.	A Venezuelan compañía anónima owned 100% by members of the Minski Family and Hoche.
C.I. Naturmega S.A.	A Colombian sociedad anónima owned 92% by members of the Minski Family. Mostly a supplier.
Simviel S.A.S.	A Colombian sociedad por acciones simplificada owned 100% by a member of the Minski Family.
Pharma Perspectives S.A.	A Costa Rican sociedad anónima owned 100% by members of the Minski Family and Hoche.
Carlton Mega Inversiones S.A.	A Costa Rican sociedad anónima owned 100% by members of the Minski Family and Hoche.
Sognatore Trust	A trust for the benefit of certain members of the Minski Family.
Deseja Trust	A trust for the benefit of certain members of the Minski Family.
Simphony Trust	A trust for the benefit of certain members of the Minski Family.
Union Acquisition Associates II, LLC	A Florida limited liability company controlled by a member of the Board of Directors.

Palo Santo Media LLC	A Florida limited liability company owned and controlled by an immediate family member of a member of the Board of Directors.
Escala Impesores S.A.S	A Colombian sociedad por acciones simplificada owned by a brother of the Minski Family. Mostly a supplier.
Dilcrest Assets S.A.	A Panamanian sociedad anónima owned 100% by members of the Minski Family.
Herfroze Investments Ltd.	A Panama Limited liability company owned by members of the Minski Family.
Bindermoor Overseas S.A.	A Panama company owned by members of the Minski Family.
WM Partners LP	A Florida private equity firm that is 45% owned by members of the Minski Family and 45% owned by a member of the Board of Directors.
Batley Managment	A Panama company owned by members of the Minski Family.

Purchase and Sale of Goods and Services and Commercial Operations

Purchase of Goods and Services

Procaps has purchased goods and services in the ordinary course of business in arm's length transactions under market terms from several related parties. During the years ended December 31, 2023, 2022, and 2021, Procaps purchased goods and services from the following companies: (i) C.I. Naturmega S.A.; (ii) Gelco S.A.S.; (iii) Productora de Gelatina S.A.S.; (iv) Originates Inc.; (v) Simviel S.A.S.; and (vi) Productora de Gelatina Do Brazil ltda, (vii) Wm Partners, L. P.; and (viii) Palosanto Media LLC and (ix) Escala Impesores S.A.S Such goods and services consisted primarily of the sale of refined fish oil, gelatin and other raw materials. During the years ended December 31, 2023, 2022, and 2021, Procaps has purchased a total of $19.1 million, $15.9 million, and $13.7 million in goods and services from these companies, respectively.

Sale of Goods

Procaps has sold goods in the ordinary course of business in arm's length transactions under market terms to several related parties. During the years ended December 31, 2023, 2022, and 2021, Procaps sold goods to the following companies: (i) C.I. Naturmega S.A., (ii) Promedical S.A, (iii) Industrias Intercaps de Venezuela C.A. and (iv) Laboratorios Vivax Pharmaceutical C.A . Such goods consisted primarily of raw materials. During the years ended December 31, 2023, 2022, and 2021, Procaps has sold a total of approximately $4.5 million, $8.0 million, and $5.6 million in goods to these companies, respectively. Amounts previously reported for 2021 have been revised to correct for an immaterial misstatement which have no impact on amounts reported in the consolidated financial statements.

Sale of Services

Procaps has sold services in the ordinary course of business in arm's length transactions under market terms to several related parties. During the years ended December 31, 2023, 2022, and 2021, Procaps sold services to the following companies: (i) Promedical S.A.; (ii) Originest Inc,; (iii) CI Naturmega S.A. and (iV) Fundacion Procaps Such services consisted primarily of technical advisory services. During the years ended December 31, 2023, 2022, and 2021, Procaps has sold a total of approximately $478 thousand, $1,034 thousand, and $116 thousand in services to these companies, respectively.

Commercial Operations

Procaps has conducted commercial operations in the ordinary course of business in arm's length transactions under market terms with several related parties.

During the years ended December 31, 2023, 2022, and 2021, Procaps maintained balances of commercial operations with the following companies, generating accounts receivables by: (i) C.I. Naturmega S.A.; (ii) Industrias Intercaps de Venezuela C.A.; (iii) Originates Inc.; (vi) Productora de Gelatina S.A.S.; (v) Pharma Perspectives S.A.; (vi) Carlton Mega Inversiones S.A.; (vii) Escala Impresores S.A. and (viii) Promedical S.A. Such commercial operations consisted primarily of back-office services, leases, technical advisory and sale of finished products and raw materials. During the years ended December 31, 2023, 2022, and 2021, Procaps generated a total of approximately $13.5 million, $14.0 million, and $12.4 million in accounts receivables owed by these companies, respectively.

During the years ended December 31, 2023, 2022, and 2021, Procaps conducted commercial operations with the following companies, generating accounts payable to: (i) C.I. Naturmega S.A.; (ii) Fundación Procaps; (iii) Originates Inc.; (iv) Gelco S.A.S.; (v) Productora de Gelatina S.A.S.; (vi) Promedical S.A.; (viii) Escala Impresores S.A.S. and (ix) Gelco Do Brazil. Such commercial operations consisted primarily of purchase of raw materials, technical advisory and leases. During the years ended December 31, 2023, 2022, and 2021, Procaps generated a total of approximately $8.1 million, $6.1 million and $4.2 million in accounts payable to these companies, respectively.

Related Party Donations, Advances, Long-Term Receivables, Loans and Guarantees

Donations

Procaps S.A. has made donations to Fundación Procaps in the total amount of approximately $1.14 million, $0.8 million, and $0.7 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Advances

Procaps periodically advances payments for services to be performed by certain related parties, including Simviel S.A.S. As of December 31, 2023, no advances were made.

Long-Term Receivables

Procaps sold pharmaceutical products to Industrias Intercaps de Venezuela and Laboratorios Vivax Pharmaceutical S.A. from 2010 through 2015 which, as of the date of this Annual Report, have not been paid. Long-term receivables in connection with such past sales outstanding as of December 31, 2023, owed by Industrias Intercaps de Venezuela C.A. and Laboratorios Vivax Pharmaceutical C.A. total approximately $18 million and $5.3 million, respectively. All such amounts have been impaired for by Procaps. For more information, see Note 33 to our Annual Audited Consolidated Financial Statements included elsewhere in this Annual Report.

Guarantees

Procaps S.A., a subsidiary of Procaps, is a guarantor under a loan by Banco Colpatria Multibanca Colpatria S.A., as lender, to C.I. Naturmega S.A., as borrower, the outstanding balance of which as of December 31, 2023 was $0.

Other Relationships

Sofgen Pharmaceuticals LLC, one of Procaps' indirect subsidiaries, and Originates Inc. share payroll services from ADP and, prior to the closing of the Business Combination, had a linked employee 401(k) plan sponsored by Originates Inc. in which

(In thousands of United States Dollars, unless otherwise stated)

Sofgen Pharmaceuticals LLC participated as a participating employer, due to both entities being under common ownership. Prior to the closing of the Business Combination, Sofgen Pharmaceuticals LLC put in place its own 401(k) plan.

Note 31. Employees

As of December 31, 2023, we had approximately 4,900 full-time and temporary employees worldwide. Employees in our, Funtrition (4 employees), and Softgel (40 employees)manufacturing facilities are currently represented by industry labor union organizations, representing approximately 0.9% of our total employees.

We are committed to our continued efforts to increase diversity and foster an inclusive work environment that supports the global workforce and the communities we serve. We recruit thebest people for the job regardless of gender, ethnicity or other protected traits and it is our policy to fully comply with all laws applicable to discrimination in the workplace. Our diversity, equity andinclusion principles are also reflected in our employee training and policies. We continue to enhance our diversity, equity and inclusion policies which are guided by our senior management team.

We believe that we provide robust compensation and benefits to our employees. In addition to salaries, these programs, which vary by country/region, can include a 401(k) plan, healthcareand insurance benefits, health savings and flexible spending accounts, paid time off, family leave, among many others. We believe that our employee relations are satisfactory.

The table below sets forth the approximate number of our employees by geographic region as of December 31, 2023.

	South America	Central America	North America	Total
Approximate number of employees as of December 31, 2023	4,083	720	92	4,895

The table below sets forth the approximate number of our employees by geographic region as of April 30, 2025.

	South America	Central America	North America	Total
Approximate number of employees as of April 30, 2025	3,596	635	106	4,337

In addition to our executive officers, we rely on the Senior Management team above to lead and direct our business. The members of the Senior Management team hold positions in areassuch as corporate finance and marketing and R&D.

Note 32. Principal Accountant Fees And Services

Fees Billed by the Company's Principal Accountant

In 2023, Deloitte & Touche S.A.S. served as the principal external auditor for the Company. Fees billed by the principal accountant in 2023 and 2022 are detailed below:

	For the Year Ended December 31		
	2023	**2022**	**2021**
	(*in thousands of U.S. dollars*)		
Audit fees	6,303	2,585	4,724
Audit related fees	-	130	-
Tax fees	-	-	-
All other fees	-	-	-
Total	6,303	2,715	4,724

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the consolidated financial statements of the Company and the statutory financial statements of the Company and its subsidiaries.

Audit-Related Fees

Audit-related fees are typically services that are reasonably related to the performance of the audit or review of the consolidated financial statements and are not reported under the audit fee item above. This item includes fees for attestation services on financial information of the Company and its subsidiaries included in their annual reports that are filed with their respective regulators.

Tax Fees

Tax fees were paid for tax compliance and tax advice professional services.

All other fees

All other fees were paid for specific minor professional services not related to the above categories.

Audit Committee's Pre-approval Policies and Procedures

The Company's audit committee is responsible for, among other things, the oversight of the Company's independent auditors. The audit committee has adopted a policy of pre-approval of audit and permissible non-audit services provided by its independent auditors in its charter.

Under the policy, the audit committee makes its recommendations through the Board of Directors to the shareholders' meeting concerning the continuing appointment or termination of the Company's independent auditors. On a yearly basis, the audit committee reviews together with management and the independent auditor, the audit plan, audit related services and other non-audit services and approves the related fees. Any changes to the approved fees must be reviewed and approved by the audit committee. In addition, the audit committee delegated to its Chairman the authority to consider and approve, on behalf of the Audit Committee, additional non-audit services that were not recognized at the time of engagement, which must be reported to the other members of the audit committee at its next meeting. No services outside the scope of the audit committee's approval can be undertaken by the independent auditor.

Our audit committee has authorized all auditing and non-auditing services provided by our independent accountants during the year ended December 31, 2023 and the fees paid for such services

Note 33. Events after the reporting period

The Group has evaluated events occurring between January 1, 2024, and the date of authorization of the financial statements. The following significant events were identified:

Restatement of Financial Statements

In November 2023, the Audit Committee of Procaps Group, S.A., engaged KPMG to conduct an independent investigation into matters involving the Company's historical accounting treatment and related-party disclosures that could have an impact on the financial statements. KPMG, acting as the forensic specialist issued its report on January 31, 2025. The independent investigation was carried out with the participation of the law firm Greenberg Traurig, which provided support on all matters with legal implications..

These illegal acts included improper revenue recognition, manipulation of various types of expenses across reporting periods, incorrect valuation of certain assets (e.g., accounts receivable and inventory), brand sales lacking underlying commercial substance, unrecorded related-party debts, and undisclosed related-party transactions. As a result, the 2022 and 2021 financial statements were restated to reflect the necessary adjustments as described in the Note 4. Independent Investigation and Restatement.

Changes in Board of Directors and Senior Manager

Since January 2024 and up to the publication date of this report, the Senior Management has undergone several changes.

On January 29, 2025, the Board of Directors appointed Ms. Melissa Angelini and Dr. Camilo Camacho as the Company's Interim Co-Chief Executive Officers (and principal executive officers), Ms. Angelini and Dr. Camacho succeed Mr. Jose Antonio Vieira, who notified the Board on January 28, 2025 of his resignation as Chief Executive Officer of the Company.

On July 25, 2025, the Board of Directors made the decisions to relieved Dr. Camilo Camacho duties as Interim Co-Chief Executive Officer of the Company and appointed Mr. Luis Palacios as Chief Commercial Officer.

Financial Restructuring

In 2024, following the unification mentioned earlier in Q3 2023, the Club Deal and BTG contracts had payment commitments, of which those corresponding to Q1 and Q2 were fulfilled. However, in Q3 2024, the Group faced an unfavorable liquidity situation that resulted in non-payment. In response, a debt renegotiation process was initiated, categorizing the debts as follows:

- Categories 1, 2, and 3 comprise the so-called financial debt, amounting to approximately USD 30 million. The restructuring of this debt was finalized in December 2024, with payment commitments as follows: monthly installments during 2026 (Category 1); a single payment in December 2025 (Category 2); and principal repayment during 2026 with monthly interest payments from January 2025 through December 2026 (Category 3). It is important to note that these debt instruments are not subject to any covenant requirement.

- Category 4 represents the largest loans, totaling approximately USD190 million, to be repaid as follows: principal between 2028 and 2029, and interest starting in January 2027 at a defined rate. Negotiations on this debt continued until April 2025. Therefore, during 2024 and until the new contract was signed, financial and non-financial commitments remained in place, including the timely issuance of financial statements, which, not having been submitted, are considered in default. However, through Forbearance Agreements signed in 2024 and their amendments, the financial institutions agreed to refrain from exercising their right to demand immediate repayment due to these defaults. Toward the end of 2024, a negotiation with shareholders resulted in a USD40 million loan from Hoche Partners, which was established as convertible into shares and approved by the Board of Directors. In April 2025, negotiations were concluded regarding the NPA, obligations with BTG (both in COP and USD), and the Club Deal. These negotiations resulted in new interest rates, new amortization schedules, and increased guarantees. Key conditions agreed upon include:

    - Unpaid interest from August 2024 to April 2025, totaling approximately USD15 million, was not paid in cash but in shares, which are included in the total package of issued shares (2,191,041,129 shares).
    - From April 2025 to December 31, 2026, banks will not charge interest (Rate: 0%).
    - From January 1, 2024, and for the duration of the loans, new interest rates were agreed upon, which differ from the originally established rates.

For 2026, this renegotiation did not involve the establishment of financial ratios as the previous ones but rather certain quarterly EBITDA levels were agreed. In accordance with the financial covenants established with lending institutions, the Company has committed to maintaining specific EBITDA levels for the fiscal year 2026. Based on the current financial projections, the Company is on track to meet these agreed-upon EBITDA thresholds. These projections reflect a stable operational performance and continued cost discipline, supporting the Company's ability to comply with its debt obligations and maintain a healthy financial position.

Starting in March 2027, the covenant commitments for Category 4 include:

- Leverage ratio (Total Consolidated Debt / EBITDA), starting at 5.00:1 in March 2027 and gradually decreasing to 3.50:1 by December 2029.
- Interest coverage ratio (Consolidated EBITDA / Consolidated Interest Expense), starting at 2.00:1 in March 2027 and gradually increasing to 2.50:1 by September 2028 and for each fiscal quarter-end thereafter.

Private capital raise

In addition, as part of the transformation process, there was a privatre capital raise of $130 million. The private capital raise, comprised of a $90 million private placement of ordinary shares of Procaps and the issuance of $40 million in secured convertible notes during the end of 2024 and conversion of such notes into ordinary shares of Procaps, was secured from Chemo Project S.A., Becaril S.A., Flying FishVentures L.P., Saint Thomas Commercial S.A., Santana S.A., Hoche Partners Pharma Holding S.A. and other investors. Together, these shareholders now hold approximately 90% of the Company.

On March 24, 2025, the Board of Directors approved (i) the issuance, through a private offering of ordinary shares of the Company to "accredited investors" n an aggregate subscription amount of $90 million and (ii) the amendment to the previously announced Secured Convertible Note Subscription Agreement (the "Original NSA") dated November 29, 2024, by and between the Company and Hoche Partners Pharma Holdings S.A., pursuant to which the Company issued that certain Secured Convertible Note to Hoche on November 29, 2024, in the principal amount of $20 million (the "First Note"), and that certain Secured Convertible Note to Hoche on December 27, 2024, in the principal amount of $20 million (the "Second Note") and jointly with the First Note, the "Secured Convertible Notes").

On April 9, 2025 the Company issued (i) 1,425,629,653 Ordinary Shares to the investors in the Equity Raise, (ii) 633,613,175 Ordinary Shares to the holders of the Secured Convertible Notes upon conversion thereof, (iii) Warrants in an aggregate "face amount" of $10 million to the holders of the Secured Convertible Notes upon conversion thereof, and (iv) 131,798,311 Ordinary Shares to certain of the Senior Secured Creditors.

Legal Agreement with Family Group

Since the matters identified in the investigation (refer to number 1 above) involved transactions with Group entities and related parties, the benefits and consequences were generated for, or affected, its owners. On November 29, 2024, a Master Termination and Release Agreement was signed between the Minski Family and Procaps Group S.A. Through this document, the Parties irrevocably agreed to the full extinguishment of the Terminated Obligations and acknowledged and agreed that the Terminated Obligations shall have no further force or effect. Accordingly, each member of the Family Group, individually and on behalf of their respective Affiliates, releases Procaps Group from all the Terminated Obligations.

Our discussion and analysis of our results of operations and financial condition are based upon our Annual Audited Consolidated Financial Statements, which have been prepared in accordance with IFRS. Our operating and financial review and prospects should be read in conjunction with our Annual Audited Consolidated Financial Statements, the accompanying notes thereto and other financial information appearing elsewhere in this Annual Report.

A. OPERATING RESULTS

Overview

Founded in 1977, we are a leading integrated healthcare and pharmaceutical company that develops and manufactures pharmaceutical and nutraceutical solutions, medicines, and hospital supplies. We have a direct presence in 13 countries -Bolivia, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru, and United States and customers located in over 50 countries. We currently have nearly 5,000 employees working under our sustainable model.

Our business model focuses on four strategic cornerstones to drive growth. First, we have state-of-the-art manufacturing capabilities that allow us to provide innovative delivery technologies. Our corporate culture focuses on innovation and R&D, which has enabled us to offer extensive scientific expertise with a team of scientists, technicians and skilled personnel, allowing us to develop an average of over 150 new products per year over the last three years. Second, our regional footprint and vertical integration enables organic growth opportunities and synergies. We currently operate six manufacturing facilities in Latin America, including the first FDA-approved pharmaceutical plant in South America and Central America, and our first U.S.-based Softgel production facility and R&D center, which began operations in May 2022 and sell and distribute products to over fifty distinct markets. Third, our Rx and OTC pharmaceutical product portfolio is driven by our proprietary delivery systems, allowing us to focus on the development and sale of high-growth and premium pharmaceutical products which we believe are subject to less pricing pressures when compared to more generic pharmaceutical products. Finally, we have an extensive track record of developing new businesses and growing via mergers and acquisitions, which is evidenced by the development of one of our in-house business incubation, Diabetrics, which took place in 2015, and several successful acquisitions throughout Latin America (including the acquisitions of Rymco S.A., Laboratorios Lopez and Biokemical S.A. de C.V.) which took place between 2012 and 2016. On September 29, 2021, we consummated the Business Combination with Union, which resulted in our Ordinary Shares and warrants being listed on the Nasdaq Global Market on September 30, 2021 under the symbols “PROC” and “PROCW”, respectively.

We are primarily engaged in developing, producing and marketing pharmaceutical solutions consisting of the following four products and services categories: (i) iCDMO, (ii) Rx pharmaceutical products, (iii) OTC products, and (iv) Diabetrics. For more information, see “—Products and Services” below.

Business Segments

NextGel

Our NextGel business segment, operated under our Softigel, Sofgen, Softcaps and Funtrition brands, is the iCDMO arm of Procaps which offers services specializing in development and manufacturing in Softgel and related technologies, and operates globally in the B-to-B market, more specifically in Brazil, Colombia and the United States. We are the top Softgel manufacturer in South and Central America and top five in the world in terms of Softgel production capacity, according to an independent third-party industry analysis report. The iCDMO agreements with our top-tier customers range from five to ten-year terms. Our NextGel business segment has over 130 clients across more than 35 countries and the key products that we manufacture in this segment includes Softgel pharmaceutical products such as Advil, Apronax Liquidgels, multivitamins, Vitamin D and Dolex ActivGel.

Procaps Colombia, CAN and CASAND

These three business segments serve each of its respective regional B-to-C markets by offering the following key product lines/business units:

Rx Pharmaceutical Products

Our Rx product line comprises the Farma Procaps and the Clinical Specialties brands/business units.

Farma Procaps formulates, manufactures and markets branded prescription drugs. It represents a high growth portfolio that focuses on nine therapeutic areas (feminine care products, pain relief, skin care, digestive health, growth and development, cardiology, vision care, central nervous system and respiratory).

Clinical Specialties is a leading provider of high-complexity care treatments to private institutions regionally. Its diverse product portfolio, targets various in-demand therapeutic areas and develops, manufactures and markets personal high-complexity drugs for hospital use such as antibiotics, blood clot, immunosuppressant, oncology and analgesics products.

OTC Product Line

Our OTC product line primarily consists of the VitalCare brand/business unit. VitalCare develops, manufactures and markets OTC consumer healthcare products through an extensive portfolio focused on over eight high-prevalence therapeutic areas (including gastrointestinal, skin care, cough and cold, analgesics, urological, and vitamin, minerals and supplements) at what we believe to be accessible and appealing price points. Our Colmed OTC product line, which is part of our VitalCare business unit, consists of products in the following categories: antibiotics, anti-infective and anti-parasitic. We market and sell our OTC products in Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru, and the United States.

Procaps Colombia primarily serves the Colombian market, CAN primarily serves the Honduras, Nicaragua, El Salvador, United States and Guatemala markets, and CASAND primarily serves the Panama, Costa Rica, Ecuador, Dominican Republic, Peru and Bolivia markets.

Diabetrics

Our Diabetrics business segment is comprised of our Diabetrics brand/business unit, and we believe is an attractive regional B-to-C diabetes-focused treatment and management platform that focuses primarily on the Colombian market. It has a unique business model when compared to our competitors, as it aims to cover the full spectrum of needs of patients with diabetes by providing products and services such as blood glucose meters, telemonitoring, Rx oral anti-diabetics products, insulin delivery systems and other diabetes solutions.

The Business Combination

On March 31, 2021, Union, Crynssen, the Company and Merger Sub entered into the Business Combination Agreement, and subsequently amended the Business Combination Agreement on September 29, 2021. As a result of the transactions contemplated by the Business Combination Agreement, each of Union and Crynssen became direct wholly owned subsidiaries of the Company and each Crynssen Shareholder and shareholder of Union were issued Ordinary Shares, and, in the case of IFC, Ordinary Shares and Redeemable B Shares.

Union also entered into separate Subscription Agreements, each dated March 31, 2021, with the PIPE Investors, pursuant to which, and subject to the terms and conditions thereto, the PIPE Investors collectively subscribed for an aggregate of 10,000,000 SPAC Ordinary Shares for an aggregate purchase price of $100,000,000. The PIPE investment was consummated immediately prior to the Closing of the Business Combination, and each SPAC Ordinary Share subscribed for by the PIPE Investors were exchanged for one Ordinary Share, substantially concurrently with the closing of the Business Combination.

On April 16, 2021, in connection with the vote to approve the amendment to the then current amended and restated articles of association of Union to extend the date by which Union was required to consummate its initial business combination from April 22, 2021 to October 22, 2021, certain shareholders of Union exercised their right to redeem 6,446,836 SPAC Ordinary Shares for cash at a redemption price of approximately $10.07 per share, for an aggregate redemption amount of approximately $64.9 million.

Prior to the Closing, on September 22, 2021, in connection with the vote to approve the Business Combination and other related proposals, at Union's extraordinary general meeting, certain shareholders of Union exercised their right to redeem 7,657,670 SPAC Ordinary Shares for cash at a redemption price of approximately $10.19 per share, for an aggregate redemption amount of approximately $78.0 million.

Additionally, on September 29, 2021, the Sponsors entered into the Share Forfeiture Agreement, pursuant to which, the Sponsors forfeited a combined 700,000 SPAC Ordinary Shares prior to the consummation of the Business Combination.

Going Concern Update

As of December 31, 2022, the Company was in breach of certain of the covenants included under the NPA, the Syndicated Loan and the Additional Loan Agreement. Although none of the lenders declared an event of default under the applicable agreements, these breaches could have resulted in the lenders requiring immediate repayment of the applicable indebtedness and as a result, the Company has classified the respective indebtedness, to current liabilities.

The Group anticipated a breach of the EBITDA interest coverage ratio as of December 31, 2023, under the New Bank Credit Agreement and the Bond Purchase Agreement ("NPA"). Accordingly, in December, the Group entered into incremental waivers with the lenders under both the New Bank Credit Agreement and the NPA ("Incremental Waivers") to adjust the EBITDA interest coverage ratio for the period ending December 31, 2023. The Group complied with the adjusted EBITDA interest coverage ratio under the Incremental Waivers as of December 31, 2023.

The Group also anticipated the need for additional future waivers to allow sufficient time to remedy the breach (i.e., projections indicated a potential non-compliance with the same covenants throughout 2024). Therefore, the Group entered further waivers with the lenders to modify the applicable covenant ratios for the period ending March 31, 2024 ("March 2024 Waivers").

During Q3 2023, the Group unified the agreements for the purpose of covenant measurement. Upon completion of the Group's financial results for the year ending December 31, 2023, Management determined that the Group had not complied with the Leverage Ratio covenant set forth in the NPA and the New Bank Credit Agreement. As of December 31, 2023, the Group did not certify compliance with the covenants, as financial statements had not yet been issued.

In 2024, following the unification of agreements mentioned in Q3 2023, both Club Deal and BTG included payment commitments, of which those corresponding to Q1 and Q2 were duly settled. However, in Q3 2024, the Group experienced an adverse liquidity situation that resulted in a missed payment. In response, the Group initiated a debt renegotiation process. Toward the end of 2024, the Group entered negotiations with its shareholders, resulting in a loan of USD 40 million, which was structured as a convertible instrument, granting the option to convert the debt into equity.

In April 2025, the negotiations regarding the NPA, BTG (both the COP- and USD-denominated tranches), and Club Deal agreements were concluded. These negotiations resulted in revised interest rates, extended amortization schedules, and enhanced collateral packages.

In November 2024, a Master Termination and Release Agreement was executed between the Family Group (all companies and trust related to the Minski family) with and Procaps, reflecting the Parties' mutual intention to terminate all obligations that any entity within the Procaps Group might owe, be required to pay, or otherwise perform in favor of any individual or entity of the Family Group and its Affiliates, arising from or related to any of the Existing Agreements, with the exception of those defined as Excluded Agreements (collectively, the "Terminated Obligations").

Through this agreement, the Parties irrevocably agreed to the full extinguishment of the Terminated Obligations and acknowledged and agreed that such obligations shall have no further force or effect. Accordingly, each member of the Family Group, individually and on behalf of its respective Affiliates, fully and irrevocably releases the Procaps Group from all of the Terminated Obligations.

In April 2025, the Company finalized the capital injection it had been seeking, represented by an investment of USD 130 million. Management believes that the Company is now positioned to stabilize its operations, restore stakeholder confidence, and generate long-term value through operational discipline and a renewed strategic focus.

The Company also completed a comprehensive debt restructuring agreement with its principal creditors. The agreement covers approximately USD 190 million in liabilities and includes extended maturities and revised payment terms designed to improve cash flow in the short and medium term.

The Group has assessed its ability to meet expected cash disbursements and has prepared a cash flow projection. Based on this assessment, the Company expects to have sufficient liquidity to support its operations, planned capital expenditures, and debt service requirements.

Management identified events and conditions which cast significant doubt on the Group´s ability to continue as a going concern. To mitigate the impact of the events and conditions that gave rise to material uncertainty, Management has identified specific opportunities for revenue growth and gross margin improvement.

Revenue growth initiatives include the diversification of the customer base for the Nextgel business line, the commencement of manufacturing operations at the Florida-based Nextgel facility with production of gummies and softgel capsules targeted for the U.S. and Canadian markets, and the launch of new products across all operating regions.

Finally, the Management has assessed the Group's capital structure, its ability to operate in the ordinary course of business for the foreseeable future, and its capacity to meet financial obligations over the twelve months following the reporting date. While Management acknowledges the existence of material uncertainty, it believes that the combination of revenue growth initiatives, gross margin improvement measures, the ability to obtain additional waivers, the successful renegotiation of loan terms and the successful equity transaction will enable the Group to meet its financial commitments and support its growth strategy.

Restatement Background

As disclosed in a press release and Form 12b-25 filed with the Securities and Exchange Commission by the Company, each on May 1, 2024, the Company announced that it was in the process of conducting an investigation initiated by the Audit Committee of the Board of Directors of Procaps with the assistance of independent legal and forensic accounting advisors, into matters relating to the Company's historical accounting treatment and associated financial statement disclosures "the Independent Investigation".

As disclosed in a Form 6-K filed with the SEC by the Company on July 10, 2024, on July 3, 2024, the Company received a letter from its auditor, Deloitte & Touche S.A.S., stating that it had withdrawn its audit report regarding the Company's consolidated financial statements as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, issued on May 12, 2023 (which financial statements are contained in the Company's annual report on Form 20-F for the year ended December 31, 2022, filed with the SEC on May 12, 2023) because the auditor could no longer continue to rely on representations made by the Company's management representations letters, including with respect to management's representations that all related party transactions had been disclosed. In addition, Deloitte Audit S.à r.l. has withdrawn its examination reports on the consolidated financial statements as of December 31, 2022 and December 31, 2021, originally issued on May 31, 2023 and May 30, 2022, respectively, in accordance with the Notification published by the Company on July 23, 2024 on its website.

During the course of the Independent Investigation, in October 2024, the Audit Committee reported to the Board certain interim findings relating to additional historical related party, intercompany and other transactions, certain of which were with the awareness and/or at the direction of, senior management of the Company at the time, that involved or appeared to involve accounting errors, misstatements and/or actions or omissions by Company management and employees.

In light of the discovery of such additional transactions during the Independent Investigation and related accounting issues, on October 7, 2024, the Board, upon the recommendation of the Audit Committee, determined that the Financial Statements, and each as included in any reports, presentations or similar communications of the Company's financial results, should no longer be relied upon. Accordingly, the Audit Committee determined that a restatement was required for the financial statements as of December 31, 2022 and January 1, 2022, and for the years ended December 31, 2022 and 2021 "the Restatement".

The Note 4. Independent Investigation and Restatement included in the audited annual consolidated financial statements details the adjustments of the Restatement. In addition, the restated financial figures for the fiscal years ended December 31, 2022 and 2021 have been revised for the effects of the restatement in Item 5—Operating and Financial Review and Prospects of this Form 20-F where applicable.

Results of Operations

Comparison of the years ended December 31, 2023 and December 31, 2022

The following table sets forth historical operating results for the periods indicated:

	For the year ended December 31,		Increase/ (Decrease)		For the year ended December 31,		Constant Currency Increase/ (Decrease)	
	2023	**2022**	**$ Change**	**% Change**	**2023- Constant Currency Adjustment(2)**	**2023- Constant Currency Basis(2)**	**$ Change**	**% Change**
	(in thousands of U.S. dollars except percentages)							
Net Revenues	423,748	403,203	20,545	5.1%	2,329	426,077	22,874	5.7%
Cost of sales	(185,772)	(168,075)	(17,697)	10.5%	(1,242)	(187,014)	(18,939)	11.3%
Gross profit	**237,976**	**235,128**	2,848	1.2%	1,087	239,063	3,935	1.7%
Sales and marketing expenses	(95,068)	(93,007)	(2,061)	2.2%	(491)	(95,559)	(2,552)	2.7%
Administrative expenses	(98,279)	(104,686)	6,407	(6.1%)	(458)	(98,737)	5,949	(5.7%)
Net finance (expenses) income	(26,123)	37,926	(64,049)	(168.9%)				
Other income (expenses), net	27,454	(27,622)	55,076	-199.4%	1,233	28,687	56,309	-203.9%
(Loss)/Income before tax	**45,960**	**47,739**	(1,779)	(3.7%)				
Income tax expense	(5,617)	(11,613)	5,996	-51.6%				
Income/ (loss) for the year	**40,343**	**36,126**	4,217	11.7%				
Adjusted EBITDA(1)	**57,896**	**62,799**	**(4,903)**	**-7.8%**	1,294	59,190	(3,609)	-5.7%
Contribution Margin(1)	**142,908**	**142,121**	**787**	**0.6%**	**596**	**143,504**	**1,383**	**1.0%**

(1) Contribution Margin and Adjusted EBITDA are non-IFRS measures. We include these metrics as supplemental disclosures because we believe they are useful indicators of our operating performance. Contribution Margin and Adjusted EBITDA are well recognized performance measures in the pharmaceutical industry that are frequently used by investors, securities analysts and other interested parties in comparing the operating performance of companies in our industry. However, because Contribution Margin and Adjusted EBITDA are non-IFRS measures and their calculation is not determined in accordance with IFRS, such measures are susceptible to varying calculations and not all companies calculate the measures in the same manner. As a result, our calculation of Contribution Margin and Adjusted EBITDA as presented may not be directly comparable to similarly titled measures by other companies. For more information on Contribution Margin, Adjusted EBITDA and other non-IFRS financial measures, please see "—Non-IFRS Financial Measures" below.

(2) As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of certain financial metrics and results on a constant currency basis in addition to the IFRS reported results helps improve investors' ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant currency information is non-IFRS financial information that compares results between periods as if exchange rates had remained constant period-over-period. We calculate constant currency by calculating year-end period results (year ended December 31, 2023) using prior-period (year ended December 31, 2022) foreign currency exchange rates. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with IFRS. For more information on constant currency adjustments, please see "—Non-IFRS Financial Measures" below.

Revenue

Procaps recognizes revenue from the sale of pharmaceutical products and licensing revenue. Net Revenues increased by $20.5 million, or 5.1%, from $403.2 million for the year ended December 31, 2022 to $423.7 million for the year ended December 31, 2023. On a constant currency basis, revenue increased by $22.9 million, or 5.7%, to $426.1 million for the year ended December 31, 2023.

The increase in revenue for the year ended December 31, 2023 compared to the year ended December 31, 2022 was primarily due to (i) an increase in demand for our products and services mainly across two strategic business segments, including: an increase of approximately $16.2 million from CASAND, and and increase of approximately $5.5 million from Procaps Colombia; including (ii) an increase of sales for new products of approximately $6.1 million, offset mainly by the decrease in sales of approximately 3.3 million from CAN.

Cost of sales and gross profit

The cost of sales represents the direct costs of producing the goods sold by Procaps, such as cost of the materials and labor directly used to create the goods. Gross profit is net revenues less cost of sales.

Cost of sales increased by $17.7 million, or 10.5%, from $168.1 million for the year ended December 31, 2022 to $185.8 million for the year ended December 31, 2023.

On a constant currency basis, cost of sales increased by $18.9 million, or 11.3%, to $187.0 million for the year ended December 31, 2023.

The increase in cost of sales for the year ended December 31, 2023 compared to the year ended December 31, 2022 was primarily due to higher prices for raw materials and higher sales revenues.

Gross profit increased by $2.8 million, or 1.2%, from $235.1 million for the year ended December 31, 2022 to $238.0 million for the year ended December 31, 2023.

On a constant currency basis, gross profit increased by $3.9 million, or 1.7%, to $239.1 million for the year ended December 31, 2023.

The increase in gross profit for the year ended December 31, 2023 compared to the year ended December 31, 2022 was primarily attributable to higher sales, and offset by higher cost of sales.

Sales and marketing expenses

Sales and marketing expenses include primarily expenses incurred for promotional activities, such as marketing expenses, sales force and logistics expenses. Sales and marketing expenses increased by $2.1 million, or 2.2%, from $93.0 million for the year ended December 31, 2022, which represents approximately 23.1% of revenue for the year ended December 31, 2022, to $95.1 million for the year ended December 31, 2023, which represents approximately 22.4% of the revenue for the year ended December 31, 2023. On a constant currency basis, sales and marketing expenses increased by $2.6 million, or 2.7%, to $95.1 million for the year ended December 31, 2023.

The increase in sales and marketing expenses for the year ended December 31, 2023 compared to the year ended December 31, 2022 was primarily due to increased marketing efforts, with the full return of events and travel efforts, and pre-operative expenses of the Miramar facility.

Administrative expenses

Administrative expenses include costs incurred for administrative and certain corporate departments, such as payroll, power and utilities, and certain legal and professional expenses. Administrative expenses decreased by $6.4 million, or 6.1%, from $104.7 million for the year ended December 31, 2022 to $98.3 million for the year ended December 31, 2023. On a constant currency basis, administrative expenses increased by $5.9 million, or 5.7%, to $98.7 million for the year ended December 31, 2023.

The decrease in administrative expenses for the year ended December 31, 2023 compared to the year ended December 31, 2022 was primarily due to the value creation efforts executed during the year.

Net finance (expense) income

Net finance (expense) income decreased by $64.0 million, or 168.9%, from income of $37.9 million for the year ended December 31, 2022 to an expense of $26.1 million for the year ended December 31, 2023. The decrease in Net finance (expense) income was primarily due to (i) the valuation of shares held in escrow with a net fair value gain of approximately $11.2 million, (ii) the net fair value gain of warrants liabilities of approximately $7.9 million and (iii) the increase of interest expense of approximately $14.3 million due to higher interest rates. In 2022 the net fair value gain related to shares held in escrow was approximately $61.8 million and the net fair value gain of warrants liabilities was approximately $12.2 million. For further details about warranties liabilities and shares held in escrow, please refer to Note 3.8. Financial liabilities and equity instruments, in the Financial Statements.

Other income (expenses), net

Other income (expenses), net include: (i) currency exchange rate differences, (ii) economic emergency contribution expenses, (iii) fines, penalties, and assumed taxes, (iv) donations, (v) listing expenses, (vi) the change in the fair value of the warrant liability, and (vii) other expenses.

Other income (expenses), net increased by $55.1 million, or 199.4%, from an expense of $27.6 million for the year ended December 31, 2022 to an income of $27.5 million for the year ended December 31, 2023. This increase is mainly related to the one-time settlement with third-parties related to certain matters in favor of the Company of approximately $19.3 million. In addition to this, the exchange rate had a net increase of $37.9 million, from an expense of $16.0 million for the year ended December 31, 2022 to an income of $21.9 million for the year ended December 31, 2023.

Income tax expense

Income tax expense includes two components: (i) current tax and (ii) deferred tax. Current tax is calculated based on the tax rate of each jurisdiction. Deferred tax corresponds to the differences generated between the accounting figures and tax figures, which can result in a future income or expense.

Income tax expense decreased by $6.0 million, or -51.6%, from $11.6 million for the year ended December 31, 2022 to $5.6 million for the year ended December 31, 2023. The decrease in income tax expense was primarily due to: (i) a decrease of $3.6 million related to a lower tax of six entities of the Group that lowered their profits or increased their accounting losses in 2023 (ii) a decrease of $1.1 million related to the use of tax benefits that were not previously accrued within the deferred tax asset of Rymco (iii) the decrease of $2.2 million in Procaps Colombia mainly related to the effect of non-realized exchange difference rate, (iv) the recognition of a deferred tax asset of $0.7 million, related to the intragroup transfer of real estate from Rymco to Procaps Colombia and (v) the increase of the profits of 13 entities of Group that consequently increased their tax in $4.0 million. As the previous year, the accounting income effect from the net fair value of the warrants' liabilities ($7.9 million) and Ordinary Shares held in escrow ($11.2 million), which increased accounting profit, did not have an impact with respect to our current or deferred tax expenses.

Comparison of the years ended December 31, 2022 and December 31, 2021

The following table sets forth historical operating results for the periods indicated:

	For the year ended December 31,		Increase/ (Decrease)		For the year ended December 31,		Constant Currency Increase/ (Decrease)	
	2022	2021	$ Change	% Change	2022- Constant Currency Adjustment(2)	2022- Constant Currency Basis(2)	$ Change	% Change
	(in thousands of U.S. dollars except percentages)							
Net Revenues	403,203	403,739	(536)	(0.1%)	27,997	431,200	27,461	6.8%
Cost of sales	(168,075)	(173,667)	5,592	-3.2%	(10,192)	(178,267)	(4,600)	2.6%
Gross profit	**235,128**	**230,072**	**5,056**	**2.2%**	**17,805**	**252,933**	**22,861**	**9.9%**
Sales and marketing expenses	(93,007)	(80,974)	(12,033)	14.9%	(5,913)	(98,920)	(17,946)	22.2%
Administrative expenses	(104,686)	(83,175)	(21,511)	25.9%	(6,893)	(111,579)	(28,404)	34.1%
Net finance (expenses) income	37,926	(78,839)	116,765	(148.1%)				
Other income (expenses), net	(27,622)	(80,985)	53,363	-65.9%	(4,696)	(32,318)	48,667	-60.1%
(Loss)/Income before tax	**47,739**	**(93,901)**	**141,640**	**(150.8%)**				
Income tax expense	(11,613)	(13,091)	1,478	-11.3%				
Income/ (loss) for the year	**36,126**	**(106,992)**	**143,118**	**(133.8%)**				
Adjusted EBITDA(1)	**62,799**	**93,240**	**(30,441)**	**-32.6%**	**5,019**	**67,818**	**(25,422)**	**-27.3%**
Contribution Margin(1)	**142,121**	**149,098**	**(6,977)**	**-4.7%**	**11,892**	**154,013**	**4,915**	**3.3%**

(1) Contribution Margin and Adjusted EBITDA are non-IFRS measures. We include these metrics as supplemental disclosures because we believe they are useful indicators of our operating performance. Contribution Margin and Adjusted EBITDA are well recognized performance measures in the pharmaceutical industry that are frequently used by investors, securities analysts and other interested parties in comparing the operating performance of companies in our industry. However, because Contribution Margin and Adjusted EBITDA are non-IFRS measures and their calculation is not determined in accordance with IFRS, such measures are susceptible to varying calculations and not all companies calculate the measures in the same

manner. As a result, our calculation of Contribution Margin and Adjusted EBITDA as presented may not be directly comparable to similarly titled measures by other companies. For more information on Contribution Margin, Adjusted EBITDA and other non-IFRS financial measures, please see "—Non-IFRS Financial Measures" below.

(2) As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of certain financial metrics and results on a constant currency basis in addition to the IFRS reported results helps improve investors' ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant currency information is non-IFRS financial information that compares results between periods as if exchange rates had remained constant period-over-period. We calculate constant currency by calculating year-end period results (year ended December 31, 2022) using prior-period (year ended December 31, 2021) foreign currency exchange rates. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with IFRS. For more information on constant currency adjustments, please see "—Non-IFRS Financial Measures" below.

Revenue

Procaps recognizes revenue from the sale of pharmaceutical products and licensing revenue. Revenue decreased by $0.5 million, or 0.1%, from $403.7 million for the year ended December 31, 2021, to $403.2 million for the year ended December 31, 2022. On a constant currency basis, revenue increased by $27.5 million, or 6.8%, to $431.2 million for the year ended December 31, 2022.

The decrease in revenue for the year ended December 31, 2022 compared to the year ended December 31, 2021 was primarily due to an increase in demand for our products and services across three strategic business segments, including: an increase of approximately $3.4 million from Nextgel, an increase of approximately $9.7 million from CASAND, an increase of approximately 7.3 million from CAN, a decreased of approximately $13,1 from Procaps Colombia and a decreased of approximately $7.8 million from Diabetrics.

Cost of sales and gross profit

The cost of sales represents the direct costs of producing the goods sold by Procaps, such as cost of the materials and labor directly used to create the goods. Gross profit is revenue less cost of sales.

Cost of sales decreased by $5.6 million, or 3.2%, from $173.7 million for the year ended December 31, 2021 to $168.1 million for the year ended December 31, 2022.

On a constant currency basis, cost of sales increased by $4.6 million, or 2.6%, to $178.3 million for the year ended December 31, 2022

The decrease in cost of sales for the year ended December 31, 2022 compared to the year ended December 31, 2021 was primarily due to the currency devaluation of approximately $10.3 million.

Gross profit increased by $5.1 million, or 2.2%, from $230.1 million for the year ended December 31, 2021 to $235.1 million for the year ended December 31, 2022.

On a constant currency basis, gross profit increased by $22.9 million, or 9.9%, to $252.9 million for the year ended December 31, 2022.

The increase in gross profit for the year ended December 31, 2022 compared to the year ended December 31, 2021 was also primarily attributable to the change of the product mix sold, brand sales during the first half of 2022 of approximately $3.5 million, and an increase of sales of other services of approximately $4.9 million.

Sales and marketing expenses

Sales and marketing expenses include primarily expenses incurred for promotional activities, such as marketing expenses, sales force and logistics expenses. Sales and marketing expenses increased by $12.0 million, or 14.9%, from $80.9 million for the year ended December 31, 2021, which represents approximately 20.1% of revenue for the year ended December 31, 2021, to $93.0 million for the year ended December 31, 2022, which represents approximately 23.1% of the revenue for the year ended December 31, 2022. On a constant currency basis, sales and marketing expenses increased by $17.9 million, or 22.2%, to $98.9 million for the year ended December 31, 2022.

The increase in sales and marketing expenses for the year ended December 31, 2022 compared to the year ended December 31, 2021 was primarily due to increased marketing efforts, with the full return of events and travel efforts as the effects of the COVID-19 pandemic continue to lessen. There were also expenses of approximately $5 million during the year ended December 31, 2022, related to the pre-operative expenses of the West Palm Beach facility.

Administrative expenses

Administrative expenses include costs incurred for administrative and certain corporate departments, such as payroll, power and utilities, and certain legal and professional expenses. Administrative expenses increased by $21.5 million, or 25.9%, from $83.2 million for the year ended December 31, 2021 to $104.7 million for the year ended December 31, 2022. On a constant currency basis, administrative expenses increased by $28.4 million, or 34.1%, to $111.6 million for the year ended December 31, 2022.

The increase in administrative expenses for the year ended December 31, 2022 compared to the year ended December 31, 2021 was primarily due to (i) full year of expenses related to being a public company, such as increased personnel costs, legal and consulting services which totaled in aggregate of approximately a $15.6 million and (ii) an increase of approximately $6.1 million in expenses related to M&A activities for the since terminated acquisition of Grupo Somar and business growth projects.

Net finance (expense) income

Net finance (expense) income includes certain banking expenses and bank fees, financing interest expenses, interest recognized on the financial liabilities associated with certain put options held by IFC and Hoche, and a one-time loss on the termination of such put options. On the Closing of the Business Combination, the IFC Put Option Agreement and the Hoche Put Option Agreement (both as defined below) were cancelled as part of the Business Combination in exchange for a portion of the Ordinary Shares issued to IFC and Hoche, respectively, in the Exchange. The one-time loss on termination of the Hoche put option in the amount of $35.9 million was recognized in 2021 aligns the carrying value of such put option on the termination date to the fair value of the Ordinary Shares issued. In 2022, interest expense includes an extinguishment loss of $1,600, as a result of the substantially modified terms of the Senior Notes.

Net finance (expense) income decreased by $116.8 million, or 148.1%, from expenses of $78.8 million for the year ended December 31, 2021 to an income of $37.9 million for the year ended December 31, 2022. The decrease in Net finance (expense) income was primarily due to (i) the valuation of shares held in escrow with a net fair value gain of approximately $61.8 million, (ii) the net fair value gain of warrants liabilities of approximately $12.2 million and (ii) the decrease of interest expense of approximately $59.6 million. In 2021 the net fair value gain related to shares held in escrow was approximately $4.5 million and the net fair value gain of warrants liabilities was approximately $5.9 million.

Other expenses, net

Other expenses, net include: (i) currency exchange rate differences, (ii) economic emergency contribution expenses, (iii) fines, penalties, and assumed taxes, (iv) donations, (v) listing expenses, (vi) the change in the fair value of the warrant liability, and (vii) other expenses.

Other expenses decreased by $53.4 million, or 65.9%, from $81.0 million for the year ended December 31, 2021 to $27.6 million for the year ended December 31, 2022. 2021 was affected by the recording of non-cash listing expenses of $73.9 million associated with the deemed listing services received by Procaps from Union, which is the difference between the deemed costs of the Ordinary Shares issued by the Company to Union shareholders in connection with the Business Combination, in excess of the net assets obtained from Union. This was a one-time listing expense. In 2022, other expenses include approximately $16.2 million of foreign exchange and an impairment charge of Rymco S.A. of approximately $6.0 million.

Income tax expense

Income tax expense includes two components: (i) current tax and (ii) deferred tax. Current tax is calculated based on the tax rate of each jurisdiction. Deferred tax corresponds to the differences generated between the accounting figures and tax figures, which can result in a future income or expense.

Income tax expense decreased by $1.5 million, or 11.3%, from $13.1 million for the year ended December 31, 2021 to $11.6 million for the year ended December 31, 2022. The decrease in income tax expense was primarily due to (i) decrease in profits in Colombian companies (-51%) added to optimization of the use of tax credits as well as deferred tax shield with an impact on lower taxes $4.6 million, (ii) increase in profits in Brazil, as well as adjustments in deferred tax, resulting in $1.3 million in higher tax expenses recognized in the period, (iii) Rymco impairment adjustment increase by $1.1 million (iv) tax rate reduction from 30% to 10% in El Salvador, resulting in profits from the sale of intangible assets of $0.9 million and consolidation adjustments and eliminations of approximately $0.4 million. The accounting income effect from the net fair value of the Warrants' liabilities ($12.2 million) and Ordinary Shares held in escrow ($61.8 million), which increase accounting profit, did not have an impact with respect to our current or deferred tax expenses.

Results by Segments After Inter-Segment Elimination, Excluding Corporate for the years ended December 31, 2023 and December 31, 2022

	Reportable segments				
Results for the year ended December 31, 2023	NextGel	Procaps Colombia	CAN	CASAND	Diabetrics
	(in thousands of U.S. dollars)				
Revenue	122,974	147,866	51,498	79,216	22,194
Gross profit	59,285	70,889	36,248	67,466	4,088
Contribution Margin	45,412	42,710	12,595	42,932	(741)
Constant currency basis					
Revenue	123,005	148,682	52,956	79,393	22,041
Gross profit	59,566	72,458	36,068	66,558	4,413
Contribution Margin	45,356	44,227	12,466	42,221	(466)

	Reportable segments				
Results for the year ended December 31, 2022	NextGel	Procaps Colombia	CAN	CASAND	Diabetrics
	(in thousands of U.S. dollars)				
Revenue	122,367	142,290	54,845	62,981	20,720
Gross profit	63,471	72,142	35,156	56,041	8,318
Contribution Margin	50,854	43,393	16,310	28,577	2,987

Comparison of results for the years ended December 31, 2023 and 2022	Reportable segments				
	NextGel	Procaps Colombia	CAN	CASAND	Diabetics
	(in thousands of U.S. dollars)				
Revenue	607	5,576	(3,347)	16,235	1,474
Gross profit	(4,186)	(1,253)	1,092	11,425	(4,230)
Contribution Margin	(5,442)	(683)	(3,715)	14,355	(3,728)
Constant currency basis					
Revenue	638	6,392	(1,889)	16,412	1,321
Gross profit	(3,812)	422	964	10,600	(3,893)
Contribution Margin	(5,639)	682	(3,877)	13,465	(3,442)

NextGel

Net Revenues of the NextGel segment increased by $0.6 million, or 0.5%, from $122.4 million for the year ended December 31, 2022 to $123.0 million for the year ended December 31, 2023, primarily as a result of (i) an increase in product development services with the commencement of operations of the West Palm Beach facility and the sales of certain product registrations totaling approximately $3.0 million, (ii) the increase in sales of gummy products totaling approximately $2.7 million, (iii) an increase of sales from products with current partners of approximately $5.0 million, offset by (iv) the change of manufacturing site of dronabinol which required a new registration process and generated a temporary shortage of the Active Pharmaceutical Ingredient (API) at the authorized manufacturer's site, resulting in a temporary suspension of sales and representing lower sales of approximately $6.6 million (v) the lower sales of progesterone of approximately $2.9 million due to the ongoing bioequivalent test, and the challenging market situation in Brazil and the US, including order phasing, which refers to changes in a customer's sales forecast for testosterone products that shifted part of the sales to the following year.

Gross profit of the NextGel segment decreased by $4.2 million, or 6.6%, from $63.5 million for the year ended December 31, 2022 to $59.3 million for the year ended December 31, 2023, primarily impacted by inflation, and the increase in costs of raw materials.

Contribution Margin of the NextGel segment decreased by $5.4 million, or 10.7%, from $50.9 million for the year ended December 31, 2022, to $45.4 million for the year ended December 31, 2023. The decrease was primarily the result of higher Selling, General and Administrative (SG&A) expenses associated with the initiation of operations at the West Palm Beach facility and the construction of the Miramar facility. Unlike gross profit, which reflects direct costs of sales, the contribution margin was more significantly affected because the lower sales volumes during the year were not sufficient to absorb the full amount of SG&A expenses generated by these new sites.

On a constant currency basis, revenue attributable to the NextGel segment increased by $0.6 million, or 0.5%, to $123.0 million for the year ended December 31, 2023. Gross profit attributable to the NextGel segment decreased by $3.9 million, or 6.2% to $59.6 million for the year ended December 31, 2023, and Contribution Margin attributable to the NextGel segment decreased by $5.5 million, or 10.8%, $45.4 million for the year ended December 31, 2023.

Procaps Colombia

Revenue of the Procaps Colombia segment increased by $5.6 million, or 3.9%, from $142.3 million for the year ended December 31, 2022 to $147.9 million for the year ended December 31, 2023, primarily due to (i) the increase in sales of approximately $8.4 million and $1.8 million of the Farma Procaps and the Clinical Specialties business units, respectively, offset by (ii) the impact of the ceased Rymco operations of approximately $4.5 million.

Gross profit of the Procaps Colombia segment decreased by $(1.3) million, or (1.7)%, from $72.1 million for the year ended December 31, 2022 to $70.9 million for the year ended December 31, 2023, was primarily attributable to the restatement process. As part of such process, an adjustment was incorporated due to noncompliance with the Group's revenue recognition policies. This adjustment resulted in a decrease of $6.0 million for the year ended December 31, 2021, and $6.7 million for the year ended December 31, 2022.

Contribution Margin of the Procaps Colombia segment decreased by $(0.7) million, or (1.6)%, from $43.4 million for the year ended December 31, 2022 to $42.7 million for the year ended December 31, 2023, was primarily attributable to the restatement process. As part of such process, an adjustment was incorporated due to noncompliance with the Group's revenue recognition policies. This adjustment resulted in a decrease of $6.0 million for the year ended December 31, 2021, and $6.7 million for the year ended December 31, 2022

On a constant currency basis, revenue attributable to Procaps Colombia increased by $6.4 million, or 4.5%, to $148.7 million for the year ended December 31, 2023, gross profit attributable to the Procaps Colombia segment increased by $0.3 million, or 0.4%, to $72.5 million for the year ended December 31, 2023, and Contribution Margin attributable to the Procaps Colombia segment increased by $0.8 million, or 1.9%, to $44.2 million for the year ended December 31, 2023.

CAN

Revenue of the CAN segment decreased by $3.3 million, or 6.1%, from $54.8 million for the year ended December 31, 2022 to $51.5 million for the year ended December 31, 2023, due primarily to the negative impact by the OTC line in El Salvador. In addition, the previous year was positively impacted by the sales of brand in the amount of approximately $2.3 million in 2022.

Gross profit of the CAN segment increased by $1.1 million, or 3.1%, from $35.2 million for the year ended December 31, 2022 to $36.2 million for the year ended December 31, 2023, primarily as a result of the operational efficiency measures, such as larger manufacturing batches. In addition, the previous year was positively impacted by the sales of brand in the amount of approximately $2.3 million in 2022, which positively impacted 2022 gross profit.

Contribution Margin of the CAN segment decreased by $3.7 million, or 22.8%, from $16.3 million for the year ended December 31, 2022 to $12.6 million for the year ended December 31, 2023, due to the impact of higher sales and marketing expenses due to an expanding portfolio, especially in gastrointestinal, cardiovascular, and feminine care therapeutic areas, and reinforcement of sales force in El Salvador, and the macroeconomic and social situation in Guatemala. In addition, the previous year was positively impacted by the sales of brand in the amount of approximately $2.3 million in 2022, which positively impacted 2022 contribution margin.

On a constant currency basis, revenue attributable to the CAN segment decreased by $1.9 million, or 3.4%, to $53.0 million for the year ended December 31, 2023, gross profit attributable to the CAN segment increased by $0.9 million, or 2.6%, to $36.1 million for the year ended December 31, 2023, and Contribution Margin attributable to the CAN segment decreased by $3.8 million, or 23.6%, to $12.5 million for the year ended December 31, 2023.

CASAND

Revenue of the CASAND segment increased by $16.2 million, or 25.8%, from $63.0 million for the year ended December 31, 2022, to $79.2 million for the year ended December 31, 2023, primarily as a result of (i) an increase of approximately $4.4 million in sales of new products launched during 2022, such as Fortzink Ultra, Muvett and Dayflu, (ii) an increase of approximately $6.6 million in sales of existing brands, (iii) an average price increase of approximately 6% in certain countries in the region, offset by the decrease in sales of the Clinical Specialties portfolio and (iv) higher sales, especially in Dominican Republic, partially offset by the decrease in sales of the Clinical Specialties portfolio.

Gross profit of the CASAND segment increased by $11.4 million, or 20.4%, from $56.0 million for the year ended December 31, 2022 to $67.5 million for the year ended December 31, 2023, primarily as a result of the increase in sales explained above, especially in Dominican Republic and changes in our portfolio product mix.

Contribution Margin of the CASAND segment increased by $14.4 million, or 50.2%, from $28.6 million for the year ended December 31, 2022 to $42.9 million for the year ended December 31, 2023, primarily as a result of the increase in sales explained above, impacted by the return of events and commercial efforts, especially in Dominican Republic to support top line growth.

On a constant currency basis, revenue attributable to the CASAND segment increased by $16.4 million, or 26.1%, to $79.4 million for the year ended December 31, 2023, gross profit attributable to the CASAND segment increased by $10.5 million, or 18.8%, to $66.6 million for the year ended December 31, 2023, and Contribution Margin attributable to the CASAND segment increased by $13.6 million, or 47.7%, to $42.2 million for the year ended December 31, 2022.

Diabetrics

Revenue of the Diabetrics segment increased by $1.5 million, or 7.1%, from $20.7 million for the year ended December 31, 2022 to $22.2 million for the year ended December 31, 2023, primarily due to the positive performance of new products .

Gross profit of the Diabetrics segment decreased by $4.2 million, or 50.9%, from $8.3 million for the year ended December 31, 2022, to $4.1 million for the year ended December 31, 2023, due to the impact of the change in our portfolio mix and a decrease of the sales in the institutional (public) channel compared with those of the year ended December 31, 2022. In addition, sales for 2023 were negatively impacted by the loss of the registration of Predial Lex 850mg (silanes) as a result of a manufacturing error, which prevented us from selling this product during the entire year, compared to 2022 when it was available throughout the period.

Contribution Margin of the Diabetrics segment decreased by $3.7 million, or 124.8%, from $3.0 million for the year ended December 31, 2022 to a negative Contribution Margin of $0.7 million for the year ended December 31, 2023, primarily due to the impact of the change in our portfolio product mix and higher sales in the institutional channel.

On a constant currency basis, revenue attributable to the Diabetrics segment increased by $1,321 million, or 6.4%, from $20,720 million for the year ended December 31, 2022 to $22,041 million for the year ended December 31, 2023, gross profit attributable to the Diabetrics segment decreased by $3,905 million, or 46.9%, to $4.4 million for the year ended December 31, 2023, and Contribution Margin attributable to the Diabetrics segment decreased by $3,453 million, or 115.6%, to negative $0.5 million for the year ended December 31, 2023.

	Reportable segments				
		Procaps			
Results for the year ended December 31, 2022	NextGel	Colombia	CAN	CASAND	Diabetrics
	(in thousands of U.S. dollars)				
Revenue	122,367	142,290	54,845	62,981	20,720
Gross profit	63,471	72,142	35,156	56,041	8,318
Contribution Margin	50,854	43,393	16,310	28,577	2,987
Constant currency basis					
Revenue	128,064	159,357	54,755	65,861	23,163
Gross profit	66,904	84,775	35,291	56,542	9,421
Contribution Margin	65,741	64,017	20,260	3,579	416

	Reportable segments				
		Procaps			
Results for the year ended December 31, 2021	NextGel	Colombia	CAN	CASAND	Diabetrics
	(in thousands of U.S. dollars)				
Revenue	119,006	155,357	47,565	53,329	28,482
Gross profit	63,326	79,223	33,058	42,201	12,264
Contribution Margin	52,687	50,559	18,050	21,134	6,668

Comparison of results for the years ended December 31, 2022 and 2021	Reportable segments				
	NextGel	Procaps Colombia	CAN	CASAND	Diabetics
	(in thousands of U.S. dollars)				
Revenue	3,361	(13,067)	7,280	9,652	(7,762)
Gross profit	145	(7,081)	2,098	13,840	(3,946)
Contribution Margin	(1,833)	(7,166)	(1,740)	7,443	(3,681)
Constant currency basis					
Revenue	9,058	4,000	7,190	12,532	(5,319)
Gross profit	3,578	5,552	2,233	14,341	(2,843)
Contribution Margin	13,054	13,458	2,210	(17,555)	(6,252)

NextGel

Revenue of the NextGel segment increased by $ 3.4 million, or 2.8%, from $119.0 million for the year ended December 31, 2021 to $122.4 million for the year ended December 31, 2022, primarily as a result of (i) an increase in product development services with the commencement of operations of the West Palm Beach facility and the sales of certain product registrations totaling approximately $4.3 million, (ii) the increase in sales of gummy products totaling approximately $2.7 million, (iii) an increase of sales from products with current partners of approximately $5.0 million, offset by the change of manufacturing site of dronabinol (that leads to a new registration process) which represented lower sales of approximately $6.6 million and the lower sales of progesterone of approximately $2.9 million due to the ongoing bioequivalent test.

Gross profit of the NextGel segment increased by $0.2 million, or 0.2%, from $63.3 million for the year ended December 31, 2021 to $63.5 million for the year ended December 31, 2022, primarily impacted by the devaluation of certain currencies, inflation, and the increase in costs of raw materials.

Contribution Margin of the NextGel segment decreased by $1.8 million, or 3.5%, from $52.7 million for the year ended December 31, 2021, to $50.9 million for the year ended December 31, 2022, primarily as a result of the increase in sales and marketing and operational expenses due to the hiring of additional personnel as part of the initiation of operations at the West Palm Beach facility.

On a constant currency basis, revenue attributable to the NextGel segment increased by $9.1 million, or 7.6%, to $128.1 million for the year ended December 31, 2022. Gross profit attributable to the NextGel segment increased by $3.6 million, or 5.7% to $66.9 million for the year ended December 31, 2022, and Contribution Margin attributable to the NextGel segment increased by $13.1 million, or 24.8%, $65.7 million for the year ended December 31, 2022.

Procaps Colombia

Revenue of the Procaps Colombia segment decreased by $13.1 million, or 8.4%, from $155.4 million for the year ended December 31, 2021 to $142.3 million for the year ended December 31, 2022, primarily due to (i) the impact of the currency devaluation of approximately $19.4 million and (ii) the decrease in sales of the Clinical Specialties portfolio of approximately $19.7 million driven by to the slower pace of sales of products for the intensive care units due to higher than usual inventory cycles in the distributors. The Farma Procaps and VitalCare business units are growing in sales in 2022 when compared with 2021, primarily due to the demand increase of its leading brands in the market, such as Gestavit, Citragel, Muvett S, and others, as well as the performance of new products.

Gross profit of the Procaps Colombia segment decreased by $7.1 million, or 8.9%, from $79.2 million for the year ended December 31, 2021 to $72.1 million for the year ended December 31, 2022, due to the impact of the decrease in sales described above and the changes in the product portfolio mix.

Contribution Margin of the Procaps Colombia segment decreased by $7.2 million, or 14.2%, from $50.6 million for the year ended December 31, 20210 to $43.4 million for the year ended December 31, 2022, due to the impact of the decrease in sales as described above and higher sales and marketing expenses impacted by currency devaluation and increase in logistics expenses.

On a constant currency basis, revenue attributable to Procaps Colombia increased by $4.0 million, or 2.6%, to $159.4 million for the year ended December 31, 2022, gross profit attributable to the Procaps Colombia segment increased by $5.5 million, or 7.0%, to $84.8 million for the year ended December 31, 2022, and Contribution Margin attributable to the Procaps Colombia segment increased by $13.5 million, or 26.6%, to $64.0 million for the year ended December 31, 2022.

CAN

Revenue of the CAN segment increased by $7.3 million, or 15.3%, from $47.6 million for the year ended December 31, 2021 to $54.8 million for the year ended December 31, 2022, due to (i) sales from new product launches in the amount of approximately $1.0 million, such as Albisec One and Alercet, (ii) increased sales of the current portfolio, particularly cardiology, feminine care and respiratory lines, and (iii) price increases in Guatemala (approximately 4% increase), Honduras (approximately 4% increase) and El Salvador (approximately 5% increase).

Gross profit of the CAN segment increased by $2.1 million, or 6.3%, from $33.1 million for the year ended December 31, 2021 to $35.2 million for the year ended December 31, 2022, primarily as a result of the increase in sales as described above, which was partially offset by higher raw material costs.

Contribution Margin of the CAN segment decreased by $1.7 million, or 9.6%, from $18.1 million for the year ended December 31, 2021 to $16.3 million for the year ended December 31, 2022, due to the impact of higher sales and marketing expenses due to an expanding portfolio, especially in gastrointestinal, cardiovascular, and feminine care therapeutic areas.

On a constant currency basis, revenue attributable to the CAN segment increased by $7.2 million, or 15.1%, to $54.8 million for the year ended December 31, 2022, gross profit attributable to the CAN segment increased by $2.2 million, or 6.8%, to $35.3 million for the year ended December 31, 2022, and Contribution Margin attributable to the CAN segment increased by $2.2 million, or 12.2%, to $20.1 million for the year ended December 31, 2022.

CASAND

Revenue of the CASAND segment increased by $9.7 million, or 18.1%, from $53.3 million for the year ended December 31, 2021, to $63.0 million for the year ended December 31, 2022, primarily as a result of (i) an increase of approximately $4.4 million in sales of new products launched during 2022, such as Fortzink Ultra, Muvett and Dayflu, (ii) an increase of approximately $6.6 million in sales of existing brands, and (iii) an average price increase of approximately 6% in certain countries in the region, offset by the decrease in sales of the Clinical Specialties portfolio.

Gross profit of the CASAND segment increased by $13.8 million, or 32.8%, from $42.2 million for the year ended December 31, 2021 to $56.0 million for the year ended December 31, 2022, primarily as a result of the increase in sales explained above, especially in Dominican Republic and changes in our portfolio product mix.

Contribution Margin of the CASAND segment increased by $7.4 million, or 35.2%, from $21.1 million for the year ended December 31, 2021 to $21.1 million for the year ended December 31, 2022, primarily as a result of the increase in sales explained above, impacted by the return of events and commercial efforts, especially in Dominican Republic to support top line growth.

On a constant currency basis, revenue attributable to the CASAND segment increased by $12.5 million, or 23.5%, to $65.9 million for the year ended December 31, 2022, gross profit attributable to the CASAND segment increased by $14.3 million, or 34.0%, to $56.5 million for the year ended December 31, 2022, and Contribution Margin attributable to the CASAND segment decreased by $17.6 million, or 83.1%, to $3.6 million for the year ended December 31, 2022.

Diabetrics

Revenue of the Diabetrics segment decreased by $7.8 million, or 27.3%, from $28.5 million for the year ended December 31, 2021 to $20.7 million for the year ended December 31, 2022, primarily due to (i) the impact of currency devaluation of approximately $3.4 million, (ii) lower sales of Predial Lex product due to entrance of new competitors with an innovative patented formulation of approximately $3.0 million, and (iii) lower prices in a few products due to more competitors with an impact of approximately $2.3 million.

Gross profit of the Diabetrics segment decreased by $4.0 million, or 32.3%, from $12.3 million for the year ended December 31, 2021, to $8.3 million for the year ended December 31, 2022, due to the impact of inflation and currency devaluation which led to increase in costs.

Contribution Margin of the Diabetrics segment decreased by $3.7 million, or 55.2%, from $6.7 million for the year ended December 31, 2021 to $3.0 million for the year ended December 31, 2022, primarily due to the impact of the decrease in sales as described above and a change in our portfolio product mix.

On a constant currency basis, revenue attributable to the Diabetrics segment decreased by $5.3 million, or 18.7%, from $23.1 million for the year ended December 31, 2022, gross profit attributable to the Diabetrics segment decreased by $2.8 million, or 23.2%, to $9.4 million for the year ended December 31, 2022, and Contribution Margin attributable to the Diabetrics segment decreased by $6.2 million, or 93.8%, to $0.4 million for the year ended December 31, 2022.

Non-IFRS Financial Measures

Our management uses certain non-IFRS financial information to assess our operating performance across periods and for business planning purposes. We believe the presentation of these non-IFRS financial measures is useful to investors as it provides additional information to facilitate comparisons of historical operating results, identify trends in our underlying operating results and provide additional insight and transparency on how we evaluate our business. We use non-IFRS financial measures to budget, make operating and strategic decisions, and evaluate our performance. Below is a description of the non-IFRS financial measures we have used in this Annual Report, including any adjustments to the IFRS financial measures derived therefrom. We believe the non-IFRS measures should always be considered along with the related IFRS financial measures. We have provided the reconciliations between the IFRS and non-IFRS financial measures below, and we also discuss our underlying IFRS results throughout Item 5 of this Annual Report.

The primary non-IFRS financial measures utilized by our management is described below and reflects how we evaluate our current and prior-year operating results. As new events or circumstances arise, our management may alter the definitions of such measures to better reflect our financial performance or adopt new measures in the future. In the event any of these definitions change, or if new non-IFRS financial measures are adopted by our management, we will provide the updated definitions and present the related non-IFRS historical results on a comparable basis.

Use of Constant Currency

As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of certain financial metrics and results on a constant currency basis in addition to the IFRS reported results helps improve investors' ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant currency information is non-IFRS financial information that compares results between periods as if exchange rates had remained constant period-over-period. We use results on a constant currency basis as one measure to evaluate our performance. We currently present revenue, cost of sales, gross profit, sales and marketing expenses, administrative expenses, Contribution Margin (consolidated and by segment) and Adjusted EBITDA on a constant currency basis. We calculate constant currency by calculating year-end period for the years ended December 31, 2023, 2022 and 2021 using prior-periods (year ended December 31, 2022 and December 31, 2021, respectively) foreign currency exchange rates. The functional foreign currencies for the primary regional markets where we operate, such as the Colombian Peso and the Brazilian Real, were adjusted on a constant currency basis at the exchange rates of COP $4,325.05 per U.S. $1.00 and R$5.0359 per U.S. $1.00, respectively, for the year ended December 31, 2023, COP $4,255.44 per U.S. $1.00 and R$5.1655 per U.S. $1.00, respectively, for the year ended December 31, 2022, COP $3,693.36 per U.S. $1.00 and R$5.1578 per U.S. $1.00, respectively, for the year ended December 31, 2021. We generally refer to such amounts calculated on a constant currency basis as excluding the impact of foreign exchange. These results should be considered in addition to, not as a substitute for, results reported in accordance with IFRS. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with IFRS.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin

We define EBITDA as profit (loss) for the year before interest expense, net, income tax expense and depreciation and amortization. We define Adjusted EBITDA as EBITDA further adjusted to exclude certain isolated costs incurred as a result of the COVID-19 pandemic, certain transaction costs incurred in connection with the Business Combination, certain listing expenses incurred in connection with the Business Combination, certain costs related to business transformation initiatives, certain foreign currency translation adjustments, and certain other finance costs and other nonrecurring, nonoperational or unordinary items as the Company may deem appropriate from time to time. Adjusted EBITDA is one of the key performance indicators we use in evaluating our operating performance and in making financial, operating, and planning decisions. We believe EBITDA and Adjusted EBITDA are useful to investors in evaluating our operating performance compared to other companies in the pharmaceutical industry, as similar measures are commonly used by companies in this industry. We also report Adjusted EBITDA as a percentage of revenue as an additional measure so investors may evaluate our Adjusted EBITDA margins on revenue.

The following table provides a reconciliation from profit (loss) for the year to EBITDA and Adjusted EBITDA, and Adjusted EBITDA margins for the years ended December 31, 2023 and 2022.

	For the year ended December 31,		Increase/(Decrease)	
	2023	**2022**	**$ Change**	**% Change**
	(in thousands of U.S. dollars except percentages)			
Income/Loss for the year	**40,343**	**36,126**	**4,217**	**11.7 %**
Net finance expense (income)	26,123	(37,926)	64,049	(168.9) %
Income tax expense	5,617	11,613	(5,996)	(51.6%)
Depreciation and amortization	18,194	16,844	1,350	8.0%
EBITDA	**90,277**	**26,657**	**63,620**	**238.7%**
COVID-19 impact adjustments[1]	—	894	(894)	(100.0%)
Business transformation initiatives[2]	4,091	—	4,091	—%
Development of a new patient program platform[3]	—	316	(316)	(100.0) %
Foreign currency translation adjustments[4]	(21,930)	15,983	(37,913)	(237.2%)
Other finance costs adjustments[5]	209	1,207	(998)	(82.7%)
Transactions expenses[6]	(19,296)	14,071	(33,367)	(237.1%)
Other expenses[7]	4,562	6,018	(1,456)	(24.2%)
Adjusted EBITDA	**57,913**	**65,146**	**(7,233)**	**-11.1%**
Constant Currency Adjustments	1,294	5,019	(3,725)	(74.2%)
Adjusted EBITDA on Constant Currency Basis	**59,207**	**70,165**	**(10,958)**	**-15.6%**
Adjusted EBITDA margin	**13.7%**	**16.2%**		
Adjusted EBITDA margin (on Constant Currency Basis)	**14.0%**	**17.4%**		

(1) COVID-19 impact adjustments for the year ended December 31, 2022 primarily include expenses incurred for safety precautions during the pandemic, such as employees' COVID-19 testing, vaccination, office, and production infrastructure adaptation to practice social distancing, to maintain a safe work and production environment for the employees, other miscellaneous expenses resulted from COVID-19 pandemic.

(2) Business transformation initiatives for the year ended December 31, 2023, which primarily consists of value creation initiatives, cost reduction plan announced in February 2023 aimed to improve margins and financial performance, carried out during 2023.

(3) Non-recurring expenses related to the launch of a new patient program platform for Diabetrics (Zutrics) during the year ended December 31, 2022.

(4) Foreign currency translation adjustments represent the reversal of exchange losses we recorded due to foreign currency translation of monetary balances of certain of our subsidiaries from U.S. dollars into the functional currency of those subsidiaries as of December 31, 2023 and 2022.

(5) Other finance costs adjustments represent non-operating expenses incurred, primarily related to withholding taxes assumed by the Company on interest payments to financial institutions outside of Colombia.

(6) Transactions expenses for the year ended December 31, 2023 include one-time settlement with third parties with respect to certain matters in favor of the Company of approximately $19.3 million. For the year ended December 31, 2022 primarily include: (i) consulting and legal fees and expenses incurred in connection with acquisitions and SPA termination in the amount of 12.3 million, (ii) incremental director and officer policy insurance costs in the amount of $1.0 million in connection with the Business Combination,

(7) Other expenses include for the year ended December 31, 2023 primarily include a write-off related to Rymco impairment charge of approximately $4.1 million. For the year ended December 31, 2022, other expenses include a write off related to Rymco impairment charge of approximately $6.0 million.

The following table provides a reconciliation from profit (loss) for the year to EBITDA and Adjusted EBITDA, and Adjusted EBITDA margins for the years ended December 31, 2022 and 2021.

	For the year ended December 31,		Increase/(Decrease)	
	2022	**2021**	**$ Change**	**% Change**
	(in thousands of U.S. dollars except percentages)			
Income/Loss for the year	**36,126**	**(106,992)**	**143,118**	**(133.8) %**
Finance income (expenses), net	(37,926)	78,839	(116,765)	(148.1) %
Income tax expense	11,613	13,091	(1,478)	(11.3)%
Depreciation and amortization	16,844	15,112	1,732	11.5 %
EBITDA	**26,657**	**50**	**26,607**	**53214.0 %**
COVID-19 impact adjustments[(1)]	894	3,788	(2,894)	(76.4) %
Development of a new patient program platform[(2)]	316	–	316	–
Foreign currency translation adjustments[(3)]	15,983	4,026	11,957	297.0 %
Other finance costs adjustments[(4)]	1,207	696	511	73.4 %
Transactions expenses[(5)]	14,071	10,662	3,409	32.0 %
Other expenses[(6)]	6,018	73,917	(67,899)	(91.9) %
Adjusted EBITDA	**65,146**	**93,139**	**(27,993)**	**(30.1) %**
Constant Currency Adjustments	5,019	706	4,313	610.9 %
Adjusted EBITDA on Constant Currency Basis	**70,165**	**93,845**	**(23,680)**	**(25.2) %**
Adjusted EBITDA margin	**16.2%**	**23.1%**		
Adjusted EBITDA margin (on Constant Currency Basis)	**17.4%**	**23.2%**		

(1) COVID-19 impact adjustments for the year ended December 31, 2022 primarily include expenses incurred for safety precautions during the pandemic, such as employees' COVID-19 testing, vaccination, office, and production infrastructure adaptation to practice social distancing, to maintain a safe work and production environment for the employees, other miscellaneous expenses resulted from COVID-19 pandemic. For the year ended December 31, 2021, these expenses primarily include: (i) $1.7 million expenses incurred for safety precautions during the pandemic, such as employees COVID-19 testing, vaccination, office and production infrastructure adaptation to practice social distancing, to maintain a safe work and production environment for the employees, (ii) $0.6 million operating and production expenses incurred in connection with hiring of additional employees and costs paid to third party agencies for such hiring, contractors and production sub-contractors in order to mitigate any decrease in production and operating capabilities of

Procaps as a result of employees absenteeism or attrition as a result of the COVID-19 pandemic, (iii) $1.2 million expense incurred for certain logistic arrangements to minimize Procaps employees' exposure to COVID-19 through arranging transportation from home to work, lodgings, face masks and PPE, and (iv) $0.4 million of other miscellaneous expenses resulted from COVID-19 pandemic.

(2) Non-recurring expenses related to the launch of a new patient program platform for Diabetrics (Zutrics) during the year ended December 31, 2022.

(3) Foreign currency translation adjustments represent the reversal of exchange losses we recorded due to foreign currency translation of monetary balances of certain of our subsidiaries from U.S. dollars into the functional currency of those subsidiaries as of December 31, 2022 and 2021.

(4) Other finance costs adjustments represent non-operating expenses incurred, primarily related to withholding taxes assumed by the Company on interest payments to financial institutions outside of Colombia.

(5) Transactions expenses for the year ended December 31, 2022 primarily include: (i) consulting and legal fees and expenses incurred in connection with acquisitions and SPA termination in the amount of 12.3 million, (ii) incremental director and officer policy insurance costs in the amount of $1.0 million in connection with the Business Combination, (iii) tail policy insurance costs incurred of $0.5 million in connection with the Business Combination, and (iv) incremental audit fees of approximately $0.3 million incurred in connection with the Business Combination. For the year ended December 31, 2021, these expenses primarily include: (i) capital markets advisory fees of $4.5 million incurred in connection with the Business Combination, (ii) incremental audit fees of $2.7 million incurred in connection with the Business Combination, (iii) consulting, accounting and legal expenses of $0.4 million incurred in connection with the Business Combination, (iv) management bonuses of $0.7 million paid in connection with the consummation of the Business Combination and the listing of the Company on the Nasdaq, (v) tail policy insurance costs incurred of $1.6 million in connection with the Business Combination, (vi) incremental director & officer policy insurance costs incurred of $0.3 million in connection with the Business Combination, (vii) incurred audit fees of $0.2 million to comply with the Syndicated Loan (as defined below) requirements that will not be necessary in the future, and (viii) consulting and legal fees and expenses related to asset acquisitions and other transaction in the amount of $0.3 million. (6) Other expenses include a write off related to Rymco impairment charge of approximately $6.0 million for the year ended December 31, 2022. For the year ended December 31, 2021, other expenses include listing expense of $73.9 million associated with the deemed listing services received by Procaps from Union, which is the difference between the deemed costs of the Ordinary Shares issued by the Company to Union shareholders in connection with the Business Combination, in excess of the net assets obtained from Union, as required by IFRS 2 Share-based payments.

Contribution Margin

We define Contribution Margin as gross profit less selling expenses. Contribution Margin is one of the key performance indicators we use in evaluating our profitability. We believe Contribution Margin is useful to investors in the evaluating our operating performance compared to other companies in the pharmaceutical industry, as similar measures are commonly used by companies in this industry.

The following table provides a reconciliation from gross profit to Contribution Margin for the years ended December 31, 2023 and 2022.

	For the year ended December 31		Increase / (Decrease)	
	2023	**2022**	**$ Change**	**% Change**
	(in thousands of U.S. dollars except percentages)			
Gross Profit	237,976	235,128	2,848	1.2 %
Sales and marketing expenses	(95,068)	(93,007)	(2,061)	2.2 %
Contribution Margin	**142,908**	**142,121**	**787**	**0.6 %**
Constant Currency Adjustments	596	—		
Contribution Margin (on Constant Currency Basis)	**143,504**	**142,121**	**787**	**0.6 %**

The following table provides a reconciliation from gross profit to Contribution Margin for the years ended December 31, 2022 and 2021.

	For the year ended December 31		Increase / (Decrease)	
	2022	**2021**	**$ Change**	**% Change**
	(in thousands of U.S. dollars except percentages)			
Gross Profit	235,128	230,072	5,056	2.2 %
Sales and marketing expenses	(93,007)	(80,974)	(12,033)	14.9 %
Contribution Margin	**142,121**	**149,098**	**(6,977)**	**(4.7) %**
Constant Currency Adjustments	11,892	—		
Contribution Margin (on Constant Currency Basis)	**154,013**	**149,098**	**(6,977)**	**(4.7) %**

B. LIQUIDITY AND CAPITAL RESOURCES

Our principal source of liquidity has been cash flow generated from operations, supplemented by credit arrangements with third parties. The principal uses of cash are to fund operating and capital expenditures, business or asset acquisitions, interest payments on debt, any mandatory or discretionary principal payment on our debt and investments in R&D.

As of December 31, 2023, our cash and cash equivalents amounted to $17.5 million. We believe that our existing cash and cash equivalents and cash inflows from operations, will be adequate to meet our anticipated cash needs for the next twelve months. We routinely monitor current and expected operational requirements and financial market conditions to evaluate other available financing sources including term and revolving bank credit.

In determining our future capital requirements, we regularly consider, among other factors, known trends and uncertainties, and other contingencies.

Our ability to generate cash is subject to our performance, general economic conditions, industry trends and other factors. To the extent that the funds received from the Business Combination, combined with existing cash and cash equivalents are insufficient to fund our future activities and requirements, we may need to raise additional funds through public or private equity or debt financing. Although certain of our lenders have made commitments to make funds available to us in a timely fashion under our revolving credit agreements and overdraft facilities, if economic conditions worsen, including due to current geopolitical issues, or new information becomes publicly available impacting the institutions' credit rating or capital ratios, these lenders may be unable or unwilling to lend money pursuant to our existing credit facilities. Should our outlook on liquidity requirements change substantially from current projections, we may seek additional sources of liquidity in the future. If we issue equity securities in order to raise additional funds, substantial dilution to existing shareholders may occur. If we raise cash through the issuance of indebtedness, we may be subject to additional contractual restrictions on our business. We cannot assure the investor that we would be able to raise additional funds on favorable terms or at all.

Cash Flow for the years ended December 31, 2023 and 2022

The following table summarizes our consolidated statements of cash flows from operations for the years ended December 31, 2023 and 2022:

	For the year ended December 31,		Increase/(Decrease)
	2023	**2022**	**$ Change**
	(in thousands of U.S. dollars)		
Cash flow generated from operating activities	107,635	15,550	92,085
Cash flow (used in) investing activities	(34,629)	(32,378)	(2,251)
Cash flow (used in) financing activities	(97,830)	(12,796)	(85,034)
Net (decrease) in cash	**(24,824)**	**(29,624)**	**4,800**

Cash flow generated from operating activities

For the year ended December 31, 2023, net cash provided by operating activities was $107.6 million, compared to $15.6 million for the year ended December 31, 2022, an increase of $92,1 million. The increase was primarily the result of (i) an increase in cash flow from operating activities before changes in the working capital, positively impacted by operating expenses performance, and (ii) improvement in trade and other payables as a result of better negotiations with suppliers.

Cash flow (used in) investing activities

For the year ended December 31, 2023, net cash used in investing activities was $34.6 million compared to $32.4 million during the year ended December 31, 2022, an increase of $(2.3) million. Net cash used in investing activities for the year ended December 31, 2023 consisted primarily of (i) $20.3 million in cash used in the acquisition of property, plant and equipment for certain strategic capacity expansion, products and equipments, and automation improvement in our current facilities and new ones, including, the new Miramar facility for gummy products, and (ii) $12.5 million in cash used in the acquisition of intangibles for internal product development.

Cash flow (used in) financing activities

For the year ended December 31, 2023, net cash used in financing activities increased by $85.2 million from net cash generated from financing activities of $12.8 million for the year ended December 31, 2022 to net cash used in financing activities of $97.8 million for the year ended December 31, 2023. The increase was primarily due to (i) fewer proceeds from banks due to restrictions associated with covenant limitations, (ii) incremental payments on borrowings, (iii) incremental $24.8 million of interest payments due to rates increase, and (iv) buyback program execution during the year.

Cash Flow for the years ended December 31, 2022 and 2021

The following table summarizes our consolidated statements of cash flows from operations for the years ended December 31, 2022 and 2021:

	For the year ended December 31,		Increase/(Decrease)
	2022	**2021**	**$ Change**
	(in thousands of U.S. dollars)		
Cash flow generated from (used in) operating activities	15,550	35,454	(19,904)
Cash flow (used in) investing activities	(32,378)	(24,858)	(7,520)
Cash flow (used in) generated from financing activities	(12,796)	57,843	(70,639)
Net (decrease) increase in cash	**(29,624)**	**68,439**	**(98,063)**

Cash flow generated from (used in) operating activities

For the year ended December 31, 2022, net cash used in operating activities was $15.6 million, compared to $35,5.4 million for the year ended December 31, 2021, a decrease of $19.9 million. The decrease was primarily the result of (i) a decrease in cash flow from operating activities before changes in the working capital, impacted by higher operating expenses, (ii) an increase in trade receivables as a result of customers remitting payments closer to the end of the negotiated payment term due to current economic conditions and (iii) an increase in inventory held as of December 31, 2022 compared to December 31, 2021 as a result of supply chain challenges.

Cash flow (used in) investing activities

For the year ended December 31, 2022, net cash used in investing activities was $32.4 million compared to $24.9 million during the year ended December 31, 2021, a increase of $7.5 million. Net cash used in investing activities for the year ended December 31, 2022 consisted primarily of (i) $20.6 million in cash used in the acquisition of property, plant and equipment for certain strategic capacity expansion, including, the new Miramar facility for gummy products and equipment and automation improvements in our current facilities, and (ii) $11.0 million in cash used in the acquisition of intangibles for internal product development.

Cash flow (used in) generated from financing activities

For the year ended December 31, 2022, net cash provided by financing activities decreased by $70.6 million from net cash generated from financing activities of $57,8 million for the year ended December 31, 2021 to net cash used in financing activities of $12.8 million for the year ended December 31, 2022. The decrease was primarily due to (i) the impact of the acquisition in the prior period, resulting in net cash inflows of $85.0 million. The decrease in net cash used in financing activities was partially offset by (i) the decrease in interest paid of $7.4 million, (ii) the decrease in payment of lease liabilities of $2.2 million, (iii) the decrease in net proceeds from borrowings of $1.7 million and (iv) the decrease in payments to related parties of $2.0 million.

Financial Resources

Our capital structure consists of net debt (loans offset by cash and bank balances) and consolidated equity (comprised of issued and paid-in capital, reserves, retained earnings and non-controlling interests). We are not subject to any externally imposed capital requirement.

As of December 31, 2023, our primary indebtedness consists of the outstanding balance of the Senior Notes and Credit Agreement (defined below). The Senior Notes, the Credit Agreement and certain other loans include certain covenants that obligate the borrower and guarantors thereunder to comply with a series of financial ratios, consisting of a debt to EBITDA ratio and EBITDA interest coverage ratio as described below under the heading "—Debt Financing and Borrowings—Senior Notes—Covenants." The Credit Agreement includes certain covenants that obligate the borrower and co-debtors thereunder to comply with a series of financial ratios, consisting of a debt to EBITDA ratio, short-term leverage ratio and EBITDA interest coverage ratio as described below under the heading "—Debt Financing and Borrowings—Credit Agreement—Covenants." These financial ratios serve as local management parameters for both arrangements.

We analyze and review our capital structure on a quarterly basis. As part of this review, we consider the cost of capital and the risks associated with each class of capital.

As of December 31, 2023, 2022 we had total borrowings of $299.5 million, and $287.1 million, respectively.

Debt Financing and Borrowings

The table below summarizes our outstanding interest-bearing liabilities for year ended December 31, 2023 and 2022.

	For the year ended December 31, 2023	For the year ended December 31, 2022 (as restates)
	(in thousands of U.S. dollars)	(in thousands of U.S. dollars)
Credit Agreement	64,275	38,626
Other term loan	80,717	96,851
Lease liabilities	35,247	34,192
Factoring obligations	4,111	2,317
Bank overdrafts	153	80
Senior Notes	115,000	115,000
Total Interest bearing liabilities	**299,503**	**287,066**
Current	**268,389**	**258,656**
Non - Current	**31,114**	**28,410**
	299,503	**287,066**

Credit Agreement

On August 16, 2023, the Company, Procaps S.A., a subsidiary of the Company, as borrower (the "CA Borrower"), and the subsidiary guarantors party thereto (collectively with the Company, the "CA Guarantors", and collectively with the Borrower and Company, the "CA Obligors") entered into a Credit Agreement (Contrato de Crédito) (the "Credit Agreement") with Bancolombia S.A. and Banco Davivienda S.A., as lenders.

The Credit Agreement provides for a loan of up to COP$247,817,751,759.49 (approximately $64.0 million) (the "CA Loan"). The proceeds of the CA Loan were used exclusively for the prepayment of existing indebtedness of the Company and its subsidiaries, including full repayment of borrowings made under the Syndicated Loan described below. The Credit Agreement provides for a term of eight years, and interest accrues thereunder at a rate equal to the Colombian Central Bank's reference rate (for a three-month tenor) plus 8.50%.

The Credit Agreement contains customary affirmative and negative covenants, including limitations on the ability of the CA Obligors and the CA Obligors' subsidiaries to incur additional debt, guarantee other obligations, grant liens on assets, make investments or acquisitions, dispose of assets, pay dividends or other payments on capital stock, make restricted payments, engage in mergers or consolidations, engage in transactions with affiliates, and enter into certain restrictive agreements.

The Credit Agreement also requires the CA Obligors' compliance with the following financial covenants, each measured on a trailing twelve-month basis on the final day of each fiscal quarter of the Company: (i) a consolidated debt to consolidated EBITDA ratio of no greater than 3.50:1:00 (other than for the twelve-month period ended September 30, 2023, for which the ratio shall be no greater than 4.30:1.00); and (ii) a ratio of consolidated EBITDA to consolidated interest expense of greater than 3.00:1.00 (other than for the twelve-month period ended September 30, 2023, for which the ratio shall be greater than 1.90:1.00). Additionally, the CA Obligors (other than the Company) are required to maintain combined total assets and combined EBITDA equal to no less than 80% of the Company's consolidated EBITDA and consolidated total assets, respectively, as of June 30 and December 31 of each year.

In December 2023, the applicable parties under the Credit Agreement entered into a waiver with the Company waiving its compliance with the interest coverage ratio restrictive covenant with respect to the December 31, 2023 measurement date.

The CA Borrower may voluntarily prepay the CA Loan, in whole or in part, subject to certain prepayment premiums. The CA Borrower may be required, upon the occurrence of certain events, to make certain mandatory prepayments prior to the maturity date of the CA Loan.

Syndicated Loan

On November 20, 2018, Procaps S.A. entered into a syndicated term loan agreement the "Syndicated Loan Agreement") with the following banks: Portion in Colombian pesos (COP) - Davivienda and Bancolombia; US dollar portion (USD) - Banco de Credito del Peru, Bancolombia Panama and Banco Sabadell. The total value of the syndicated loan amounts to $200,434 million COP (portion in COP) and $35 million USD (portion in USD), Fiduciaria Bancolombia acts as the agent of the loan. C.I. Procaps S.A., Procaps S.A. de C.V, Biokemical S.A., Pharmarketing S.A. (Panama), Pharmarketing Salvador S.A. de C.V., Pharmarketing S.A. (Guatemala S.A.), C.D.I. Salvador S.A. de C.V., C.D.I. Nicaragua S.A., C.D.I. Guatemala S.A., Pharmarketing Dominicana SRL, and Pharmarketing Costa Rica S.A., act as co-debtors, while Pharmayect S.A., Inversiones Crynssen S.A.S., Inversiones Ganeden S.A.S., Inversiones Henia S.A.S., Inversiones Jades S.A.S., and Industrias Kadima S.A.S., act as guarantors.

The resources obtained were used for advance payment and/or novation of certain obligations to be refinanced. The conditions of the loan had a term of 5 years for installment payments and the interest rates agreed are as follows: IBR + 5.30% for the portion in COP and Libor + 4.80% for the USD portion.

The loans received by Banco de Crédito del Peru and Banco Sabadell were prepaid during the month of November 2021, due to a new agreement and improvement in terms and conditions with Senior Notes.

On August 16, 2023, Procaps S.A. and other entities of the Group (Procaps Group, S.A., C.I. Procaps, S.A., Diabetrics Healthcare, S.A.S., Procaps, S.A. de C.V., and Funtrition, S.A.S.) as guarantors (collectively, the "Obligors") entered into a Credit Agreement with Bancolombia S.A. and Banco Davivienda S.A (the “New Banco Credit Agreement”). The New Banco Credit Agreement provides

for a loan of up to $247,817 million COP and the proceeds are to be used exclusively for the prepayment of $5,486 USD of previously existing loans and $225,325 million COP for the refinancing of

existing indebtedness of the Group, including the Syndicated Loan Agreement. The New Banco Credit Agreement provides for a term of six-years, and interest accrues thereunder at a rate equal to

the Colombian Central Bank’s reference rate (for a three-month tenor) plus 8.50% per annum.

Other Term Loans

The table below summarizes the terms of our other term loans as of December 31, 2023 and 2022.

Currency	Range of Interest	Maturity Year	Outstanding Balance for the year ended December 31, 2023	Outstanding Balance for the year ended December 31, 2022
			(in thousands of U.S. dollars)	*(in thousands of U.S. dollars)*
COP	17.72%-32% A.E., 23.50% A.N. (Fixed) (2022:IBR+ 5%, DTF+ 3%, 13.99%-25.3%)	2024-2025	$ 14,323	$ 9,549
COP	IBR+2.25%-7.25% (2022: IBR+2.25%-10.2%)	2024-2025	13,468	21,267
Soles	8% - 12.79% A.N.(Fixed)	2024	7,364	6,837
Reales	9.84%-13.08% A.N. (2022: 9.84% - 18% A.N.)	2024	545	2,176
USD	SOFR+ (3%-5.80%) (2022: SOFR+ (4.8%-5.8%))	2024	23,621	23,454
USD	8%-19.68% A.N. (2022: 6.36%-16.8%)	2024-2025	21,396	33,568
Total			**$ 80,717**	**$ 96,851**

Other term loans balance as of Dec 2023 is $80.7 million, including $19 million and $5.7 million with BTG.

On August 18, 2023, the Group entered into a Credit Agreement with Banco BTG Pactual S.A.-Cayman Branch. (the "New BTG Credit Agreement"). The New BTG Credit Agreement provides for a loan of up to $19 million USD and the proceeds are to be used exclusively for the prepayment of existing indebtedness of the Group, including short term debt dated October 13, 2022. The New BTG Credit Agreement provides for a term of 30 months, and interest accrues thereunder at a rate equal to SOFR (for a three-month tenor) plus 5.80%.

The New BTG Credit Agreement requires the Group's compliance with the following financial covenants, each measured on a trailing twelve-month basis on the final day of each fiscal quarter of the Group:

- Consolidated debt to consolidated EBITDA ratio of no greater than 3.50:1:00 (other than for the twelve-month period ended September 30 and December 31, 2023, for which the ratio shall be no greater than 4.30:1.00); and

- Ratio of consolidated EBITDA to consolidated interest expense of greater than 3.00:1.00 (other than for the twelve-month period ended September 30 and December 31, 2023, for which the ratio shall be greater than 1.90:1.00).

As of Dec 2023 the Company is in compliance with covenants with respect to BTG´s facilities.

Management continuously monitors the observation of these obligations and complied as of the date of these unaudited Condensed Consolidated Interim Financial Statements.

Lease Liabilities

We had $35.2 million of lease liabilities as of December 31, 2023. Please refer to Note 16. Leases of the Financial Statements.

Factoring Obligations

We have accounts receivable factoring arrangements with non-related third-party financial institutions (the “Factors”). Pursuant to the terms of the arrangements, we sell to the Factors certain of our accounts receivable balances on a non-recourse basis for credit approved accounts. An administrative fee per invoice is charged on the gross amount of accounts receivables assigned to the Factors, and interest is calculated based on an annual average variation of Colombian DTF rate, as well as other fixed rates, ranging from approximately 18% in BRL denominated arrangements to approximately 29% in COP denominated arrangements. The total amount factored was $4.1 million as of December 31, 2023.

Bank Overdrafts

We have overdraft facilities available that we use to support our cash management operations We had approximately $0.2 million of overdrafts and credit card liabilities outstanding as of December 31, 2023.

Senior Notes

On November 12, 2021, the Company closed a private placement offering of $115.0 million aggregate principal amount of 4.75% guaranteed senior notes issued by Procaps, S.A., a subsidiary of the Company, due November 12, 2031, pursuant to a note purchase and guarantee agreement (the “NPA”) entered into on November 5, 2021 with The Prudential Insurance Company of America, Prudential Annuities Life Assurance Corporation, Healthspring Life & Health Insurance Company, Inc. and Cigna Health and Life Insurance Company Inc.

The Senior Notes are the senior unsecured obligations of Procaps, S.A. and unconditionally guaranteed by the Company and the following subsidiaries of the Company: Crynssen, Procaps, S.A., Diabetrics Healthcare, Pharmayect S.A., Procaps, S.A. de C.V., Biokemical, S.A. de C.V., Colbras Indústria e Comércio Ltda., and Sofgen Pharmaceuticals LLC.

The Senior Notes were issued in a single tranche, with a final maturity of 10 years and a principal amortization schedule of five annual equal payments commencing on the sixth anniversary of the closing (*i.e.* years 6 to 10), resulting in a weighted average life of 8 years. We used the net proceeds from the issuance of the Senior Notes primarily to repay certain of its and its subsidiaries existing indebtedness in full (including the syndicated loans granted by Banco de Sabadell S.A. Miami Beach and Banco de Crédito del Perú), as well as for general corporate purposes.

In connection with the expected closing of the Acquisition and associated borrowings under the Bridge Credit Agreement (as described below), we intended to prepay in full the Senior Notes, together with interest accrued thereon to the date of such prepayment and the make-whole amount determined for the date of such prepayment pursuant to the NPA (the "Notes Payoff"). We previously expected that the closing of the Acquisition would occur on October 14, 2022, and accordingly, pursuant to the requirements of the NPA, delivered advance notice to the noteholders of the Notes Payoff to occur on such date. As a result of a delay and subsequent termination in the closing of the Acquisition, the expected borrowing under the Bridge Credit Agreement did not occur, and we were unable to complete the Notes Payoff on the date scheduled, which technically constituted an event of default under the NPA. The noteholders informed us that they would not exercise any rights or remedies under the NPA due to such technical default pending entry into an amendment to the NPA formally waiving such default, and we and the noteholders executed temporary waivers in connection therewith. On November 1, 2022, we and the noteholders entered into an amendment to the NPA (the "NPA Amendment"), formally waiving the technical default and which also (i) provided us with the ability, until November 30, 2022, to prepay the Senior Notes with two business days' notice, (ii) provided that the make-whole amount under the NPA shall in no case be less than USD 1,488,204.60, and (iii) provided that, if the Notes Payoff did not occur on or prior to November 30, 2022, a waiver fee of 3.75% per annum on the outstanding principal amount of Senior Notes outstanding shall (a) accrue from (and including) October 14, 2022 and (b) be payable to the noteholders on the 12th day of February, May, August and November in each year (commencing on February 12, 2023), on the maturity date of such Senior Note and on each other date on which interest on such Senior Note is due and payable in accordance with the terms of the NPA and such Senior Note. The Notes Payoff did not occur on or prior to November 30, 2022, therefore triggering the 3.75% per annum waiver fee on the outstanding principal amount of Senior Notes, raising the interest rate from 4.75% to 8.50%.

Covenants

The Senior Notes contain change-of-control provisions pertaining to Procaps, S.A. and certain customary affirmative and negative covenants and events of default. In addition, the Senior Notes require us, Procaps, S.A., and the other obligors thereunder to comply with the following financial ratios: (i) consolidated total debt of the Company, Procaps, S.A., and the other obligors thereunder to consolidated EBITDA for the last twelve months (the "NPA Debt/EBITDA Ratio") of 3.50:1.00 or less, measured at certain quarterly determination dates and (ii) an EBITDA interest coverage ratio (the "NPA Interest Coverage Ratio") (calculated as the consolidated EBITDA for the last twelve months of the Company, Procaps, S.A., and the other obligors thereunder divided by the consolidated interest expenses of the Company, Procaps, S.A., and the other obligors thereunder) in excess of, or equal to, 3.00:1.00, calculated at certain dates of determination.

The Senior Notes also contain covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company, Procaps, S.A. and the other obligors thereunder to change lines of business; incur additional secured indebtedness; permit subsidiaries to incur additional indebtedness; sell or transfer title to operating assets; pay dividends and distributions; engage in mergers and consolidations; create liens on assets; guarantee, indemnify or assume the liabilities of third parties; change our fiscal year reporting; or engage in certain transactions with affiliates. In addition, the Senior Notes contain a covenant that incorporates into the Senior Notes any more restrictive financial, affirmative or negative covenants, information reporting requirements or events of default from any other credit facilities in excess of $25,000,000 (including from the Syndicated Loan facility, as in effect on February 28, 2022, see "*Liquidity and Capital Resources—Syndicated Loan*") entered into by the Company, Procaps, S.A., or any of our subsidiaries. For purposes of the Senior Notes, EBITDA is calculated as income from sales and services, less (i) sales and production costs, less (ii) operating expenses, less (iii) administrative expenses, plus (iv) depreciation, plus (ii) amortizations, plus (iii) provisions, and less (iv) portfolio write-offs.

Senior Notes Waiver

On March 31, 2023, we entered into the NPA Waiver Agreement which relates to certain covenant noncompliance under the NPA. Pursuant to the terms of the NPA, we informed the Noteholders that the following events of defaults have occurred and were continuing as of the date of the of the NPA Waiver Agreement (collectively, the "Specified NPA Defaults"):

(i) the event of default arising as a result of the NPA Debt/EBITDA Ratio for the twelve months ending December 31, 2022 being in excess of 3.50:1.00, in default of the applicable covenant set forth in the Syndicated Loan (the "NPA Debt/EBITDA Ratio Covenant");

(ii) the event of default arising as a result of the NPA Interest Coverage Ratio for the twelve months ending December 31, 2022 being less than 3.00:1.00, in default of the applicable covenant set forth in the Syndicated Loan (the "NPA Interest Coverage Ratio Covenant");

(iii) the event of default arising as a result of the short-term leverage being in excess of 1.00:1.00 as at December 31, 2022, in default of the covenant described in, and incorporated into the NPA pursuant to, that certain Most Favored Lender Notice dated April 7, 2022 and delivered to the Noteholders on or about such date (the "NPA Short-Term Leverage Ratio Covenant"); and

(iv) the event of default arising as a result of our failure to deliver to the Noteholders, within the time period specified in the NPA, written notice of the events of default described in the foregoing clauses (i) through (iii) as required by the NPA.

Pursuant to the NPA Waiver Agreement, the Noteholders (a) with effect from December 31, 2022, waived the Specified NPA Defaults, (b) prospectively waived our potential non-compliance by with the NPA Debt/EBITDA Ratio Covenant as at March 31, 2023, June 30, 2023 and September 30, 2023, so long as the ratio calculated pursuant to the NPA Debt/EBITDA Ratio Covenant as at such dates does not exceed 4.00:1.00, (c) prospectively waived our potential non-compliance with the NPA Interest Coverage Ratio Covenant as at March 31, 2023, June 30, 2023 and September 30, 2023, so long as the ratio calculated pursuant to the NPA Interest Coverage Ratio Covenant as at such dates is not less than 2.20:1.00, and (d) prospectively waived our potential non-compliance with the NPA Short-Term Leverage Ratio Covenant as at March 31, 2023, June 30, 2023 and September 30, 2023, so long as the ratio calculated pursuant to the NPA Short-Term Leverage Ratio Covenant as at such dates does not exceed 1.60:1.00. In December 2023, the waiver with the respect to the interest coverage ratio was extended through the December 31, 2023 measurement date (the "December NPA Waiver Agreement"). In March 2024, the applicable parties under the Note Purchase Agreement entered into a waiver consistent with the December NPA Waiver Agreement, preemptively waiving noncompliance with the applicable interest ratio covenant as of March 31, 2024 (the "March 2024 NPA Waiver Agreement").

The foregoing summary of the NPA Waiver Agreement, the December NPA Waiver Agreement, the March 2024 NPA Waiver Agreement are qualified in their entirety by the full text of the NPA Waiver Agreement, December NPA Waiver Agreement and the March 2024 NPA Waiver Agreement, which are filed as Exhibits 4.18, 4.20 and 4.22 to this Annual Report, respectively.

As a result of our noncompliance with the aforementioned covenants, the $115 million unpaid principal balance previously classified as non-current borrowings has been reclassified to current borrowings within the consolidated financial statements included in this Annual Report.

The table below sets forth the outstanding balance and certain other information on the Senior Notes as of December 31, 2023.

	Currency	Range of Interest	Maturity Year	Outstanding Balance as of December 31, 2023
The Prudential Insurance Company Of America	USD	8.50% (Fixed)	2031	$ 60,020
Prudential Annuities Life Assurance Corporation	USD	8.50% (Fixed)	2031	29,980
Healthspring Life & Health Insurance Company, Inc	USD	8.50% (Fixed)	2031	18,350
CIGNA Health and Life Insurance Company	USD	8.50% (Fixed)	2031	6,650
Total				**$ 115,000**

Bridge Facility

On October 11, 2022, the Company and certain of its subsidiaries entered into a credit agreement with Bank of New York Mellon, as administrative and collateral agent (collectively, the “Agent”), BofA Securities, Inc. (“BofA Securities”), JPMorgan Chase Bank, N.A. (“JPMorgan”) and Morgan Stanley Senior Funding, Inc. (“Morgan Stanley”, and together with BofA Securities and JPMorgan, the “Joint Lead Arrangers and Bookrunners”), as the joint lead arrangers and bookrunners, and the lenders from time to time party thereto (the “Bridge Credit Agreement”) to finance the cash portion of the purchase price of the Acquisition, to pay fees and expenses related to the Bridge Facility, to prepay, refinance and/or redeem certain existing indebtedness, and to the extent any proceeds remained after applying to the foregoing, to use for working capital and other general corporate purposes. The Bridge Credit Agreement terms are consistent with the terms of the Commitment Letter. The Bridge Credit Agreement provided for a bridge loan of up to $485 million (the “Bridge Facility”), which would have been guaranteed by each existing and future direct and indirect material subsidiary of the Company, and the target entities subject to the Acquisition and each of their subsidiaries upon the closing of the Acquisition.

In connection with the termination of the Acquisition, we advised the Joint Lead Arrangers and Bookrunners under the Bridge Facility of our desire to terminate the Bridge Facility and related documentation and pay all outstanding obligations owing thereunder, and on January 10, 2023, the Company and certain of its subsidiaries, the Agent, the Joint Lead Arrangers and Bookrunners, J.P. Morgan Securities LLC ("JPMorgan Securities"), Morgan Stanley & Co. LLC ("Morgan Stanley & Co") and the lenders party thereto entered into a termination letter in connection therewith (the "Termination Letter"). Pursuant to the Termination Letter, (i) each of the loan documents in connection with the Bridge Facility, (ii) the Commitment Letter dated as of May 16, 2022 among Bank of America, N.A. ("Bank of America"), the Joint Lead Arrangers and Bookrunners and the Company and (iii) the Engagement Letter dated as of May 16, 2022 among Bank of America, BofA Securities, JPMorgan Securities, Morgan Stanley & Co and the Company, were terminated and all outstanding obligations owed by the Company thereunder were paid in full in the amount of $5,719,426.58.

Contractual Obligations and Commitments

A summary of our enforceable and legally binding obligations as of December 31, 2023 are set forth in the following table. Some of the amounts included in this table are based on management's estimates and assumptions about these obligations, including the duration, the possibility of renewal, anticipated actions by third parties and other factors. Because these estimates and assumptions are necessarily subjective, the enforceable and legally binding obligations actually paid in future periods may vary from the amounts reflected in the table.

	As of December 31, 2023				
(U.S. dollars in thousands)	**2024**	**2025-2026**	**2027-2028**	**After 2028**	**Total**
Long-term debt obligations[1]	299,966	1,269	267	-	301,502
Finance lease obligations[2]	9,038	8,956	6,901	29,390	54,285
Trade and other payables	93,063	-	-	-	93,063
Amounts owed to related parties	21,233	-	-	-	21,233
Total	**423,300**	**10,225**	**7,168**	**29,390**	**470,083**

(1) Represents gross maturities of our long-term debt obligations, excluding finance lease obligations as of December 31, 2023, including the interest payments. Estimated future interest payments on our variable-rate debt obligations were calculated using the interest rates in effect as of December 31, 2022. As a result of our noncompliance with certain debt ratio covenants as of December 31, 2022, $139,155 is reflected as payable in 2023 and classified as a current liability. Refer to the disclosure above regarding the Waivers as well as Notes 19, 2.1 and 28 in the Annual Audited Consolidated Financial Statements included in this Annual Report for further details regarding the noncompliance and the Waivers.

(2) Represents maturities of our finance lease obligations included within long-term debt as of December 31, 2023, including interest payments. Estimated future interest payments on our variable-rate debt obligations were calculated using the interest rates in effect as of December 31, 2023.

Deferred tax liabilities were $2.5 million as of December 31, 2023 ($6.7 million December 31, 2022). This amount is not included in the contractual obligations table above because we believe this presentation would not be meaningful. Deferred tax liabilities are calculated based on temporary differences between the tax basis of assets and liabilities and their book basis, which will result in taxable amounts in future years when the book basis is settled. The results of these calculations do not have a direct connection with the amount of cash taxes to be paid in any future periods. As a result, scheduling deferred tax liabilities as payments due by period could be misleading because this scheduling would not relate to liquidity needs.

Our management believes that our financial resources and expected future cash flows from operating activities shall be sufficient to satisfy our contractual obligations and commitments.

Off-Balance Sheet Arrangements

There is no commitments or obligations, including contingent obligations, arising from off-balance sheet arrangements with unconsolidated entities or persons that have a material current effect, or that are reasonably likely to have a material future effect, on our financial condition, changes in financial condition, net sales or expenses, results of operations, liquidity, capital expenditures, or capital resources.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Our R&D activities are directed primarily toward the development of new products for corporate brands and development services for third parties, as well as the improvement of our manufacturing processes and delivery technologies. Our R&D platform is decentralized with research centers in Colombia (Barranquilla and Bogotá), Brazil (Cotia, SP); and Florida, USA (West Palm Beach), employing a fully dedicated team of scientists, technicians and skilled personnel in R&D and innovation, as well as skilled personnel in processes such as formulation, analytical, manufacturing, packaging, and technological innovation related to ingredients, formulas and equipment.

Our corporate culture focuses on innovation and R&D. We rely on a combination of know-how, trade secrets, patents, copyrights, trademarks, and other intellectual property, nondisclosure and other contractual provisions, and technical measures to protect a number of our products, services, processes and intangible assets.

We have applied in Colombia, the United States and certain other countries for registration of a number of trademarks, service marks, and patents, some of which have been registered and issued, and also hold common law rights in various trademarks and service marks.

For more information, see “Item 4: Information on the Company.”

D. TREND INFORMATION

Impact of COVID-19

The consequences from the COVID-19 pandemic affected Latin America during 2022 and 2021, including the pharmaceutical industry. We believe pharmaceutical companies which offered positive solutions to consumer demands during the COVID-19 pandemic continue to thrive in both local and regional markets. The personal physician workforce has returned to work after periods of quarantine, which resulted in an increased demand for Rx drugs during part of the year ended December 31, 2022, in particular for those related to chronic and certain acute therapies. Sales of COVID-19 related products declined to pre-pandemic levels during 2022 and 2023.

In-person physician consultations have returned to pre-pandemic levels during 2022 and 2023, with much focus on medical training. In-person meetings and events involving physician groups and associations began in Colombia during the first half of 2021 through in-person medical events, allowing us to exhibit our brands more effectively. These events were primarily initiated regionally but have an international presence.

Despite these challenges, we believe our ability to respond to the changes in consumer demand during the COVID-19 pandemic and its aftermath, efforts to maintain close communications with physicians, and our reinforcement of key brands has allowed us to maintain or increase our market share of several products.

Research and Development for Pharmaceuticals Industry

Continued strengthening in early-stage development pipelines for drugs and biologics, compounded by increasing clinical trial breadth and complexity, support our belief in the attractive growth prospects for development of delivery solutions. Large companies are in many cases reconfiguring their R&D resources, increasingly involving the use of strategic partners for important outsourced functions. Additionally, an increasing portion of compounds in development are from companies that do not have a full R&D infrastructure, and thus are more likely to need strategic development solutions partners.

We have invested $21.7 million, $18.1 million and $16.0 million in R&D for the years ended December 31, 2023, 2022 and 2021, respectively.

For more information, see “Item 4: Information on the Company.”

Aging Population in Latin America

Aging population demographics in Latin American countries, combined with health care reforms in many global markets that are expanding access to treatment to a greater proportion of their populations, will continue to drive increases in demand for pharmaceuticals, biologics, and consumer health products. Increasing economic affluence in developing regions will further increase demand for healthcare treatments, and we are taking active steps to allow us to participate effectively in these growth regions and product categories. In accordance with a report by the United Nations Department of Economics and Social Affairs, in 1975, 41% of the population in Latin America was 14 years of age or younger, 55% was between 15 and 64 years of age and 4% was 65 years of age or older, and in 2000, 31% of the population was 14 years of age or younger, 63% was between 15 and 64 years of age and 6% was 65 years of age or older. Pursuant to the report, it is estimated that by 2025, 22% of the population will be 14 years of age or younger, 68% will be between 15 and 64 years of age and 10% will be 65 years of age or older, and by 2050, 16% of the population will be 14 years of age or younger, 63% will be between 15 and 64 years of age and 21% will be 65 years of age or older.

We believe the market access and payor pressures our customers face, global supply chain complexity, and the increasing demand for improved treatments will continue to escalate the need for product differentiation, improved outcomes, and treatment cost reduction, all of which can often be addressed using our advanced delivery technologies.

Fast Growing Pharmaceuticals Market in Latin America

We participate in the global pharmaceutical and biotechnology industry, which has been estimated to generate more than $1 trillion in annual revenue over the next eight years following 2020, including, but not limited to, the prescription drug and biologic sectors as well as consumer health, which includes the OTC and vitamins and nutritional supplement sectors. Innovative pharmaceuticals continue to play a critical role in the global market, while the share of revenue due to generic drugs and biosimilars is increasing in both developed and developing markets. Sustained developed market demand and rapid growth in emerging economies such as Latin America is driving the consumer health product growth rate to more than double that for pharmaceuticals. Payors, both public and private, have sought to limit the economic impact of pharmaceutical and biologics product demand through greater use of generic and biosimilar drugs, access and spending controls, and health technology assessment techniques, favoring products that deliver truly differentiated outcomes. Additionally, we believe the demand for innovative delivery systems will increase due to growing healthcare expenditures globally and the implementation of government reforms to improve the regulatory environment in Latin America and intellectual property protection.

Large and Fast-growing CDMO (Contract Development and Manufacturing Organization) Market

We participate in the CDMO market which, according to independent third-party industry reports, is estimated to continue its growth of 11.5% over the next five years. It is also estimated that outsourced pharmaceutical manufacturing will continue its growth of 7.9% over the next five years. We believe there is a high potential to increase outsourced pharmaceutical manufacturing worldwide since only approximately 26% of global pharmaceutical manufacturing being outsourced. The CDMO industry is highly fragmented, with the top 10 manufacturers holding less than a 20% market share in terms of revenue, creating opportunities for inorganic growth through consolidation and entry into adjacent markets.

Healthcare Expenditures

We participate in global pharmaceutical and biotechnology industry; healthcare expenditure in Latin America is expected to outgrow other markets, including the European and American pharmaceutical and biotechnology markets. We believe this increase in expenditure is primarily driven by an increasing middle class across Latin America coupled with a rapidly aging population, with the percentage of individuals over 65 years of age expected to increase from 6% in 2020 to 21% by 2050.

Foreign Exchange Rates

Our operating network is global, and, as a result, we have substantial revenues and operating expenses that are denominated in currencies other than the U.S. dollar, the currency in which we report our financial results, and are therefore influenced by changes in currency exchange rates. For the years ended December 31, 2023 and 2022, approximately 56% and 55% of our revenue, respectively, was generated in currencies other than the U.S. dollar. Functional foreign currencies for certain regional markets such as the Colombian Peso and Brazilian Real, where we have significant operations, have experienced significant decrease in value when compared with the U.S. dollar in 2023 and for the year ended December 31, 2022, as a result of several factors, such as the COVID-19 pandemic, which caused economic distress in those regional markets, significant fluctuation in oil prices, supply chain challenges, and the political climate and uncertainty in such markets. As a result, the devaluation of the Colombian Peso and Brazilian Real had a negative impact on our results of operations for the years ended December 31, 2023 and 2022.

E. CRITICAL ACCOUNTING ESTIMATES.

For discussion on our critical accounting estimates see Note 5 “Critical accounting judgements and key sources of estimation uncertainty” in our Annual Audited Consolidated Financial Statements, included elsewhere in this Annual Report

F. Corporate Responsibilities and Environmental, Social, and Governance (“ESG”)

Compliance Standards

Our facilities and operations are subject to various environmental laws and regulations. We undergo periodic internal audits relating to environmental, health and safety requirements in order to maintain compliance with applicable laws and regulations in each of the jurisdictions in which we operate. Additionally, pursuant to an agreement with one of our shareholders, IFC, we are required to comply with IFC’s Performance Standards on Social & Environmental Sustainability, permit environmental and social representatives of IFC to visit our facilities on an annual basis and provide IFC with an annual sustainability report, among other requirements. As part of this agreement, we have committed to adhere to the processes and compliance mechanisms of IFC’s Performance Standards on Social & Environmental Sustainability in order to improve our environmental and social risk management, including the preparation of an Annual Sustainability Report that follows the Global Reporting Initiative (GRI) standards.

We have made, and continue to make, expenditures necessary to comply with applicable environmental laws; however, we do not believe that the costs for complying with such laws and regulations have been or will be material to our business. We do not have any material remediation liabilities outstanding.

ESG Commitments and Strategy

We implement a robust combination of processes and compliance mechanisms to ensure the achievement of our ESG objectives. Moreover, we integrate environmental and social considerations into our strategic business decisions, aligning them with the United Nations’ Sustainable Development Goals (SDGs), with a goal to positively impact all our stakeholders, including the communities where we operate.

We believe our long history of operating in an environmentally responsible manner, prioritizing safe and healthy working conditions, and actively engaging with our surrounding communities through various initiatives and volunteer programs that contribute to their well-being evidence our commitment to sustainability.

In the pharmaceutical industry, we strive to enhance value creation by addressing the challenges of developing cost-effective and accessible products for people in the regions we serve, all while minimizing the environmental footprint of our operations. Our ESG strategy is structured around four key pillars:

1. Patients and Society: We are committed to offering an accessible portfolio of innovative, effective, safe, and high-quality healthcare solutions that contribute to the well-being of society. Our focus extends beyond medications to include educational resources and community outreach programs, aiming for a holistic impact on public health

2. People: Human capital lies at the heart of our sustainability efforts. We promote well-being and diversity, fostering a vibrant, innovative culture that encourages personal and professional growth. By creating an inclusive environment where everyone feels valued and heard, we not only elevate the individual but also drive collective success, which strengthens our organization and amplifies our positive impact on the communities we serve.

3. Planet: Our goal is to create a balance between delivering high quality healthcare solutions and acting as responsible stewards of the planet. We are committed to environmental stewardship, striving to minimize the impact of our operations, products, and supply chain. This commitment encompasses greenhouse gases (GHG) emissions mitigation, energy efficiency projects, responsible water usage, and waste management initiatives.

4. Fundamentals: We build a responsible and financially sustainable business supported by a solid governance structure based on best practices and standards, an ethical business culture, and effective risk management. Our commitment to strong governance is underpinned by regular audits, transparent reporting, and a Board of Directors that actively oversees compliance and ethics. We proactively identify and mitigate risks through a comprehensive risk management strategy, ensuring the longevity and resilience of our business.

Workforce ESG Commitments

Our employees are fundamental to the sustainable success of our business and to meeting our stakeholders' expectations. Their talent and commitment drive our ability to advance our mission of improving the well-being of communities through our innovative healthcare solutions.

We have established a comprehensive framework of policies, practices, programs, and initiatives designed to attract, retain, and engage top-tier professionals, further solidifying the strength of our team. We remain steadfast in our commitment to equality, ensuring all are treated fairly, regardless of gender, ethnicity, or any other protected attributes.

Our practices are designed to adhere to the laws applicable in the workplace. Central to our corporate culture is a commitment to fostering an inclusive work environment that values, respects, and leverages individual differences. We firmly believe that promoting and embracing diversity drives innovation, creativity, and overall well-being, helping us meet our business and sustainability objectives.

Our interactions with employees and other stakeholders are guided by ethical principles and values, as outlined in our Code of Ethics and Conduct, which extends to every country we operate in. Diversity, equity, and inclusion principles are woven into our employee training and policies. We consistently offer training, programs, and benefits that nurture leadership skills and support personal and professional development.

Our commitment to excellence is reflected in our activities and process, which include:

- Each year, we implement a multi-country strategy encompassing various activities and communication efforts to advance gender equality. We undertook various initiatives in three key areas: female leadership, female health, and motherhood support.
- When it comes to recruitment and talent acquisition, our primary focus is on identifying and attracting the best talent, without allowing physical abilities, race, nationality, ethnic background, gender, socioeconomic status, sexual orientation, age, religion, or marital status to be determining factors.
- We provide all new employees with equal access to onboarding training resources.
- To enable equal conditions and enhance well-being within our work team, we implemented the following measures in our manufacturing facilities: i) active participation in all of the company's medical surveillance programs, occupational welfare initiatives, and promotion and prevention activities, ii) involvement in all labor call processes and corporate procedures, iii) ongoing support from professionals to tailor tasks and functions to employee abilities, iv) regular monitoring of

adherence to medical recommendations provided by our health-promoting entity, v) physical adjustments to ensure suitable working environments, vi) integration activities among coworkers, vii) comprehensive support for employees and their families, promoting well-being, recreation, compensation, and recognition activities.

- We foster our employees' professional growth through a range of educational initiatives, spanning from skill-building courses to sponsoring specialized Ph.D. programs, especially in Colombia, where our largest concentration of R&D professionals is located.
- We conduct a range of training activities throughout the year to enhance our employees' understanding of product development, and market trends we continued promoting educational initiatives through our Corporate University program, which focuses on six key areas of learning: Corporate DNA, Operational excellence, Business and commercial management, Innovation and development, Leadership and development, and Digital culture.
- Our hiring procedures ensure that all of our employees have equal access to development and promotion opportunities.
- We implemented various programs, some of them in specific regions based on their needs, with the goal of enhancing the productivity, motivation, and overall wellness of both our employees and their families. These programs were based on four pillars of well-being: balance, integration, value, and self-care.
- We strive to provide fair compensation, safe working conditions, and a wide range of employee benefits. Our labor practices are designed to full compliance with regulations related to compensation and working hours.
- We are committed to reducing physical, psychological, and emotional occupational risks and ensuring the safety of our work environments. We conduct regular assessments and risk management procedures across all our locations.
- We are committed to promoting a healthy and safe work environment by complying with occupational health and safety (OHS) standards and environmental programs required by law, including appropriate controls, work procedures, and industrial safety equipment. The safety of all our employees, contractors, and third parties engaged in our operations is a top priority for us.
- Our OHS Management System is a dynamic and inclusive framework, designed with the active participation and consultation of employees at different levels.

Environmental Stewardship and Climate Change

In addition, Procaps designed a carbon neutrality strategy which we officially launched at the end of 2021. Our strategy has the goal of, among others, (i) calculating our baseline carbon footprint and comparing it to the footprint of similar businesses to identify a benchmark, (ii) identifying greenhouse gas emissions mitigation opportunities, and (iii) developing a strategy combining mitigation and offsetting to become carbon neutral by a date to be determined.

In 2022, we began developing our Greenhouse Gas (GHG) Emissions Reduction strategy, using the following established objectives as our guide:

1. Calculate our baseline carbon footprint and benchmark it against similar businesses.
2. Identify opportunities for mitigating greenhouse gas (GHG) emissions.

3. Developing a plan that combines mitigation and offsetting activities to reach carbon neutrality by a determined date.

In 2022, we initiated this process by calculating the carbon footprint of the Procaps Barranquilla facility in Colombia, which has the highest production volume of each of our facilities. The results of this effort were published in our 2021 ESG Report. In 2022, we successfully extended this initiative to encompass all our operational plants in Brazil, El Salvador and the United States. As we expected, we successfully complete the measure and verification processes for GHG emission inventory 2021 and 2022. The results of this effort were published in our 2022 ESG Report. We started the 2023 GHG emissions inventory and we expect to finalize by 2024.

Based on our progress to date, we have identified opportunities for mitigating GHG emissions. As a result we started projects in 2023 while others are under review. Our efforts in Colombia to identify and execute mitigation initiatives include our participation in sectorial programs, such as National Program for Business Management of Climate Change (Programa Nacional Gestión Empresarial del Cambio Climático) of the National Business Association of Colombia (ANDI).

We continue to make progress in identifying opportunities and implementing actions that will assist us in defining our greenhouse gas emissions reduction strategy. These efforts reaffirm our commitment to creating a positive impact and fostering sustainable change for a better future.

Regulatory Matters

The manufacturing, processing, formulation, packaging, labeling, testing, storing, distributing, advertising, and sale of our products and services are subject to regulation by a variety of agencies in the localities in which our products are sold. In addition, we manufacture and market certain of our products in accordance with standards set by various organizations, including the FDA, Health Canada, MHRA, TGA, Digemid, Cofepris, Invima and ISO. We believe that our policies, operations, and products comply in all material respects with existing regulations to which we are subject.

The manufacturing, distribution, and marketing of healthcare products and the provision of certain services for development-stage pharmaceutical products are subject to extensive ongoing regulation by INVIMA, ANVISA, the FDA, other regulatory authorities in the countries in which we operate.

United States Regulations

The FDA has jurisdiction over certain of our Rx, OTC pharmaceutical products and API. The FDA's jurisdiction extends to the manufacturing, testing, labeling, packaging, storage, distribution, and promotion of these products. We are committed to consistently provide our customers with high quality products that adhere to cGMP regulations promulgated by the FDA.

All facilities where Rx and OTC products are manufactured, tested, packaged, stored, or distributed for the U.S. market must comply with FDA, cGMPs and regulations promulgated by competent authorities in the countries, states and localities where our manufacturing facilities are located. All of our drug products destined for the U.S. market are manufactured, tested, packaged, stored, and distributed according to cGMP regulations. The FDA performs periodic audits to ensure that our FDA registered manufacturing facility remains in compliance with all appropriate regulations.

In addition, certain of our subsidiaries are subject to other healthcare laws, including the U.S. Federal Food, Drug, and Cosmetic Act, the Public Health Service Act, the Controlled Substances Act, and comparable state and foreign laws and regulations in certain of their activities.

Third parties develop and manufacture APIs for use in certain of our pharmaceutical products that are sold in the U.S. and other global markets. API manufacturers typically submit a drug master file to the regulatory authority that provides the proprietary information related to the manufacturing process. In April / 2023, the FDA inspected the manufacturing facilities to evaluate cGMP compliance, and the facilities and procedures must comply with the cGMP, with a favorable result without reporting of deviations (zero 483) guaranteeing that API can be exported to the United States.

Colombian Regulations

A majority of our products are manufactured in our four manufacturing facilities in Colombia. INVIMA is the Colombian regulatory authority charged with inspecting and supervising the marketing and manufacturing of health products, identifying and evaluating the violation of health standards or procedures, and implementing best practices and providing medical approval for the import and export of products.

INVIMA carries out periodic inspections of our facilities, processes and products to verify compliance with cGMP and Good Laboratory Practices in accordance with the regulations established by the World Health Organization ("WHO") in the Technical Report Series 823 — 32nd Report of the WHO Expert Committee on Specifications for Pharmaceutical Preparations (the "WHO Report 32").

Brazilian Regulations

Certain of our products are manufactured in our Brazil manufacturing facilities. ANVISA is the Brazilian regulatory agency that is responsible for the approval and supervision of food, cosmetics, tobacco, pharmaceuticals, health services, and medical devices, among other products, and carries out sanitary control and inspection activities in ports, airports and the border regions.

ANVISA is charged with the protection of the Brazilian population's health through sanitary control over the production and marketing of products and services, including facilities, processes, materials and technologies related thereto. We may only operate our facilities subject to the jurisdiction of ANVISA once we have received ANVISA's approval. In addition, all of our pharmaceutical products must be submitted to ANVISA for approval before being offered to our customers in Brazil. As a governmental agency, ANVISA has police power over sanitary controls, as a result, in the event an inspection reveals non-compliance with its regulations, it may shut down businesses, suspend the sale of products, appropriate and seize items, or issue fines.

In addition to approvals from ANVISA, we also require the approval of CETESB, an agency of the government of the State of São Paulo responsible for the control, inspection, monitoring and licensing of activities that generate pollution, to operate our facilities in Brazil. CETESB is responsible for granting operating licenses for our facilities and carries out frequent inspections to assess whether there have been any changes to the environmental impact caused by our activities. For information on current regulatory proceedings involving CETESB, please see Item 8.A under the heading "*Legal Proceedings—Operating License*."

El Salvador Regulations

Certain of our products are manufactured in our El Salvador manufacturing facilities. DNM is the Salvadorian regulatory agency that is responsible for safeguarding the health of the country's population through the regulation and surveillance of pharmaceutical, cosmetic, hygienic, chemical products, medical devices and raw materials.

The DNM is the competent health authority in El Salvador charged with authorizing and registering all pharmaceutical products in El Salvador and is responsible for regulating the importation and manufacturing of pharmaceutical products, implementing price controls, and controlling of distribution chains. The DNM acts based on the guidelines established by the Central American Technical Regulation (*Reglamento Técnico Centroamericano*) which is a guide based on the WHO Report 32, to implement the best practices in the manufacturing, storage, distribution and sale of pharmaceutical products. The DNM is also responsible for certifying that pharmaceutical laboratories in El Salvador comply with cGMP.

Other Regulatory Requirements

We are also subject to various federal, state, local, national and transnational laws, regulations, and requirements in Colombia, Brazil, the United States and other countries in which we operate, relating to safe working conditions, laboratory and distribution practices, and the use, transportation and disposal of hazardous or potentially hazardous substances. In addition, applicable import and export laws and regulations require us to abide by certain standards relating to the cross-border transit of finished goods, raw materials and supplies and the handling of information. We are also subject to various other laws and regulations concerning the conduct of our non-U.S. operations, including FCPA and other anti-bribery laws and laws pertaining to the accuracy of our internal books and records.

The costs associated with our continued compliance with the various applicable federal, state, local, national and transnational regulations to which we are subject could be significant, and the failure to comply with such legal requirements could have an adverse effect on our results of operations and financial condition. See Item 3.D under the heading "*Risk Factors—Risks Related to Laws and Regulations—Failure to comply with existing and future regulatory requirements could adversely affect our business, financial condition and results of operations, or result in claims from customers*" in this Annual Report for additional discussion of the costs associated with complying with the various regulations.

2021 Colombian Tax Reform

On September 14, 2021, Colombia's President approved the 2021 Colombian Tax Reform, which includes certain tax measures intended to generate additional tax revenues to fund social programs for purposes of mitigating the impact of the COVID-19 pandemic. These tax measures include, among other things:

(i) increasing the corporate tax rate from 30% to 35% for both domestic and foreign entities, permanent establishments and branches;

(ii) maintaining the rates for the special tax regime and free-trade zones at 20%;

(iii) continuing to limit the amount of turnover tax that taxpayers may claim as a corporate income tax credit to 50% by repealing a previously enacted law change that would have allowed taxpayers to claim 100% of the turnover tax effectively paid as an income tax credit;

(iv) increasing the carry forward period of profits subject to taxation at the corporate level exceeding the profits recorded in the company's accounting records in the same year, from 5 to 10 years for taxpayers engaged in concession and public-private agreements;

(v) establishing a new normalization tax (i.e., tax amnesty) applicable to income taxpayers that did not declare certain assets or claimed non-existent liabilities for tax purposes, taxing such amounts at a rate of 17%, as of January 1, 2022.; and

(vi) eliminating the value added tax ("VAT") exclusion for imports of goods with a value of $200 or less that enter Colombia through postal services. The exclusion, however, continues for imports from countries with which Colombia has signed a free trade agreement, by virtue of which the non-collection of VAT has been expressly agreed. For imports from countries with a free trade agreement with Colombia, the exclusion will not apply if the imports are for commercial purposes.

2022 Colombian Tax Reform Bill

On December 13, 2022, the Colombian President Gustavo Petro enacted Law 2277 of 2022 (available in Spanish only), which contains the tax reform proposals previously approved by congress. The purpose of the amendments is to promote equality and social justice, as well as to consolidate adjustments to the tax system. These tax measures include, among other things:

1. Corporate Income Tax (CIT) rate to remain unchanged at 35%. However, a new net tax rate (TDD per its acronym in Spanish) will be introduced, under which Colombian companies, including free trade zone users, will be subject to a minimum 15% effective tax rate, calculated based on financial net profit, in accordance with the OECD Pillar Two global minimum tax rules.
2. CIT rate for qualified FTZ companies to remain at 20% subject to an annual exportation requirement.
3. Certain non-taxable income items, special deductions, exempt income and tax credits to be capped at 3% of the taxpayer's net income before these detractions.
4. The capital gains tax rate to rise to 15% (from 10%).
5. The tax credit provided in article 256 of the Tax Code for investment in research and development, as determined by the National Council of Science and Technology Tax Benefits, will be increased to 30% (from 25%). However, expenses related to the investment covered by the tax credit no longer will be deductible. The tax credit currently is not covered by the 3% cap on tax benefits, but the increased credit will be subject to the cap.
6. The following non-taxable items to become subject to CIT:
    a. Profits on the sale of listed shares on the Colombian Exchange Market (currently available when shares held by a single individual and do not represent more than 10% of the total outstanding shares).
    b. Profits on the trading of financial derivatives the underlying assets of which are listed shares, index, funds or collective portfolios.
    c. Dividends distributed in shares or capitalization of the revaluation account.

d. The distribution in shares or capitalization of the profits that surpass the threshold of non-taxable income as set out at Sections 48 and 49 of the CTC.

    e. Yields from security bonds.

7. ICA (municipal tax) tax to become deductible instead of creditable at 50% against CIT.
8. The following items of exempt incomes to become taxable:
    a. Orange economy
    b. Productivity incentives for the agricultural industry
    c. VIS housing and priority interest
    d. New forest plantations
    e. River transport services
    f. Literary creations, and
    g. Cinematography.
9. The mega-investment regime to be repealed.

10. Effective Place of Management rules to broaden to consider day to day activities in Colombia as opposed to testing only the place where decisive and key decisions are taken.

11. A new form of tax presence for non-residents to apply for a significant economic presence in Colombia, subject to revenue threshold, use of co. domains or number of customers in the country. WHT to apply at 20% subject to regulations to define how and when for B2C sales.

12. Dividend tax for non residents to rise from 10% to 20%. The withholding tax rate on dividends paid by Colombian companies to Colombian resident entities out of profits taxed at the corporate level will be increased to 10% (from 7.5%).

13. Dividends received by individuals to be taxed at the general rate of up to 39%.

14. A wealth tax of up to 1% to apply to individuals and non-resident companies who are not CIT filers and provided net equity exceeds over USD 700,000.

15. A tax on single-use plastic products for packing to be introduced. Certain exemptions to apply for waste and the like.

16. A tax on the consumption of ultra-processed sweetened beverages to be introduced.

17. A 10% tax on the consumption of ultra-processed food products with a high content of added sugars, to be introduced.

This information provides an overview of the most significant amendments under the new act. Most changes will enter into force as from the date of enactment of the legislation; however, some changes that alter substantial matters concerning periodic taxes became effective on January 1, 2023, and certain other provisions become effective on a date specified in the legislation.

2023 Colombian Tax Reform Proposal

In 2023, the President of Colombia proposed a tax reform that could have had certain fiscal implications for the Group's entities in Colombia for the years 2024 and 2025. However, as of the date of issuance of these Financial Statements, the initiative was ultimately rejected by Congress and was not implemented; therefore, no fiscal changes or modifications are anticipated in this regard.

Quality Assurance

We are committed to ensuring and maintaining the highest standard of regulatory compliance while providing high quality products to our customers. To meet these commitments, we have developed and implemented a company-wide quality management system. We have approximately 670 employees focusing on quality and regulatory compliance. Our senior management team is actively involved in setting quality policies and standards, as well as managing internal and external quality performance. Our quality assurance department provides quality leadership and supervises our quality systems programs. An internal audit program monitors compliance with applicable regulations, standards, and internal policies. In addition, our facilities are subject to periodic inspection by the INVIMA, ANVISA, the FDA, and other equivalent local, state, and foreign regulatory authorities, as applicable, as well as IFC. All INVIMA, ANVISA, FDA and other regulatory inspectional observations have been resolved or are on track to be completed at the prescribed timeframe provided in commitments to the applicable agency in all material respects. We believe that our operations are in compliance in all material respects with the regulations under which our facilities are governed.

Environmental Matters

Our operations are subject to a variety of environmental, health, and safety laws and regulations, including those of the Colombian Ministry of Environment and Sustainable Development (Ministerio de Ambiente y Desarrollo Sostenible), the Brazilian Institute of the Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis), the U.S. Environmental Protection Agency (EPA), Ministry of Environment and Natural Resources (Ministerio de Ambiente y Recursos Naturales) from El Salvador, and equivalent state, local and national regulatory agencies in each jurisdiction in which we operate.

These laws and regulations govern, among other things, air emissions, wastewater discharges, the use, handling, and disposal of hazardous substances and wastes, soil and groundwater contamination. Our manufacturing facilities use, in varying degrees, hazardous substances in their processes.

We believe that our operations are in compliance in all material respects with the environmental regulations applicable to our facilities. Additionally, we are required to comply with IFC's Performance Standards on Social & Environmental Sustainability, among other requirements. For more information, see "*—Corporate Responsibilities and Environmental, Social, and Governance (ESG).*"

Manufacturing and Distribution

We currently operate eight manufacturing facilities in Colombia, Brazil, El Salvador, and the United States and sales offices throughout 13 different countries, which coordinate the sale of our products globally.

The map below illustrates our global geographical footprint, setting forth the location of our manufacturing facilities and sales offices, and the countries in which we commercialize our products and services.