

GLENMARK PHARMACEUTICALS ECUADOR S.A.

**Financial Statements with the Independent Auditor's
Report**

At March 31, 2025

-

GLENMARK PHARMACEUTICALS ECUADOR S.A.

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Abbreviations used:

US\$ - United States of America Dollars

IFRS - International Financial Reporting Standard

IAS - International Accounting Standard

IASB - Interpretation of International Accounting Standards Board

NRV - Net Realizable Value

IRS - Internal Revenue Service

VAT - Value Added Tax

RUC - Unique Record of Taxpayers

EISS - Ecuadorian Institute of Social Service

ISD - Tax Remittance



Independent Auditor's Report

To Shareholders

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Report on Financial Statements

We have audited the financial statements of **Glenmark Pharmaceuticals Ecuador S.A.** (a company incorporated in Ecuador), which comprise the statement of financial position as of March 31, 2025, and the statement of comprehensive operations, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Glenmark Pharmaceuticals Ecuador S.A.** as of March 31, 2025; its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRs) and disclosure guidelines for consolidating the financial statements of the parent company.

Emphasis – Accounting Basis

The attached financial statements are presented in accordance with the parent company's accounting policies and are only presented for the purposes of consolidating its financial statements; These policies, as explained in Note 2 (b), differ in the accounting in the treatment of actuarial gains or losses from the calculation of provisions for Employer Retirement and Severance Pay, which must be presented in shareholders' equity with Other Comprehensive Income - ORI and not net of the respective liability.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the **Glenmark Pharmaceuticals Ecuador S.A.** in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ecuador, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Matter of emphasis

As described in note 1 c) to the financial statements, the Company in the year ended March 31, 2025, incurred a loss of US\$524,716, which with those of previous years amounts to US\$3,051,641, representing 85.4% of the capital. This situation is due to the fact that the Company has not been able to generate the necessary income to achieve the break-even point and absorb operating costs and expenses, which is due to the fact that the products it markets have significant competition from other pharmaceutical companies with more years of presence in the Ecuadorian market and due to supply problems by the Parent Company and its affiliates, this situation did not allow it to adequately meet some contracts with clients. The Company considers that these negative results will be overcome in the coming years, because it is expected that income will increase due to the introduction of new products, that the Distributor generates new sales agreements and that the supply of inventories by the Headquarters and related companies in the times that are required for their commercialization. The parent company has expressed its support for continuing operations and has considered making a capital contribution in the coming months. The Company's financial statements must be analyzed taking into consideration these circumstances.



Russell Bedford

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Other information is presented in addition to the separate financial statements

The Company's management is responsible for the preparation of the other information included in the "Management's Annual Report to the Shareholders' Meeting", which does not include the full report on the financial statements and our auditors' report. This information is expected to be made available to us prospectively as of the date of this report.

Our opinion on the financial statements of **Glenmark Pharmaceuticals Ecuador S.A.** does not cover the other additional information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the Other Additional Information, when available at the date of the issuance of our report, and, in doing so, consider whether there are material inconsistencies with the financial statements or knowledge obtained by us during the audit or otherwise appear to us to be materially inconsistent.

Responsibilities of Management Those Charged with Governance for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards IFRSs; disclosure guidelines for consolidating the financial statements of the parent company and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Company's management is responsible for overseeing the process of preparing the Company's financial information.

Auditor's Responsibilities for the Auditor of the Financial Statements Audit

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

As part of our audit conducted in accordance with International Standards on Auditing, we apply our professional judgment and during the audit we maintain an attitude of professional skepticism. We are also:

- Identify and assess the risks of material misstatement of the 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 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.



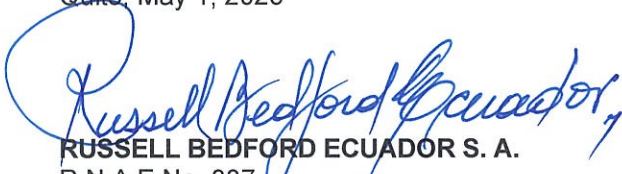
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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and,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

We have communicated to management, among other matters, the planned scope and timing of the audit, and significant audit findings, including any significant deficiencies in internal control that we identified in our audit.

Quito, May 1, 2025



RUSSELL BEDFORD ECUADOR S. A.
R.N.A.E No. 337
RUC: 1790676188001

Glenmark Pharmaceuticals Ecuador S.A.

Statement of Financial Position

As of March 31, 2025, with comparative figures of March 31, 2024

(Expressed in United States Dollars)

	Note	March 2025	March 2024
Assets			
Current assets			
Inventories, net of provision	8	1,851,438	924,696
Trade receivables	9	666,572	364,110
Other short-term financial assets	10	255,967	334,003
Cash and cash equivalents	11	1,675,743	1,393,194
Total current assets		4,449,720	3,016,003
Non current assets			
Property, plant and equipment net of accumulated depreciation	12	32,796	35,683
Other Intangible Assets		418	2,283
Right to use asset	13	116,086	194,079
Deferred tax assets	21	65,593	68,507
Total non- current assets		214,893	300,552
Total assets		4,664,613	3,316,555
Liabilities			
Current liabilities			
Trade payables	15	3,730,994	2,311,046
Other current liabilities	14	7,962	9,120
Short-term financial liabilities	16	62,236	93,749
Current tax liabilities		-	30,880
Total current liabilities		3,801,192	2,444,795
Non-current liabilities			
Lease liability - non current	13	142,616	220,610
Severance pay y pennsion plans	17	196,089	180,326
Total non-current liabilities		338,705	400,936
Total liabilities		4,139,897	2,845,731
Equity			
Equity attributable to owners of the parent:			
Share capital	18	3,576,357	3,576,357
Accumulated deficits	18	(3,051,641)	(3,105,533)
Total Equity		524,716	470,824
Total equity and liabilities		4,664,613	3,316,555

Douglas Cadena
Special Attorney

Silvia Moreno
Accountant

David Sandoval
Financial Controller

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


RUSSELL BEDFORD ECUADOR S.A.
R.U.C.: 1790676188001

Glenmark Pharmaceuticals Ecuador S.A.

Statement of Comprehensive Income

For the year ended March 31, 2025, with comparative figures year ended March 31, 2024

(Expressed in United States Dollars)

	<u>Note</u>	<u>March 2025</u>	<u>March 2024</u>
Income			
Income from operations	19	3,535,837	3,256,901
Other income		<u>75,281</u>	<u>95,093</u>
Total net income		3,611,118	3,351,994
Costs and expenses			
Materials consumed:			
Changes in inventories of finished goods and work-in-process	19	(926,742)	(394,661)
Purchase of products for sale	19	2,360,903	2,236,942
Employee benefit expenses	20	819,944	946,034
Depreciation, amortisation and impairment of non-financial assets	20	95,033	102,533
Other expenses	20	<u>1,205,172</u>	<u>1,176,560</u>
Total costs and expenses		3,554,310	4,067,408
Profit (Loss) before tax		56,808	(715,414)
Income tax	21	<u>(2,915)</u>	<u>(158,367)</u>
Profit (Loss) after tax from continuing operations		53,893	(873,781)
Other comprehensive income:			
Actuarial gain (loss) on employer retirement and severance pay		<u>21,491</u>	<u>15,577</u>
Comprehensive loss		75,384	(858,204)

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RUSSELL BEDFORD ECUADOR S.A.
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Glenmark Pharmaceuticals Ecuador S.A.

Statement of Changes in Shareholders' Equity
For the year ended March 31, 2025, with comparative figures year ended March 31, 2024
 (Expressed in United States Dollars)

	Share Capital	Contributions for future capitalizations	Retained earnings	Total equity
Balance as at March 31, 2023	2,839,600	736,757	(2,231,785)	1,344,572
Capital increase	736,757	(736,757)	-	-
Adjustment previous years	-	-	33	33
Loss of the period	-	-	(873,781)	(873,781)
Balance as at March 31, 2024	3,576,357	-	(3,105,533)	470,824
Profit (Loss) for the period	-	-	53,893	53,893
Balance as at March 31, 2025	3,576,357	-	(3,051,641)	524,716

 Douglas Cadena
 Special Attorney

 Silvia Moreno
 Accountant

 David Sandoval
 Financial Controller

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


 RUSSELL BEDFORD ECUADOR S.A.
 R.U.C.: 1790676188001

Glenmark Pharmaceuticals Ecuador S.A.

Statement of Cash Flows

For the year ended March 31, 2025, with comparative figures year ended March 31, 2024

(Expressed in United States Dollars)

	March 2025	March 2024
Cash flow from operating activities		
Profit (Loss) before tax	56,808	(715,414)
<i>Adjustments for non cash items:</i>		
Amortization	4,620	4,277
Inventory obsolescence	(62,983)	89,382
Depreciation	12,420	17,134
Depreciation Right to use asset	77,993	81,122
Interest expenses - Right to use asset	9,015	11,701
Cash flows provided (used) from operations before changes in working capital	97,873	(511,798)
<i>Changes in operating assets and liabilities:</i>		
Inventory	(863,760)	(484,043)
Trade receivables and unbilled revenue	(302,463)	(146,388)
Intercompany movement- trade payables	1,233,104	1,182,343
Other current assets	78,036	(3,332)
Interest expenses - Right to use asset	(9,015)	(11,701)
Non current liabilities, trade payables and other current liabilities	131,096	(321,921)
Lease Liability	(77,993)	(44,395)
Other liabilities	7,960	9,122
Cash provided (used) from operating activities	294,838	(332,113)
Cash flow from investing activities:		
Purchase of property, plant and equipment	(9,534)	-
Purchase of other intangible assets	(2,755)	(3,662)
Net cash used in investing activities	(12,289)	(3,662)
Net change in cash and cash equivalents from continuing operations	282,549	(335,775)
Net change in cash and cash equivalents	282,549	(335,775)
Cash and cash equivalents at the beginning of the year	1,393,194	1,728,969
Cash and cash equivalents at the end of the year	1,675,743	1,393,194

Douglas Cadena
Special Attorney

Silvia Moreno
Accountant

David Sandoval
Financial Controller

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


RUSSELL BEDFORD ECUADOR S.A.
R.U.C.: 1730676188001

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Notes to the financial statements

At 31 March 2025, with comparative figures of March 31, 2024

Expressed in Dollars of the United States of America

NOTE 1 – OPERATIONS

a) Corporate Purpose

“GLENMARK PHARMACEUTICALS ECUADOR S.A.” was incorporated in Quito on March 10, 2017, with the corporate purpose of importing, distributing, buying, selling, manufacturing, marketing, commissioning, manufacturing, processing, and exporting chemical, biological, pharmaceutical, cosmetic and hospital products. The products commercialized by the company are sold in the national market in private and public companies.

The principal domicile of the Company is the city of Quito, Republic of Ecuador, and it has significant shareholders in Glenmark Pharmaceuticals Limited (Hindu Society), with 100% participation.

b) Global economic aspects

Global

The world economy has experienced slight growth, as developing economies contributed to global growth. The global economy could face difficulties, due to: (a) uncertainty related to the economic policies of some countries, which could impact investor confidence and limit financing flows; (b) increased U.S. trade tensions could reduce global growth; (c) persistent inflation could delay expected interest rate cuts.

The impacts of the military conflict between Russia and Ukraine, the performance of the Chinese economy, and the interest rate hikes that have been ongoing in an effort to control inflation in major international markets are affecting the international economic and political environment and have impacted the global economic development of countless countries.

The global economy could have a better performance if its main players, the United States and China, manage to gain momentum. In China, by adopting additional stimulus measures to boost demand and consumption. In the United States, strong household spending could lead to stronger-than-expected growth, with beneficial effects for developing economies.

The outlook for the global economy could be affected by the levels of public debt held by most countries, which represents a major threat to economic stability in both advanced and underdeveloped economies, as they face very high levels of debt servicing; limited trade opportunities; costly weather events; and inflation levels caused by the rising costs of raw materials and consumer goods.

Ecuador

The Ecuadorian economy closes the year 2024 with symptoms of recession, as can be seen in the latest data from the Central Bank (BCE) that show that the country had contractions during the last three quarters in a row in 2024. In addition, the electricity crisis generated by the drought suffered by Ecuador; the crisis of insecurity and violence linked to drug trafficking that has not been solved and the structural weaknesses due to: (a) dependence on oil exports; (b) lack of alternatives for access to capital markets, (c) lack of dynamism of the private sector; (d) high informality in the commercial sectors; (d) lack of legal security; and, (e) large gaps in access to public health and other services are impacting the Ecuadorian economy.

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Notes to the financial statements

The aforementioned factors plus the political uncertainty generated by the presidential elections have caused an increase in current spending due to the increase in salaries and social benefits; the impact of the lack of investment in public works did not allow the Ecuadorian economy to take off; this situation plus the fiscal deficit of previous years, did not allow it to balance current spending, which continues to impact the payment of supplier payments and the lack of government investment in public works. However, there are certain factors that have allowed the recession to a certain extent, such as the increase in income from non-oil exports such as bananas, coffee, cocoa, shrimp and remittances from migrants.

The Temporary Government of Ecuador took office in December 2023 took eight tax measures implemented in the Law of Economic Efficiency and Employment Generation, in force since December 2023 and in the Law to Confront the Internal Armed Conflict, in force since March 2024 to increase revenues to face the crisis that Ecuador is going through, through the collection of taxes (among the most important are Increase of VAT from 12% to 15%, establishment of temporary contributions for 2024 and 2025 to Companies, Banks and Cooperatives, establishment of self-withholding for large taxpayers, the increase of the Tax on the Exit of Foreign Currency ISD from 3.5% to 5%), which reached a record figure in 2024, however, this situation did not generate an increase in adequate employment which decreased in relation to 2023 and public spending increased and sales in most sectors had a contraction.

The Ecuadorian economy faces several challenges to reactivate its economic dynamism in order to reduce social pressures due to lack of employment, for which the current government, as well as those elected in 18 months, must make decisions to: (a) incentivize investment to strengthen economic development by facilitating new investments, especially in strategic sectors, infrastructure works, including those related to digitalization and green technologies; (b) improve the social security system, education and public health; (c) reduce the crisis of employment and other livelihoods; (d) eliminate illicit economic activities; (d) promote equality in the use of digital and electronic information systems; (e) ensure legal certainty to maintain the sustainability of public finances; (f) control the deepening of geoeconomic fragmentation, geopolitical tension and inequality and social unrest; (g) make investments and changes that reduce climate change, (i) control prices due to the rising cost of raw materials and the elimination of subsidies.

The private financial system in 2024 presented two distinct situations: a first half of the year with high levels of loan placement and rising interest rates; and a second half of the year with high liquidity levels due to low portfolio placements caused by the economic recession and, consequently, falling interest rates, which continued into the first quarter of 2025.

The political uncertainty generated by the presidential elections is causing some contractions in the first quarter of 2025, as companies have adopted a conservative stance, awaiting the election results to decide on their businesses and investments. However, greater activity is expected to be generated in the private sector after the elections, as banks have lowered interest rates, which could allow companies to undertake larger projects related to the construction and expansion of certain production infrastructure.

These situations are monitored by the Company and, if necessary, measures are taken to mitigate any negative impact.

c) Operational aspects of the Company

The Company's sales as of March 31, 2025 amounted to US\$3,535,837, which represents 90% of the budget for that year. This situation is due to the fact that the projected sales to the health sector of the Ecuadorian Government were not as expected, due to the problems of fiscal deficit, legal insecurity and violence caused by narcopolitics and because the provision of inventories by the Headquarters and its related companies was not timely. The lack of financial resources and political actions by the Government to address public health, as well as the difficulties faced by the IESS, ISSFA, and ISSPOL hospitals in the purchasing processes, have impacted the Company's sales.

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Notes to the financial statements

The Company's sales have not allowed it to cover operating costs and expenses and achieve a break-even point; therefore, the loss for the year ending March 31, 2025, was US\$524,716, which, when added to losses from previous years, amounts to US\$3,051,641. This situation is due to two factors: competition from similar products from other pharmaceutical laboratories and the timing of product delivery for marketing by the parent company and its affiliates to fulfill sales for certain contracts with the Ecuadorian government's healthcare sector.

The Company is implementing new strategies that will allow it to increase sales and reduce expenses, as well as comply with the budget and balance costs and expenses.

The Parent Company has stated that, it will make the necessary contributions to maintain the resources to serve its suppliers, employees and pay taxes, so that the Company continues as a going concern because it has no intention of closing its operations in Ecuador.

The financial statements must be read and analyzed, taking into consideration the matters.

NOTE 2 – BASIS OF PRESENTATION

The basis for the preparation and presentation of financial statements are as follows:

a) Compliance declaration

The financial statements of Glenmark Pharmaceuticals Ecuador S.A. are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB (International Accounting Standard Board) and accounting guidelines for consolidating the financial statements of the parent company.

The main accounting policies adopted by the Company in the preparation of the financial statements have been defined in accordance with IFRS and disclosure guidelines for consolidating the financial statements of the parent company in effect at March 31, 2025 and have been applied uniformly to all periods presented.

b) Differences with IFRS

The parent company's policies differ from the International Financial Reporting Standards -IFRS, the Company records the variations resulting from the changes in the estimates of the actuarial calculation of the provisions for Employer Retirement and Eviction Bonus in the liability, the IFRS requires that these effects be presented in the equity accounts as Other Comprehensive Income. "OCI".

c) Functional Currency

The financial statements are presented in United States of America Dollars "US\$" which is the functional and presentation currency of the Company.

The information in the notes and financial statements is presented in the currency, except when there are balances or transactions in other currencies.

d) Basis of measurement and use of estimates

The financial statements have been prepared on a historical cost basis, with the exception of provisions for possible expected losses in accounts receivable, provisions for inventory obsolescence, which are based on the Company's estimates; for the interest rates and terms used to calculate the present value of obligations in lease contracts and for liabilities for provisions for defined benefits (employer retirement and severance bonus) which are measured at fair values determined by a specialist.

The historical cost is generally the fair value of the consideration given in exchange for goods and services.

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Notes to the financial statements

The preparation of the financial statements in accordance with IFRS requires the use of accounting estimates and that Management exercises its judgment in the process of applying the Company's accounting policies. Note 4 discloses the areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the preparation of the financial statements. Due to the subjectivity inherent in this accounting process, actual results may differ from the amounts estimated by Management.

e) **Fair value measurement**

The Company for the measurement of the fair values of the accounts of the financial assets and liabilities and of the non-financial; and, from several accounting estimates required by IFRS, it uses the provisions of these Standards for its accounting policies in its: (i) initial recognition; (ii) disclosure in the financial statements and notes; and (iii) to recognize the adjustments when there are indications of impairment of the financial and long-lived assets.

The Company for the measurement of fair values uses information from observable markets, always when it is reliable, as required by IFRS. As required by the IFRS, fair values are classified at different levels within their fair value hierarchy and which are based on the variables or valuation techniques, as follows:

- 1) **Market values:** Quoted prices (unadjusted) in active markets for identical or similar assets or liabilities.
- 2) **Different information from of market value prices of the previous level:** which are equal to an asset or liability of whom come from values directly (prices of recent transactions) or indirectly (derived from prices determined by specialists based on studies or reference prices).
- 3) **Information derived from the use of financial techniques:** applicable to asset and liability internal data which does not come from values or information of the market.

The information or variables that are used to measure the fair value of an asset or liability can be classified in one of the levels detailed above, therefore, the fair value measurement can be classified in the same hierarchy level of the fair value of the variable. the lowest level that is significant to the total measurement of assets and liabilities.

The Company periodically reviews whether it is necessary to carry out transfers of assets and liabilities that are recognized in the financial statements at fair value between the hierarchy levels, for which it evaluates the categories (based on the input of the lowest level meaningful to measure fair value as a whole). Changes between the fair value hierarchy levels are recognized at the end of each period in which the change originated.

Additional information on the assumptions or facts to measure fair values is summarized in note 7.

f) **Classification of current and non-current items**

The balances of assets and liabilities presented in the statement of financial position are classified according to their maturity; that is, as is, in the current those with a maturity equal to or less than 12 months, those that are within the normal cycle of the Company's operation, and as non-current, those with a maturity greater than that period.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, in all cases.

NOTE 3 – ACCOUNTING POLICIES

The principal accounting policies by the Company for the nine ended at March 31, 2025; are as follows:

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Notes to the financial statements

a) Cash and cash equivalents

Cash and cash equivalents for purposes of statement of cash flows constitute available balances in cash, banks, deposits, and financial investments whose term is less than 90 days and are subject to immediate disposal.

b) Financial instruments

A financial instrument is any agreement that creates a financial asset of the Company and a financial liability or equity instrument of another entity.

Financial assets and liabilities are recognized and classified in accordance with the characteristics of each financial instrument, as required by IFRS 9 "Financial Instruments".

Financial assets

Business model

Financial assets are instruments that generate cash flows for the Company. Financial assets are recognized based on asset management and the contractual characteristics of the financial asset's cash flows, and on the financial asset management business model.

The Company's business model for managing its financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether the cash flows will result from the recovery of contractual cash flows through collection, with changes in the sale of financial assets, or both.

The Company evaluates the objective of the business model under which a financial asset is held at the portfolio level, as this best reflects how the business is managed and how information is reported to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, in accordance with the Company's ongoing recognition of assets.

Recognition and initial measurement

Financial assets constitute cash in banks and commercial accounts receivable from related parties, which are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at the agreed value in the transaction; In the case of an item measured at fair value through profit or loss, the transaction costs directly attributable to its acquisition or issuance are recognized as a transaction cost.

The main financial asset of the Company constitutes commercial accounts receivable generated by the transactions it carries out in the normal course of its operations and other accounts receivable that meet the characteristic of financial assets, which constitute fixed and determinable recoveries, and do not have a stock market price, these assets constitute the main source of cash flows of the Company and are initially measured at the agreed price of the transaction.

Financial assets are initially generally recorded at acquisition cost plus any costs attributable to the transaction and are part of the asset and are recorded as assets at fair value. The difference between the acquisition cost and the fair value will be recognized as profit or loss only in cases where the fair value is from a reliable active market.

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Notes to the financial statements

A trade account receivable without a significant financing component is initially measured at the agreed transaction price.

Subsequent measurement

Financial assets after their initial recognition are classified according to their business model and the contractual characteristics of the cash flow of financial assets, which in accordance with IFRS 9 and classify them as:

- (i) amortized cost.
- (ii) fair value with changes in other comprehensive income; and,
- (iii) fair value with changes in profit and loss.

The classification in one of the categories 1 is based on the business management model and the contractual characteristics of the cash flow of financial assets, which are recorded as described below:

(i) Financial assets at amortized cost – accounts receivable and loans

A financial asset classified as amortized cost is not measured at fair value through profit or loss or through other comprehensive income (ORI) and is classified in this category if the following conditions are met:

- The financial asset is held within a business model whose objective is to hold the financial assets to obtain contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are only payments of principal and interest on the outstanding principal amount.

The financial assets that are retained to generate the flow until their maturity date in accordance with its business model are recorded at amortized cost and are all the balances of trade debtors and other accounts receivable; those contractual collection periods do not exceed 90 days are recorded as financial assets at the value agreed on the transaction date.

The amortized cost of trade receivables and other receivables with a term of more than 90 days and that do not generate any interest rate or when there are fixed interest rates that are not readjusted every 90 days, is calculated at the present value of the flows of the established terms, using the effective interest rate method; Interest net of its implied net value (amortized cost) is recognized as accrual income based on the aforementioned method in the term of the financial assets.

The other non-trade accounts receivable that does not meet the characteristics of a financial instrument and whose terms are less than 90 days are recorded at amortized cost and when they exceed the term, the amortized cost is calculated by the method mentioned in the previous paragraph.

Accounts receivables are reduced by impairment losses, which are recognized in profit or loss and any gain or loss due to derecognition in accounts are recognized in profit or loss in the period in which they are generated.

Accounts receivable balances whose contractual collection term is up to one year or less are classified as current assets and those whose terms are greater than one year are classified as non-current assets.

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Notes to the financial statements

(ii) Financial assets at fair value with changes in other comprehensive income "ORI"

A financial asset is measured at fair value through changes in other comprehensive incomes if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved both by obtaining contractual cash flow and by selling the financial assets; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are only payments of principal and interest on the amount of outstanding principal.

In the initial recognition of an equity investment that is not held for trading, the Company may make an irrevocable choice to present subsequent changes in fair value in other comprehensive income. This choice is made individually for each investment.

Financial assets with changes in the "ORI" mainly constitute equity instruments whose intention and financial capacity is to hold them until they expire, and their cash flows correspond to the recovery of capital and its returns; they are adjusted to fair value and their effect is recognized in equity as part of the "ORI" until their realization or sale. Interest income, the adjustment to the Equity Value "VPP" are recognized in the results of the period; just as when there is a permanent deterioration, the loss is recognized.

(iii) Financial assets at fair value through profit or loss

Financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss, which are adjusted to market values or by another technique that reflects their condition or similar value in the market.

Financial assets at fair value are assets in which there is an intention to trade or recover liquidity and do not have a classification at amortized cost or financial assets at fair value with changes in the "ORI"; These financial assets are discounted at fair values and the adjustment for the discount is recognized in the income statement for the period in which the change originates.

Interest and discounts that generate such financial assets are accounted for as described in incomes policy.

Changes in the categories are recorded at the time when there is a final change in the financial instrument's management model.

Financial liabilities

Recognition and initial measurement

Financial liabilities constitute loans, accounts payable with suppliers and other accounts payable; They are recognized when there is a contractual agreement and are recorded at the agreed value of payment plus the attributable costs – fair value and as long as they meet the characteristic of a financial instrument, which correspond to transactions for goods or services acquired in the normal course of business that are pending payment and are classified as current liabilities when the payment term is one year or less and as non-current liabilities when the term exceeds more than one year.

Subsequent measurement

Financial liabilities are subsequently recorded at: (1) fair value; and (2) amortized cost.

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Notes to the financial statements

(1) Liabilities at fair value

Liabilities at fair value are all those obligations whose terms are less than 90 days and do not earn interest and those that earn interest, and their interest rates are readjustable at market rates every 90 days.

Financial liabilities at fair value are adjusted subsequently, which together with interest are recorded in the results of the period.

(2) Liabilities at amortized cost

Financial liabilities at amortized cost (accounts payable) mainly correspond to:

- a) Accounts payable at fixed interest rates and which do not contemplate any periodic readjustment.
- b) Accounts payable whose payment terms are greater than 90 days and do not include any interest rate.

The amortized cost is calculated using the effective interest rate method, for which any discount or premium on the issue and the costs that are an integral part of the effective interest rate are included.

The difference between the nominal value and the amortized cost is recognized in income using the interest method; while the gains or losses on the settlement of financial liabilities are recognized in income when the liabilities are settled or written off.

Derecognition of financial instruments

Financial assets

Financial assets are derecognized at the time such transactions are recovered, or the asset is committed to buy/sell or are considered non-recoverable, i.e. on the date on which the Company realizes these assets.

Financial Liabilities

The Company recognizes financial liability when its contractual obligations are paid or cancelled or have expired. The Company also recognizes financial liability when its conditions are modified, and the cash flows of the modified liability are materially different. In this case, a new financial liability is recognized based on the new conditions at fair value.

At the time of derecognition of financial liability, the difference between the carrying amount of the extinguished financial liability and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Financial instruments compensation

The financial assets and liabilities subject to compensation for these balances are presented in the balance sheet at net value when there is a legal right to offset them, and the Company intends to liquidate them through this procedure.

c) Allowance for expected credit losses ECL on financial assets

The Company recognizes a provision for expected credit losses for all financial assets measured at amortized cost and debt instruments measured at fair value.

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Notes to the financial statements

The Company measures impairment estimates on the basis of expected credit losses over the life of the asset, except for the following assets, where expected credit losses are measured over a twelve-month period:

- debt instruments that are determined to have a low credit risk as of the date of reporting of the financial statements; and
- other debt instruments and bank balances for which the credit risk (e.g. the risk of a default occurring over the expected life of the financial instrument) has not increased significantly since its initial recognition.

Impairment estimates of trade receivables are measured by the Company based on expected credit losses over the life of the instrument. The estimate of credit losses is the result of all possible default events; reasonable and sustainable information that is relevant; the analysis of the Company's historical credit experience; and a current and prospective credit assessment. The results of the analysis include the contractual cash flow that it expects to receive, which includes agreements with customers. Expected cash flow also includes cash flows from the sale or recovery of securities for guarantees provided by customers or other credit enhancements that are an integral part of the contractual terms.

The Company considers a financial asset to be impaired when certain internal information indicates that the Company is unlikely to receive the outstanding contractual values and when it is more than 90 days late and when:

- The borrower is not likely to pay its credit obligations in full to the Company, without the Company being required to take actions, such as enforcement of collateral (if any).
- The financial asset is behind in meeting its payments.

Expected credit losses are recognized in accordance with the Simplified Approach applied to trade to calculate expected credit losses, the Company uses the simplified approach permitted by IFRS 9. Impairment losses are recognized from the initial recognition of financial assets recorded at amortized cost. A provision matrix is used for this purpose, in which fixed percentages are applied based on the number of days the balance is outstanding.

The provision matrix is based on past events, present conditions and justifiable estimates regarding future economic conditions, also including the determination of whether there has been a significant increase in credit risk based on the macroeconomic conditions of the country and sector in which it carries out its operations. The established provisioning matrix covers the entire duration of the financial asset and is adjusted at each reporting date.

The Company, based on the elements, recognizes the provision for expected losses, as mentioned below:

- The estimate of expected losses is recognized in the provision account and in the statement of comprehensive income in the period in which it is determined that there is impairment in the recovery of the flows, the provisioned value is recognized in the statement of comprehensive income.
- Expected losses on financial assets accounted for at fair value under the ORI are recognized in the ORI and are recognized in profit or loss at the time they are realized or recognized when there is no real probability of recovery and there is no collateral to cover the impaired asset.

A financial asset is derecognized when there is no reasonable expectation of recovering the contractual cash flows and the write-offs of the assets in which there is a provision are reduced from these and in the event that there are differences between the provision and the value to be written off, it is recorded in profit or loss in the period in which it is determined. Recoveries in the value of assets whose value was decreased are recorded in profit or loss when such an event occurs.

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Notes to the financial statements

d) Inventories

Inventories are measured at cost or net realizable value - NVR, whichever is lower.

The cost of inventories includes disbursements in the acquisition of inventories and other costs incurred in transporting them to their current location and conditions and is recognized using the weighted average method.

The cost of inventories and goods sold is determined by using the weighted average method.

Imports in transit are presented at invoice cost plus other charges related to the imports.

The net realizable value (NRV) is determined based on the sales price in the ordinary course of business, less estimated completion and sale costs and the adjustment is recognized in the results of the period.

The Company establishes a provision charged to the results of the year for slow-moving inventories in which the VNR cannot be reasonably estimated, which is based on historical experience and age of the products.

Additionally, the provision includes the estimate to cover possible losses due to inventories in poor condition, obsolete or unfit for use or sale, called NRV - Provision for obsolescence, which includes excess inventory that will not be realized in subsequent years.

e) Furniture and equipment

Furniture and equipment are carried at historical cost, less accumulated depreciation, and impairment losses, in case of occurrence.

Measurement and recognition

The cost of assets constitutes all disbursements incurred until they are ready for start-up and are capitalized to the corresponding asset element and are subject to depreciation from their use or start-up in accordance with the technical specifications of operation according to their nature.

Subsequent costs

The costs or expenses that are capitalized are only those outlays incurred that increase the useful life or its economic capacity, these are assimilated as part of the component and will be depreciated from the date of acquisition until the useful life of the main component, such as costs of expansion, modernization, improvements and major renovations that increase the useful life of the asset, are capitalized only if they are likely to result in future economic benefits to the Company and their cost can be reliably estimated.

Repair and maintenance expenses that are necessary for the asset to continue to operate are charged to expenses as they are incurred.

Depreciation method

Depreciation of furniture and equipment is calculated based on the cost of the assets, from the date on which they are installed and ready for use or, in the case of internally constructed assets, from the date on which the asset is complete and in good condition. to be used.

The Company estimates that at the end of the estimated useful life of the facilities, furniture and equipment, they will not have a significant salvage value, so it is not considered to establish a residual value.

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Notes to the financial statements

Improvements and facilities on leased assets are depreciated over the shorter period between the lease and their useful lives, unless it is reasonably certain that the Company will obtain ownership at the end of the lease period.

Depreciation of facilities, furniture and equipment is recognized in income and is calculated using the straight-line method based on the estimated useful lives, which are as follows:

Assets Estimated useful life

Furniture and office equipment	10 years
Facilities	10 years
Computer equipment	3 years

The estimated useful life, residual value and depreciation method are reviewed at the end of each year, with the effect of any changes in the estimate recorded on a forward-looking basis.

Retirement and sales

The profit or loss on the removal or sale of the facilities, furniture and equipment, for the difference between the sale price and the carrying amount of the asset is recognized in profit or loss for the period.

f) Leases

The Company, at the beginning of the lease, to determine if these qualify as a lease, evaluates whether the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Company is not a lessor in any transaction; it is only a lessee.

(A) Financial lease

The Company applies a single measurement and recognition approach to all leases, except short-term leases and low-value asset leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets that represent the right to use the underlying assets.

(i) Assets for right of use

The Company recognizes a right-of-use asset under a lease agreement, based on its agreed upon contract prices. In property leases, the Company has elected not to separate the non-lease components and to account for the lease and non-lease components as a single lease component.

The right-of-use asset is initially measured at the present value of the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus initial direct costs incurred and an estimate of the costs to dismantle and dispose of the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Company has determined the lease term as the non-cancellable period of each lease agreement, which includes the following decisions:

- a) the periods covered by the option to extend the lease contract if applicable; and,
- b) the periods are covered by an option to terminate the lease before the end of the lease term if management decides.

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Notes to the financial statements

The right-of-use asset is amortized using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company at the end of the lease term or the cost of the right-of-use asset reflects the Company's exercise of a purchase option.

The right-of-use asset is reduced when potential impairment losses exist, if applicable, and is adjusted for new measurements of the lease liability.

(ii) Lease liabilities

At the commencement date of a lease agreement, the Company recognizes lease liabilities at the present value of the lease payments not yet paid at that date.

The liability for lease contracts includes lease payments: fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments for penalties arising from the termination of the lease, if the lease period reflects the Company's exercise of the termination option.

Variable payments that do not depend on an index or rate are recognized as expenses (unless incurred to produce inventories) in the period in which the event or condition giving rise to the payment occurs.

To calculate the present value of the lease payments, the Company uses an average discount rate of the financial obligations at the start date of the lease, since the implicit interest rate of the lease is not easily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accrual of interest and the reduction in the lease payments made.

In addition, the carrying amount of the lease liabilities is adjusted if there is a change, whether a change in the lease term, future lease payments, or a change in the valuation of the purchase option for the asset.

Subsequent changes in lease contract costs are adjusted prospectively. Differences due to temporary reductions in rental fees are recorded in the results in which the reduction originates.

The difference between the value of the rights of use and the total costs of the lease contract is recognized as a financial cost using the effective interest rate method.

(B) Short-term leases and low-value asset leases

The Company applies the short-term lease recognition exemption to its short-term equipment leases (i.e., those leases that have a lease term of 12 months or less from the start date and do not contain a purchase option).

Payments for short-term leases and leases of low value assets are recognized as expenses on a straight-line basis over the lease term.

(C) Financial lease

Leases in which substantially all the risks and rewards related to ownership of the leased item are transferred, the Company capitalizes at the beginning of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments of the property.

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Notes to the financial statements

Lease payments are allocated between finance expenses and the reduction of lease debt to achieve a constant interest rate on the remaining liability balance. Financial expenses are recognized in financial expenses in the statement of profit or loss and other comprehensive income.

A leased asset depreciates over the asset's useful life. However, if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term, the lease is accounted for as mentioned in paragraph (a).

g) Impairment in the value of long-lived assets

Long-lived assets correspond to furniture and equipment, intangibles-leased premises and rights of use lease agreements, which are reviewed if there is an impairment at the closing of the financial statements, when there are events or changes in circumstances that indicate that the book value is higher than the value that will be obtained from the sale or use of the assets.

Impairment loss on long-lived non-financial assets is recognized when the recoverable value of the assets is less than the book value of the assets. The recoverable value of the assets corresponds to the greater of the net amount that would be obtained from their sale or their value in use. For assessing impairment, assets are grouped at the smallest levels at which identifiable cash flows are generated (cash generating units).

In the case of intangible assets with indefinite useful lives, they are subjected to impairment tests annually.

The Company annually evaluates the existence of indicators of impairment on its non-financial assets.

When assessing value in use, future cash flows are discounted to their current value using a discount rate that reflects the weighted average cost of capital calculated according to the risk associated with the country in which the Company operates.

In the event that the recoverable value of an asset (or a cash-generating unit) is less than its carrying value of the asset (or the cash-generating unit), it is reduced to its recoverable value, and an impairment loss is recognized in the income statement.

The basis for future depreciation or amortization of impaired assets must consider the reduction in the value of the asset as a result of accumulated impairment losses.

When an impairment loss must be subsequently reversed, the carrying value of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable value and the carrying value does not exceed the carrying value when determined the impairment loss for the asset (or the cash-generating unit) in previous years. If applicable, the reversal of an impairment loss is recognized in the statement of comprehensive income.

Impaired non-financial assets are reviewed for possible impairment reversal in each reporting period.

The discount rates used are determined before taxes and are adjusted for country risk and corresponding business risk.

h) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and revenue can be measured reliably, regardless of when payment is received. Revenues are measured at the fair value of the consideration received or receivable, considering contractually defined payment terms and not including taxes or fees. The main source of the Company's operations are all its revenue agreements, as it is the main obligor in all revenue agreements, it has pricing freedom and is also exposed to risks.

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Notes to the financial statements

The criteria for revenue recognition are described below:

Selling products

Revenues from the sale of its ordinary activities are recognized at the fair value of the consideration received or receivable, net of returns, discounts, credits, and rebates. Revenue is recognized when there is evidence that the risk and the significant benefits of ownership have been transferred to the buyer, is likely recovery of the agreed value, the associated costs and possible returns of goods sold, and the amount of revenue can be measured reliably.

Discounts and bonuses

Discounts and other sales expenses are measured based on trade agreements and are recognized as a reduction of revenue at the time of the agreement with customers.

Bonuses

The company gives bonuses to their customers, which are recognized as revenue when sales are recognized, together with the respective cost of this benefit granted to customers.

Provisions for expiration

The company makes a provision for possible returns of products sold due to the expiration of the products. The increase in provision is recorded in the results of the year based on the historical volumes of returns of previous years and is reduced by customer returns.

i) Obligations for post-employment benefits

Post-employment benefit obligations constitute short-term provisions, defined benefit plans and early termination benefits.

Short-term benefits

Short-term social benefits constitute other benefits in addition to wages and salaries paid monthly and which are legally established in the employment contracts or by labor laws and are payable within the current year, which are accumulated and recorded for in the results of the period and are reduced by the payments or excess provisions, which are recorded in the results of the period.

In addition to the current labor regulations establish that employees and workers are entitled to a 15% participation in the profits of the year, this provision is recorded with a charge to the results of the year in which it is accrued.

Defined Benefit plans

The labor code of the Republic of Ecuador establishes the obligation of employers to grant the following benefits:

- i. Employer's retirement to all employees who have completed a minimum of 25 years of service in the same company.
- ii. A compensation of 25% of the salary for each year of service, which is calculated based on the salary or wages in force at the time of retirement.

The company establishes reserves for these benefits based on actuarial studies conducted by a specialized company. The actuarial method used by the specialist for the calculation is the "projected unit cost of credit" and the provisions are calculated based on the employee's compensation and other parameters established in the Labor Code.

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Notes to the financial statements

Assumptions used to determine the actuarial study include determinations of discount rates for corporate bonds in the country's currency, variations in salaries and wages, mortality rates, age, sex, years of service, and increase in the amount of minimum retirement pensions, among others. Due to the long term that characterizes the reserve for the retirement benefit obligations, the estimate is subject to variations that could be important.

The increase in labor cost and interest on these provisions are recorded in the results of the year and the effect of changes in estimates at the level of reserves is derived from the effects of changes in assumptions and the interest rate is recorded in liability net of provision and payments are reduced from the provision, except in the employer retirement provision for those employees whose seniority is less than 20 years of service, which is affected in Other Comprehensive Income – "ORI" when turnover levels are less than 20% and when this variation is exceeded, it is recognized in the results of the year.

Severance pays

Severance pays benefits arise at the time the employer decides to terminate the contract for the provision of labor services in advance. The Company makes provision when there is a real possibility of a decrease in its activities or a restructuring of its operations; in the event that this is not caused by the events and in cases of accident the benefits established in the labor laws for early termination are recorded in the results at the time they are incurred.

j) Provisions – accumulated liabilities

The Company recognizes the provisions when: (i) it has a present obligation, whether legal or implicit, because of current or past events related to its activities, (ii) it is probable that an outflow of resources will be required to settle a current obligation in the future; and (iii) the amount has been reliably estimated.

The amounts recognized as a provision are the Company's best estimate, at the closing date of the financial statements, of the disbursements required to settle the obligation.

Long-term provisions are determined by discounting expected future cash flows at a market interest rate related to the time value of money. The updating of the discount of the provisioned values is recognized as a financial expense.

The remaining interest costs are recognized in results in the year in which they are incurred.

k) Income tax

The income tax includes current and deferred tax in accordance with the tax laws in force in the Republic of Ecuador.

Current income tax

The current income tax on assets and liabilities is calculated using the applicable rates, for the different taxes; that are determined in the law, regulations, and tax provisions in force at the closing date of the financial statements on which they are reported, and these are accounted in the results of the period.

Deferred income tax

Deferred income tax is recognized using the asset and liability method arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements under IFRSs and the tax base at the end of the reporting period.

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Notes to the financial statements

Deferred tax assets are recognized for all deductible temporary differences that are estimated to be compensable in the future and deferred tax liabilities are recognized for all taxable temporary differences.

The value of deferred tax assets recorded in accordance with disclosure guidelines for consolidating the financial statements of the parent company, is reviewed at the closing of the financial statements about which it is reported and is reduced when it is determined that there are no future taxable profits that allow these deferred tax assets to be used fully or partially.

Deferred tax assets not recognized in the financial statements are evaluated at each closing date of the financial statements and are recognized to the extent that there is evidence of future taxable profits that would allow the recovery of such deferred tax assets not previously recognized.

Deferred tax assets and liabilities are measured at the income tax rates in effect on the date on which the existence of the temporary differences is determined and which are in force in the Organic Law of the Internal Tax Regime, its regulations and other tax laws in force.

The deferred tax related to the items recognized outside profit or loss is recognized outside the latter. Deferred tax items are recognized in relationship with the underlying transaction, either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset assets and liabilities for current income tax and if deferred taxes relate to the same taxable entity and tax jurisdiction.

Deferred tax assets and liabilities are not discounted at their present value and are classified as non-current.

Tax Exposition

In determining current tax and deferred tax amounts the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that the accrual of its tax liabilities is appropriate for all open tax years based on its evaluation of many factors, including interpretations of tax law and experience. This assessment depends on estimates and assumptions and may involve a few judgments about future events.

New information may arise that would cause the Company to change its judgment regarding the appropriateness of current tax liabilities; such changes in fiscal liabilities will impact on fiscal expenditure in the period in which they are determined.

l) Recognition of operating costs and expenses

The costs and operating expenses are recognized in the results by the accrued method and when the products and services are provided, regardless of when they are paid.

The company presents its costs and expenses by its nature. This information is more reliable and relevant than the method of the function of the expenditure due to the nature of the entity, sector in which it works, and use of comparable historical information reported in previous years.

m) Financial expenses

Interest expenses that are not attributable to the construction of an asset that necessarily requires a substantial period of time for their use are accounted for as expenses in the period in which they are incurred and those that are identifiable to assets in the process of construction and assembly are capitalized as part of the cost of the respective assets.

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Notes to the financial statements

NOTE 4 – USE OF JUDGMENTS, ESTIMATES AND SIGNIFICANT ACCOUNTING ASSUMPTIONS

The policies established by Company note 3 and according to IFRS require the Administration to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the amounts disclosed as revenue and expenses during the period of the report.

Estimates and assumptions are continuously evaluated and are based on the Administration's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates, by definition, can rarely be equal to actual results.

The estimates, judgments and assumptions that have a significant risk that may result in a material adjustment to the carrying amounts within the financial period are as follows:

- **Provisions for the impairment of financial assets.**

The Company performs an annual review of the value of financial assets and assesses whether there are risks of recovery of these assets and based on this analysis a provision for impairment is made.

The Company believes that the amount of provision at the date of preparation of the financial statements for the financial assets is reasonable.

- **Provisions for inventory obsolescence**

The Company performs an annual adjustment of the inventories to the "Net Realizable Value - NRV" and additionally makes a review of the age and rotation of the inventories and based on this analysis, a provision is made for slow-moving inventories whose seniority is greater than one year.

The Company considers that the amount of the provision at the date of preparation of the financial statements for inventories is reasonable.

- **Estimation of the useful lives of depreciation of furniture, and equipment.**

The furniture and equipment are accounted for at cost and depreciated by the straight-line method based on the estimated useful lives, which are reviewed annually, technological changes, extensive use, among other factors may change estimates of the depreciation method and useful lives may affect these estimates.

The Company considers that the depreciation method and useful lives are reasonable and there is no evidence of any technological deterioration.

- **Contract lease period with options for renewal and termination as lessor**

The Company determines the lease period by taking into account the non-cancellable lease period together with any period covered by the renewal option if it is reasonably certain that this period will be exercised, or any period covered by the termination option, if it is reasonably certain that this period is not exercised.

The Company has several lease agreements that include renewal and termination options. The Company uses its judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease, that is, it considers all relevant factors that create an economic incentive to exercise either renewal or termination.

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Notes to the financial statements

After the contract's start date, the Company reassess the contract period if there is a significant event or change in circumstances under its control that affects its ability to exercise or not exercise the option to renew or terminate the contract.

- **Estimation of the rental discount rate**

The Company cannot easily determine the implicit interest rate for the lease and therefore uses a discount rate to measure lease liabilities.

The discount rate corresponds to the rate that the Company would have to pay to obtain the necessary funds to acquire an asset of similar value to the right of use asset in a similar economic environment. Determining this discount rate requires an estimate of when observable rates are not available or when it needs to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the discount rate using observable assumptions such as local market rates and is required to include certain assumptions specific to the Company such as the Company's credit rating.

- **Impairment of long-lived assets**

At the end of each accounting period, the Company analyzes its results and operations to validate the value of long-lived assets and determine if there is any indication that these assets have suffered an impairment loss. If there is any indication, an estimate of the recoverable amount of that asset, for which the cash flows are estimated (value in use) independently; therefore, the recoverability of the cash generating unit to which the asset belongs.

The calculation of value in use requires the Company to determine the future cash flows that should arise from the cash-generating units and an appropriate discount rate to calculate the present value.

If the recoverable amount is lower than the netbook value of the asset, the corresponding impairment loss is recognized with a charge to income and is reversed in the income statement when there is a change in estimates.

- **Post-employment benefits**

The actuarial calculation made by an external specialist is based on the method of the projected credit unit to determine the present value of its obligations for defined benefits. Demographic and financial assumptions are used in the calculation.

- Demographic assumptions about the characteristics of current and past employees who may receive benefits. The demographic assumptions are: (i) average long-term salary rate; (ii) current interest rate; (iii) financial discount rate; (iv) annual inflation rate; (v) rate of return on plan assets.
- Financial assumptions are related to the following elements: (a) the discount rate; and (b) benefit levels to be paid to employees and future wages.

- **Estimate to cover litigation**

The Company recognizes obligations of those events of a legal or implicit nature for the Company; these events are recognized when:

- The Company has an obligation at the reporting date because of a past event.
- When it is probable that economic resources or benefits will be required to settle the obligation; and,
- The amount of obligation can be reliably estimated.

The provision is recognized as a liability in the statement of financial position and as an expense in the income statement for the period.

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Notes to the financial statements

- **Deferred income tax**

The Company has estimated its deferred taxes considering that all the differences between the book value and the tax base of the assets and liabilities will be reversed in the future.

The income tax rate used to determine deferred tax assets and liabilities is calculated by applying the income tax rate in effect on the closing date of the reporting period.

Deferred income tax assets should be recognized in the balance sheet, deferred income tax assets derived from unamortized tax losses, the accounting treatment of investments in development and long-term labor benefits, which need to be evaluated by management to define the probability that the Company can generate sufficient taxable profits in future years, in order to use the recognized deferred income tax assets.

The assumptions about the generation of future taxable profits depend on the estimates made by the Administration of the Future Cash Flows, which are based on the projected cash flows from operations and the criteria on the application of existing tax laws. To the extent that future cash flows and taxable earnings differ significantly from estimates, the Company's ability to realize deferred assets net of reported income tax could be affected.

NOTE 5 – NEW ACCOUNTING STANDARDS AND INTERPRETATIONS IFRS

The new standards or amendments to IFRS that are mandatory for the first time are as follows:

Standards applicable from 2025

The new and modifications to the rules and interpretations that have been issued; that have not yet entered into force as of the date of issuance of the Company's financial statements and that will be implemented if applicable, when they become effective are:

Lack of interchangeability: amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 Effects of Changes in Foreign Currency Exchange Rates. The standard sets out the requirements for determining the exchange rate to be used to record a foreign currency transaction to the functional currency and convert a foreign currency transaction into a different currency. If a currency lacks convertibility, it can be difficult to determine which exchange rate is appropriate. While relatively uncommon, the Absence of Convertibility can arise when there are exchange controls that prohibit the exchange of a currency or limit the volume of foreign currency transactions.

The amendments also require disclosure of information that enables users of its financial statements to understand how the fact that the currency is not interchangeable with the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will take effect for annual reporting periods beginning on or after January 1, 2025; The rule allows for early adoption, but it will be necessary to disclose it. When applying the changes, an entity cannot restate comparative information.

IFRS 18 Presentation and Disclosure of Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new reporting requirements that are:

- Improve the aggregation and disaggregation of groupings in financial statements.
- Specific totals and subtotals should be included in the income statement. In addition, entities must classify all income and expenses within the income statement into one of five categories: operations, investments, financing, income taxes, and discontinued operations, of which the first three are new.

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- Disclosure of recently defined performance measures, subtotals of revenues and expenses, and includes new requirements for aggregation and disaggregation of financial information based on identified "roles" from primary financial statements (PFS) and notes.

IFRS 18 has made amendments to IAS 7 Statement of Cash Flows, including changing the starting point for determining cash flows from operations according to the indirect method, from "profit or loss" to "operating profit or loss" and removing the optionality around the classification of dividend and interest cash flows. In addition, there are consequential modifications to several other regulations.

IFRS 18, and amendments to the other standards, are effective for reporting periods beginning on or after January 1, 2027, and are allowed to apply early and must be disclosed. IFRS 18 will apply retroactively.

IFRS 19 Non-Publicly Held Subsidiaries: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to choose to apply its reduced disclosure requirements while also applying the recognition, measurement and reporting requirements of other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot be publicly accountable, and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, that comply with IFRS accounting standards.

IFRS 19 will come into force for reporting periods beginning on or after January 1, 2027, and its early application is permitted.

IFRS 19 is not eligible for application when the Group's equity instruments are publicly traded.

The Company estimates that the adoption of the new standards, amendments to IFRS and the new interpretations described above will not have a significant impact on the financial statements in the year of their initial application.

Standards applicable in 2024

The following standards or amendments to IFRS are mandatory as of January 1, 2024:

<u>New IFRS, amendments and interpretations</u>	<u>Effective Date</u>
• Amendments to IFRS 16 - Lease Liability in a sale and leaseback	January 1, 2024,
• Amendments to IAS 1 - Classification of Liabilities as Current or non-current (including Amendment to IAS 1 – Classification of Liabilities as Current or Non-Current – issued in July 2020)	(A)
• Amendments to IAS 1 - Non-current liabilities with commitments	(A)
• Amendments to IAS 7 and IFRS 7 - Financing Agreements	January 1,
• 2024 Suppliers	
• IFRS S1 General Disclosure Requirements on Sustainability related to Financial Reporting	January 1, 2024 - (B)
• IFRS S2 Climate-Related Disclosures	(B)

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- (A) The Amendment to IAS 1 - Non-Current Liabilities with Commitments to specify the requirements for classifying liabilities as current or non-current, which deferred the effective date of the Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current to 1 January 2024. If an entity applies Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current for an earlier period, it must also apply the Amendment to IAS 1 - Non-Current Liabilities with Commitments, for that period, and vice versa.
- (B) IFRS S1 establishes general requirements regarding sustainability issues that companies must disclose periodically, among which are type of corporate governance structure, the identification, evaluation and monitoring of risks related to the climate or society; how they manage and mitigate those risks, their strategy and as a company to address significant sustainability-related risks and opportunities; and their metrics and objectives, that is, the commitments they have to combat climate change, the measurements they make in this regard and the actions with which they plan to meet their goals.

IFRS S2 focuses specifically on the issue of climate and the disclosures that companies must make, specifically, regarding their environmental impact; among which are measurements of greenhouse gases. If a Company applies this rule in advance, it must apply this rule jointly.

The adoption of the new standards, amendments to IFRS and new interpretations have not had a significant impact on the 2024 financial statements, except for IFRS S1 and IFRS S2, which have been deferred their application by the Superintendence of Companies, Securities and Insurance until 2026.

Elements and considerations that could be affected by climate-related issues are:

- Recovery of production and development investments. When reviewing asset estimates in accordance with the terms of the concession contract, climate-related matters, changes in climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures.
- Useful life of furniture and equipment and installations. When reviewing the residual values and expected useful lives of the assets, the Company considers climate-related matters such as climate-related legislation and regulations that may restrict the use of the assets or require significant capital expenditures.
- Impairment on non-financial assets. Value in use may be affected in a few different ways by transition risk, such as weather-related legislation and regulations and changes in demand for the Company's products.
- Liabilities for dismantling. The impact of climate-related legislation and regulations is considered when estimating the timing and future costs of decommissioning premises facilities.

The Company is in the process of evaluating climate-related issues in its estimates and assumptions and considers that these are not significant due to the type of operations it conducts.

The Company estimates that the adoption of the new standards, amendments to IFRS and the new interpretations described above will not have a significant impact on the financial statements in the year of initial application, since most of these standards are not applicable to its operations.

NOTE 6 – FINANCIAL INSTRUMENTS

Financial instruments as of March 31, 2025 and 2024 correspond to current financial assets and liabilities whose balances and fair values are as follows:

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	March 2025	March 2024
<u>Financial assets:</u>		
Cash and cash equivalents	1,675,743	1,393,194
Local costumers	663,619	362,548
<u>Financial liabilities:</u>		
Suppliers account payable	59,733	38,553
Related accounts payable	3,165,905	1,907,239

The accounting policies and criteria for recognition for the measurement and basis on which income and expenses are recognized, for each class of financial assets and liabilities are detailed in note 3 – b).

The fair value of an asset that could be exchanged or a settled liability between knowledgeable and willing parties may vary under the assumption that the entity is a going concern.

The techniques used to determine the fair value of financial instruments are described in note 2(d) and the assumptions that may be used to estimate fair values are:

- Financial instruments whose fair value is similar to carrying amount
- Fixed-rate financial instruments

The carrying amount of cash and banks, financial investments, trade and related receivables, accounts payable suppliers is close to fair value due to the short-term nature of these instruments.

NOTE 7 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

A summary of the main financial risks and the policies implemented are:

a) **Financial Risk Management objectives and policies**

Due to the nature of its activities, the Company is exposed to market, credit, interest rate, liquidity, and exchange rate risks, which are constantly monitored to identify and measure their impacts and establish the limits and controls that reduce the effects in the Company's results. The process of evaluating and controlling business risks is critical for profitability and the Company is responsible for risk exposures. The risk control process does not include business risks such as changes in the environment, technology, and industry.

The risk management structure is based on the Shareholders - Head Office and the Company's Management, Financial Management and Sales Management, which are responsible for identifying and controlling risks in coordination with other areas, as explained below:

(i) **Shareholders – Head office**

The shareholders - headquarters - are responsible for the general approach to risk management, providing the principles for risk management, as well as the policies developed for specific areas, such as exchange rate risks, interest rate risk, credit risk and the use of derivative financial instruments.

(ii) **General Management**

General Management is responsible for the control and management of risks, which provides the principles and guidelines of the Shareholders, as well as defines the policies for specific areas of management of the exchange rate, interest rate, credit and the use of derivative financial instruments.

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(iii) Finance

The Finance area is responsible for the control and management of the Company's cash flow based on the policies, procedures and limits established by the shareholders, directors, and the Company's management, including monitoring such procedures to improve the Company's risk management.

The financial department coordinates access to national financial markets and manages financial risks.

These risks are market risk (currency and interest rate variation) and credit risk. The main objective is to supervise and maintain minimum exposure to risks without using derivative contracts (swaps and forward) and to assess and control credit and liquidity risks.

Also, the control and recovery of accounts receivable for sales generated in the period and for which it is possible that they will remain unpaid, determining, together with the marketing department, discount options to its customers that will help mitigate the negative effect on the recovery of these flows.

b) Risk Mitigation

The Company constantly evaluates different scenarios and identifies different strategies to manage exposures resulting from changes in interest rates, foreign currency, capital risk and credit risk.

The Administration reviews and evaluates policy changes for the management of such risks, which are summarized below:

Market Risk

The market risk is the probability of variations in the price of a certain asset or asset in an organization that has a common characteristic: the possibility that the Company suffers losses because of market variations derived from the assets it owns. The most common include:

- Risk that the interest rates of your investments or debts suffer downward or upward variations, respectively.
- Risk that the Company's market position deteriorates because of its own operation or that of third parties, as well as economic conditions.
- Risk that inventories, which directly affect the Company's operation, suffer adverse variations in their prices.
- Risk that currencies other than the Company's operating currency suffer adverse variations in their prices.

Among the most common mechanisms for mitigating these risks is the diversification of assets and liabilities, as well as the operation with financial derivatives that transfer the risk to third parties.

The Company controls the market risk of the fair value of financial instruments due to changes in market prices, which depend on variations in interest rates, exchange rates and other price risks, among which is the risk of patrimony.

Interest rate risk

The interest rate risk allows evaluating and monitoring the fair value of financial instruments, due to changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is mainly related to the Company's long-term debt obligations at variable interest rates.

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The company periodically evaluates the exposure of short- and long-term debt to changes in the interest rate, considering its own expectations regarding the future evolution of rates.

The financial assets and liabilities held by the company as of March 31, 2025, and 2024, do not accrue, do not generate interest, and are not exposed to this risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its payment obligations related to financial liabilities at maturity and replace funds when they are withdrawn. The consequence would be the failure to pay its obligations to third parties.

Liquidity is controlled by matching the maturities of its assets and liabilities, obtaining credit lines, or maintaining liquidity surpluses, which allows the Company to carry out its activities normally.

Liquidity risk management involves maintaining enough cash and availability of financing, through an adequate amount of committed credit sources and the ability to settle mainly transactions of indebtedness. In this regard, the Company's Management focuses its efforts on maintaining sources of financing through the credit lines availability.

The following table shows the maturity of the Company's obligations at the balance sheet date and the amounts to be disbursed at maturity, based on the undiscounted payments to be made:

March 2025	Until 1 month	1 to 3 months	3 to 5 months	5 to 12 months	More than 1 year	Total
Financial assets:						
Cash and cash equivalents	1,675,743	-	-	-	-	1,675,743
Local costumers	633,512	5,785	9,099	18,176	-	666,572
Financial liabilities:						
Suppliers accounts payable	59,733	-	-	-	-	59,733
Related accounts payable	952,813	270,675	436,205	971,564	813,497	3,444,754
March 2024	Until 1 month	1 to 3 months	3 to 5 months	5 to 12 months	More than 1 year	Total
Financial assets:						
Cash and cash equivalents	1,393,194	-	-	-	-	1,393,194
Local costumers	362,548	-	-	-	1,562	364,110
Financial liabilities:						
Suppliers accounts payable	38,031	537	-	-	-	38,568
Related accounts payable	630,051	602,015	206,471	554,395	-	1,992,932

Risk of capital management

The Company actively manages a capital base to cover the risks inherent in its activities. The capital adequacy of the Company is monitored using, among other measures, the ratios established by management.

The Company's objectives when managing capital, which is a broader concept than the "Net Equity" shown in the balance sheet are:

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Notes to the financial statements

- (i) Safeguard Company's ability to continue operating to continue to provide returns to shareholders and benefits to other stakeholders; and,
- (ii) Maintain a strong capital base to support the development of its activities.

As of March 31, 2025, and 2024, there have been no changes in the activities and policies of capital management in the Company.

The Company's adjusted debt-to-equity ratio as of March 31, 2025, and 2024, is as follows:

	March 2025	March 2024
Total liabilities	4,139,897	2,845,731
Less: cash and cash equivalents	(1,675,743)	(1,393,194)
Net debt	<u>2,464,154</u>	<u>1,452,537</u>
Shareholder equity	<u>524,716</u>	<u>470,824</u>
Index of debt equity	<u>4.70</u>	<u>3.09</u>

Liabilities as of March 31, 2025, and 2024 include US\$3,444,754 and US\$1,992,932 with related parties which may extend the payment deadline.

Credit risk

The Company is exposed to credit risk due to its operating activities mainly for cash and cash equivalents - deposits with banks, investments, customer accounts receivable and other accounts receivable and other financial instruments.

Regarding cash and other cash equivalents in banks and financial institutions and that correspond to short-term operations and immediate liquidity, the risk is monitored through the qualifications required by the Control Organism, which are periodic and are carried out by third parties (independent) specialized and qualified by the control entities.

Credit risk is managed according to the policies, procedures and controls established by the Company; credit risk is mainly affected by the individual characteristics of each client. However, management also considers factors that may affect the credit risk of its client base, including the default risk of the industry and country in which the client operates. Credit quality is assessed on an ongoing basis based on outstanding collections from customers and the maximum exposure to credit risk at the reporting date is the value of each class of financial assets.

The Company has established a risk policy for granting loans to customers that includes:

- Review and analysis of the information collected by credit officers, according to parameters established by the Company's Management.
- Approval by the Financial and Administrative Management of the credit term.

The credit risk of customers is monitored according to the credit characteristics, type of customer (private and public sector), and the existence of prior financial difficulties in each of the sectors in which the customers operate. Based on the analysis available at the date of the financial statements, the Company has recognized losses due to impairment.

The Company establishes an estimate for value impairment, which represents its best estimate of the losses to be incurred in relation to financial and non-financial assets subject to credit risk. This estimate considers the maximum loss determined based on their evaluation.

GLENMARK PHARMACEUTICALS ECUADOR S.A.**Notes to the financial statements****NOTE 8 - INVENTORY**

The composition of the inventory items as of March 31, 2025, and 2024 are as follows:

	March 2025	March 2024
Pharmaceutical and dermatological products	1,414,905	777,089
Medical samples	63,842	5,052
Imports in transit	429,862	262,708
	<u>1,908,609</u>	<u>1,044,849</u>
Obsolescence provision	<u>(57,171)</u>	<u>(120,153)</u>
	<u>1,851,438</u>	<u>924,696</u>

The changes in the provision for obsolescence as of March 31, 2025, and 2024, are as follows:

	March 2025	March 2024
Balance at beginning of period	(120,153)	(426,928)
Provision of the year	(92,116)	(95,936)
Inventory retirement	154,874	360,700
Adjustments	<u>224</u>	<u>42,011</u>
Balance at the end of the period	<u>(57,171)</u>	<u>(120,153)</u>

NOTE 9 – TRADE RECEIVABLES

As of March 31, 2025, and 2024, trade accounts receivable for US\$666,572 and US\$364,110 respectively correspond to balances pending collection from local customers, for the commercialization of products.

A summary of the aging of trade accounts receivable as of March 31, 2025, and 2024, is as follows:

Category	March 2025	March 2024
Current	633,512	362,548
From 61 to 90 days	33,060	-
From 150 to 360 days	<u>-</u>	<u>1,562</u>
	<u>666,572</u>	<u>364,110</u>

NOTE 10 – OTHER SHORT-TERM FINANCIAL ASSETS

The balances as of March 31, 2025, and 2024, of the other short – term financial assets are as follows:

	March 2025	March 2024
Current taxes to recover (1)	204,790	281,421
Prepaid Expenses	13,525	13,059
Others (2)	<u>37,652</u>	<u>39,523</u>
	<u>255,967</u>	<u>334,003</u>

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- (1) The balance as of March 31, 2025, and 2024, of the current tax to be recovered corresponds to the withholdings at source made by customers on sales, which could not be offset with income taxes, and which can be recovered up to 3 years after the date of the tax return.

In March 2024 the Company submitted a request for the refund of these taxes and in August 2024 the SRI resolved the refund of the taxes for the year 2020 for US\$114,135, and these values were negotiated; the amount recovered by the Company was the totality and as of the date of this report the amount pending recovery is US\$174,165.

- (2) The balance of Others includes the advance paid to suppliers for the acquisition of a computer system for the development of their operations for US\$11,030 and US\$8,888 for the lease guarantee.

NOTE 11 - CASH AND CASH EQUIVALENTS

At March 31, 2025, and 2024 the composition of cash and cash equivalents are as follows:

	March 2025	March 2024
Cash in hand	1,000	1,000
Balances with banks (1)	1,674,743	1,392,194
	<u>1,675,743</u>	<u>1,393,194</u>

- (1) At March 31, 2024, it corresponds to the available amount that the Company maintains in its checking accounts in banks domiciled in Ecuador. The rating category of the bank according to the publications required by the Superintendence of Banks is AAA-.

NOTE 12 – FURNITURE AND EQUIPMENT

The balances of March 31, 2025, and 2024, of the Company's furniture and equipment are as follows:

	March 2025			March 2024		
	Cost	Accumulated Depreciation	Net block	Cost	Accumulated Depreciation	Net block
Facilities	21,853	(15,339)	6,514	21,853	(13,153)	8,700
Furniture and fixtures	76,577	(58,833)	17,744	76,577	(51,174)	25,403
Computer equipment	92,936	(84,397)	8,539	83,402	(81,822)	1,580
	<u>191,366</u>	<u>(158,569)</u>	<u>32,796</u>	<u>181,832</u>	<u>(146,149)</u>	<u>35,683</u>

The changes in furniture and equipment as of March 31, 2025, and 2024, are as follows:

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	Facilities	Furniture and fixtures	Computer equipment	Total
Balance as of March 31, 2023, net of accumulated depreciation	10,885	33,061	8,870	52,816
Depreciation for the year	(2,185)	(7,658)	(7,290)	(17,133)
Balance as of March 31, 2024, net of accumulated depreciation	8,700	25,403	1,580	35,683
Additions	-	-	9,534	9,534
Depreciation for the year	(2,186)	(7,659)	(2,575)	(12,420)
Balance as of March 31, 2025, net of accumulated depreciation	6,514	17,744	8,539	32,796

NOTE 13 – LEASES

The Company has an office lease for its operations, which has a period of between 2 and 3 years, which establishes renewal clauses in agreement between the parties. The Company's obligations under its leases are guaranteed by the lessor's title to the leased assets. In general, the Company has restrictions on subletting leased assets and some contracts require the Company to maintain certain conditions relating to maintenance, condominium payments and others. Lease agreements include variable lease payments, which are discussed below.

	Right-of-use assets				Obligation to pay
	Office	Parking lot	Technological equipments	Total	
Balance as of March 31, 2023	189,254	37,812	10,107	237,173	265,005
Adjustment initial	-	-	38,028	38,028	38,028
Amortization and payments for the year	(56,897)	(8,988)	(15,237)	(81,122)	(82,307)
Balance as of March 31, 2024	132,357	28,824	32,898	194,079	220,726
Amortization and payments for the year	(56,183)	(9,135)	(12,675)	(77,993)	(78,110)
Balance as of March 31, 2025	76,174	19,689	20,223	116,086	142,616

The Company recorded on March 31, 2025, US\$9,015 (US\$11,701 on March 31, 2024) corresponding to lease liability interest. The amount of lease payments made on March 31, 2025, is US\$92,120 (US\$94,709 in March 31, 2024).

A summary of the amortization of the rights of use and the payments of the obligations payable until the end of the leases are as follows:

Year	Lease payable	Amortization of right of use lease contracts	Lease payments
2025	51,599	40,263	69,090
2026	71,138	59,733	88,745
2027	19,879	16,090	19,655

NOTE 14 – OTHER CURRENT LIABILITIES

The balance as of March 31, 2025, and 2024, is comprised of US\$7,962 (US\$9,120 in March 31) corresponding to VAT on sales and withholdings at source.

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Notes to the financial statements

NOTE 15 – TRADE AND RELATED ACCOUNTS PAYABLES

Balances as of March 31, 2025, and 2024, for trade and related - accounts payable suppliers are as follows:

		March 2025	March 2024
Sundry creditors		286,240	318,114
Related accounts	(1)	3,444,754	1,992,932
		<u>3,730,994</u>	<u>2,311,046</u>

(1) A detail of the balances as of March 31, 2025, and 2024, of related party's transactions are as follows:

	March 2025	March 2024
<u>Accounts payable:</u>		
Glenmark Pharmaceuticals Ltda. - India	2,955,300	1,948,171
Glenmark Specialty S. A. - Suiza	459,382	44,761
Glenmark Farmaceutica Ltda. - Peru	30,072	-
	<u>3,444,754</u>	<u>1,992,932</u>

Transactions with related parties on March 31, 2025, and 2024, gave rise to the following amounts in the income statement and are as follows:

	Relation	Transaction	March 2025	March 2024
<u>Purchases:</u>				
Glenmark Pharmaceuticals Ltda. - India	Group component	Inventory purchase	1,533,096	5,799,960
Glenmark Specialty S. A. - Suiza	Group component	Inventory purchase	585,699	577,505
Glenmark Generics S. A. - Argentina	Group component	Inventory purchase	38,949	171,475
Glenmark Farmaceutica Ltda. - Brazil	Group component	Inventory purchase	13,739	677,725
Glenmark Farmaceutica Ltda. - Peru	Group component	Inventory purchase	-	31,165
			<u>2,171,483</u>	<u>7,257,830</u>

Amounts paid to key personnel of the Company and administrators on March 31, 2025, and 2024, were US\$46,103 and US\$65,026 respectively, this value belongs to fees and other benefits.

NOTE 16 – SHORT-TERM FINANCIAL LIABILITIES

The balances as of March 31, 2025, and 2024, of the short – term financial liabilities are as follows:

	March 2025	March 2024
Provisions for social benefits	62,070	92,551
Credit Cards	166	1,198
	<u>62,236</u>	<u>93,749</u>

NOTE 17 – SEVERANCE PAY Y PENNSION PLANS

Balances as of March 31, 2025, and 2024, and from severance pay y pension plans are as follows:

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	March 2025	March 2024
Employer retirement (1)	143,789	143,490
Severance pay (1)	56,856	62,884
Lost (Profit) recognized in the OCI	(4,556)	(26,048)
	<u>196,089</u>	<u>180,326</u>

- (1) The Supreme Court of Justice, in a resolution published in Official Gazette No. 421 of 28 January 1983, confirmed that workers have the right to an employer's retirement as established in the Labor Code, without prejudice to that which corresponds to them under the Compulsory Social Security Act.

The Labor Code establishes that employees and workers who for twenty-five years or more have provided continuous or interrupted services have the right to be retired by their employers. Additionally, employees who, at the date of their dismissal have completed twenty years or more and less than twenty-five years of continuous or interrupted work, are entitled to the proportional part of this benefit.

In addition, the Labor Code establishes that the Company has an obligation to grant its employees and workers at the termination of the employment relationship an eviction bonus equivalent to 25% of the last monthly remuneration for each of the years of services provided to the same company or employer.

The movement of the provisions for the Employer's Retirement and Eviction Bonus for the years ended March 31, 2025, and 2024, is as follows:

	Provision		
	Employer retirement	Severance pay	Total
Balance as of March 31, 2023	132,303	59,569	191,872
Increase in provision by:			
Labor cost	14,504	7,839	22,343
Financial cost	6,669	2,811	9,480
Actuarial gain	(9,986)	(5,591)	(15,577)
Benefits paid	-	(1,744)	(1,744)
Balance as of March 31, 2024	143,490	62,884	206,374
Increase in provision by:			
Labor cost	13,921	6,872	20,793
Financial cost	7,350	2,939	10,289
Actuarial gain	(20,972)	(519)	(21,491)
Benefits paid	-	(15,319)	(15,319)
Balance as of March 31, 2025	<u>143,789</u>	<u>56,856</u>	<u>200,646</u>

As of March 31, 2025, US\$24,084 (US\$26,048 in March 2024) is excluded corresponding to Other comprehensive income, which at the request of the Parent Company is reclassified from equity to liabilities

Labor and finance costs are accounted for in administrative and selling expenses and actuarial loss (gain) is accounted for in equity as other comprehensive "ORI" income.

The Company accrues these benefits based on annual studies prepared by a firm of consulting actuaries. As indicated in the actuarial studies, the actuarial method used is that of "projected unit credit costing" and the provisions of the plan consider the compensation of the employee and other parameters established in the Labor Code.

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According to the actuarial studies contracted by the Company, the present value of the actuarial mathematical reserve of the employer's retirement as of March 31, 2025, and 2024, cover all employees and the summary is as follows:

	March 2025	March 2024
Present value of the actuarial mathematical reserve:		
Active employess with a length of service greater than 10 years	116,739	99,606
Active employess with a length of service of less than 10 years	27,050	43,884
	<u>143,789</u>	<u>143,490</u>

The liability corresponding to employees of more than 10 years constitutes the obligation assumed by the Company and those who worked with the Headquarters before the start of the Company's operations.

The rates used for the determination of reserves as at March 31, 2025, and 2024 are as follows:

	March 2025	March 2024
Discount rate	5.36%	5.05%
Wage increase rate	2.00%	2.00%
Table of mortality and disability	<u>IESS2002</u>	<u>IESS2002</u>

The sensitivity analysis for changes in discount rate and wage increase rates is as follows:

	March 2025	March 2024
Discount rate		
OBD variation (discount rate + 0.5%)	191,097	195,750
OBD variation (discount rate - 0.5%)	(210,830)	(217,766)
Wagen increase rate		
OBD Change (wage increasae rate+ 0.5%)	197,149	216,711
OBD Change (wage increasae rate- 0.5%)	(204,333)	(196,609)
Rotation		
OBD variation (Rotation + 5%)	196,934	202,367
OBD variation (Rotation - 5%)	<u>204,461</u>	<u>(210,506)</u>

The Company controls this risk by updating the actuarial valuation each year, therefore, variations between the actuarial rates and assumptions used and the changes occurring are adjusted on an annual basis.

NOTE 18 - EQUITY

Capital stock

0At March 31, 2025, and 2024 the authorized, subscribed and paid common shares are US\$3,576,357 shares of US\$ 1 each.

Accumulated net deficits

The balance of this account corresponds to the accounting losses net of profits, which must be absorbed by the Company's shareholders or by future net profits.

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Notes to the financial statements

Accounting losses differ from those declared in the tax reconciliation and mainly correspond to non-deductible expenses, which can be compensated for within the five tax periods following the one in which the loss occurred, provided that the amount compensated does not exceed 25% of the taxable income of the year in which the compensation is made.

In the case of termination - liquidation of the Company, before the end of the five-year period, the balance of uncompensated losses will not be deductible.

NOTE 19 – SALES AND COST SALES

The sales and sales for the years ended March 31, 2025, and 2024 constitute transactions made to your distributor for the sale of the products marketed by the Company and whose details are as follows:

	Sales		Cost of sales	
	March 2025	March 2024	March 2025	March 2024
Pharmaceutical line	5,461,722	5,354,565	1,333,770	1,750,167
Dermatological line	411,097	281,819	100,391	92,114
	<u>5,872,819</u>	<u>5,636,384</u>	<u>1,434,161</u>	<u>1,842,281</u>
Discounts	(332,756)	(364,064)		
Returns	<u>(2,004,226)</u>	<u>(2,015,419)</u>		
	<u>3,535,837</u>	<u>3,256,901</u>		

NOTE 20 – ADMINISTRATIVE AND SALES EXPENSES

A detail of administrative and sales expenses for the year ended on March 31, 2025, and 2024, are as follows:

	March 2025	March 2024
Salaries and social benefits	730,958	849,284
Professional services	394,900	355,970
Transportation	131,031	146,044
Marketing expenses	184,371	168,688
Taxes and contributions	136,772	85,647
Financial expenses	79,101	84,947
Inventory obsolescence	91,891	89,382
Management expenses	60,348	86,459
Depreciation and amortization	95,033	102,533
Insurance	56,663	55,443
Other expenses	57,951	30,506
Basic services	25,516	27,212
Professional fees	34,870	32,556
Travel expenses	26,137	54,512
Employer retirement and eviction	31,081	32,527
IFRS16	9,015	11,701
IFRS 15	<u>(25,489)</u>	<u>11,716</u>
	<u>2,120,149</u>	<u>2,225,127</u>

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NOTE 21 – INCOME TAX

The effects of income tax for the year 2024 and 2023 are as follows:

a) Income Tax Summary for the Year

The income tax expense for the years ending March 31, 2024 and 2023 is as follows:

	March 2025	March 2024
Current	-	43,986
Deferred	(2,915)	(202,353)
	<u>(2,915)</u>	<u>(158,367)</u>

b) Current income tax reconciliation

The income tax for the years ending March 31, 2024, and 2023 differs from the application of the 25% tax rate to accounting profits due to the following:

	March 2025		March 2024	
	Items amounts	Income tax	Items amounts	Income tax
Profit (Loss) before employee participation	448,073	112,018	(363,126)	(90,782)
Non-deductible expenses	6,229	1,557	50,599	12,650
Tax base and income tax	<u>454,302</u>	<u>113,575</u>	<u>(312,527)</u>	<u>(78,132)</u>
Withholdings at source for the fiscal year		(32,428)		(17,797)
Tax credit of previous year		<u>(160,865)</u>		<u>(223,745)</u>
Credit balance / Income tax payable		<u>(193,293)</u>		<u>(241,542)</u>

c) Deferred tax

A summary of the tax deferred as of March 31, 2025, and 2024 because of the additions and changes in the items is as follows:

Deferred tax items	Deferred tax asset			
	March 2024	Generation	Reverse	March 2025
Employer retirement and eviction	38,469	31,578	(18,748)	51,300
Inventory obsolescence	30,038	10,777	(26,523)	14,293
	<u>68,507</u>	<u>42,355</u>	<u>(45,271)</u>	<u>65,593</u>
Increase charge in results			<u>(2,915)</u>	

Deferred tax items	Deferred tax asset			
	March 2023	Generation	Reverse	March 2024
Employer retirement and eviction	38,737	11,519	(11,788)	38,469
Accumulated losses	177,252	43,436	(220,688)	-
Inventory obsolescence	70,515	16,930	(57,407)	30,038
	<u>286,504</u>	<u>71,885</u>	<u>(289,883)</u>	<u>68,507</u>
Decrease charge in results			<u>(217,997)</u>	

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The Internal Revenue Service, through Circular No. NAC-DGECCGC15-00000012, published in the Official Gazette Supplement No. 653 of December 21, 2015, states that for tax purposes, the accounting record of deferred tax assets and liabilities is allowed, only in the cases established by the regulations and in case of controversy between tax regulations and accounting and financial standards (IFRS). the former shall prevail.

Deferred tax assets and liabilities may be recovered or paid subsequently through tax reconciliation, they must be recognized in the balance sheet, in the respective amount and at the appropriate time, respecting the tax provisions in force and in the IFRS mentioned in this resolution.

d) Income Tax Matters

I Income Tax Rate

The current tax provisions establish the income tax rate of 25% in 2024 and 2023. The income tax rate is increased by three percentage points (3%) in the following cases:

- a) In the event that the company fails to comply with the duty to report the composition of its shareholders, partners, participants, taxpayers, beneficiaries or similar, in accordance with the provisions of the Internal Tax Regime Law and the resolutions of the Internal Revenue Service, without prejudice to other penalties that may be applicable; or
- b) When the owners of the respective capital rights have a resident owner, established or protected in a tax haven, lower tax jurisdiction or preferential tax regime and the beneficial owner is an Ecuadorian tax resident.

An additional increase of 3% will be applied to the entire taxable base, when the percentage of participation of the shareholders, partners, participants, constituents, beneficiaries or similar, by whom any of the causes has been incurred is equal to or greater than 50% of the participation of the nature of the company. When the participation is less than 50%, the rate of 28% will be applied proportionally to the taxable base that corresponds to said participation.

The income tax rate has a reduction of three (3%) percentage points (from 25% to 22%) for companies considered as micro and small enterprises or are regular exporters.

In the case of regular exporters, the reduction in the tariff will be applied provided that employment is maintained or increased in the corresponding fiscal year.

II Dividend distribution

The distribution of dividends or profits of resident companies or permanent establishments in Ecuador shall be subject to income tax withholding; only companies' resident in Ecuador are exempt.

The taxable income will be considered 40% of the dividend effectively distributed; in the case of natural persons resident in Ecuador, companies will apply a withholding rate of up to 25% on said taxable income and it will be part of their global income.

Distribution to non-resident individuals or companies will apply the general rate provided for non-residents (25%).

In the event that the distribution is made to non-tax residents in Ecuador and the beneficial owner is a natural person who is a tax resident in Ecuador, the withholding will be applied up to 25%.

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In the event that the company distributing the dividends fails to comply with the duty to report on its corporate composition, income tax will be withheld on the dividends that correspond to such non-compliance, with the maximum income tax rate applicable to natural people.

The capitalization and reinvestment of profits is not considered a distribution of dividends and is therefore exempt from income tax withholding.

The early distribution of dividends before the end of the financial year or granting loans of money to its partners, shareholders or any of its related parties (non-commercial loans), will be considered as an advance payment of dividends and therefore the corresponding withholding must be made at the corporate income tax rate in force for the current year. on the amount of such payments. The withholding must be declared and paid the month after it is made and will constitute a tax credit for the

III Foreign Exchange Outflow Tax

The tax on the outflow of foreign currency is levied on the following:

- The transfer or transfer of foreign currency abroad.
- Payments made from abroad, including those made with financial resources abroad of the natural person or the company or of third parties.
- Imports pending payment registered for more than twelve (12) months.
- Exports of goods and services generated in Ecuador, made by natural persons or companies domiciled in Ecuador, when the foreign currency corresponding to the payments for such exports does not enter Ecuador within 180 days.

The following are exempt from the tax on the outflow of foreign currency, among others:

- Payments made abroad for the amortization of principal and interest on loans granted by international financial institutions or specialized non-financial entities, with a term of more than 180 days, intended to finance investments provided for in the Organic Code of Production, Trade and Investment and which accrue interest at the reference rates. The credit must be registered with the Central Bank of Ecuador.
- Dividends distributed by national or foreign companies domiciled in Ecuador, after payment of income tax, in favor of other foreign companies or non-resident natural persons in Ecuador. This exemption does not apply when dividends are distributed in favor of foreign companies of which, in turn, within their chain of ownership, the natural persons or companies resident or domiciled in Ecuador that are shareholders of the company distributing the dividends directly or indirectly possess rights representing capital.

The Foreign Exchange Exit Tax (ISD) may be used as a tax credit for the determination of income tax for up to 5 years, if it has originated in the importation of raw materials, inputs and capital goods in order to be incorporated into production processes, which appear in the list issued by the Tax Policy Committee.

Executive Decree 468 of December 1, 2024, of the President of the Republic modified the rate of the Tax on the Exit of Foreign Currency (ISD) for the fiscal year 2025, for payments abroad for imports of goods that will be defined by ministerial agreement by the Ministry of Economy and Finance. The Decree modifies the tariff for imports of the tariff subheadings that will be determined by ministerial agreement, and establishes the following:

- a. For tariff subheadings of pharmaceutical products, the rate is 0%
- b. For tariff subheadings of other productive sectors, the rate is 2.5%

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The Single Transitory Provision, and to mitigate the effects of the energy crisis, for the months of January, February and March 2025, sets the ISD rate at 0%, for the tariff subheadings that will be determined by ministerial agreement.

Ministerial Agreement No. 047 of December 24, 2024, issued by the Ministry of Economy and Finance, established the list of tariff subheadings that will benefit from the reduction of the rates of the Foreign Exchange Exit Tax (ISD) of 2.5% for imports of goods that are identified that correspond to sectors other than pharmaceuticals.

ISD payments other than the percentages are taxed at 5% and the ISD payment made for imports of goods and others will not give the right to a tax credit.

IV Transfer pricing

The current tax regulations incorporate the arm's length principle for transactions carried out with related parties. For its part, the Internal Revenue Service requests that the company prepare and submit a transfer pricing study and an annex of operations, among others, for those companies that have had operations with related parties domiciled abroad and local (depending on certain considerations) in the same fiscal period and whose accumulated amount is greater than US\$10,000,000; if the accumulated amount is within the range between US\$3,000,000 and US\$10,000,000, there is only an obligation to submit an annex. The tax provisions include as related parties companies domiciled in tax havens.

The tax reforms eliminated the exemption for those companies that paid an income tax equivalent to 3% on total income.

The cumulative amount of the Company's transactions with related parties during the fiscal year 2024 don't exceed the accumulated amount mentioned above, for which reason the Company don't is obliged to submit the annex of transactions with related parties to the tax control agency Internal Revenue Services (SRI).

V Value Added Tax – VAT

The Organic Law to Confront the Internal Armed Conflict, the Social and Economic Crisis published on March 12, 2024, established the increase of VAT on the VAT rate from 12% to 13%; and, additionally, it allows the President of the Republic, prior by decree and the approval of the governing body of public finances, to increase the rate to 15%.

Executive Decree 198 modified the general rate of Value Added Tax - VAT, from 13% to 15%, for the year 2024, as of April 1, 2024. In addition, it establishes the special rate of 8% on holidays and only applies to the tourism sector.

Additionally, on March 28, 2024, the Internal Revenue Service – SRI issued Resolution No. NAC-DGERCGC24-0013, which establishes the list of construction materials taxed at a rate of 5% Value Added Tax – VAT.

VI Temporary Security Contribution - CTS

Supplement No. 16 of the Official Gazette of March 12, 2024, which issued the Organic Law to Confront the Internal Armed Conflict, the Social and Economic Crisis established a Temporary Security Contribution (CTS) for the fiscal years 2024 and 2025, so this contribution must be paid by companies and tax residents in Ecuador, who obtained taxable income during the 2022 tax year, the rate of this contribution is 3.25% and the taxable base will be the profits taxed with income tax for the 2022 tax year.

As of December 31, 2024, the Company has paid US\$12,907.

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VII Tax Reviews

The Organic Law for Economic Development and Fiscal Sustainability after the Covid-19 pandemic (November 29, 2021), established that the Tax Administration has the power to review income tax returns, within a period of up to four years from the date of filing the return. With regard to the fiscal years prior to the entry into force of the aforementioned Law, the determining power of the Tax Administration corresponds to three years from the date of filing the return and up to six years when all or part of the tax has not been declared.

The Company does not have determination review processes with the Internal Revenue Service – SRI and as of December 31, 2024 and 2023 it has the aforementioned review periods open.

VIII Other tax reforms

The different laws issued in 2023 and 2024 have established the following changes to the payment of income tax:

1. On December 20, 2023, the Organic Law on Economic Efficiency and Employment Generation was published in the Supplement to Official Register 461, which included new provisions and reforms to several regulatory bodies and the modifications to the Internal Tax Regime Law and the main reforms introduced in the aforementioned legal body are:
 - a) Tax stability is granted for a period of 5 years, with respect to the income tax regime, for taxpayers who increase the corresponding Income Tax rate by 2% during the validity of this provision.
 - b) Reduction of 8% or 10% for taxpayers who reinvest their profits, in Ecuador, in projects or programs for the care of persons with disabilities.
 - c) Additional deductions were established from the expenses of wages and salaries on which contributions are made to the social security of:
 - 50% for the net increase in new jobs for young people among the 18 and 29 years old, as well as for people obliged to pay alimony.
 - 75% if the new jobs are for young people between the ages of 18 and 29 who have graduated from public universities and technical, technological, pedagogical, arts and higher conservatories institutes or from public, municipal or public educational institutions.
 - 75% for taxpayers who generate a net increase in jobs for the construction and agriculture sector.
 - 75% for the net increase in jobs for people who have served a custodial sentence of more than one year, or their spouses or partners in a de facto union.
 - 50% if the new jobs are intended for people who have been deprived of liberty without an enforceable conviction.
 - d) The exemption for the application of the transfer pricing regime was eliminated when the income tax paid is equivalent to 3% of the total taxed income.
 - e) Depreciation and expenses for vehicles over \$35,000 are not deductible, except for electric vehicles.

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2. Organic Law to promote the Violet Economy, published in the First Supplement of the Official Gazette No. 234, dated January 20, 2023, allows a deduction of up to 140% of the values paid to the IESS for the jobs generated to strengthen, promote, guarantee and execute the mainstreaming of the gender and multiculturalism approach through the generation of incentives and public policies that encourage the civilian population to potentiate of women in their diversity, mainly for those who have been victims of violence, or are in a situation of vulnerability women belonging to the different peoples and nationalities duly recognized, this deduction came into force on January 1, 2024.
3. Among other reforms we have the following:
 - (a) The elimination of depreciations in annual percentages is greater than those indicated in the Regulations for the Application of the Tax Regime Law.
 - (b) The loss or discount generated in the sale of financial assets corresponding to trade credits or portfolios that are traded outside the stock market or with related parties will not be deductible.
 - (c) Expenses for royalties, technical, administrative and consulting services paid by companies domiciled or not in Ecuador to their related parties will be deductible up to an amount equivalent to 5% of the taxed income, with exceptions established in the Law and Regulations of Application of the Tax Regime.
 - (d) The interest generated by fixed-term deposits and fixed-income investments issued for a term of 180 calendar days or more and these are in the holder's possession for at least 180 days continuously.
 - (e) Income generated by investments in commercial investment trusts, managed or collective investment funds and complementary funds, when the minimum period of permanence of the investments established in the constitutive agreement is 180 calendar days or more, and the owner of the units or quotas maintained these investments for at least the same period indicated continuously.
 - (f) The profits received by taxpayers resident or not in the country, as a result of the direct or indirect sale of shares, participations, other rights representing capital or other rights that allow exploration, exploitation, concession or similar, carried out on Ecuadorian stock exchanges, are considered as exempt income up to an annual amount of 50 basic taxed fractions; provided that the amount transferred is less than 25% of the capital subscribed and paid by the company. In the event that the negotiated percentage is greater than 25%, the payment of the single tax is 5%.
 - (g) The additional 100% on the values from the depreciation and amortization of machinery, equipment and sustainable construction technologies to the extent that they comply with the technical parameters and conditions established in the regulations issued by the environmental authority.
 - (h) An additional 150% of advertising and sponsorship expenses made in favor of athletes, sports programs and projects.
 - (i) The deduction of an additional 150% on values that are given for the granting of scholarships or aid to low-income students in dual training and third or fourth level educational institutions.
 - (j) The deduction of an additional 150% for expenses assumed for sponsorships and sponsorships made to educational entities at the basic and high school level for scholarships, food, infrastructure, in public and public schools and colleges.

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- (k) Expenses for private contributions for the promotion of the arts and innovation in culture will be deductible up to an additional 150%.
 - (l) The additional 100% of the expenses for donations, investments, and/or sponsorships that are destined in favor of programs, funds and projects of prevention, protection, conservation, restoration and environmental reparation qualified by the national environmental authority or whoever it designates, in accordance with the technical regulations issued for that purpose; provided that it does not exceed 10% of the gross annual income received in the previous tax year by the taxable investor, sponsor and/or donor.
 - (m) The exemptions considered as exempt income are eliminated:
 - The exemption from the payment of Income Tax for the development of new and productive investments.
 - The exemption for new and productive investments in the economic sectors is determined as basic industries.
 - Exemption from payment of income tax for new microenterprises.
4. The Supplement to the Official Register No. 475 of January 11, 2024 published the Organic Law on Energy Competitiveness, establishes the following as of 2025:
- a) Deductions for new grids or infrastructure to absorb energy demand from commercial customers.
 - b) The 0% VAT rate only for electric vehicles and equipment for generation, photovoltaic and wastewater treatment.
 - c) Contribution of 1% on the value of the license plate for those vehicles that are not electric.

NOTE 22 – COMMITMENTS AND CONTINGENCIES

Commitment

As of March 31, 2025, it maintains an exclusive distribution agreement in force signed by the Company and is as follows:

- In November 2019, the Company entered into a lease agreement with Ekopark for 1 office and 5 parking lots for a term of 10 years, with a monthly fee of US\$4,858 for the offices and US\$935 for the parking lots.
- In October 2023, the Company renewed the Conware contract for the rental of technological equipment for a term of 3 years and a monthly fee of US\$1,125.
- The Company entered into an agreement with Leterago del Ecuador S. A., for the commercialization of inventories with a term starting January 2023 for 48 months, in which it is granted the exclusive right of commercial distribution for the private pharmaceutical market, of all current and future products; of its own manufacture or of third parties of domestic or imported manufacture, with its own brands or generics, of all its lines.

In addition, the Company has an agreement with Banco de Guayaquil for the "Supplier Confirming" credit card. This type of financial service consists of managing the collections that the Company maintains with Leterago and the possibility of collecting prior to its due date by applying a fixed annual interest rate of 9.33% that will be calculated on the financed capital.

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Contingencies

As of March 31, 2025, and 204 the Company has no lawsuits or claims that must be disclosed or provisioned.

NOTE 23 - SUBSEQUENT EVENTS

Between March 31, 2025, and the date of issuance of these financial statements, May 1, 2025, no events occurred which, in the opinion of the company's administration, could have a significant effect on those financial statements that have not been Revealed in them or in their notes.

Douglas Cadena
Special Attorney

Silvia Moreno
Accountant

David Sandoval
Financial Controller