# Financial Statements

**December 31, 2023**

FUNDAÇÃO BUTANTAN
Gestão é uma ciência

**Table of Contents**

São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1.909
Vila Nova Conceição
04543-011 – São Paulo – SP – Brazil

Phone: +55 11 2573-3000
ey.com.br

# Independent auditors' report on the financial statements

**A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil.**

To the directors and managers of
**Fundação Butantan.**
São Paulo - SP

## Opinion

We have audited the financial statements of Fundação Butantan ("Foundation"), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the fiscal year then ended, and the corresponding notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Foundation's financial position as of December 31, 2023, and its financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

## Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. 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 Foundation in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Emphasis - audit of the corresponding figures

The Foundation's financial statements for the fiscal year ended on December 31, 2022, were audited by another independent auditor who issued an unmodified report dated March 13, 2023.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation'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 either intends to liquidate the Foundation and its subsidiary or to cease operations, or has no realistic alternative but to do so.

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

**Auditors' responsibilities for the audit of the financial statements**

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

As part of the audit conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluded on the appropriateness of 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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Foundation to cease to continue as a going concern.

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

- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Foundation and its subsidiary to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit and, consequently, for the audit opinion.

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

São Paulo, March 8, 2024

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC SP-034519/O

Felipe Safra Dória de Azevedo
Accountant CRC-1SP264144/O-0

## Balance Sheet

| Asset | Note | 2023 | 2022 |
|---|---|---|---|
| **Current** | | | |
| Cash and cash equivalents | 4 | 3,648,763 | 3,427,364 |
| Resources from partnerships with third parties (Agreements) | 5 | 38,786 | 34,830 |
| Accounts receivable | 6 | 244,738 | 57,857 |
| Inventories | 7 | 842,062 | 853,194 |
| Other accounts receivables | 8 | 3,970 | 11,354 |
| **Total current assets** | | **4,778,319** | **4,384,599** |
| **Noncurrent** | | | |
| Deposits in court | 16 | 312 | 299 |
| Property, plant, and equipment | 9 | 1,766,600 | 1,587,512 |
| Intangible assets | 10 | 109,706 | 96,809 |
| **Total noncurrent assets** | | **1,876,618** | **1,684,620** |
| **Total assets** | | **6,654,937** | **6,069,219** |

| Liability | Note | 2023 | 2022 |
|---|---|---|---|
| **Current** | | | |
| Suppliers | 11 | 350,759 | 399,634 |
| Labor and social obligations | 12 | 82,303 | 74,671 |
| Tax obligations | 13 | 36,880 | 882 |
| Partnerships with third parties (Agreements) | 14 | 38,786 | 34,830 |
| Lease-purchase agreement | 15 | 3,379 | 3,248 |
| Other accounts payable | | 8,557 | 12 |
| **Total current liabilities** | | **520,664** | **513,277** |
| **Noncurrent** | | | |
| Provision for contingencies | 16 | 5,413 | 6,048 |
| Lease-purchase agreement | 15 | 915 | 4,280 |
| Partnerships with third parties (Agreements) | 14 | 91,703 | 117,600 |
| **Total noncurrent liabilities** | | **98,031** | **127,928** |
| **Equity** | | | |
| Owners' equity | 18 | 5,428,017 | 5,721,706 |
| Surplus (deficit) for the year | 18 | 608,228 | (293,692) |
| **Total equity** | | **6,036,242** | **5,428,014** |
| **Total liabilities** | | **6,654,937** | **6,069,219** |

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

FUNDAÇÃO BUTANTAN
Gestão é uma ciência

# Statement of Income

| | Note | 2023 | 2022 |
|---|---|---|---|
| Internal market | | 3,157,150 | 2,486,987 |
| Foreign market | | 136,936 | 29,498 |
| Revenues from agreements | | 31,262 | 3,863 |
| Other operating revenue | | 26,555 | 102,486 |
| Volunteer work | | 960 | 151 |
| Returns and rebates | | (341,738) | (247) |
| **Net revenue** | **19** | **3,011,125** | **2,622,738** |
| Cost of products and merchandise sold | 20 | (1,538,050) | (1,833,142) |
| **Gross Profit** | | **1,473,075** | **789,596** |
| **Operating expenses** | | | |
| General and administrative expenses | 21 | (1,054,714) | (936,762) |
| Expenditure on agreements | 19 | (31,262) | (3,863) |
| Other net revenue and expenses | 22 | (13,798) | (237,993) |
| Volunteer work | 19 | (960) | (151) |
| **Income before financial revenue and expenses** | | **372,341** | **(389,173)** |
| Financial income | 23 | 503,709 | 414,427 |
| Financial expense | 23 | (267,822) | (318,946) |
| **Surplus (deficit) for the year** | **18** | **608,228** | **(293,692)** |

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

# Statement of Comprehensive Income

| | 2023 | 2022 |
|---|---|---|
| Surplus (deficit) for the year | 608,228 | (293,692) |
| Other comprehensive income | - | - |
| **Total** | **608,228** | **(293,692)** |

FUNDAÇÃO BUTANTAN
Gestão é uma ciência

# Statement of Changes in Equity

| | Shareholders' equity | Surplus (deficit) for the year | Total equity |
|---|---|---|---|
| **Balance as of December 31, 2021** | **3,143,052** | **2,578,654** | **5,721,706** |
| Incorporation of the previous fiscal year's surplus (deficit) | 2,578,654 | (2,578,654) | - |
| Deficit for the year | - | (293,692) | **(293,692)** |
| **Balance as of December 31, 2022** | **5,721,706** | **(293,692)** | **5,428,014** |
| Incorporation of the previous fiscal year's surplus (deficit) | (293,692) | 293,692 | **-** |
| Surplus for the year | **-** | 608,228 | **608,228** |
| **Balance as of December 31, 2023** | **5,428,014** | **608,228** | **6,036,242** |

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

# Statement of Cash Flow

| | 2023 | 2022 |
|---|---|---|
| **Cash flow in operating activities** | | |
| Surplus (deficit) for the fiscal year | 608,228 | (293,692) |
| **Adjustments due to:** | | |
| Provision for losses in the recoverable amount of accounts receivable | - | 214 |
| Provision for inventory losses | 118,723 | 292,069 |
| Depreciation and amortization | 146,366 | 72,463 |
| Cost of property, plant, and equipment written-off | 1,691 | 7,989 |
| Provision for contingencies | (635) | 1,288 |
| Provision for exchange rate change | (2,978) | (77,612) |
| | **871,395** | **2,719** |
| **Change in operating assets and liabilities (increase) decrease in assets:** | | |
| Resources from partnerships with third parties (agreements) | (3,955) | (4,058) |
| Accounts receivable | (186,881) | 274,610 |
| Inventories | (107,591) | 923,336 |
| Other accounts receivables | 7,384 | 9,717 |
| Deposits in court | (13) | 44,904 |
| **increase (decrease) of liabilities:** | | |
| Suppliers | (45,897) | (1,023,640) |
| Labor and social obligations | 7,631 | 17,449 |
| Tax obligations | 35,999 | 40 |
| Other accounts payable | 8,544 | 14 |
| Partnerships with third parties (agreements) | (21,941) | (3,164) |
| Lease-purchase agreement | 503 | 10,468 |
| | **(306,217)** | **249,676** |
| **Net cash from operational activities** | **565,178** | **252,395** |
| **Cash flow from investing activities** | | |
| Property, plant, and equipment additions | (316,389) | (562,976) |
| Additions to intangible assets | (23,654) | (66,457) |
| **Cash used in investment activities** | **(340,043)** | **(629,433)** |
| **Cash flow from financing activities** | | |
| Amortization of leases | (3,736) | (2,940) |
| **Cash flow used in financing activities** | **(3,736)** | **(2,940)** |
| **Net increase (reduction) in cash and cash equivalent** | **221,399** | **(379,978)** |
| At the beginning of the fiscal year | 3,427,364 | 3,807,342 |
| At the end of the fiscal year | 3,648,763 | 3,427,364 |
| **Increase (decrease) of cash and cash equivalent** | **221,399** | **(379,978)** |

The cash flow statements were prepared using the indirect method and are being presented in accordance with CPC 03 (R2) - Statement of Cash Flow.

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

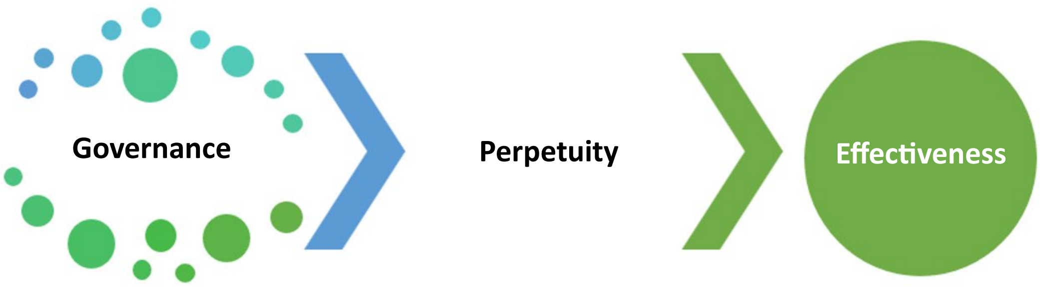
# 1. Operational Context

Fundação Butantan ("Foundation") is a private, non-profit legal entity, created on May 31, 1989, by public deed registered on August 9, 1989, under No. 133.326, before the 3rd Civil Registry Office of Legal Entities of São Paulo.

Set up by private individuals (sponsors), with their own resources, in accordance with article 24 of the revoked Civil Code of 1916, corresponding to article 62 of the new Civil Code, which deals with the establishment of private law foundations, Fundação Butantan has administrative, operational, and financial autonomy, with indefinite duration, to fulfill its objective of supporting and collaborating with Instituto Butantan in scientific, technological, and cultural development, the production and distribution of immunobiologicals and other products of public or social interest.

In November 2022, a Strategic Alliance Contract was signed between the State of São Paulo, Fundação Butantan, and Instituto Butantan with the aim of promoting research, innovation, and development activities, as well as the production of vaccines, serums, and other biopharmaceuticals, advanced therapies, and the generation of new products, services, and processes in the health area. This document contains the objectives to be achieved during its 60-month term, with the possibility of an extension for a further 120 months. This is an important milestone in regulating and formalizing the activities of Instituto Butantan and Fundação Butantan, clearly defining the Foundation's support for Instituto Butantan's activities, contributing not only to the pharmaceutical industry but also having a positive impact on public health.

Significant initiatives and transformations marked the year 2023. In February of this year, with the appointment of Saulo Simoni Nacif as the Foundation's Executive Officer, transformational agendas were implemented based on the management vision and strategy of the executive and the team he appointed to manage the Foundation. The pillars of governance, perpetuity, and effectiveness, detailed in the figure below, were then defined as the foundations:




Implementation of a governance model in the organization to ensure greater transparency and accountability both internally and with regulatory bodies, with a focus on:

- **Compliance**
- **Transparency**
- **Internal controls**
- **Accountability**
- **Audit**

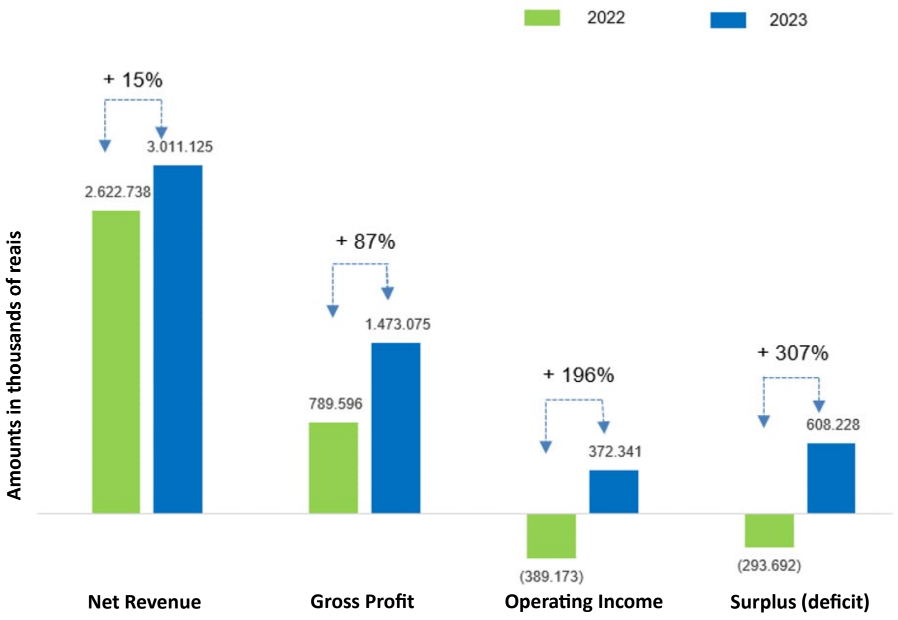
Reassessment of business priorities and investments to promote growth and sustainability, focused on:

- **Customer decentralization**
- **Product diversification**
- **Technological mastery**

Transformation of the organization's processes and operations in order to ensure better management and allocation of resources:

- **Return on investment (ROI)**
- **Efficiency**
- **Effectiveness**

We highlight the main financial indicators showing the evolution of the Foundation's performance and results in fiscal year 2023 compared to the same period in 2022:




In line with the new management model, this year, we completed the implementation of SAP tools: S/4 Hana, SuccessFactors, WorkForce, SolutionManager, Qualtrics, and Enable Now, as well as NTT Data's Guepardo tax software.

Over the years, Fundação Butantan has signed contracts to supply the various immunobiologicals patented and developed by Instituto Butantan. Within this context, in 2023, Fundação Butantan executed several contracts with the Ministry of Health to supply vaccines and hyperimmune serums for the National Immunization Program (PNI), in particular, the Influenza vaccine and the 12 types of hyperimmune serums produced by the Foundation. The policy of diversifying customers was also continued, for example by starting to sell to foreign markets: PAHO (Pan American Health Organization), UNICEF, Doctors without Borders, as well as the private market with sales to SESI.

The PDP (Productive Development Partnerships) programs between the Ministry of Health, Butantan, and partner pharmaceutical industries continued, in particular bringing the technological transfer of the HPV, Hepatitis A, DTPa (Diphtheria, Tetanus, and Pertussis acellular) vaccines and the Adalimumab drug to Brazil.

The search for profitability, efficiency, and cost reduction was a major focus during the year. The scope of contracts was reviewed, various purchase and sales contracts were renegotiated, and the corporate purchasing and Continuous Improvement areas were strengthened with the implementation of the Six Sigma methodology.

The main investments made during the year focused on the construction of the Multi-Purpose Vaccine Production Center (CPMV), the Refrigerated Storage Center (CAR), the start of the new Serum Production Center, the Gas Generation Plant, and the New Central Bioterium, as well as underground infrastructure works, both at the Butantan Complex and at Fazenda São Joaquim. Financial feasibility analyses of new projects began to be carried out for the Foundation’s main investments.

Among the governance and transparency actions, the work of the Finance and Controlling Department was expanded, the Compliance, Internal Controls, and Risks Department was created, and the process of hiring an External Audit and Risks Committee began. A new Supervisory Board, composed of independent members specializing in accounting or law, was appointed in April 2023. The Code of Ethics and Conduct was revised, and the Ombudsman Channel and Integrity Committee were reformulated.

Butantan's projects were included in the Program for the Development of the Health Industrial Complex (PROCIS), which seeks to strengthen public producers. The funds will be invested in a messenger RNA platform, one of the most advanced techniques for developing immunizers, and in expanding serum production capacity with the creation of a new filling and freeze-drying area (see note 17).

## 2. Basis of Presentation of The Financial Statements

### 2.1 Statement of Compliance

The financial statements were prepared in accordance with the accounting practices adopted in Brazil applicable to not-for-profit entities, Technical Interpretation (ITG 2002 - R1) Not-for-Profit Entity, and NBC TG 1000 (R1) Accounting for Small- and Medium-sized Entities for aspects not covered by ITG 2002 (R1) Not-for-Profit Entities.

The Management authorized the issuance of these financial statements on March 8, 2024.

### 2.2 Basis of Measurement

The financial statements have been prepared based on historical cost, except for financial instruments recorded through profit or loss, which are measured at fair value.

### 2.3 Material Information on Accounting Policies

The accounting policies have been applied consistently to all fiscal years and periods presented in these financial statements.

Assets, liabilities, revenues, and expenses are calculated on an accrual basis. Revenues from sales and services are recognized in the statement of income in accordance with the requirements of the applicable standard.

### 2.3.1 Functional Currency

These financial statements are presented in reais (BRL), the Foundation's functional currency. Unless otherwise noted, all balances were rounded to the nearest thousand.

### 2.3.2 Transactions and Balances

Transactions are translated into the Foundation's respective functional currencies at the exchange rates in effect on the date of the transactions.

Monetary assets and liabilities denominated and calculated in foreign currencies on the reporting date are translated into the functional currency at the exchange rate calculated on that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in income or loss.

#### 2.3.3 Noncurrent Assets and Liabilities

These comprise assets and rights that are realizable and duties and obligations that the Foundation owns and does not expect to be converted into cash or paid in the short term (up to 12 months following the base date of these financial statements or the operating cycle, whichever is the shorter), plus the corresponding charges and monetary variations incurred, if applicable, up to the balance sheet date.

#### 2.3.4 Financial Assets and Liabilities

##### 2.3.4.1 Financial Assets

Financial assets are classified into the following categories: (i) at fair value through other comprehensive income (FVOCI); (ii) amortized cost; and (iii) at fair value through profit or loss (FVPL). The classification is based both on the entity's business model for managing the financial asset and on the characteristics of the financial asset's contractual cash flows.

Financial assets at fair value through comprehensive income.

A financial asset is measured at fair value through comprehensive income if it meets the "SPPI" criterion, i.e., cash flows consisting exclusively of principal and interest payments outstanding. It is held within a business model whose objective is to both collect contractual cash flows and sell the financial asset.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of income. Other net income is recognized in "Other comprehensive income."

##### 2.3.4.2 Amortized Cost

They are initially recognized at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method. Interest expenses are recognized based on the yield.

##### 2.3.4.3 Financial Assets at Fair Value through Profit or Loss

A financial asset is measured at fair value through profit or loss when it does not meet the classification criteria of the other categories or when, on initial recognition, it is designated to eliminate or reduce accounting mismatch.

##### 2.3.4.4 Financial Liabilities

Financial liabilities are measured at amortized cost.

#### 2.3.4.5 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are, by default, measured at amortized cost, except (i) financial guarantee contracts, (ii) commitments to assign loans at below-market interest rates, (iii) financial liabilities that arise when the transfer of the financial asset does not qualify for derecognition or when the continuing involvement approach is applicable. A financial liability will be measured at fair value through profit or loss when it eliminates and/or significantly reduces the accounting mismatch or if the liability group is managed at fair value.

#### 2.3.4.6 Impairment at Recoverable Amount

The Foundation calculates provisions for expected credit losses on financial assets measured at amortized cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Foundation considers reasonable and supportable information that is relevant and available at no cost or excessive effort. This includes quantitative and qualitative information and analysis based on the Foundation’s historical experience, credit evaluation, and forward-looking information.

An asset has lost its recoverable amount if objective evidence indicates that a loss event occurred after the initial recognition of the asset and that the loss event had a negative effect on projected future cash flows that can be reliably estimated.

Objective evidence that financial assets have lost value may include non-payment or late payment by the debtor, restructuring of the amount owed to the Foundation on terms that the Foundation would not consider in other transactions, indications that the debtor or issuer will enter bankruptcy proceedings or the disappearance of an active market for a security.

In applying the impairment test, the carrying amount of an asset or cash-generating unit is compared with its recoverable amount. The recoverable amount is the higher of an asset’s net sale value and its value in use. Considering the particularities of the Foundation’s assets, the recoverable amount used to assess the impairment test is the value in use unless specifically indicated. This value in use is estimated based on the present value of future cash flows, the result of the Foundation's best estimates.

##### 2.3.4.6.1 Nature of the Impairment Assessment:

The Foundation periodically assesses its assets to determine whether there is any indication of devaluation that could impact its recoverable amount. This assessment is conducted in accordance with the Foundation’s accounting policies, which are in line with the applicable international accounting standards.

##### 2.3.4.6.2 Recognition Criteria:

Impairment is recognized when there is objective evidence that the carrying amount of an asset or group of assets is greater than its recoverable amount. This evidence may include significant changes in the operating, economic, legal, regulatory, or technological environment that affect the asset's ability to generate cash.

**2.3.4.6.3 Assessment Method:**

The Foundation uses different methods to determine the recoverable amount of its assets, including the present value method of expected future cash flows, comparison with similar market values or fair value less costs of disposal. The choice of the appropriate method depends on each asset's specific characteristics.

**2.3.4.6.4 Impairment Measurement:**

When it is determined that an asset or group of assets is impaired, the impairment amount is recognized as an expense in the statement of income for the period. The impairment amount is calculated as the difference between the asset's carrying amount and its recoverable amount.

**2.3.4.6.5 Impairment Reversal:**

If the circumstances that led to the recognition of the impairment change and the recoverable amount of an asset increases, the impairment recognized in previous periods can be reversed, provided that it does not exceed the carrying amount that would have been determined if the impairment had not been recognized.

The Foundation's Management identified evidence justifying the constitution of a provision included in the following Explanatory Notes:

- ✓ **Note 6** - Trade accounts receivable
- ✓ **Note 7** - Inventory
- ✓ **Note 9** - Property, plant, and equipment

**2.3.5 Accounting Assumptions, Estimates, and Judgments**

The preparation of financial statements in accordance with accounting practices adopted in Brazil applicable to Not-for-Profit Entities (ITG 2002 - R1) requires Management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. The actual results may differ from these estimates.

Estimates and assumptions are continuously reviewed. Revisions regarding accounting estimates are recognized in the period in which estimates are reviewed and in any future periods affected.

Information about uncertainties regarding assumptions and estimates that have a significant risk of resulting in a material adjustment within the next fiscal year are included in the following explanatory notes:

- ✓ **Note 6** - Accounts receivable from customers (provision for expected losses on accounts receivable from customers);

- ✓ **Note 7** - Inventories (provision for loss in recoverable amount of inventories);
- ✓ **Note 8** - Other accounts receivable (provision for loss on advances to suppliers);
- ✓ **Note 9** - Property, plant, and equipment (depreciation rates, useful life of fixed assets, and impairment);
- ✓ **Note 13** - Tax obligations (provision for income tax on financial investments);
- ✓ **Note 16** - Provision for contingencies.

# 3. New Pronouncements

During the 2023 fiscal year, the Accounting Pronouncements Committee (CPC) issued a revision of the standards below, which were already in force in the 2023 fiscal year:

| Standard | Description | Amendment \| Enhancement |
|---|---|---|
| CPC 50 | (IFRS 17) Insurance Contracts | The standard describes the general model, modified for insurance contracts with direct participation characteristics, using the variable rate approach. If certain criteria are met, the general model is simplified, measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the value, timing, and uncertainty of future cash flows and explicitly measures the cost of this uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. |
| IAS 1 | Presentation of Financial Statements | The requirements of IAS 1 regarding the disclosure of accounting policies have been modified, replacing all examples of the term "main accounting policies" with "material accounting policy information." |
| IFRS Practice Statement 2 | Making Materiality Judgments | Examples have been included to explain and demonstrate the application of the 'four-step materiality process' described in Practice Statement 2. |
| IAS 8 | Accounting Policies, Changes in Estimates, and Rectification of Errors - Definition of Accounting Estimates | The definition of accounting estimates has replaced the definition of change in accounting estimates. According to the new definition, Financial Statements are "monetary amounts in the financial statements that are subject to measurement uncertainty." The definition of change in accounting estimates has been excluded. |

The changes have been evaluated and there is no effect on its financial statements in terms of their application.

In addition, the IASB issued a review of existing pronouncements, which came into force on January 1, 2024, with the convergence of the pronouncements issued by the CPC:

| Standard | Description |
|---|---|
| Amendments to IFRS 10/CPC 36 (R3) and IAS 28/CPC 18 (R2) | Sale or Contribution in the form of Assets between an Investor and its Affiliate or Jointly Controlled Company |
| Amendments to IAS 1 / CPC 26 (R1) | Classification of Liabilities as Current or Noncurrent Changes to IAS 1 Noncurrent Liabilities with Covenants |
| Amendments to IAS 7 and IFRS 7 | Supplier Financing Agreements |
| Amendments to IFRS 16 | Lease liability in a Sale and Leaseback transaction. |

These changes will only be valid for periods beginning on or after January 1, 2024, and will be applied retrospectively. The Foundation does not expect the adoption of the standards listed above to have a material impact on the financial statements in future periods.

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

FUNDAÇÃO BUTANTAN
Gestão é uma ciência

# 4. Cash and Cash Equivalents

| | 2023 | 2022 |
|---|---|---|
| Banks | 645 | 537 |
| Investments | 3,648,118 | 3,426,827 |
| **Total** | **3,648,763** | **3,427,364** |

The Foundation's cash corresponds to available bank deposits, with cash equivalents consisting of short-term financial investments. Cash and cash equivalent balances are financial instruments with their fair value recognized through profit or loss (FVPL), recognizing interest according to the term incurred. The fair value of this financial instrument at this date is equivalent to the carrying amount.

***Accounting Policy***

Cash and cash equivalents comprise cash balances and financial investments with an original maturity of three months or less from the date of contracting without fixed terms for redemption, with immediate liquidity. They are subject to an insignificant risk of change in value and are used in the management of short-term obligations.

# 5. Resources from Partnerships with Third Parties (Agreements)

| | 2023 | 2022 |
|---|---|---|
| Banks | 240 | 2 |
| Investments (a) | 38,546 | 34,828 |
| **Total** | **38,786** | **34,830** |

**(a)** Restricted funds from partnerships are invested in the financial market in accordance with the policy established in each agreement.

***Accounting Policy***

Funds from partnerships with third parties comprise balances in bank accounts and financial investments linked to the agreements.

# 6. Accounts Receivable

| | 2023 | 2022 |
|---|---|---|
| National | 247,144 | 67,997 |
| International | 8,160 | 426 |
| Allowance for doubtful accounts | (10,566) | (10,566) |
| **Total** | **244,738** | **57,857** |

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

The Foundation makes an allowance for losses in the recoverable amount of accounts receivable when there are an official notification to non-regular customers.

The balance of "accounts receivable from customers" by maturity period is shown below:

| | 2023 | 2022 |
|---|---|---|
| Not overdue | 197,402 | 169 |
| **Overdue:** | | |
| From 1 to 30 days | 42,119 | 57,374 |
| From 31 to 60 days | 2,544 | - |
| Due for over 61 days | 13,239 | 10,880 |
| **Total** | **255,304** | **68,423** |

There was no change in the provision for losses in recoverable amount (PECLD) relating to accounts receivable during the fiscal year 2023, with the amount remaining at BRL 10,566. All the amounts recorded in accounts receivable over 61 days past due, with the exception of the accrued amount, were received before the publication of this financial statement.

***Accounting Policy***

Accounts receivable from customers correspond to amounts receivable mainly from the Ministry of Health and other customers for the sale of products (vaccines, serums, and medicines). Accounts receivable from customers are recorded and maintained on the balance sheet at the nominal value of the invoicesrepresenting these credits and segregated between current and noncurrent according to maturity terms.

Estimated credit losses are recognized based on the analysis of accounts receivable from customers in an amount deemed sufficient to cover probable losses when realized, according to criteria defined by Management (expected loss), basically represented by the individual analysis of overdue accounts receivable, if any. Outstanding customer receivables are monitored frequently by the executive board. For situations in which risks of realization are identified, the full amounts of overdue debts are provisioned.

# 7. Inventories

| | | 2023 | 2022 |
|---|---|---|---|
| Finished product | | 85,997 | 122,047 |
| Semi-finished | | 546,352 | 522,437 |
| Auxiliary production materials | | 330,153 | 217,809 |
| Raw material | | 153,779 | 127,148 |
| Consumable products | | 87,423 | 77,510 |
| Work in progress products | | 13,304 | 31,761 |
| Inventory in transit | | 40,470 | 54,674 |
| Accrual of materials for research and development | (a) | (307,837) | (101,334) |
| Accrual for losses in recoverable amount | (b) | (135,620) | (223,398) |
| Other | | 28,041 | 24,540 |
| **Total** | | **842,062** | **853,194** |

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

On December 31, 2023, the Foundation made BRL 7,405 in foreign suppliers advances to purchase raw materials

The Foundation uses third-party warehouses to store part of its inventories. In 2023, the balance of these materials amounted to BRL 317,015 (BRL 201,653 in 2022).

The movement in the provision for losses in the recoverable amount of inventories and the provision for materials for research and development (R&D) is shown below:

| | Obsolete (a) | Slow Moving (b) | Total | P&D (c) |
|---|---|---|---|---|
| **Balance as of January 1, 2022** | **(32,662)** | **-** | **(32,662)** | **-** |
| Addition - finished product supply | (135,851) | (82,942) | (218,793) | (101,334) |
| Release (effective write-off) | 28,057 | - | 28,057 | - |
| **Net effect in 2022** | **(107,794)** | **(82,942)** | **(190,736)** | **(101,334)** |
| **Balance as of December 31, 2022** | **(140,456)** | **(82,942)** | **(223,398)** | **(101,334)** |
| Addition - finished product supply | (72,434) | (28,514) | (100,948) | (222,353) |
| Release (effective write-off) | 135,199 | 53,527 | 188,726 | 15,850 |
| **Net effect in 2023** | **62,765** | **25,013** | **87,778** | **(206,503)** |
| **Balance as of December 31, 2023** | **(77,691)** | **(57,929)** | **(135,620)** | **(307,837)** |

**(a)** The accrual for obsolete inventory represents materials or products that have expired, have not been definitively or temporarily approved by the quality process and products that do not have an active market.

**(b)** The accrual methodology for slow-moving materials is based on the following criteria:

I. Materials that have not been consumed in the last 12 months will have their entire balance provisioned;

II. For materials consumed in the last 12 months, a projection for consumption over 24 months is made. If the current inventory is higher than the consumption projection, 50% of the portion exceeding the consumption projection will be accrualled.

**(c)** R&D are materials or products acquired solely to support research and development projects and are fully recognized in the statement of income (see note 21.a).

***Accounting Policy***

The cost of inventories is based on the average cost of acquisition plus expenses relating to transportation, storage, non-recoverable taxes, and other expenses incurred in bringing them to their existing location and condition. Inventories are measured at the lowest value of cost and net realizable value (NRV). The net realizable amount is the estimated sales price in the normal course of business, deducted from the estimated costs for completion and sales expenses.

When necessary, stock quantities are subtracted from estimated losses, which arise from devaluation, product obsolescence, and physical inventory losses.

The Foundation establishes an accrual that covers 100% of the inventory, with the purpose of analyzing obsolescence and low turnover in cases where there is no expectation of realization.

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

# 8. Other Accounts Receivables

| | 2023 | 2022 |
|---|---|---|
| Advances to suppliers | 178 | 3,174 |
| Advance on vacation pay | 2,397 | 2,529 |
| Provision for losses on advances from suppliers (a) | (131) | (8,155) |
| Others (b) | 1,526 | 13,806 |
| **Total** | **3,970** | **11,354** |
| Current | 3,970 | 11,354 |
| Noncurrent | - | - |

**(a)** All advances that have been outstanding for more than 3 years are recorded as a provision for losses on advances from suppliers.

**(b)** Various accounts represent the group of others, the most relevant of which are:

a. Recoverable Expenses: These are expenses relating to the Chikungunya vaccine study project that will be reimbursed in the following period;

b. Fixed Fund Advance: Fixed funds are funds made available to employees to make various payments, and the total amount disbursed is accounted for monthly.

In 2023, Management revised its policy, including provisions for advances to suppliers with low recovery expectations. The balances shown in the tables above are net of this provision.

# 9. Property, Plant, and Equipment

Changes in property, plant, and equipment 2023:

| | 2022 | Additions | Write-offs | Transfers (a) | Depreciation | 2023 |
|---|---|---|---|---|---|---|
| Real estate | 3,593 | 4,567 | - | - | (275) | 7,885 |
| Real estate - Right of use | 7,661 | (305) | - | - | (2,831) | 4,525 |
| Improvements in property owned by third parties | 279,580 | - | (23) | 138,776 | (23,317) | 395,016 |
| Machinery, equipment, and facilities | 452,678 | 48,518 | (654) | 212,819 | (80,583) | 632,778 |
| Furniture, fixtures, and equipment | 14,499 | 1,870 | (37) | 6,227 | (2,792) | 19,767 |
| Computers | 21,510 | 2,368 | (21) | 13,095 | (8,665) | 28,287 |
| Vehicles | 12,172 | 28 | - | - | (1,237) | 10,963 |
| Assets held by third parties | 14,592 | 5,521 | (6) | 19,833 | (10,322) | 29,618 |
| Livestock and horses | 1,056 | - | - | - | (210) | 846 |
| Works in progress (a) | 780,171 | 258,938 | (329) | (396,747) | - | 642,033 |
| **Total cost** | **1,587,512** | **321,505** | **(1,070)** | **(5,997)** | **(130,232)** | **1,771,718** |
| Property, plant, and equipment losses | - | - | (16,032) | - | - | (16,032) |
| Property, plant, and equipment in transit | - | 10,914 | - | - | - | 10,914 |
| **Total Provision** | **-** | **10,914** | **(16,032)** | **-** | **-** | **(5,118)** |
| **Total fixed assets** | **1,587,512** | **332,419** | **(17,102)** | **(5,997)** | **(130,232)** | **1,766,600** |

**(a)** The balance of transfers in 2023 refers to the changes of amounts between property, plant, and equipment and intangible assets (note 10).

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

| | Cost | Dec. 31, 2023 Accumulated Depreciation | Net | Cost | Dec. 31, 2022 Accumulated Depreciation | Net |
|---|---|---|---|---|---|---|
| Real estate | 8,403 | (518) | 7,885 | 3,836 | (243) | 3,593 |
| Real estate - Right of use | 10,197 | (5,672) | 4,525 | 10,502 | (2,841) | 7,661 |
| Improvements in property owned by third parties | 464,690 | (86,531) | 378,159 | 343,662 | (67,278) | 276,384 |
| Machinery, equipment, and facilities | 776,945 | (216,288) | 560,657 | 549,919 | (156,462) | 393,457 |
| Furniture, fixtures, and equipment | 31,896 | (14,094) | 17,802 | 25,464 | (11,549) | 13,915 |
| Computers | 52,383 | (24,636) | 27,747 | 37,517 | (16,034) | 21,483 |
| Vehicles | 14,446 | (3,483) | 10,963 | 14,418 | (2,246) | 12,172 |
| Assets held by third parties | 43,942 | (14,366) | 29,576 | 18,594 | (4,099) | 14,495 |
| Livestock and horses | 2,407 | (1,561) | 846 | 2,407 | (1,351) | 1,056 |
| Works in progress | 641,900 | - | 641,900 | 726,267 | - | 726,267 |
| **Total property, plant, and equipment** | **2,047,209** | **(367,149)** | **1,680,060** | **1,732,586** | **(262,103)** | **1,470,483** |
| Real estate | - | - | - | - | - | - |
| Real estate - Right of use | - | - | - | - | - | - |
| Improvements in property owned by third parties | 21,497 | (4,640) | 16,857 | 3,772 | (567) | 3,196 |
| Machinery, equipment, and facilities | 181,601 | (109,480) | 72,121 | 147,944 | (88,723) | 59,221 |
| Furniture, fixtures, and equipment | 3,061 | (1,096) | 1,965 | 1,433 | (849) | 574 |
| Computers | 1,442 | (902) | 540 | 866 | (839) | 27 |
| Vehicles | 33 | (33) | - | 33 | (33) | - |
| Assets held by third parties | 297 | (255) | 42 | 297 | (200) | 97 |
| Livestock and horses | - | - | - | - | - | - |
| Works in progress (a) | 133 | - | 133 | 53,904 | - | 53,904 |
| **Total property, plant, and equipment - Agreement** | **208,064** | **(116,406)** | **91,658** | **208,249** | **(91,220)** | **117,029** |
| Property, plant, and equipment losses | - | - | (16,032) | - | - | - |
| Property, plant, and equipment in transit | - | - | 10,914 | - | - | - |
| **Total Provision** | **-** | **-** | **(5,118)** | **-** | **-** | **-** |
| **Total fixed assets** | **2,255,273** | **(483,555)** | **1,766,600** | **1,940,835** | **(353,323)** | **1,587,512** |

**(a)** The amount of work in progress represents the investments under construction in December 2023 and is the most significant:

| Work Name | Observation |
|---|---|
| Suitability of the factory for multipurpose use | Adaptation of the building for a multi-purpose vaccine factory to serve public health. Expected completion: August/2024 |
| Construction of the chiller storage plant | Warehouse to increase storage capacity for refrigerated products. Expected completion: March/2024 |
| Butantan complex's underground infrastructure | Construction of underground infrastructure that includes water distribution networks, sewage, industrial effluent, rainwater, electricity networks, fiber optics, paving, accessibility, water reservoirs, as well as water and effluent treatment plants. This demand arose after verifying an outdated system with low flow capacity and malfunctions, which would make it impossible to reconcile plans for expanding productive areas, preserving and qualifying historical heritage, as well as meeting legal, environmental, architectural, and engineering requirements. The project is scheduled for completion in December/2024. |
| Construction of the central bioterium | Adjustment of physical space for animal breeding due to the projected demands of the Central Bioterium. Complying with the regulations of regulatory bodies, particularly regarding the HVAC system. Expected completion: May/2024 |

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end, and any adjustments are recognized as changes in accounting estimates.

The estimated useful lives of property, plant, and equipment for fiscal years 2023 and 2022 are as follows:

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

| Asset class | Own assets | Agreements |
|---|---|---|
| Improvements in property owned by third parties | 25 years | 25 years |
| Real estate | 25 years | - |
| Industrial machinery and equipment | 15 years | 15 years |
| Refrigeration and air conditioning | 13 years | 12 years |
| Vehicles | 12 years | 15 years |
| Laboratory equipment | 11 years | 13 years |
| Facilities | 10 years | 10 years |
| Furniture | 10 years | 11 years |
| Tools | 08 years | 05 years |
| Livestock and horses | 08 years | - |
| Assets held by third parties | 05 years | 05 years |
| Communication and computer equipment | 05 years | 05 years |

The asset class table represents the average useful lives of the assets grouped in the class. This means that own assets and those of partnerships have different useful lives depending on their specific nature.

***Accounting Policy***

**Recognition and measurement**

Property, plant, and equipment items are measured at historical acquisition or construction cost, less accumulated depreciation and any accumulated impairment losses.

Gains and losses on the disposal of an item of the fixed assets (determined by the difference among the proceeds arising from the disposal with the book value of the fixed asset) are recognized in other operating revenues/expenses in the income.

**Depreciation**

Depreciation is calculated on the depreciable value, which is the cost of an asset or another value that replaces the cost.

Depreciation is recognized in income based on the straight-line method in relation to the estimated useful life of each part of property, plant, and equipment, since this is the method that most closely reflects the consumption pattern of future economic benefits incorporated into the asset.

Depreciation of items starts from the moment the assets are in real working order, after start-up (machinery and equipment) and technical qualification for laboratory equipment and production equipment, in accordance with ANVISA's RDC17.

## 10. Intangible Assets

| | 2022 | Additions | Write-offs | Transfers (a) | 2023 |
|---|---|---|---|---|---|
| Intangible assets in progress | 84,147 | 22,703 | (52) | (84,985) | 21,813 |
| Office programs and software | 26,490 | - | - | (26,490) | - |
| Management programs and software | 7,334 | 951 | (804) | 117,472 | 124,953 |
| Trademarks and patents | 1,030 | - | (493) | - | 537 |
| **Total cost** | **119,001** | **23,654** | **(1,349)** | **5,997** | **147,303** |

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

| | | | | | |
|---|---|---|---|---|---|
| Accumulated amortization office programs and software | (15,562) | - | - | 15.562 | - |
| Accumulated amortization management programs and software | (6,630) | (15,840) | 443 | (15,570) | (37,597) |
| **Total amortization** | **(22,192)** | **(15,840)** | **443** | **(8)** | **(37,597)** |
| **Net balance** | **96,809** | **7,814** | **(906)** | **5,989** | **109,706** |

**(a)** The balance of transfers in 2023 refers to the changes of amounts between property, plant, and equipment and intangible assets.

***Accounting Policy***

These comprise assets acquired from third parties and are measured at total acquisition cost less amortization. Intangible assets are amortized using the linear method, and amortization is recognized in the statement of income over the estimated useful life of the assets, which is 5 years from the date they are available for use.

# 11. Suppliers

| | 2023 | 2022 |
|---|---|---|
| Foreign suppliers | 212,660 | 288,136 |
| Domestical suppliers | 138,099 | 111,498 |
| **Total** | **350,759** | **399,634** |

**(a)** The main movement refers to the settlement of the purchase of the COVID-19 and rabies vaccines.

Below is the balance by maturity period:

| | 2023 | 2022 |
|---|---|---|
| **To expire:** | | |
| Up to 60 days | 312,593 | 398,584 |
| From 61 to 180 days | 38,165 | 1,050 |
| **Total** | **350,759** | **399,634** |

As of December 31, 2023, the average days to maturity of outstanding securities with operating suppliers is around 83 days (compared to 80 days as of December 31, 2022). With regard to suppliers of property, plant, and equipment, the deadlines are determined through commercial negotiation in each transaction.

***Accounting Policy***

The amounts corresponding to accounts payable to suppliers consist of commitments related to the acquisition of raw materials during the Foundation's normal activities and investments made in specific projects. These commitments are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method when applicable.

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

# 12. Labor and Social Obligations

| | 2023 | 2022 |
|---|---:|---:|
| Vacation payable | 46,300 | 43,147 |
| Salaries to be paid | 13,560 | 11,179 |
| INSS on salaries to be paid | 9,848 | 9,367 |
| IRRF on salaries to be paid | 7,830 | 6,938 |
| FGTS payable | 3,168 | 2,902 |
| INSS payable on third-party services | 1,081 | 663 |
| PIS payable | 516 | 475 |
| **Total** | **82,303** | **74,671** |

The salaries and benefits granted to the Foundation's employees and administrators include fixed remuneration (salaries, INSS, FGTS, vacations, and 13th salary, among others). These benefits are recorded in the income statement for the fiscal year as they are incurred.

# 13. Tax Obligations

| | 2023 | 2022 |
|---|---:|---:|
| Withholding income tax payable | 178 | 178 |
| Service tax payable | 420 | 141 |
| Tax on circulation of merchandise and services payable | 52 | 94 |
| PIS, COFINS, and Social Contribution payable | 1,103 | 469 |
| Provision for income tax on investments (a) | 35,127 | - |
| **Total** | **36,880** | **882** |

**(a)** As of 2023, the Foundation began to make monthly provisions for income tax on financial investments.

# 14. Partnerships with third parties (agreements)

Below, we present the activity of the partnership contracts, demonstrating the total funds received by the Foundation as well as the amounts used in project execution (consumption).

| | 2023 | 2022 |
|---|---:|---:|
| **Current liability** | | |
| Partnerships to be executed | 38,786 | 34,830 |
| | **38,786** | **34,830** |
| **Noncurrent liability** | | |
| Property, plant, and equipment - partnerships | 91,201 | 117,030 |
| Partnerships to be executed | 502 | 570 |
| | **91,703** | **117,600** |
| | **130,489** | **152,430** |

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

| Description | Balance as of December 31, 2022 | Amounts received | Financial income | Consumption | Returns | Depreciation and amortization | Balance as of December 31, 2023 |
|---|---|---|---|---|---|---|---|
| Partnership contracts | 152,430 | 7,990 | 3,030 | (7,530) | - | (25,431) | 130,489 |

Partnerships are made between Instituto Butantan, Fundação Butantan, and governmental and non-governmental bodies, in which the Foundation's objective is to manage the work plans and carry out the expected results of each project, resulting in two concrete elements:

1. The proposed/achieved objectives; and
2. Demonstration of the use of resources.

**Consumption:** The application of resources and/or consumption takes place in contracting, purchasing, acquisition, operational, and management capacity for the areas of scientific research, technological development, teaching, and production.

| | 2023 | 2022 |
|---|---|---|
| Expenditure on consumables | 1,222 | 2,144 |
| General and administrative expenses | 976 | 895 |
| Financial expenses | 2 | 4 |
| Services provided by third parties | 3,748 | 174 |
| Freight costs | - | 33 |
| Other | 1,582 | 567 |
| **Total** | **7,530** | **3,278** |

**Received amounts** - refer to the amounts received as an incentive for the partnership contract.

***Accounting Policy***

Partnerships are accounted for on the basis of the funds made available, which are recognized as liabilities of Fundação Butantan and managed in a specific current account for a given project. Expenditure on partnerships is recorded in the specific group of expenditures on partnerships. These expenses do not impact the Foundation's final result, as the monthly recording is made in the revenue group with partnerships, where there is a respective reduction of the liability.

# 15. Leasing Agreements

The Foundation has only one (1) lease agreement relating to a property used as a warehouse for indirect materials, recognized as a liability and shown below:

| | Balance as of December 31, 2022 | Remeasurement/New contract | Payments | Financial interest | Balance as of December 31, 2023 |
|---|---|---|---|---|---|
| **Real estate** | 7,528 | (305) | (3,736) | 807 | 4,294 |

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

The nominal flow, without considering projected future inflation in the lease contract flows by maturity, is shown below:

| | 2024 | 2025 | Adjustment to present value | Total |
|---|---|---|---|---|
| Value | 3,736 | 934 | (376) | 4,294 |

### *Accounting Policy*

The Foundation assesses whether a contract is or contains a lease at the beginning of the contract. The Foundation recognizes a right-of-use asset and corresponding lease liability with respect to all lease contracts in which the Foundation is the lessee, except short-term leases (defined as leases with a lease term of no more than 12 months) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Foundation recognizes lease payments as an operating expense using the linear method over the lease term, except when another systematic basis is more representative to reflect the time pattern in which the economic benefits of the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Foundation uses its incremental funding rate.

Incremental funding rates depend on the term, currency, and commencement date of the lease and are determined based on a series of data that include the risk-free rate based on government bond rates; the country-specific risk adjustment; the credit risk adjustment based on bond yields; and the entity-specific adjustment when the risk profile of the entity participating in the lease is different from the Foundation's risk profile.

Lease payments included in the measurement of lease liabilities include:

Fixed lease payments (including fixed in-substance payments), less any lease incentives receivable;

Index- or rate-dependent variable lease payments initially calculated using the index or rate on the effective date;

The estimated amount owed by the lessee in residual value guarantees;

The exercise price of stock options, if the lessee is reasonably certain to fiscal year the options; and

Lease termination penalty payments, if the lease term reflects the fiscal year of the option to terminate the lease.

Lease liabilities are presented on a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest rate method) and reducing the carrying amount to reflect the lease payment made.

The Foundation remeasures the lease liability (and makes a corresponding adjustment to the respective right-of-use asset) whenever:

The lease term is changed, or there is a significant event or change in circumstances that result in a change in the assessment of the fiscal year of the stock option, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

Lease payments are changed due to changes in the index or rate or a change in the expected payment on the guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the unchanged discount rate (unless the change in lease payments results from a change in the variable interest rate, in which case the revised discount rate is used).

When a lease is modified, and the change in the lease is not accounted for as a separate lease, the lease liability is remeasured based on the modified lease term by discounting the revised lease payments using the revised discount rate on the effective date of the modification.

The Foundation did not make these adjustments during the periods presented.

Right-of-use assets include the initial measurement of the corresponding lease liability and lease payments made on or before the commencement date, less any lease incentives received and any initial direct costs. These assets are subsequently measured at cost less accrued depreciation and accumulated impairment losses.

Whenever the Foundation assumes an obligation in relation to the costs of dismantling and removing a leased asset, restoring the site on which the asset is located or returning the corresponding asset to the condition required under the terms and conditions of the lease, the provision is recognized and measured in accordance with IAS 37 (CPC 25). To the extent that the costs relate to the right-of-use asset, the costs are included in the corresponding right-of-use asset unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the lease period and the useful life of the right-of-use asset, whichever is shorter.

Right-of-use assets are presented as a separate line in the balance sheet.

The Foundation applies IAS 36 (CPC 01 (R1)) to determine whether the right-of-use asset is subject to impairment and to account for any impairment losses identified as described in the policy related to "Property, plant, and equipment."

Variable rents that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets. The corresponding payments are recognized as an expense in the period in which the event or condition resulting in these payments occurs and recorded according to their nature as a lease cost or expense in profit or loss (see Explanatory Note 15).

As a practical expedient, IFRS 16 (CPC 06 (R2)) allows the lessee not to separate non-lease components and instead to account for any lease and corresponding non-lease components as a single contract. The Foundation has not used this practical expedient. For contracts that contain a lease component and one or more additional leases or non-lease components, the Foundation allocates the consideration in the contract to each lease component based on the respective individual price of the lease component and the total individual price of the non-lease components.

FUNDAÇÃO BUTANTAN
Gestão é uma ciência

# 16. Accrual for Contingencies

The Foundation is a party to lawsuits and administrative proceedings arising from the normal course of operations involving labor and social security issues.

Based on information from its legal advisors, an analysis of pending lawsuits, and, with regard to labor lawsuits, based on previous experience regarding the amounts claimed, Management has set up a provision in an amount considered sufficient to cover estimated losses from ongoing lawsuits, as follows:

| December 31, 2023 | Provisioned amount | Deposits in court | Subtotal | Non-linked legal deposits |
|---|---|---|---|---|
| Tax | - | - | - | |
| Labor | (3,969) | 269 | (3,700) | 43 |
| Civil | (1,444) | - | (1,444) | - |
| **Total** | **(5,413)** | **269** | **(5,144)** | **43** |

| | Tax | Labor | Civil | Gross exposure |
|---|---|---|---|---|
| **Balance as of December 31, 2021** | **-** | **(2,772)** | **(1,988)** | **(4,760)** |
| Provision / New lawsuits | - | (1,387) | - | (1,387) |
| Write-offs and releases | - | 260 | - | 260 |
| Transaction | - | (161) | - | (161) |
| **Balance as of December 31, 2022** | **-** | **(4,060)** | **(1,988)** | **(6,048)** |
| Provision / New lawsuits | - | (491) | (1,444) | (1,935) |
| Write-offs and releases | - | 451 | 1,988 | 2,439 |
| Transaction | - | 131 | - | 131 |
| **Balance as of December 31, 2023** | | **(3,969)** | **(1,444)** | **(5,413)** |

### Labor and Civil Contingencies

Provisions for labor contingencies were set up based on an analysis of the information provided by legal advisors, and the amount of BRL 5,413 (BRL 6,048 in 2022) was considered sufficient by Fundação Butantan's Management to cover probable losses from ongoing lawsuits.

### Lawsuits assessed as a possible risk of loss

As of December 31, 2023, the Foundation is a party to lawsuits that are being discussed at the administrative or judicial level of a labor, tax or civil nature for BRL 31,315 (BRL 554. 873 in 2022) whose materialization, in the assessment of the legal advisors, is possible of loss, for which the Foundation's Management, supported by the opinion of its legal advisors, has not recorded any provision in view of the fact that the accounting practices adopted in Brazil applicable to Not-for-Profit Entities (ITG 2002 - R1) do not require their accounting.

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

**Contingent assets**

A contingent asset is a possible asset that results from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully under the control of the entity.

On December 31, 2023, the Foundation was involved in a tax lawsuit in the amount of BRL 163, with the possibility of winning classified as probable. In this case, no amounts were recorded in the financial statements, and the assets will only be recognized once the case has become final and unappealable.

***Accounting Policy***

Provisions are recognized for present obligations or risks resulting from past events for which the amounts can be reliably estimated and whose disbursement is probable. The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of each year or period, considering the risks and uncertainties related to the obligation.

Provisions are made for all claims relating to taxation on financial investments, loss of assets (accounts receivable, inventory and property, plant, and equipment) and legal proceedings for which, as a result of past events, an outflow of funds will probably be required to settle the claim and a reasonable estimate can be made. The assessment of the likelihood of loss includes the evaluation of available deficiencies, the hierarchy of laws, available case law, the most recent court decisions and their relevance to the legal system, as well as the assessment of in-house lawyers.

Provisions are reviewed and adjusted to take into account changes in circumstances, such as the applicable limitation period, conclusions of tax inspections or additional exposures identified based on new matters or court decisions. Actual results may differ from Management's estimates.

Contingent liabilities assessed as possible losses are only disclosed in an explanatory note, and contingent liabilities assessed as remote losses are neither provisioned nor disclosed. Contingent assets are recognized only when there are real guarantees or favorable court decisions that have become final. Contingent assets with probable success are only disclosed in an Explanatory Note.

# 17. Related Parties

Fundação Butantan is a private entity qualified as an institution of public utility and accredited by Instituto Butantan ICT Support Foundation. Its objective is to promote activities related to the development of research, teaching, science, technology, and innovation, as well as the production of serums and vaccines, always to support the activities and objectives of Instituto Butantan.

In fiscal year 2023, the Foundation sold BRL 2,859,336 to the Ministry of Health (BRL 2,484,611 in 2022).

In December 2023, Instituto Butantan signed an agreement with the Ministry of Health to invest BRL 386 million, which will be used to build a messenger RNA vaccine plant and to complete the freeze-dried serum plant at the Institute's industrial park. The investment is part of the National Strategy for the Development of the Health Economic-Industrial Complex (CEIS), launched in September by the Federal Government with the aim of increasing Brazil's autonomy in the production of immunobiologicals. The agreement was signed through Fundação Butantan, a private entity that supports Instituto Butantan.

**Remuneration of key Management and Supervisory Board personnel**

The Foundation pays remuneration to its employees who are governed by the Consolidation of Labor Laws (CLT) under the terms of the Foundation's articles of incorporation. As part of its strategy of professionalization with market executives, as of 2023, the Supervisory Board members and the Executive Officer will be remunerated.

The total cost of salaries and charges in 2023 for all the officers (31 in 2023 and 25 in 2022) and 3 Supervisory Boarde Members (they were not remunerated in 2022) was BRL 18,195 (BRL 14,002 in 2022). The variation of BRL 4,080 refers mainly to an increase in severance expenses due to the change of top management in 2023 (BRL 1,465), the 5.5% wage increase in April/2023 (BRL 729) and the increase of 6 officers due to professionalization initiatives (BRL 4,929), offset by efficiencies generated by the lower average salary in hiring (- BRL 3,345).

Other directors, founders, or benefactors have not received any remuneration, advantages, or benefits, directly or indirectly, in any form or title due to the competencies, functions, or activities attributed to them by the respective articles of incorporation.

# 18. Equity

The Equity is composed of the Foundation's Capital and the Surplus (deficit) of the period.

**Equity:**

It consists of the initial contribution described in the public deed of incorporation, contributions or assets that may be added by donations made by public entities, legal entities under private law, or individuals for the specific purpose of incorporation into the equity, and part of any net surpluses arising from its activities.

Fundação Butantan may be extinguished by reasoned decision of its Board of Trustees and its President at a specific joint meeting, chaired by the President of the Board of Trustees, with the presence of the São Paulo State Public Prosecutor's Office for Foundations - São Paulo District, and must be approved by two thirds (2/3) of the board members and by the Chief Executive Officer of Fundação Butantan, at a joint meeting of the Board of Trustees and the Executive Board when occurred, alternatively:

(i) the impossibility of maintaining it;
(ii) that the continuation of activities does not serve the public and social interest;
(iii) the unlawfulness or uselessness of its purposes.

In the event of the Foundation's extinction, the Board of Trustees, accompanied by the competent body of the Public Prosecutor's Office, will proceed to liquidate it, carrying out the relevant operations, collecting and paying debts and other acts necessary for its closure. At the end of the process, the Foundation's assets will revert in their entirety to State public funds.

The results of activities are calculated on an Accrual method.

**Surplus (deficit) for the period:**

The fiscal year's surplus and/or deficit will be incorporated into the Foundation's assets after the close of the fiscal year and approval of the financial statements, in accordance with legal and statutory requirements, since the surplus will be applied in full in the national territory, in the maintenance and development of its institutional objectives and in accordance with Resolution No. 1,409/12 which approved ITG 2002 (R1).

On December 31, 2023, and December 31, 2022, the Equity was composed as follows:

| | 2023 | 2022 |
|---|---|---|
| Owners' equity | 5,428,014 | 5,721,706 |
| Surplus for the period | 608,228 | (293,692) |
| **Total** | **6,036,242** | **5,428,014** |

# 19. Net Operating Income

Net revenues are mostly made up of sales made to the Ministry of Health in 2023 to meet the National Immunization Program (PNI) and sales to the private domestic and foreign markets, and some donations received.

| | 2023 | 2022 |
|---|---|---|
| Sales (a) | 3,294,086 | 2,516,485 |
| Sponsorships | - | 25 |
| Donations (b) | 24,396 | 16,750 |
| Partnerships (d) | 31,262 | 3,863 |
| Volunteer work (d) | 960 | 151 |
| Other revenue | 2,159 | 85,712 |
| **Gross revenue** | **3,352,863** | **2,622,986** |
| (-) Returns and rebates (c) | (341,738) | (248) |
| **(=) Net revenue** | **3,011,125** | **2,622,738** |

Main variations in fiscal year 2023:

- **(a)** The supply of influenza vaccines increased significantly by 13.7% (over 8 million doses).
- **(b)** Increase in donations received due to contributions to fund the Chikungunya project, which aims to develop a new vaccine.
- **(c)** Returns due to the impossibility of delivering invoiced batches of HPV and Influenza vaccines. A new invoice was made in the following month.

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

**(d)** For comparison purposes, the information on partmerhips agreements and volunteer work for 2022 is now included in net operating revenue in the same presentation pattern as for 2023.

**Revenues from volunteer work**

As established in Interpretation ITG 2002 (R1) - Not-for-Profit Entity, the Foundation values revenue from volunteer work, including that of members of management bodies, especially members of the Board of Trustees, and it is measured at fair value, taking into account the amounts that the Foundation would have to pay if it had contracted these services in a similar market. Revenue from volunteer work is recognized in the statement of income for the fiscal year against operating income or loss. On December 31, 2023, the Foundation recorded BRL 960 (BRL 151 in 2022) related to volunteer work.

***Accounting Policy***

Revenue from product sales is recognized in accordance with NBCTG 47 - Revenue from contracts with customers, which establishes a five-step model for determining the measurement of revenue and when and how it is recognized. Thus, the Foundation recognizes revenue when: (1) a contract exists with the customer; (2) the performance obligations to be met in connection with the contract (products to be delivered to customers) are identified; (3) measurement of the contract value; (4) allocation of the contract value to the respective performance obligations; (5) determination of the timing of the recognition of revenue (generally through the transfer of the risks and rewards of ownership of the products, through the respective shipment and issuance of sales invoices, taking into account incoterms). These criteria are considered to be met when the goods are transferred to the buyer, respecting the main freight methods practiced by the Foundation.

Revenue is presented net of taxes, returns, rebates, and discounts.

# 20. Cost of Products and Merchandise Sold

| | **2023** | **2022** |
|---|---|---|
| Cost of Goods Sold (a) | (1,200,028) | (1,219,426) |
| Cost of Merchandise Sold (b) | (269,305) | (146,326) |
| Disposals | (57,609) | (457,128) |
| Logistics costs | (7,842) | (22,972) |
| Inventory adjustment (c) | (3,266) | 12,710 |
| **Total** | **(1,538,050)** | **(1,833,142)** |

**(a)** Cost of Goods Sold refers to the products produced by the Foundation.
**(b)** Cost of Merchandise Sold refers to products only distributed by the Foundation. In 2023, higher sales of Adalimumab and Rabies Vaccine.
**(c)** The inventory adjustment was accounted after a full physical inventory carried out in all the Foundation's warehouses in fiscal years 2023 and 2022.

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

FUNDAÇÃO BUTANTAN
Gestão é uma ciência

# 21. General and Administrative Expenses

| | 2023 | 2022 |
|---|---|---|
| Personnel expenses (a) | (502,832) | (417,413) |
| Research & Development (b) | (324,849) | (373,234) |
| Depreciation and amortization (c) | (84,617) | (37,389) |
| Maintenance (d) | (80,271) | (51,671) |
| Telephony and data transmission | (22,419) | (22,649) |
| Services provided by third parties | (12,963) | (9,490) |
| Travels | (5,267) | (6,623) |
| Graphic services | (3,690) | (5,087) |
| Rent | (4,421) | (3,514) |
| Taxes and fees (e) | (1,899) | (4,214) |
| Fleet expenses | (1,562) | (1,913) |
| Other (f) | (9,924) | (3,565) |
| **Total** | **(1,054,714)** | **(936,762)** |

**(a)** The increase in Personnel expenses, compared to 2022, was mainly due to:

i. Due to the increase in the average number of employees by 257 positions, which occurred throughout 2022, remaining throughout fiscal year 2023 and resulting in an annual cost increase.

ii. Subsequently, during the fiscal year 2023, the final number of employees was reduced, ending the year with 3348* (3372 in 2022), *including interns and apprentices.

iii. From the 5.5% salary increase negotiated through a collective bargaining agreement with the Union of Jobs in Cultural, Recreational and Social Assistance, Orientation and Professional Training Entities in the State of São Paulo (Senalba).

iv. The restructuring costs of officers of the previous Management that were dismissed at the beginning of 2023.

**(b)** **Research & Development:** The amounts spent on Research & Development (R&D) are recognized as an expense in the period in which they were incurred.

Throughout 2023, together with Instituto Butantan, the Foundation worked on four clinical studies that showed significant advances, with a view to introducing new and improved vaccines into the Brazilian immunization calendar and also into the foreign market:

- Chikungunya vaccine
- Dengue vaccine
- Tetravalent influenza vaccine
- Butanvac, the new COVID vaccine

**(c)** The increase in depreciation includes the recognition of assets that were listed as property, plant, and equipment in progress, thus recognizing cumulated depreciation in 2023;

**(d)** With the review of investment planning carried out by the new management, some projects were discontinued with a total value previously recorded as property, plant, and equipment of approximately

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

BRL 35 million;

**(e)** Taxes and duties refer mainly to ISS (Service Tax) applied to exchange and freelance contracts and ICMS (Goods and Services Tax) applied to merchandise sent to the research center for clinical trial purposes.

**(f)** Also, in 2023, we spent BRL 4.9 million on freight and transportation and BRL 2.2 million on disposals of non-productive materials.

## 22. Other Net Revenue and Expenses

| | 2023 | 2022 |
|---|---|---|
| Property, plant, and equipment impairment and write-off (a) | (14,270) | - |
| Legal expenses (b) | (5,616) | (46,712) |
| Vaccines (c) | (156) | (183,040) |
| Other donations | (1) | (10) |
| Estimated losses with suppliers (d) | 6,245 | (8,231) |
| **Total** | **(13,798)** | **(237,993)** |

**(a)** Refers to the impairment provision and write-offs for property, plant, and equipment considered unserviceable.

**(b)** In 2023, the Foundation lost a civil lawsuit in which it had withheld payment from supplier Simétrica for failure to meet the completion deadline. The court ruling in the civil case favored Simétrica for BRL 4 million. In fiscal year 2022, according to state decree no. 65,533, of February 23, 2021, the property located between Avenida Vital Brasil and Rua Moncorvo Filho, in the municipality of São Paulo, was declared to be of public utility for expropriation. We would point out that Article 3 of the aforementioned decree establishes that Fundação Butantan will bear the expenses arising from the execution of the process. Due to the probable loss of the process, the amount was fully accrualled that year.

**(c)** In accordance with item XIII of article 4 of its articles of incorporation, Fundação Butantan donated vaccines to the São Paulo State Health Department in fiscal year 2022.

**(d)** The amount of BRL 6,245 refers to the accrual releasein the provision for advances from suppliers in the amount of BRL 7,350 due to receipt and a change in expectation of loss, less the addition of new provisions for 2023 in the amount of BRL 1,105.

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

# 23. Net Financial Income

| | 2023 | 2022 |
|---|---:|---:|
| **Financial revenue** | | |
| Positive exchange rate change | 137,147 | 116,262 |
| Investment interests income | 364,211 | 291,267 |
| Discounts obtained | 2,349 | 6,228 |
| Interest earned | 2 | 670 |
| | **503,709** | **414,427** |
| **Financial expenses** | | |
| Discounts granted | (75) | (172,360) |
| Negative exchange rate change | (187,016) | (68,199) |
| IOF - tax on financial transactions | (2,233) | (15,407) |
| Witholding taxes on investments interest income | (72,157) | (54,028) |
| Bank charges | (4,713) | (495) |
| Interest and fines paid | (1,628) | (465) |
| Other | - | (7,992) |
| | **(267,822)** | **(318,946)** |
| **Total** | **235,887** | **95,481** |

In 2023, the Foundation revisited its investment policy, including other financial investment products with higher interest income.

In 2022, a commercial agreement was signed to offset amounts with suppliers in transactions involving materials outside ANVISA specifications, resulting in a financial discount of BRL 172,360.

***Accounting Policy***

**Financial revenue**

Financial revenues basically comprise income from financial investments, foreign exchange gains, discounts obtained and interest, which are recorded in the income statement for the fiscal year.

**Financial expenses**

Financial expenses basically comprise foreign exchange losses, bank charges and interest and fines, which are recorded in the income statement for the fiscal year.

# 24. Financial Instruments

**Financial risk management**

As a result of its operations, the Foundation faces different financial risks, which are managed in accordance with the Investment Policy and the Foreign Exchange Hedge Policy. These policies were approved by the Board of Trustees in August 2023.

The Foundation is exposed to the following risks arising from the use of financial instruments:

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

a) Credit risk;
b) Liquidity risk;
c) Market risk;
d) Exchange rate risk.

This note presents information on the Foundation's exposure to each of the risks above, the Foundation's objectives, policies and processes for measuring and managing risk.

### Risk management structure

The Foundation's risk management policies are established to identify and analyze the risks faced by the Foundation, define appropriate risk limits and controls, and monitor risks and adherence to limits. The risk management policies and systems are reviewed annually or in the event of any adverse event in the market or in the Foundation's activities. Through its training and management policies and procedures, the Foundation aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

As mentioned in the operating context (note 1), the Compliance, Internal Controls, and Risk Management Department was appointed in 2023, and the process of hiring an External Audit and Risks Committee began.

### a) Credit risk

Credit risk is the risk of financial loss to the Foundation if a client or counterparty to a financial instrument fails to meet its contractual obligations. These risks arise from the Foundation's receivables, most of which are concentrated in the Ministry of Health/Federal Government - sovereign risk and in fixed-income market securities with top-tier banks - AAA rating on a national scale.

### Exposure to credit risks

The book value of financial assets represents the maximum exposure of credit. The maximum exposure of credit risk at the date of the financial statements was:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Cash and cash equivalents | 4 | 3,648,763 | 3,427,364 |
| Resources from partnerships with third parties (Agreements) | 5 | 38,786 | 34,830 |
| Accounts receivable from customers | 6 | 244,738 | 57,857 |
| Other accounts receivables | 8 | 3,970 | 11,354 |
| | | **3,936,257** | **3,531,405** |

### Cash and cash equivalents and third-party partnership resources (agreements)

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

The Foundation held cash and cash equivalents of BRL 3,648,763 as of December 31, 2023 (BRL 3,427,364 in 2022), and third-party partnership resources (agreements) of BRL 38,786 (BRL 34,830 in 2022), which represent its maximum credit exposure on those assets. Cash and cash equivalents are held with banks and first-rate financial institutions - AAA rating on a national scale in institutions with a net worth of more than BRL 7.5 billion, as defined in the Investment Policy.

**Accounts receivable**

The Foundation concentrates its operations with the Ministry of Health.

For receivables classified as maturing (sovereign risk) on the date of the financial statements, no losses were recognized due to impairment.

For other customers, the Foundation recognizes estimated losses for doubtful accounts for each receivable over 60 days past due.

**Other accounts receivables**

Advances to suppliers: The Foundation monitors product deliveries and suppliers' financial situations to guarantee the fulfillment of agreed-upon contractual obligations and the realization of assets.

## b) Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulties in meeting the obligations associated with its commercial or financial liabilities that are settled with cash payments or another financial asset. The Foundation's approach to liquidity management is to ensure, as far as possible, sufficient liquidity to meet its obligations when they fall due, under normal conditions, without causing losses or the risk of damaging the Foundation's reputation or continuity of operational transactions.

Typically, the Foundation ensures that it has sufficient cash on hand to meet expected operating expenses for a period considered acceptable, including the fulfillment of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably foreseen, such as natural disasters.

Below are the contractual maturities of financial assets and liabilities, including estimated interest payments and excluding the impact of netting agreements.

| December 31, 2023 | Carrying amount | 2 months or less | 2-12 months |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Suppliers | 350,759 | 52,717 | 298,042 |

| December 31, 2022 | Carrying amount | 2 months or less | 2-12 months |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Suppliers | 399,634 | 125,935 | 273,699 |

## c) Market risk

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

Market risk is the risk that changes in market prices, such as exchange rates, interest rates, commodities, and stock prices, have on the Foundation's results or the value of its holdings in financial instruments. Market risk management aims to manage and control exposures within acceptable parameters while optimizing returns.

With regard to interest rates, which impact the financial risks of financial investments, in order to mitigate this type of risk, the Foundation complies with its investment policy in investments whose objective is the preservation of capital, in investments indexed to the Interbank Deposit Certificate (CDI), classified as fixed income, such as CDBs, financial bills from top-tier banks, and fixed-income funds.

### d) Currency risk

The Foundation's operations are subject to currency risk in sales and purchases in a currency other than its respective functional currency, the Brazilian real (BRL). The currencies in which these transactions are primarily made are the US dollar (USD), euro (EUR) and pound sterling (GBP). Part of the foundation's purchases are made in these currencies.

The financial instruments that impact the Foundation's result or other comprehensive income due to exchange rate variations include cash and cash equivalents, accounts receivable, and accounts payable.

The Foundation has an Exchange Hedge Policy, and its objective is to establish general rules, executive boards, guidelines, and responsibilities to be observed in the process of pricing and monitoring foreign currencies, as well as in the management of exchange rate effects related to the Foundation's operations in order to ensure that such operations should be used exclusively to hedge assets and liabilities in foreign currency, avoiding speculation in the face of currency fluctuations.

Fundação Butantan optimizes the contracting of financial instruments to protect risk exposure, considering and benefiting from natural hedges and may only use exchange rate hedging instruments when exposures in foreign currency are related to the following risk factors:

a) The risks arising from exposure to exchange rate variations in import, export, and financial exchange purchase and sale transactions.

b) Any exceptions to this policy require the approval of the Board of Trustees with the appropriate recommendations from the Chief Financial Officer and Executive Board.

The Foundation does not use hedge accounting standards. Therefore, when derivatives must be contracted, the gains and losses measured in hedge operations are fully recognized in the statement of income and disclosed in note 23.

### Exposure to foreign currency

On the December 31, 2023 balance sheet, the Foundation had assets and liabilities denominated in foreign currency. Two scenarios were defined to assess the potential impact of exchange rate variations. In scenario I, the exchange rate used was adjusted by 25%, and in scenario II, it was adjusted by -25%.

The following exchange rates were applied during the year:

| Currency | Annual average rate | | Closing rate on December 31, 2023 | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| USD | 4.9953 | 5.1654 | 4.8407 | 5.2171 |
| EUR | 5.4023 | 5.4426 | 5.3490 | 5.5693 |

The table below shows a simulation of the impact of the exchange rate variation on the balance sheet items and the financial result, taking into account the balances on December 31, 2023.

### Sensitivity analysis

| | Balance as of December 31, 2023 | | Scenario I | | Scenario II | |
|---|---|---|---|---|---|---|
| | Amount Original Currency | Rate (Ptax Dec. 31, 2023) | BRL income (loss) | Rate (+ 25%) | BRL income (loss) | Rate (-25%) |
| **USD** | | | | | | |
| Cash and cash equivalents in foreign currency | USD 173,850 | 4.8407 | 210,389 | 6.0509 | (420,778) | 3.6305 |
| Suppliers - foreign currency | -USD 199,319 | 4.8407 | (241,211) | 6.0509 | 482,422 | 3.6305 |
| **Net effect on financial income (BRL)** | | | **(30,822)** | | **61,644** | |
| | | | | | | |
| **EUR** | | | | | | |
| Suppliers - foreign currency | -USD 719 | 5.349 | (961) | 6.6863 | 1,923 | 4.0118 |
| **Net effect on financial income (BRL)** | | | **(961)** | | **1,923** | |

### Fair value against carrying amount

The fair values of financial assets and liabilities, together with the amounts presented in the financial statements, are as follows:

| December 31, 2023 | Note | Designated at fair value through profit or loss | Loans and receivables | Other financial liabilities | Accounting total | Fair value |
|---|---|---|---|---|---|---|
| Cash and cash equivalents - cash and banks | 4 | - | 645 | - | 645 | 645 |
| Cash and cash equivalents - financial investments | 4 | 3,648,118 | - | - | 3,648,118 | 3,648,118 |
| Resources from partnerships with third parties (agreements) | 5 | - | 240 | - | 240 | 240 |
| Resources from partnerships with third parties (agreements) - financial investments | 5 | 38,546 | - | - | 38,546 | 38,546 |
| Accounts receivable | 6 | - | 244,738 | - | 244,738 | 244,738 |
| Suppliers | 11 | - | - | 350,759 | 350,759 | 350,759 |
| **Total** | | **3,686,664** | **245,623** | **350,759** | **4,283,046** | **4,283,046** |

### Fair value measurement

Due to the short-term cycle, it is assumed that the fair value of cash and cash equivalents balances, third-party partnership funds (partnerships), accounts receivable, and accounts payable to suppliers are close to their book values.

Explanatory Notes to the Financial Statements for the Fiscal Years ended on December 31, 2023 and 2022 (in thousands of reais, unless otherwise indicated)

Based on these approaches, the Foundation assumes the value that market participants would use to price the asset or liability, including assumptions about the inherent risks or risks of the inputs used in the assessment techniques. These inputs can be easily observable, confirmed by the market, or unobservable. The Foundation uses techniques that maximize the use of observable inputs and minimize the use of unobservable ones. According to the pronouncement, these inputs for measuring fair value are classified into three levels of hierarchy.

Financial assets and liabilities recorded at fair value should be classified and disclosed according to the following levels:

**Level 1** - Quoted prices (unadjusted) in active, liquid, and visible markets for identical assets and liabilities that are accessible at the measurement date;
**Level 2** - Quoted prices (whether adjusted or not) for similar assets or liabilities in active markets, other inputs not observable in level 1, directly or indirectly, under the terms of the asset or liability; and
**Level 3** - Assets and liabilities whose prices do not exist or whose prices or assessment techniques are supported by a small or non-existent, unobservable or liquid market. At this level, the estimation of fair value becomes highly subjective.

The process of measuring the fair value of the Foundation's financial instruments is classified as Level 2.

## 25. Tax Aspects - (Tax Waiver)

In compliance with item 27, letter "c" of ITG 2002 (R1) - Not-for-Profit Entity, the Foundation presents below the list of taxes subject to tax waivers for the fiscal years ending December 31, 2022 and 2023:

- ✓ **Tax on the circulation of goods and services (ICMS):** According to ICMS Agreement 87/02 - grants exemption from ICMS on operations with drugs and medicines destined for federal, state, and municipal direct Public Administration organs;

- ✓ **PIS and COFINS (Social Integration Program and Social Security Financing Contribution)**, at the rates of 0.65% and 3%, respectively: Pursuant to Article 1 of Decree No. 6426 of April 2008, the rates of the contribution to PIS/PASEP, the contribution to Social Security Financing - COFINS, the contribution to PIS/PASEP-Import and COFINS-Import, levied on revenue arising from sales on the domestic market and on the import operation of products intended for health campaigns carried out by the public authorities, classified under headings 30.02, 30.06, 39.26, 40.15, and 90.18 of the NCM, listed in Annex III of this decree; and according to article 2, the rates of the contribution to PIS/PASEP-Import and COFINS-Import, levied on the import operation of pharmaceutical products classified in NCM III - in codes 3002.90.20, 3002.90.92, and 3002.90.99 are reduced to zero.

- ✓ **IPI (Tax on Industrialized Products):** According to the TIPI table for NCM Group 3002 to 3005 (pharmaceutical products), the IPI rate is 0%.

- ✓ **IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income):** As a non-profit organization, the Foundation enjoys the benefit of exemption from the payment of federal taxes levied on the result, in accordance with Decree No. 9580 of 2018, articles 178 to 184 of the Income Tax Regulations (RIR).

# 26. Insurance Coverage

As of December 31, 2023, the main insurance coverage policies include protection against operational risks up to BRL 242,412 (BRL 200,000 in 2022), against clinical trials and pharmacovigilance risks up to BRL 25,000 (BRL 45,000 in 2022), against indemnity risk for third parties in fleet vehicle accidents in the amount up to BRL 12,220 (BRL 8,170 in 2022).

Given their nature, the risk assumptions adopted are outside the audit scope and, consequently, were not examined by the Foundation's auditors.

# 27. Subsequent Events

On May 1, 2024, a contract was signed between Fundação Butantan and the Ministry of Health for the supply of VACCINE, TRIVALENT INFLUENZA, FRAGMENTED, INACTIVATED, and INJECTABLE SUSPENSION in the amount of five billion five hundred and fifty-two million five hundred and eighty-four thousand reais (BRL 5,552,584,000.00). A total of 328,200,000 doses will be supplied over the 48 months of this contract, which can be extended for a further 10 years.

The Board of Trustees of Fundação Butantan, in a special meeting held on January 31, 2024, approved the Executive Officer's proposal to revise the contractual terms of a loan with IDB Invest - Inter American Investment Corporation. On December 14, 2022, Fundação Butantan and IDB Invest signed a financing agreement for five hundred and twenty-six million reais (BRL 526,000,000.00). During 2023, before the actual disbursement by the IDB, this need was re-analyzed and resized by the Foundation and, in agreement with the bank, a revision of the amount financed to BRL 300,000,000.00 was negotiated, with a reduction in interest rates, a revision of the guarantees and a readjustment of the object financed to projects that were more in line with the Foundation's factory investment strategy. Disbursement by IDB Invest of the amount financed is scheduled for the first quarter of 2024.

On February 6, 2024, ANVISA (the National Health Surveillance Agency) sent Butantan a letter informing it that it will use all possible strategies to support the expansion of rapid access to the dengue vaccine with quality, efficacy and safety. To this end, the continuous submission procedure will be adopted to evaluate the technical dossier with the data and other requirements of the Butantan-DV vaccine, composed of the four attenuated dengue virus serotypes (DENV-1, DENV-2, DENV-3, and DENV-4), developed by Instituto Butantan. Butantan has been developing the first dengue vaccine for more than 10 years. This vaccine is currently in the last phase of clinical study, where it shows an efficacy of over 79% for any symptomatic case.

On February 8, 2024, a contract was signed between the Ministry of Health and Fundação Butantan for the supply of ADALIMUMABE, 40 MG, INJECTIBLE SOLUTION. Over the 12 months, Fundação Butantan will supply 644,722 doses via syringes, representing two hundred and sixty-seven million seven hundred and fourteen thousand three hundred and sixty-three reais and twenty-eight cents (BRL 267,714,363.28).

São Paulo, March 8, 2024.

Ana Paula Marzano Cerqueira
Accounting and Tax Manager
CRC 1SP204118/O

Luiz Roberto Cassab Mousinho
Chief of Financial Officer

# OPINION OF SUPERVISORY BOARD

The Supervisory Board examined the Financial Statements of Fundação Butantan, which include the balance sheet as of December 31, 2023, along with the statements of income, comprehensive income, changes in equity, and cash flow, accompanied by the summary of significant accounting practices and explanatory notes and the Report of Ernst & Young Auditores Independentes S/S.

Based on the analysis of these documents, the report by Ernst & Young Independent Auditors S/S on the Financial Statements, which is unqualified, and the clarifications provided by the Foundation's management representatives, the members of the Supervisory Board unanimously believe that the financial statements reflect in all material respects the Foundation's assets, financial position and activities for the year ended on December 31, 2023, and can be forwarded for consideration by the Board of Trustees.

São Paulo, March 8, 2024.

Ieda Cristina Corrêa Bhering da Silva

Chairman of the Supervisory Board

André Aroldo Freitas De Moura

Member of the Supervisory Board

Guilherme Bueno de Camargo

Member of the Supervisory Board

# OFFICERS' STATEMENT ON THE FINANCIAL STATEMENTS

In our capacity as officers of Fundação Butantan ("Foundation"), a private, non-profit legal entity headquartered in the City of São Paulo, State of São Paulo, at Rua Alvarenga, 1396, Butantã, CEP 05509-002, duly registered with the CNPJ under No. 61.189.445/0001-56, we hereby declare that we have reviewed, discussed, and fully agree with the set of financial statements for the fiscal year ended on December 31, 2023.

São Paulo, March 8, 2024.

Marcio Augusto Lassance Cunha Filho

Superintendent

Saulo Simoni Nacif

Chief Executive Officer

# STATEMENT BY THE OFFICERS ON THE INDEPENDENT AUDITORS' OPINION

In our capacity as officers of Fundação Butantan ("Foundation"), a private, non-profit legal entity headquartered in the City of São Paulo, State of São Paulo, at Rua Alvarenga, 1396, Butantã, CEP 05509-002, duly registered with the CNPJ under No. 61.189.445/0001-56, we hereby declare that we have reviewed, discussed, and agree with the opinions expressed in the independent auditors' report regarding the set of financial statements for the fiscal year ended on December 31, 2023.

São Paulo, March 8, 2024.

Luiz Roberto Cassab Mousinho

Chief of Financial Officer

Marcio Augusto Lassance Cunha Filho

Superintendent

Saulo Simoni Nacif

Chief Executive Officer