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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 6-K

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REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934

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For the month of December 2023  
Commission File Number: 001-40851

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**Procaps Group, S.A.**  
(Translation of registrant's name in English)

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9 rue de Bitbourg, L-1273  
Luxembourg  
Grand Duchy of Luxembourg  
R.C.S. Luxembourg: B253360  
Tel : +356 7995-6138  
(Address of Principal Executive Offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

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**INFORMATION CONTAINED IN THIS REPORT ON FORM 6-K**

***Financial Results for the Three Months Ended September 30, 2023 and the Nine Months Ended September 30, 2023***

On December 26, 2023, Procaps Group, S.A. (the “Company”) released its unaudited interim financial statements for the three and nine months ended September 30, 2023 (the “Third Quarter Financials”). In addition, the Company released certain supplementary financial information relating to the three and nine months ended September 30, 2023 (“Supplemental Financial Information”).

The Third Quarter Financials and the Supplemental Financial Information are attached as Exhibit 99.1 and Exhibit 99.2, respectively, to this Report on Form 6-K and are incorporated by reference herein and into the Company’s Post-Effective [Amendment No. 2 to Form F-1 on Form F-3](#) (File No. 333-261366), filed with the Securities and Exchange Commission.

**Exhibit Index**

<b>Exhibit Number</b>	<b>Exhibit Title</b>
99.1	<a href="#">Unaudited Interim Financial Statements for the Three and Nine Months Ended September 30, 2023</a>
99.2	<a href="#">Supplementary Financial Information Relating to the Three and Nine Months Ended September 30, 2023</a>

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PROCAPS GROUP, S.A.

By: /s/ Ruben Minski

Name: Ruben Minski

Title: Chief Executive Officer

Dated: December 26, 2023

**Procaps Group, S.A. and subsidiaries (The Group)**

*Unaudited Condensed Consolidated Interim Financial Statements*

*For the three and nine months ended September 30, 2023 and 2022*

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Procaps Group, S.A. and subsidiaries (The Group)

Unaudited Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income  
For the three and nine months ended September 30, 2023 and 2022  
(In thousands of United States Dollars, unless otherwise stated)

	Notes	For the three months ended September 30		For the nine months ended September 30	
		2023	2022	2023	2022
Revenue	5	\$ 118,410	\$ 110,403	\$ 312,629	\$ 308,453
Cost of sales		(50,007)	(42,845)	(136,976)	(121,139)
<b>Gross profit</b>		<b>68,403</b>	<b>67,558</b>	<b>175,653</b>	<b>187,314</b>
Sales and marketing expenses		(29,440)	(25,875)	(71,608)	(71,697)
Administrative expenses		(25,779)	(24,337)	(72,500)	(77,737)
Finance (expenses) income, net	7	(2,968)	22,748	(8,099)	18,539
Other income (expenses), net	8	1,218	(9,706)	34,803	(13,209)
<b>Income before tax</b>		<b>11,434</b>	<b>30,388</b>	<b>58,249</b>	<b>43,210</b>
Income tax expense	9	(3,235)	(7,808)	(16,475)	(11,104)
<b>Income for the period</b>		<b>\$ 8,199</b>	<b>\$ 22,580</b>	<b>\$ 41,774</b>	<b>\$ 32,106</b>
<b>Income for the period attributable to:</b>					
Owners of the Company		8,194	22,580	41,769	32,106
Non-controlling interests		5	—	5	—
<b>Earnings per share:</b>					
Basic and diluted, income for the period attributable to ordinary equity holders of the Company (USD) <sup>1</sup>		<b>0.08</b>	<b>0.22</b>	<b>0.41</b>	<b>0.32</b>

<sup>1</sup> The Group reports net earnings per share in accordance with IAS 33 - *Earnings Per Share*. Basic income per share is calculated by dividing the income attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period. No dilutive effect has been identified for the three and nine months ended September 30, 2023 and 2022. The weighted average number of ordinary shares used as the denominator in calculating basic earnings per share for the three and nine months ended September 30, 2023 and 2022 is 101,051,020 and 101,109,572, respectively.

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

Procaps Group, S.A. and subsidiaries (The Group)

Unaudited Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income  
For the three and nine months ended September 30, 2023 and 2022  
(In thousands of United States Dollars, unless otherwise stated)

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
<b>Income for the period</b>	\$ 8,199	\$ 22,580	\$ 41,774	\$ 32,106
<b>Other comprehensive income/(loss)</b>				
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurement of net defined benefit liability	(69)	—	(152)	—
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	113	(3,513)	3,137	(4,279)
Net investment hedge	(1,010)	—	(3,482)	—
<b>Other comprehensive income/(loss) for the period</b>	<b>(966)</b>	<b>(3,513)</b>	<b>(497)</b>	<b>(4,279)</b>
<b>Total comprehensive income for the period</b>	<b>\$ 7,233</b>	<b>\$ 19,067</b>	<b>\$ 41,277</b>	<b>\$ 27,827</b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>				
Owners of the Company	7,228	19,077	41,272	27,827
Non-controlling interests	5	(10)	5	—

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

Procaps Group, S.A. and subsidiaries (The Group)

Unaudited Condensed Consolidated Interim Statement of Financial Position  
As of September 30, 2023 and December 31, 2022  
(In thousands of United States Dollars, unless otherwise stated)

	Notes	As of September 30, 2023	As of December 31, 2022
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	11	97,194	73,965
Right-of-use assets, net		40,163	39,013
Goodwill		5,790	5,791
Intangible assets, net	10	41,315	32,208
Investments in joint ventures		2,028	1,505
Other financial assets		4,127	210
Deferred tax assets, net		7,398	6,974
Other assets		2,185	3,078
<b>Total non-current assets</b>		<b>\$ 200,200</b>	<b>\$ 162,744</b>
<b>Current assets</b>			
Cash		17,558	43,003
Trade and other receivables, net	13	143,050	129,602
Inventories, net	12	98,242	96,833
Amounts owed by related parties, net		2,158	2,474
Current tax assets, net		25,662	21,187
Other current assets		3,411	4,344
Other financial assets		8,273	—
<b>Total current assets</b>		<b>\$ 298,354</b>	<b>\$ 297,443</b>
<b>Total assets</b>		<b>\$ 498,554</b>	<b>\$ 460,187</b>
<b>Liabilities and Stockholders' Equity (Deficit)</b>			
<b>Equity (Deficit)</b>			
Share capital		1,011	1,011
Share premium		377,677	377,677
Reserves		49,288	45,743
Accumulated deficit		(354,234)	(391,513)
Accumulated other comprehensive loss		(34,356)	(33,859)
<b>Equity (deficit) attributable to owners of the company</b>		<b>\$ 39,386</b>	<b>\$ (941)</b>
Non-controlling interest		(932)	(937)
<b>Total equity (deficit)</b>		<b>\$ 38,454</b>	<b>\$ (1,878)</b>
<b>Non-Current liabilities</b>			
Borrowings	14	220,682	28,410
Warrant liabilities	16	2,861	10,916
Shares held in escrow	17	23,312	40,064
Deferred tax liabilities, net		3,373	7,821
Other liabilities		6,942	6,480
<b>Total non-current liabilities</b>		<b>\$ 257,170</b>	<b>\$ 93,691</b>
<b>Current liabilities</b>			
Borrowings	14	69,238	257,525
Derivative financial liabilities		3,114	—
Trade and other payables		89,759	90,187
Amounts owed to related parties		4,122	2,914
Current tax liabilities, net		23,619	6,133
Provisions	15	138	138
Other liabilities		12,940	11,477
<b>Total current liabilities</b>		<b>\$ 202,930</b>	<b>\$ 368,374</b>
<b>Total liabilities and stockholders' equity (deficit)</b>		<b>\$ 498,554</b>	<b>\$ 460,187</b>

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

Procaps Group, S.A. and subsidiaries (The Group)

Unaudited Condensed Consolidated Interim Statement of Changes in Equity  
For the three and nine months ended September 30, 2023 and 2022  
(In thousands of United States Dollars, unless otherwise stated)

	Attributable to equity holders of the Group								
	Issued Capital	Share premium	Treasury shares reserve <sup>1</sup>	Reserves <sup>2</sup>	Accumulated deficit	Other Comprehensive Income	Total	Non- controlling interest	Total equity (deficit)
<b>Balance as of January 1, 2022</b>	\$ 1,011	\$ 377,677	\$ —	\$ 42,749	\$ (431,059)	\$ (27,778)	\$ (37,400)	\$ (940)	\$ (38,340)
Income for the period	—	—	—	—	32,106	—	32,106	—	32,106
Transfer reserves	—	—	—	2,994	(2,994)	—	—	—	—
Other comprehensive income	—	—	—	—	—	(4,279)	(4,279)	—	(4,279)
<b>Balance as of September 30, 2022</b>	\$ 1,011	\$ 377,677	\$ —	\$ 45,743	\$ (401,947)	\$ (32,057)	\$ (9,573)	\$ (940)	\$ (10,513)
<b>Balance as of January 1, 2023</b>	1,011	377,677	—	45,743	(391,513)	(33,859)	(941)	(937)	(1,878)
Income for the period	—	—	—	—	41,769	—	41,769	5	41,774
Transfer reserves	—	—	—	4,495	(4,495)	—	—	—	—
Other comprehensive income	—	—	—	—	—	(497)	(497)	—	(497)
Non-controlling interest	—	—	—	—	5	—	5	—	5
Treasury shares acquired	—	—	(950)	—	—	—	(950)	—	(950)
<b>Balance as of September 30, 2023</b>	1,011	377,677	(950)	50,238	(354,234)	(34,356)	39,386	(932)	38,454

<sup>1</sup> Comprises the cost of the Company's shares held by the Group. As of September 30, 2023, the Group held 235,406 of the Company's shares.

<sup>2</sup> Includes the appropriate values from net income to comply with legal provisions related to asset protection according to applicable jurisdictions with cumulative earnings.

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



Proccas Group, S.A. and subsidiaries (The Group)

Unaudited Condensed Consolidated Interim Statement of Cash Flows  
For the nine months ended September 30, 2023 and 2022  
(In thousands of United States Dollars, unless otherwise stated)

	Notes	For the nine months ended September 30	
		2023	2022
<b>Operating activities</b>			
<b>Income for the period</b>		\$ 41,774	\$ 32,106
<i>Adjustments to reconcile net income with cash flow from operating activities before changes in working capital:</i>			
Depreciation of property, plant and equipment	11	4,196	4,481
Depreciation of right-of-use assets		4,671	4,539
Amortization of intangibles	10	4,136	3,365
Income tax expense	9	16,475	11,104
Finance expenses, net	7	8,099	(18,539)
Unrealized currency exchange rate differences		(15,178)	—
Share of result of joint ventures		(503)	239
Net loss (gain) on sale and disposal of property, plant and equipment	11	48	(503)
Net loss on disposal of intangibles	10	51	—
Inventory provision	12	8,446	2,475
Provision for bad debt	13	1,878	1,830
Provisions	15	90	9
<b>Cash flow from operating activities before changes in working capital</b>		<b>74,183</b>	<b>41,106</b>
<i>Changes in working capital:</i>			
Trade and other receivables, net		(3,729)	(13,020)
Amounts owed by related parties, net		1,325	(1,555)
Inventories, net		5,254	(22,851)
Current tax assets, net		(1,440)	(10,073)
Other current assets		928	(5,803)
Trade and other payables		11,407	32,800
Amounts owed to related parties		563	1,637
Current tax liabilities, net		1,259	(1,625)
Other liabilities		271	7,573
Provisions	15	(99)	(408)
Other financial assets		(12,190)	36
Other assets		1,233	83
<b>Cash generated from operations</b>		<b>78,965</b>	<b>27,900</b>
Interest paid		(2,565)	(1,261)
Income tax paid		(5,468)	(4,589)
<b>Cash flow provided by operating activities</b>		<b>\$ 70,932</b>	<b>\$ 22,050</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	11	(11,421)	(15,293)
Proceeds from sale of property, plant and equipment		—	2,653
Acquisition of intangibles	10	(8,979)	(7,757)
Advances to related parties		—	(138)
Proceeds from related parties		29	—
<b>Cash flow used in investing activities</b>		<b>\$ (20,371)</b>	<b>\$ (20,535)</b>
<b>Financing activities</b>			
Proceeds from borrowings	14	69,742	77,253
Payments on borrowings	14	(112,470)	(97,290)
Payments to related parties		—	(6,625)
Interest paid on borrowings	14	(24,569)	(10,028)
Payment of lease liabilities	14	(4,866)	(4,858)
Repurchase of treasury shares		(950)	—
Payments of derivative financial liabilities		(368)	—
<b>Cash flow used in financing activities</b>		<b>\$ (73,481)</b>	<b>\$ (41,548)</b>
<b>Net decrease in cash</b>		<b>(22,920)</b>	<b>(40,033)</b>
Cash at beginning of the period		43,003	72,112
Effect of exchange rate fluctuations		(2,525)	(4,864)
<b>Cash at end of the period</b>		<b>\$ 17,558</b>	<b>\$ 27,215</b>

**Non-cash financing and investing activities**<sup>1</sup>**\$ 43,924 \$ 42,328**

<sup>1</sup> Non-cash investing and financing activities include new lease liabilities \$2,365 (for the nine months ended September 30, 2022: \$8,793), invoices from suppliers financed via reverse factoring classified as Trade and other payables \$5,283 (for the nine months ended September 30, 2022: \$3,427), invoices from suppliers financed via reverse factoring classified as Borrowings \$33,162 (for the nine months ended September 30, 2022: \$30,108) and derivative financial liabilities \$3,114 (for the nine months ended September 30, 2022: \$0).

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

**Procaps Group, S.A. and subsidiaries (The Group)**

**Notes to Unaudited Condensed Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2023 and 2022  
(In thousands of United States Dollars, unless otherwise stated)**

**Note 1. General Company Information**

Procaps Group, S.A. (the “Company”), a public limited liability company (société anonyme) governed by the laws of the Grand Duchy of Luxembourg and its subsidiaries (collectively “the Group”) primarily engages in developing, producing, and marketing pharmaceutical solutions. Further information about the Group’s business activities, reportable segments and key management personnel of the Group is included in Note 5. Revenue, Note 6. Segment reporting and Note 19. Key management personnel, respectively.

The Group’s principal subsidiaries as of September 30, 2023 and December 31, 2022, are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

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

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

The Unaudited Condensed Consolidated Interim Financial Statements of the Group for the three and nine months ended September 30, 2023 and 2022 comprise the Group and its interest in joint ventures, investments and operations.

The Unaudited Condensed Consolidated Interim Financial Statements are presented in USD (the Group’s presentation currency) and all amounts are rounded to the nearest thousands of USD, unless otherwise stated.

Emerging Growth Company Status

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

- The last day of the first fiscal year (a) following the fifth anniversary of a public equity offering, (b) in which its annual gross revenue totals at least \$1.07 billion or (c) when the Group is deemed to be a large, accelerated filer, which means the market value of the Group’s ordinary shares held by non-affiliates exceeds \$700.0 million as of the prior September 30th; and
- The date on which the Group has issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period.

Ongoing Military Operation in Ukraine and Related Sanctions

The ongoing military operation in Ukraine and the related sanctions targeted against the Russian Federation have disrupted international commerce and the global economy. In 2023, a subsidiary of the Group located in Colombia entered into a standard, arms-length commercial agreement with a Russian entity and began the sale and shipment of goods to Russia, which is permissible under the current US sanctions to Russia as established by the Office of Foreign Assets Control (OFAC). The Group does not hold any investments or assets in Russia and the sales to Russia for the nine months ended September 30, 2022 represent less than 1% of the total sales of the Group. The Group performed an initial compliance diligence before engaging in transactions and as of September 30, 2023, management evaluated if any risk associated with these transactions existed and concluded that there were no financial or any other risks identified. The Group does not have any other direct exposure to Ukraine, Russia or Belarus considering there are not any additional existing operations or sales in those locations, but management will continue to monitor new implementations of US restrictions and prohibitions related to transactions with Russia.

**Procaps Group, S.A. and subsidiaries (The Group)**

**Notes to Unaudited Condensed Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2023 and 2022  
(In thousands of United States Dollars, unless otherwise stated)**

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

*Grupo Somar and Pearl Mexico Acquisition*

Refer to the last annual Consolidated Financial Statements as of and for the year ended December 31, 2022 (the “last annual financial statements”) for background information on the Acquisition of Grupo Somar and Pearl Mexico. Following the failure of the transaction to close on December 31, 2022, the Group provided the sellers a formal notice on January 1, 2023 terminating the Stock Purchase Agreement (the “SPA”) in accordance with the terms thereof.

*Bridge Loan Credit Agreement*

Following the Group’s termination of the SPA, the Group advised the joint arrangers and book runners on January 1, 2023 of its desire to terminate the transaction documents (including, without limitation, the commitments under the bridge credit agreement and, for the avoidance of doubt, any commitments under the commitment letter) and pay all outstanding obligations, amounting to \$5,719, under the bridge credit agreement and any other transaction document as of January 10, 2023.

**Note 2. Basis of preparation and accounting**

These Unaudited Condensed Consolidated Interim Financial Statements of the Group as of September 30, 2023 have been prepared on a going concern basis, and in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the last annual financial statements. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

These Unaudited Condensed Consolidated Interim Financial Statements were authorized for issue by the Group’s Audit Committee on December 26, 2023.

**Note 2.1. Going concern**

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

As of December 31, 2022, the Group was in breach of certain of the covenants included under the Note Purchase Agreement (“NPA”), the Syndicated Loan Agreement and the BTG Credit Agreement. Refer to the last annual financial statements for further details regarding the breach of each covenant. Although none of the lenders declared an event of default under the applicable agreements, these breaches resulted in the lenders having the right to require immediate repayment of the applicable indebtedness and as a result, the Group classified the respective indebtedness, amounting to \$139,155 in the aggregate, to current liabilities as of December 31, 2022.

**Procaps Group, S.A. and subsidiaries (The Group)**

**Notes to Unaudited Condensed Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2023 and 2022  
(In thousands of United States Dollars, unless otherwise stated)**

On March 28, March 31 and May 2, 2023 the Group obtained Waiver Agreements (“Waivers” or “Waiver”) from each lender under the NPA, the Syndicated Loan Agreement and the BTG Credit Agreement for the applicable covenant breaches. Under the terms of the Waivers, the lenders permanently waived their rights to accelerate the repayment of the loans related to the events of default as of December 31, 2022. In addition, the Group executed Waivers with the lenders to adjust the applicable covenant ratios for the periods ending March 31, June 30, and September 30, 2023, if applicable, as noted further within Note 14. Borrowings. For the period ending December 31, 2023, the applicable covenant ratios in the original borrowing arrangements are unmodified.

On June 30, 2023, the Group obtained an Additional Waiver under the NPA (the “Additional Waiver”) in anticipation of a potential breach of the Indebtedness Indicator and EBITDA Interest Coverage ratios contained within the March 31, 2023 Waiver. The Additional Waiver with the lenders adjusts the Indebtedness Indicator and EBITDA Interest Coverage ratios for the periods ended June 30, and September 30, 2023, as further noted within Note 14. Borrowings.

*Working capital*

As of September 30, 2023, the Group had a net working capital surplus (excess of current assets over current liabilities) of \$95,424 (working capital deficit of \$70,931 as of December 31, 2022).

*Management’s assessment*

Management assessed the Group’s cash flow projections, ability to meet future covenants and other measures of liquidity for the next twelve months from the balance sheet date. Based on the Group’s cash flow projections and adjusted financial covenant ratios as a result of the Waivers and Additional Waiver, Management believes they will have sufficient funds to repay their obligations as they fall due and to meet its financial covenants. However, due to the uncertainty caused by current economic conditions, including recent growth in inflation, increased interest rates, volatility in foreign exchange rates and industry price regulations, there is material uncertainty regarding the Group’s ability to meet its financial covenants. The Group’s failure to comply with such financial covenants would result in an event of default, which if that were to occur would materially and adversely affect the Group’s business, financial condition, liquidity and results of operations. In that event, the Group would seek additional waivers or alternative financing arrangements. As a result of these material uncertainties, Management concluded the above conditions and events raise significant doubt about the Group’s ability to continue as a going concern.

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

*Cost saving and revenue growth*

The Group has implemented certain measures with an aim to reduce its operating costs and generate additional revenue in 2023 including: 1) strict controlling and reducing business marketing and advertising expenses; 2) reducing headcount across multiple business units; and 3) focus on increasing sales volumes for core products and sell trademarks and sanitary records to generate additional revenue.

*Renegotiation of existing loans*

On August 16, 2023, the Group successfully renegotiated the terms of the Syndicated Loan Agreement with Bancolombia and Davivienda, which extends the maturity date until 2029. In addition, on August 18, 2023, the Group renegotiated their short-term loan with BTG into a thirty-month loan. Refer to Note 14. Borrowings for further details regarding these renegotiated loans. The Group has the ability to further renegotiate existing loans to maintain and meet its liquidity needs and requirements. However, the Group’s ability to renegotiate with its lenders is not within the Group’s control. As of the date of these Unaudited Condensed Consolidated Interim Financial Statements, the Group cannot assure that it will be able to reach an agreement with its lenders, or to waive any potential non-compliance.

**Procaps Group, S.A. and subsidiaries (The Group)**

**Notes to Unaudited Condensed Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2023 and 2022  
(In thousands of United States Dollars, unless otherwise stated)**

*Additional measures*

If the effect of the above actions does not continue to generate sufficient liquidity for the Group to meet its contractual obligations, Management has identified additional measures which could be implemented to further reduce costs and increase total revenues in order to provide sufficient cash flow to meet obligations as they fall due including: 1) reduce discretionary spending on research and development, marketing and capital expenditures; 2) sell additional trademarks and sanitary records; and 3) further reduce headcount.

*Summary*

Management has evaluated the Group's capital position, its ability to continue in the normal course of business for the foreseeable future and ability to meet its financial obligations for the next twelve months from the balance sheet date. While Management believes that their cost savings, revenue growth, and loan renegotiation will allow the group to be able to meet its financial obligations and finance its growth, there is no assurance that these plans can be successfully implemented to generate the liquidity required to meet the Group's need. Failure to successfully implement these plans may have a material adverse effect on the Group's business, results of operations and financial position, and may materially adversely affect its ability to continue as a going concern. As a result, Management concluded there is material uncertainty related to the events and conditions noted above that cast significant doubt on the entity's ability to continue as a going concern.

However, Management believes that the Group will be successful in implementing the above plan and, accordingly, have prepared the Unaudited Condensed Consolidated Interim Financial Statements on a going concern basis. As a result, the Unaudited Condensed Consolidated Interim Financial Statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Group be unable to continue as a going concern.

**Note 3. Summary of significant accounting policies**

*Note 3.1. Change in accounting policy*

Except as described below, the accounting policies applied in these Unaudited Condensed Consolidated Interim Financial Statements are the same as those applied in the Group's last annual financial statements.

The policy for recognizing and measuring income taxes in the interim periods is consistent with that applied in the previous interim period and is described in Note 9. Income tax.

*Note 3.1.1. Derivative financial instrument and hedge accounting*

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

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

*Hedges of net investments in foreign operations*

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

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*Note 3.2. New and amended IFRS Standards that are effective for the current period*

Certain new accounting standards, interpretations or amendments to accounting standards are effective for annual periods beginning after January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective in the preparation of these Unaudited Condensed Consolidated Interim Financial Statements.

The Group adopted the following accounting standard amendments from January 1, 2023. The evaluation performed by management determined that these amendments did not result in a significant impact in relation to the Group's Unaudited Condensed Consolidated Interim Financial Statements.

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

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

The amendments had no impact on the Group's Unaudited Condensed Consolidated Interim Financial Statements, but are expected to affect the accounting policy disclosures in the Group's annual Consolidated Financial Statements.

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

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

The Group has determined the amendment has no significant impact in its Unaudited Condensed Consolidated Interim Financial Statements.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's Unaudited Condensed Consolidated Interim Financial Statements.

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

The Group has not adopted International Tax Reform- Pillar Two Model Rules- Amendments to IAS 12 upon their release on 23 May 2023. The amendments provide a temporary mandatory exemption from deferred tax accounting for top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from December 31, 2023. The mandatory exemption applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted as of December 31, 2022, in any jurisdiction in which the Group operates and no related deferred taxes were recognized at that date, the retrospective application has no impact on the Group's Unaudited Condensed Consolidated Interim Financial Statements..

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

It may be applicable for annual periods beginning on or after January 2023, but not for interim periods ending on or before December 31, 2023.

**Note 4. Critical accounting judgements and key sources of estimation uncertainty**

In preparing these Unaudited Condensed Consolidated Interim Financial Statements, management has made judgments, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily observable in other sources. The estimates and underlying assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the Group's last annual financial statements.

**Note 5. Revenue**

The Group recognizes its revenues from the transfer of goods and services to the fulfillment of its performance obligations. The Group's revenue for the three and nine months ended September 30, 2023 includes \$806 and \$2,885 (For the three and nine months ended September 30, 2022: \$2,585 and \$11,433) in revenue recognized from intellectual property licensing and dossier generation.

*Disaggregation of revenue from contracts with customers*

Revenue from contracts with customers is disaggregated by primary geographical market and major products (refer to Note 6. Segment reporting) and by timing of revenue recognition in the table below.

<b>Three months ended September 30, 2023</b>	<b>Reportable segments</b>					<b>Total</b>
	<b>NextGel</b>	<b>Procaps Colombia</b>	<b>CAN</b>	<b>CASAND</b>	<b>Diabetrics</b>	
<b>Segment revenue</b>	66,800	39,254	23,357	25,976	12,101	167,488
Inter-segment revenue	(32,210)	(145)	(7,570)	(4,053)	(5,100)	(49,078)
<b>Revenue from contracts with customers</b>	<b>34,590</b>	<b>39,109</b>	<b>15,787</b>	<b>21,923</b>	<b>7,001</b>	<b>118,410</b>
<b>Timing of revenue recognition</b>						
Goods transferred at a point in time	33,784	39,109	15,787	21,923	7,001	117,604
Services transferred over time	806	—	—	—	—	806
<b>Total revenue from contracts with customers</b>	<b>34,590</b>	<b>39,109</b>	<b>15,787</b>	<b>21,923</b>	<b>7,001</b>	<b>118,410</b>



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For the three months ended September 30, 2022	Reportable segments					Total
	NextGel	Procaps Colombia	CAN	CASAND	Diabetrics	
Segment revenue	68,373	38,020	23,564	22,311	6,770	159,038
Inter-segment revenue	(31,939)	(1,179)	(9,122)	(4,599)	(1,796)	(48,635)
<b>Revenue from contracts with customers</b>	<b>36,434</b>	<b>36,841</b>	<b>14,442</b>	<b>17,712</b>	<b>4,974</b>	<b>110,403</b>

**Timing of revenue recognition**

Goods transferred at a point in time	33,754	36,911	14,442	17,737	4,974	107,818
Services transferred over time	2,680	(70)	—	(25)	—	2,585
<b>Total revenue from contracts with customers</b>	<b>36,434</b>	<b>36,841</b>	<b>14,442</b>	<b>17,712</b>	<b>4,974</b>	<b>110,403</b>

For the nine months ended September 30, 2023	Reportable segments					Total
	NextGel	Procaps Colombia	CAN	CASAND	Diabetrics	
Segment revenue	174,232	107,088	56,975	70,970	28,861	438,126
Inter-segment revenue	(82,701)	(380)	(17,809)	(12,008)	(12,599)	(125,497)
<b>Revenue from contracts with customers</b>	<b>91,531</b>	<b>106,708</b>	<b>39,166</b>	<b>58,962</b>	<b>16,262</b>	<b>312,629</b>

**Timing of revenue recognition**

Goods transferred at a point in time	88,646	106,708	39,166	58,962	16,262	309,744
Services transferred over time	2,885	—	—	—	—	2,885
<b>Total revenue from contracts with customers</b>	<b>91,531</b>	<b>106,708</b>	<b>39,166</b>	<b>58,962</b>	<b>16,262</b>	<b>312,629</b>

For the nine months ended September 30, 2022	Reportable segments					Total
	NextGel	Procaps Colombia	CAN	CASAND	Diabetrics	
Segment revenue	191,411	110,822	61,086	61,502	26,507	451,328
Inter-segment revenue	(96,717)	(2,528)	(18,539)	(14,128)	(10,963)	(142,875)
<b>Revenue from contracts with customers</b>	<b>94,694</b>	<b>108,294</b>	<b>42,547</b>	<b>47,374</b>	<b>15,544</b>	<b>308,453</b>

**Timing of revenue recognition**

Goods transferred at a point in time	87,285	106,956	40,288	46,947	15,544	297,020
Services transferred over time	7,409	1,338	2,259	427	—	11,433
<b>Total revenue from contracts with customers</b>	<b>94,694</b>	<b>108,294</b>	<b>42,547</b>	<b>47,374</b>	<b>15,544</b>	<b>308,453</b>

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

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**Note 6. Segment reporting**

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

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

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

Three months ended September 30, 2023	NextGel			Procaps Colombia			CAN			CASAND		
	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External
Revenue	66,800	(32,210)	34,590	39,254	(145)	39,109	23,357	(7,570)	15,787	25,976	(4,053)	21,923
Contribution margin <sup>1</sup>	13,571	(192)	13,379	9,065	(38)	9,027	3,214	(421)	2,793	9,151	4,175	13,326

  

Three months ended September 30, 2023	Diabetrics			Corporate			Total		
	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External
Revenue	12,101	(5,100)	7,001	—	—	—	167,488	(49,078)	118,410
Contribution margin <sup>1</sup>	832	(514)	318	(101)	221	120	35,732	3,231	38,963
Administrative expenses	—	—	—	25,779	—	25,779	25,779	—	25,779
Finance expenses	—	—	—	2,968	—	2,968	2,968	—	2,968
Other (income) expenses, net	—	—	—	(1,218)	—	(1,218)	(1,218)	—	(1,218)
<b>Income (loss) before tax</b>							<b>8,203</b>	<b>3,231</b>	<b>11,434</b>

  

Three months ended September 30, 2022	NextGel			Procaps Colombia			CAN			CASAND		
	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External
Revenue	68,373	(31,939)	36,434	38,020	(1,179)	36,841	23,564	(9,122)	14,442	22,311	(4,599)	17,712
Contribution margin <sup>1</sup>	16,605	(644)	15,961	12,605	1	12,606	5,051	(1,854)	3,197	3,523	4,535	8,058

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	Diabetrics			Corporate			Total		
	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External
<b>Three months ended September 30, 2022</b>									
Revenue	6,770	(1,796)	4,974	—	—	—	159,038	(48,635)	110,403
Contribution margin <sup>1</sup>	1,834	23	1,857	(2,666)	2,670	4	36,952	4,731	41,683
Administrative expenses	—	—	—	24,337	—	24,337	24,337	—	24,337
Finance (income) expenses	—	—	—	(22,748)	—	(22,748)	(22,748)	—	(22,748)
Other (income) expenses, net	—	—	—	9,706	—	9,706	9,706	—	9,706
<b>Income (loss) before tax</b>							<b>25,657</b>	<b>4,731</b>	<b>30,388</b>

	NextGel			Procaps Colombia			CAN			CASAND		
	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External
<b>Nine months ended September 30, 2023</b>												
Revenue	174,232	(82,701)	91,531	107,088	(380)	106,708	56,975	(17,809)	39,166	70,970	(12,008)	58,962
Contribution margin <sup>1</sup>	35,135	(1,784)	33,351	29,458	(105)	29,353	10,481	949	11,430	17,669	12,327	29,996

	Diabetrics			Corporate			Total		
	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External
<b>Nine months ended September 30, 2023</b>									
Revenue	28,861	(12,599)	16,262	—	—	—	438,126	(125,497)	312,629
Contribution margin <sup>1</sup>	820	(934)	(114)	(14,176)	14,205	29	79,387	24,658	104,045
Administrative expenses	—	—	—	72,500	—	72,500	72,500	—	72,500
Finance expenses	—	—	—	8,099	—	8,099	8,099	—	8,099
Other (income) expenses, net	—	—	—	(34,803)	—	(34,803)	(34,803)	—	(34,803)
<b>Income (loss) before tax</b>							<b>33,591</b>	<b>24,658</b>	<b>58,249</b>

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Nine months ended September 30, 2022	NextGel			Procaps Colombia			CAN			CASAND		
	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External
Revenue	191,411	(96,717)	94,694	110,822	(2,528)	108,294	61,086	(18,539)	42,547	61,502	(14,128)	47,374
Contribution margin <sup>1</sup>	52,380	(8,715)	43,665	37,310	156	37,466	14,096	(2,505)	11,591	9,560	10,345	19,905

  

Nine months ended September 30, 2022	Diabetrics			Corporate			Total		
	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External	Total	Inter-segment eliminations	External
Revenue	26,507	(10,963)	15,544	—	—	—	451,328	(142,875)	308,453
Contribution margin <sup>1</sup>	3,266	(70)	3,196	(729)	523	(206)	115,883	(266)	115,617
Administrative expenses	—	—	—	77,737	—	77,737	77,737	—	77,737
Finance (income) expenses	—	—	—	(18,539)	—	(18,539)	(18,539)	—	(18,539)
Other (income) expenses, net	—	—	—	13,209	—	13,209	13,209	—	13,209
Income (loss) before tax							<b>43,476</b>	<b>(266)</b>	<b>43,210</b>

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

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*Major customer*

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

*Geographical information*

In presenting geographical information, the Group's revenue is based on the geographical location of the customers.

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
South America	\$ 78,429	\$ 73,514	\$ 213,533	\$ 206,670
Central America	24,370	22,101	63,850	64,647
North America	12,877	11,870	29,439	29,174
Europe	2,734	2,918	5,807	7,962
<b>Total</b>	<b>\$ 118,410</b>	<b>\$ 110,403</b>	<b>\$ 312,629</b>	<b>\$ 308,453</b>

*Seasonality of operations*

The Group has been subject to normal seasonal fluctuations that generate less income during the first half of the year. In general, there are no significant variations on sales to customers throughout the year.

*Cease of operation of a subsidiary of the Group*

On September 5, 2023, the Group ceased its Rymco operations, which is part of its Procaps Colombia segment. For the nine months ended September 30, 2023, Rymco contributed to the results of the Group \$1,767 of revenue (for the nine months ended September 30, 2022: \$5,592), \$4,470 of sales and marketing expenses (for the nine months ended September 30, 2022: \$936) and \$6,512 of net loss before tax (for the nine months ended September 30, 2022: \$2,423).

**Note 7. Finance expenses, net**

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Banking expenses	\$ (313)	\$ (187)	\$ (1,099)	\$ (561)
Bank fees	(570)	(161)	(1,072)	(572)
Other financial expenses <sup>1</sup>	(3)	(353)	(615)	(782)
Net fair value gain/(loss) of warrant liabilities <sup>2</sup>	1,600	1,151	8,056	1,787
Net fair value gain/(loss) of shares held in escrow <sup>2</sup>	7,087	28,583	16,752	36,315
Interest expense	(10,769)	(6,285)	(30,121)	(17,648)
<b>Total</b>	<b>\$ (2,968)</b>	<b>\$ 22,748</b>	<b>\$ (8,099)</b>	<b>\$ 18,539</b>

<sup>1</sup> For the three and nine months ended September 30, 2023, interest on lease liabilities amounted to \$3 and \$615 (for the three and nine months ended September 30, 2022: \$353 and \$782).

<sup>2</sup> Refer to Note 16. Warrant liabilities, Note 17. Shares in escrow and Note 18. Financial instruments for further information related to net fair value gains for the nine months ended September 30, 2023.

Net fair value gains recognized in Finance expenses, net for the three and nine months ended September 30, 2023 and 2022 are unrealized.

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**Note 8. Other income (expenses), net**

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Currency exchange rate differences <sup>1</sup>	\$ 2,480	\$ (9,000)	\$ 16,874	\$ (12,188)
Economic emergency contribution expenses	(334)	(322)	(971)	(1,002)
Fines, surcharges, penalties and taxes assumed	(135)	(131)	(255)	(226)
Donations	(472)	(100)	(787)	(273)
Other <sup>2</sup>	(321)	(153)	19,942	480
<b>Total</b>	<b>\$ 1,218</b>	<b>\$ (9,706)</b>	<b>\$ 34,803</b>	<b>\$ (13,209)</b>

<sup>1</sup> The increase in currency exchange rate differences income (expense) for the three and nine months ended September 30, 2023 is mainly related to a decrease of 3% and 16% (increase for the three and nine months ended September 30, 2022 11% and 15%) in the Colombian Pesos/USD exchange rate for the period and the Group's Colombian entities' liability position towards USD.

<sup>2</sup> Includes income from a legal settlement with a third party to recover costs incurred relating to a business opportunity with such third party. The open receivable balance as of September 30, 2023 is included within Other financial assets in the Consolidated Interim Statement of Financial Position. The amount, counter party and any further details can't be disclosed due to contractual restrictions within the settlement agreement.

**Note 9. Income tax**

*Income tax recognized through profit or loss*

Income tax expense is recognized at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the Unaudited Condensed Consolidated Interim Financial Statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Group's consolidated income (loss) before tax for the three and nine months ended September 30, 2023 amounts to \$11,434 and \$58,249 (for the three and nine months ended September 30, 2022: \$30,388 and 43,210). The income tax expense for the three and nine months ended September 30, 2023 was \$3,235 and \$16,475 (for the three and nine months ended September 30, 2022: \$7,808 and \$11,104). The Group's consolidated effective tax rate with respect to continuing operations for the nine months ended September 30, 2023 was 28.28% (for the nine months ended September 30, 2022: 25.7%) The change in the consolidated effective tax rate was mainly caused by the following factors: (i) Optimization of the use of tax credits, tax rate changed from 25% up to 30% in Colombia, and (ii) by concentration of profits in countries where the tax rate is higher.

The tax rate used for the nine months ended September 30, 2023 represents the tax rate of 35% (for the nine months ended September 30, 2022: 35%) on the taxable income payable by the most representative entities of the Group in Colombia, in accordance with the tax laws of said jurisdiction. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

*Global minimum top-up tax*

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

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

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The Group operates in several jurisdictions, but it has been determined that the UPE (Ultimate Parent Entity) is located in Luxembourg. Luxembourg has not yet to enact legislation to implement the global minimum top-up tax.

Nevertheless, the Group has already started the analysis of its impact focusing primarily on Swiss and Colombia where the business is subject to tax at a statutory rate of 12% and 35% respectfully. However, and as indicated before, since legislation has not been enacted there is no current tax impact as of September 30, 2023.

Regarding the amendments to IAS 12 (International Tax Reform-Pillar Two Model Rules), since no new legislation to implement the top-up tax was enacted or substantially enacted as of December 31, 2022 in any of the jurisdictions where the Group operates, no related deferred taxes were recognized at that date, hence the retrospective application has no impact on the Group's Unaudited Condensed Consolidated Interim Financial Statements.

On Sunday, June 18, 2023, the Swiss electorate and on August 4, 2023 Luxembourg, published draft law to implement the global minimum tax.

**Note 10. Intangible assets, net**

<b>Cost</b>	<b>Total</b>
<b>Balance as of January 1, 2022</b>	<b>\$ 53,926</b>
Additions	1,396
Additions from internal developments	6,361
Foreign currency exchange	(5,785)
<b>Balance as of September 30, 2022</b>	<b>\$ 55,898</b>
<b>Balance as of January 1, 2023</b>	<b>\$ 57,831</b>
Additions	2,195
Additions from internal developments	6,784
Derecognition of assets	(52)
Foreign currency exchange	7,922
Transfers	(139)
<b>Balance as of September 30, 2023</b>	<b>\$ 74,541</b>
<b>Accumulated amortization</b>	<b>Total</b>
<b>Balance as of January 1, 2022</b>	<b>\$ 23,755</b>
Amortization expense	3,365
Foreign currency exchange	(2,500)
<b>Balance as of September 30, 2022</b>	<b>\$ 24,620</b>
<b>Balance as of January 1, 2023</b>	<b>\$ 25,623</b>
Amortization expense	4,136
Foreign currency exchange	3,467
<b>Balance as of September 30, 2023</b>	<b>\$ 33,226</b>
<b>As of September 30, 2022</b>	
Net book value	<b>\$ 31,278</b>
<b>As of September 30, 2023</b>	
Net book value	<b>\$ 41,315</b>

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For the three and nine months ended September 30, 2023 and 2022, amortization expenses were recognized within the Unaudited Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income as administrative expenses.

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

**Note 11. Property, plant and equipment, net**

<b>Cost</b>	<b>Total</b>
<b>Balance as of January 1, 2022</b>	<b>\$ 116,654</b>
Additions	15,293
Disposals	(4,147)
Effect of exchange differences in foreign currency	(10,608)
Transfers	(439)
<b>Balance as of September 30, 2022</b>	<b>\$ 116,753</b>
<b>Balance as of January 1, 2023</b>	<b>\$ 121,898</b>
Additions	18,320
Disposals	(594)
Effect of exchange differences in foreign currency	14,737
Transfers	841
<b>Balance as of September 30, 2023</b>	<b>\$ 155,202</b>
<b>Accumulated depreciation</b>	<b>Total</b>
<b>Balance as of January 1, 2022</b>	<b>\$ 44,016</b>
Disposals	(1,997)
Depreciation expense	4,481
Effect of exchange differences in foreign currency	(3,875)
<b>Balance as of September 30, 2022</b>	<b>\$ 42,625</b>
<b>Balance as of January 1, 2023</b>	<b>\$ 47,933</b>
Disposals	(546)
Depreciation expense	4,196
Effect of exchange differences in foreign currency	5,937
Transfers	488
<b>Balance as of September 30, 2023</b>	<b>\$ 58,008</b>
<b>As of September 30, 2022</b>	
Net book value	<b>\$ 74,128</b>
<b>As of September 30, 2023</b>	
Net book value	<b>\$ 97,194</b>

For the nine months ended September 30, 2023, depreciation expense was recognized as follows: \$3,263 was recognized as cost of goods sold (for the nine months ended September 30, 2022: \$3,207) and \$933 (for the nine months ended September 30, 2022: \$1,274) within administrative expense.



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*Financial Commitments*

As of September 30, 2023, the Group has commitments to acquire capital expenditures for \$4,831 (as of September 30, 2022: \$8,183).

**Note 12. Inventories, net**

	<b>As of September 30, 2023</b>	<b>As of December 31, 2022</b>
Raw materials and supplies	\$ 48,864	\$ 42,701
Products in process	5,859	7,412
Finished products and merchandise	42,368	41,492
Inventory in transit	10,220	11,531
<b>Subtotal</b>	<b>\$ 107,311</b>	<b>\$ 103,136</b>
Less: Provision	(9,069)	(6,303)
<b>Total</b>	<b>\$ 98,242</b>	<b>\$ 96,833</b>

Inventories recognized as cost of goods sold for the nine months ended September 30, 2023 amounted to \$136,976 (for the nine months ended September 30, 2022: \$121,139). Inventories used as samples for the nine months ended September 30, 2023 amounted to \$4,057 (for the nine months ended September 30, 2022: \$5,382), were recognized as marketing expenses.

Write-downs of inventories to net realizable value and obsolescence adjustments for the nine months ended September 30, 2023 amounted to \$8,446 (for the nine months ended September 30, 2022: \$2,475), were recognized within sales expenses.

**Note 13. Trade and other receivables, net**

	<b>As of September 30, 2023</b>	<b>As of December 31, 2022</b>
Trade receivables, net of discounts <sup>1</sup>	\$ 144,674	\$ 126,456
Other receivables	13,863	15,211
Impairment of trade and other receivables <sup>2</sup>	(15,487)	(12,065)
<b>Trade receivables, net of discounts and impairment</b>	<b>\$ 143,050</b>	<b>\$ 129,602</b>

<sup>1</sup> Discount and return provision amounts to \$15,781 (as of December 31, 2022: \$13,443).

<sup>2</sup> Total impairment balance is comprised of \$12,965 (as of December 31, 2022: \$10,768) for trade receivables and \$2,522 (as of December 31, 2022: \$1,297) for other receivables.

Refer to Note 18. Financial instruments for the Group's disclosures on credit risk management and expected credit losses.

The Group has entered into factoring arrangements to sell certain trade receivables to third parties under recourse programs, retaining all risk and rewards incidental to the trade receivables, so no derecognition of the financial assets has been performed. Trade receivables which collateralize factoring obligations as of September 30, 2023 amounts to \$3,982 (as of December 31, 2022: \$2,547).

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Note 14. Borrowings

	As of September 30, 2023	As of December 31, 2022
<b>Borrowings at amortized cost<sup>(a)</sup></b>		
Syndicated term loan (1)	\$ 60,558	\$ 38,626
Other term loan (2)	75,333	95,720
Lease liabilities (3)	34,906	34,192
Factoring obligations (4)	4,236	2,317
Bank overdrafts (5)	(113)	80
Notes (6)	115,000	115,000
<b>Total Interest bearing liabilities</b>	<b>\$ 289,920</b>	<b>\$ 285,935</b>
<b>Current</b>	<b>69,238</b>	<b>257,525</b>
<b>Non- Current</b>	<b>\$ 220,682</b>	<b>\$ 28,410</b>

(a) Borrowings at amortized cost are unsecured, with the exception of factoring obligations which are collateralized by trade receivables. Refer to Note 13. Trade and other receivables, net.

1. Syndicated term loan

	Currency	Range of Interest	Maturity Year	As of September 30, 2023	As of December 31, 2022
Syndicated term loan	COP	IBR + 5.3%	2023-2025	\$ —	\$ 39,156
New Banco Credit Agreement	COP	IBR +8.5%	2029	61,133	—
Amortized cost	COP	N/A	2029	(575)	(530)
<b>Total Syndicated term loan</b>				<b>\$ 60,558</b>	<b>\$ 38,626</b>

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

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

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

Financial covenants

- Indebtedness Indicator (Indebtedness/EBITDA) of Procaps, S.A. as of September 30 and December 31 of each year, during the loan term, must be less than or equal to 3.5 times. If the indicator is greater than 3.0 and less than 3.5, it proceeds to the extent that this value is originated by causes other than additional debt and the justification of the increase must be presented to the agent.
- Short-term leverage ratio of Procaps, S.A. < 1.0 on the last day of each semester.
- EBITDA ratio / financial expenses of Procaps, S.A. = or > 3.0 on the last day of each semester.

Other covenants

- The Syndicated Loan Agreement establishes that each of the jointly obligated parties, unless they have the express, prior and written authorization of the Agent, will refrain from incurring any type of financial debt when the proforma indebtedness indicator, once acquired the additional financial debt, is greater than 3.0 times and maintaining any type of financial debt when the pro forma indebtedness indicator, once the national debt is acquired, is greater than 3.5 times.
- Each of the joint obligated parties, except with express, prior and written authorization of the Agent to do otherwise, will refrain from contracting finance and/or operating lease obligations with purchase option with a joint balance payable greater than \$85,000,000 (Eighty-Five Billion Pesos, local currency) or its equivalent in another currency. For purposes of clarity, the reclassification of obligations as financial lease obligations by application of the Accounting Standards will not consume the balance set forth herein and may not be renewed.
- The payment of dividends is restricted to anyone other than the jointly obligated parties.

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

As mentioned in Note 2.1. Going concern, as of December 31, 2022, the Group was not in compliance with certain covenants under the Syndicated Loan Agreement. As a result, as of December 31, 2022, \$19,665 unpaid principal balance previously classified as non-current borrowings, was reclassified to current borrowings within the Group's Consolidated Statement of Financial Position.

On May 2, 2023 the Group obtained a Waiver for the loan covenant breaches described above. Under the terms of the Waiver, the lenders agreed to waive the event of default as of December 31, 2022.

Additionally, as mentioned in Note 2.1. Going concern, on August 16, 2023, the Group renegotiated the terms of the Syndicated Loan Agreement which extends the maturity date until 2029.

On August 16, 2023, Procaps S.A. and other subsidiaries of the Group as guarantors (collectively, the "Obligors") entered into a Credit Agreement with Bancolombia S.A. and Banco Davivienda S.A (the "New Banco Credit Agreement"). The New Banco Credit Agreement provides for a loan of up to \$247,817 million COP and the proceeds are to be used exclusively for the prepayment or the novation of existing indebtedness of the Group, including the Syndicated Loan Agreement. The New Banco Credit Agreement provides for a term of six-years, and interest accrues thereunder at a rate equal to the Colombian Central Bank's reference rate (for a three-month tenor) plus 8.50% per annum.

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

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

- Consolidated debt to consolidated EBITDA ratio of no greater than 3.50:1.00 (other than for the twelve-month period ended September 30, 2023, for which the ratio shall be no greater than 4.30:1.00); and
- Ratio of consolidated EBITDA to consolidated interest expense of greater than 3.00:1.00 (other than for the twelve-month period ended September 30, 2023, for which the ratio shall be greater than 1.90:1.00).
- Additionally, the Obligors are required to maintain combined total assets and combined EBITDA equal to no less than 80% of the Group's consolidated total assets and consolidated EBITDA, respectively, as of September 30 and December 31 of each year.

Management continuously monitors the observation of these obligations and complied as of the date of these Unaudited Condensed Consolidated Interim Financial Statements.

*2. Other term loan*

	<b>Currency</b>	<b>Range of Interest</b>	<b>Maturity Year</b>	<b>As of September 30, 2023</b>	<b>As of December 31, 2022</b>
Other term loan	COP	IBR+ 8.5%, 17.5-23.5% (2022: IBR+ 5.0%, DTF+ 3%, 13.99%-25.3%)	2022-2025	\$ 11,313	\$ 9,549
	COP	IBR + 2.25%- IBR 7.25% (2022: IBR+2.25%-10.2%)	2022-2025	14,628	21,267
	Soles	8.0% - 14.50% (Fixed) (2022: 8.0% - 12.79% (Fixed))	2022-2024	5,448	6,837
	Reales	9.84% - 18% N.A.	2023-2024	1,225	2,176
	USD	SOFR + (3%-5.8%) (2022: SOFR+ (4.80%-5.80%))	2023	21,423	23,454
	USD	7%-19.78% N.A. (2022: 6.36%-16.8%)	2022-2025	21,296	32,437
Amortized cost					
<b>Total Other term loans</b>				<b>\$ 75,333</b>	<b>\$ 95,720</b>

On June 28, 2022, Procaps, S.A. (the "Company") entered into a credit agreement with BTG to borrow \$8,672. The covenants required by the loan contract are:

- The Company's consolidated Indebtedness Indicator (Indebtedness / EBITDA) should not be greater than 3.5x.
- The Company's consolidated EBITDA/Finance expense should not be less than 3x.

As mentioned in Note 2.1. Going concern, as of December 31, 2022, the Group was not in compliance with the loan covenants related to the BTG Credit Agreement. As a result, the \$4,490 unpaid principal balance previously classified as a non-current borrowings, was reclassified to current borrowings within the Group's Consolidated Statement of Financial Position as of December 31, 2022.

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On March 28, 2023 the Group obtained a Waiver for the loan covenant breach. Under the terms of the Waiver, BTG Pactual agreed to waive the event of default as of December 31, 2022. For the period ending September 30, 2023, as part of the Waiver negotiations, the lenders agreed to adjust the covenant ratios as noted below (the covenants will return to the original terms from December 31, 2023, onwards). Further, before September 30, 2023, the Group negotiated with BTG to change the covenant reporting entity to be the Group instead of the Company:

- The Group’s consolidated Indebtedness Indicator (Indebtedness / EBITDA) must not be greater than 4.5x (original covenant: greater than 3.5x).
- The Group’s consolidated EBITDA/Finance expense must not be less than 1.8x (original covenant: less than 3.0x).

As a result, the unpaid principal balance is classified as non-current borrowings as of September 30, 2023.

Along with the BTG Credit Agreement, the Group borrowed \$19,000 on October 14, 2022 as part of a short-term agreement with BTG Pactual which is payable in 2023. Additionally, as mentioned in Note 2.1. Going concern, on August 18, 2023, the Group renegotiated their short-term agreement with BTG into a thirty-month loan.

On August 18, 2023, the Group entered into a Credit Agreement with Banco BTG Pactual S.A.-Cayman Branch. (the “New BTG Credit Agreement”). The New BTG Credit Agreement provides for a loan of up to \$19 million USD and the proceeds are to be used exclusively for the prepayment of existing indebtedness of the Group, including short term debt dated October 13, 2022. The New BTG Credit Agreement provides for a term of 30 months, and interest accrues thereunder at a rate equal to SOFR (for a three-month tenor) plus 5.80%.

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

- Consolidated debt to consolidated EBITDA ratio of no greater than 3.50:1.00 (other than for the twelve-month period ended September 30 and December 31, 2023, for which the ratio shall be no greater than 4.30:1.00); and
- Ratio of consolidated EBITDA to consolidated interest expense of greater than 3.00:1.00 (other than for the twelve-month period ended September 30 and December 31, 2023, for which the ratio shall be greater than 1.90:1.00).

Management continuously monitors the observation of these obligations and complied as of the date of these Unaudited Condensed Consolidated Interim Financial Statements.

*3. Lease liabilities*

	<b>Currency</b>	<b>Range of Interest</b>	<b>Maturity Year</b>	<b>As of September 30, 2023</b>	<b>As of December 31, 2022</b>
Lease liabilities	COP	IBR+(3.82%-7.3%), DTF + 5.5% (2022: DTF + (5,18% - 10,11%) T.A., IBR+7.5%)	2022-2030	\$ 10,471	\$ 10,475
	COP	IBR+ (4.2%-8.2%) (2022: DTF+ 4.54%-10.42 T.A.	2022-2025	3,975	3,653
	USD	0.75%-21.48%, DTF+5.50%, IBR+4.10% (2022: 0.75%-21.48%)	2023-2032	20,460	14,787
	COP	1.91%-12.23%, IBR+4.68%	2023	—	4,703
	Reales	0.70-8.72% (Fixed)	2023-2024	—	574
<b>Total Lease Liabilities</b>				<b>\$ 34,906</b>	<b>\$ 34,192</b>

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4. *Factoring obligations*

	<u>Currency</u>	<u>Range of Interest</u>	<u>Maturity Year</u>	<u>As of September 30, 2023</u>	<u>As of December 31, 2022</u>
Portfolio factoring	COP	DTF+7% (2022: DTF+8%)	2023	\$ 1,805	\$ 1,508
	COP	2.15% n.m.a (2022: 15.0% - 27% N.A.)	2023	2,431	809
<b>Total Factoring</b>				<b>\$ 4,236</b>	<b>\$ 2,317</b>

5. *Bank overdraft*

	<u>Currency</u>	<u>Range of Interest</u>	<u>Maturity Year</u>	<u>As of September 30, 2023</u>	<u>As of December 31, 2022</u>
Overdrafts and credit cards	COP	19.68% - 32% E.A. (Fixed)	2023	\$ (262)	\$ 80
	USD		2023	149	—
<b>Total bank overdrafts and credit cards</b>				<b>\$ (113)</b>	<b>\$ 80</b>

6. *Notes*

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

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

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

As mentioned in Note 1. General Company Information, the Notes Payoff did not occur on or prior to November 30, 2022, therefore triggering the 3.75% per annum waiver fee on the outstanding principal amount of Senior Notes, raising the interest rate from 4.75% to 8.50%. As a result, the Group has treated the rate increase as a debt extinguishment, derecognised a liability in the amount of \$113,400, expensed \$1,600 in unamortized transaction costs, and recognized a new liability in the amount of \$115,000 as of December 31, 2022.

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

- The consolidated total debt of Procaps, S.A., the Group and the other obligors thereunder to consolidated EBITDA for the last twelve months of 3.50:1.00 or less (Indebtedness Indicator), measured at certain dates of determination and;
- An EBITDA interest coverage ratio (calculated as the consolidated EBITDA for the last twelve months of Procaps, S.A. and the other obligors thereunder divided by the consolidated interest expenses of Procaps, S.A. and the other obligors thereunder) in excess of, or equal to, 3.00:1.00, calculated at certain dates of determination.
- Short-term leverage ratio equal to or less than 1.00

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

As mentioned in Note 2.1. Going concern, as of December 31, 2022, the Group was not in compliance with the financial covenants related to the Senior Notes. As a result, the \$115,000 unpaid principal balance previously classified as a non-current borrowings, was reclassified to current borrowings within the Group's Consolidated Statement of Financial Position as of December 31, 2022.

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

- The consolidated total debt of Procaps, S.A., the Group and the other obligors thereunder to consolidated EBITDA for the last twelve months of 4.00:1.00 or less (original covenant: 3.50:1.00 or less).
- An EBITDA interest coverage ratio in excess of, or equal to, 2.20:1.00 (original covenant: in excess of, or equal to, 3.00:1.00).
- Short-term leverage ratio equal to or less than 1.60:1.00 (original covenant: equal to or less than 1.00:1.00).

As mentioned in Note 2.1. Going concern, as of September 30, 2023 the Group obtained an Additional Waiver under the NPA in anticipation of a potential breach of the covenant ratios contained within the March 31, 2023 Waiver. For the periods ending June 30 and September 30, 2023, the lenders agreed to adjust the covenant ratios as noted below (the covenants will return to the original terms from December 31, 2023, onwards):

- The consolidated total debt of Procaps, S.A., the Group and the other obligors thereunder to consolidated EBITDA for the last twelve months of 4.30:1.00 or less (original covenant: 3.50:1.00 or less).
- An EBITDA interest coverage ratio in excess of, or equal to, 1.90:1.00 (original covenant: in excess of, or equal to, 3.00:1.00).

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The Additional Waiver was obtained on June 30, 2023, therefore, the unpaid principal balance is classified as non-current borrowings as of September 30, 2023.

	<u>Currency</u>	<u>Range of Interest</u>	<u>Maturity Year</u>	<u>As of September 30, 2023</u>	<u>As of December 31, 2022</u>
The Prudential Insurance Company Of America	USD	8.50% (Fixed)	2031	\$ 60,020	\$ 60,020
Prudential Annuities Life Assurance Corporation	USD	8.50% (Fixed)	2031	29,980	29,980
Healthspring Life & Health Insurance Company, Inc	USD	8.50% (Fixed)	2031	18,350	18,350
CIGNA Health and Life Insurance Company	USD	8.50% (Fixed)	2031	6,650	6,650
<b>Total Senior Notes</b>				<b>\$ 115,000</b>	<b>\$ 115,000</b>

**Note 15. Provisions and contingencies**

	<u>2023</u>	<u>2022</u>
<b>Contingencies</b>		
<b>Balance as of January 1</b>	<b>\$ 138</b>	<b>\$ 501</b>
Effect of changes in foreign exchange rates	9	9
Provisions made	90	9
Provisions used	(99)	(408)
<b>Balance as of September 30</b>	<b>\$ 138</b>	<b>\$ 111</b>

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

*Legal provisions*

*Softcaps legal proceedings* - The total balance of \$56 (as of September 30, 2022: \$68) is comprised of labor, administrative, and civil litigation. There are no tax litigation provisions recognized as of September 30, 2023 and 2022.

The remaining balance of \$61 (as of September 30, 2022:\$43) is for labor litigation in the following entities: *Procaps, S.A., Unimed del Perú, and Diabetrics; and \$21 is for tax litigation in CDI Nicaragua.*

*Contingencies*

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

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

*CDI Nicaragua legal proceedings* - The tax authority of Nicaragua (Administración de Renta Linda Vista), determined that the Company applied discounts not related to taxable income generation in 2018. Also the company reported higher cost of sales for undocumented purchases not deductible for income tax purposes in 2018, the proposed tax burden and penalty amounts to \$534.



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

Rymco Medical legal proceedings - The customer Fundación Los Andes requested a refund of \$370 for low quality and incorrect lifetime of the products sold by Rymco Medical. The legal team indicates that it is not probable for this claim to proceed, therefore, there is no provision for the effect of this contingency.

**Note 16. Warrant liabilities**

	<b>As of September 30, 2023</b>	<b>As of December 31, 2022</b>
Public warrants	\$ 2,200	\$ 9,200
Private warrants <sup>1</sup>	661	1,716
	<b>\$ 2,861</b>	<b>\$ 10,916</b>

<sup>1</sup> Private warrants include 2,875,000 held by the former SPAC sponsors deposited in an escrow account.

Note 16.1. Public warrants

	<b>As of September 30, 2023</b>	<b>As of December 31, 2022</b>
<b>As of January 1</b>	\$ 9,200	\$ 16,000
Fair value remeasurement	(7,000)	(6,800)
<b>Balance as of September 30/December 31</b>	<b>\$ 2,200</b>	<b>\$ 9,200</b>

The fair value of the Public Warrants decreased for the nine months ended September 30, 2023 by \$7,000 (decreased for the year ended December 31, 2022: \$6,800). Refer to Note 7. Finance expenses, net.

Note 16.2. Private warrants

	<b>As of September 30, 2023</b>	<b>As of December 31, 2022</b>
<b>As of January 1</b>	\$ 1,716	\$ 7,112
Fair value remeasurement	(1,055)	(5,396)
<b>Balance as of September 30/December 31</b>	<b>\$ 661</b>	<b>\$ 1,716</b>

The fair value of the Private Warrants decreased for the nine months ended September 30, 2023 by \$1,055 (decreased for the year ended December 31, 2022: \$5,396). Refer to Note 7. Finance expenses, net.

**Note 17. Shares in escrow**

	<b>As of September 30, 2023</b>	<b>As of December 31, 2022</b>
<b>As of January 1</b>	\$ 40,064	\$ 101,859
Fair value remeasurement	(16,752)	(61,795)
<b>Balance as of September 30/December 31</b>	<b>\$ 23,312</b>	<b>\$ 40,064</b>

The fair value of the Shares in escrow decreased for the nine months ended September 30, 2023 by \$16,752 (decreased for the year ended December 31, 2022: \$61,795). Refer to Note 7. Finance expenses, net.

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Note 18. Financial instruments

18.1 Accounting classification and fair value

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

- Level 1: inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs are observable either directly (e.g. as prices) or indirectly (e.g. derived from prices).
- Level 3: fair value measurements incorporate significant inputs that are based on unobservable market data.

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

	As of September 30, 2023			As of December 31, 2022	
	FVTPL <sup>1</sup>	FVOCI <sup>2</sup>	Amortized cost <sup>3</sup>	FVTPL <sup>1</sup>	Amortized cost <sup>3</sup>
<b>Financial assets not measured at fair value</b>					
Trade and other receivables, net	\$ —	\$ —	\$ 143,050	\$ —	\$ 129,602
Amounts owed by related parties, net	—	—	2,159	—	2,474
Cash	—	—	17,558	—	43,003
Other financial assets	—	—	12,400	—	210
<b>Total financial assets not measured at fair value</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 175,167</b>	<b>\$ —</b>	<b>\$ 175,289</b>
<b>Financial liabilities measured at fair value</b>					
Warrant liabilities	\$ 2,861	\$ —	\$ —	\$ 10,916	\$ —
Shares held in escrow	23,312	—	—	40,064	—
Derivative financial liabilities	—	3,114	—	—	—
<b>Total financial liabilities measured at fair value</b>	<b>\$ 26,173</b>	<b>\$ 3,114</b>	<b>\$ —</b>	<b>\$ 50,980</b>	<b>\$ —</b>
<b>Financial liabilities not measured at fair value</b>					
Borrowings	—	—	289,920	—	285,934
Trade and other payables	—	—	89,759	—	90,187
Amounts owed to related parties	—	—	4,123	—	2,914
<b>Total financial liabilities not measured at fair value</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 383,802</b>	<b>\$ —</b>	<b>\$ 379,035</b>

<sup>1</sup> The fair value of the exhibited figures as of September 30, 2023 is comprised of \$2,200 Level 1 (as of December 31, 2022: \$9,200) and \$23,973 Level 3 (as of December 31, 2022: \$41,780).

<sup>2</sup> The fair value of the exhibited figures as of September 30, 2023 is Level 2.

<sup>3</sup> The fair value of the exhibited figures is similar to their amortized cost as of September 30, 2023 and December 31, 2022, respectively.

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18.2 Measurement of fair values

The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments in the Unaudited Condensed Consolidated Interim Statement of Financial Position, as well as the significant unobservable inputs used.

Type	Fair value	Valuation Technique	Significant unobservable input	Relationship between significant unobservable input to fair value	Sensitivity of significant unobservable input to fair value	
					+5%	-5%
Private warrants	\$ 100	The fair value of the Private Warrants is estimated using the Black-Scholes option pricing formula for European calls, since the underlying stock is not expected to pay dividends over the term of the Warrants.	Volatility of 38.9% (2022: 36.6%)	The higher (lower) the volatility, the higher (lower) the fair value.	\$ 90	\$ 30
Private warrants in escrow	561	The fair value of the Private Warrants in escrow is estimated using Monte Carlo simulation in a risk-neutral framework assuming a Geometric Brownian Motion for the future stock price.	Volatility of 38.9% (2022: 37.5%)	The higher (lower) the volatility, the higher (lower) the fair value.	532	173
Shares held in escrow	23,312	The fair value of the shares to be delivered is estimated using Monte Carlo simulation in a risk-neutral framework assuming a Geometric Brownian Motion for the future stock price.	Volatility of 42.0% (2022: 36.5%)	The higher (lower) the volatility, the higher (lower) the fair value.	23,631	22,962

18.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk, including currency and interest rate risk

18.3.1. Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the Group. The carrying amount is presented net of impairment losses. None of the receivable balances as of September 30, 2023 and December 31, 2022 constitutes a significant concentration of credit risk. There are no other single customers representing more than 10% of total gross trade receivables as of September 30, 2023 and December 31, 2022.

Expected credit losses

The average credit period on the sale of medicines is 60 to 120 days. In some cases, depending on market conditions and strategy, longer payment periods are granted. No interest surcharge is made on commercial accounts receivable.

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

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	Current (not past due)	1-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	More than 120 days past due	Total
<b>As of September 30, 2023</b>							
Weighted-average loss rate	0.36%	2.26%	3.62%	5.19%	11.08%	83.19%	14.48%
Gross carrying amount	123,848	17,220	9,620	4,200	2,627	30,724	188,239
Impairment loss allowance	(443)	(390)	(348)	(218)	(291)	(25,559)	(27,249)
	<b>\$ 123,405</b>	<b>\$ 16,830</b>	<b>\$ 9,272</b>	<b>\$ 3,982</b>	<b>\$ 2,336</b>	<b>\$ 5,165</b>	<b>\$ 160,990</b>
	Current (not past due)	1-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	More than 120 days past due	Total
<b>December 31, 2022</b>							
Weighted-average loss rate	0.39%	3.42%	4.50%	14.25%	19.89%	83.88%	14.07%
Gross carrying amount	124,219	11,816	3,864	1,958	890	26,605	169,352
Impairment loss allowance	(483)	(404)	(174)	(279)	(177)	(22,317)	(23,834)
	<b>\$ 123,736</b>	<b>\$ 11,412</b>	<b>\$ 3,690</b>	<b>\$ 1,679</b>	<b>\$ 713</b>	<b>\$ 4,288</b>	<b>\$ 145,518</b>

As of September 30, 2023 no impairment losses were recognized for balances in connection with related parties. However, as of September 30, 2023 and December 31, 2022, an allowance is maintained for open balances referred to goods sold to *Industrias Intercaps de Venezuela C.A.* and *Laboratorios Vivax Pharmaceuticals C.A.*, due to the critical political and social situation that the location country of precedence is experiencing.

18.3.2. Market Risk

Net Investment Hedges

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

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

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

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

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

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

Average Currency Forward Contracts (Sell COP)	Settlement Date	Forward Exchange rate	Notional amount (COP)	Notional amount (USD)
Less than 3 months	10/3/2023	4,715	42,800,000,000	10,492,768
3-6 months	1/3/2024	4,791	48,837,000,000	11,972,787

As of September 30, 2023

Average Currency Forward Contracts (Sell COP)	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Change in value used for calculating hedge ineffectiveness
	Assets	Liabilities		
Less than 3 months	—	1,511	Derivative Financial Liability	492
3-6 months	—	1,603	Derivative Financial Liability	518

As of September 30, 2023

Average Currency Forward Contracts (Sell COP)	Change in value of hedging instruments recognized in OCI	Hedge ineffectiveness recognized in PL	Line item in profit or loss that includes hedge ineffectiveness
3-6 months	518	—	Other income (expenses), net

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

Net Investment in Procaps S.A.	As of September 30, 2023		
	Change in value used for calculating hedge ineffectiveness	Foreign currency translation reserve for continued hedges	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
	1,010	3,482	—

**Note 19. Key management personnel**

*Transactions with directors and executive board management members*

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

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	2023	2022
Short-term employee benefits	943	647	2,452	1,781
Consulting fees	688	678	1,921	2,417
	<b>\$ 1,631</b>	<b>\$ 1,325</b>	<b>\$ 4,373</b>	<b>\$ 4,198</b>

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**Note 20. Events after the reporting period**

Management has considered subsequent events through the date these Unaudited Condensed Consolidated Interim Financial Statements were issued and identified the following events that require disclosure.

*Hamas-Israel conflict*

The recent global tensions arising from the Hamas-Israel war may result in disruptions in the broader global economic environment.

As of the date of issuance of these Unaudited Condensed Consolidated Interim Financial Statements, the Group does not have any direct exposure to Israel considering there are not any existing operations or sales in those locations.

Although the Group does not currently operate in Israel or Gaza, the duration and severity of the effects on its business and the global economy are inherently unpredictable. Management will continue to monitor the effects of the war in Israel and its potential further impacts, including global supply chain disruptions, inflation, and rising interest rates, when making certain estimates and judgments relating to the preparation of the Consolidated Financial Statements of the Group.



### Third Quarter 2023 Financial Results

#### Net Revenues

Net revenues totaled \$118.4 million in 3Q23 compared to net revenues of \$110.4 million for 9M22, an increase of 7.3% year-over-year. On a constant currency basis net revenues increased by 2.3% from 3Q22 to 3Q23, totaling \$112.9 million.

Net revenues totaled \$312.6 million for 9M23, an increase of 1.4% from 3Q22, impacted mainly by the devaluation of some local currencies totaling \$12.2 million (particularly in Colombia) as well as CDMO order phasing, especially for U.S. and Brazilian clients, and a decrease in sales related to Rymco's ceased operations. On a constant currency basis 9M23 net revenues increased by 5.3% from 9M22.

In terms of business lines, on a constant currency basis, Rx (approximately 46% of total net revenues) grew approximately 8%, and OTC (approximately 17% of total net revenues) grew approximately 11%. The growth was partially offset by CDMO performance.

The demand for RX remains solid and with good penetration of new products with 13% growth for 9M23 on a constant currency basis. The OTC segment grew 3% on a constant currency basis for 9M23, impacted by the OTC market in El Salvador. The Clinical Specialties segment is ramping up again and recovering from post pandemic effects with a 5% decrease for 9M23 on a constant currency basis.

Net revenues by strategic business segment are shown below:

<i>US\$ million</i>	<b>3Q23</b>	<b>%NR</b>	<b>3Q23*</b>	<b>3Q22</b>	<b>%NR</b>	<b>Δ%</b>	<b>Δ%*</b>
CAN	15.8	13.3%	15.8	14.4	13.1%	9.3%	9.7%
CASAND	21.9	18.5%	21.4	17.7	16.0%	23.8%	21.1%
Diabetrics	7.0	5.9%	6.5	5.0	4.5%	40.7%	30.3%
Nextgel	34.5	29.1%	32.9	36.4	33.0%	-5.3%	-9.6%
Procaps Colombia	39.1	33.0%	36.2	36.8	33.4%	6.2%	-1.7%
<b>Total Net Revenues</b>	<b>118.4</b>	<b>100.0%</b>	<b>112.9</b>	<b>110.4</b>	<b>100.0%</b>	<b>7.3%</b>	<b>2.3%</b>

<i>US\$ million</i>	<b>9M23</b>	<b>%NR</b>	<b>9M23*</b>	<b>9M22</b>	<b>%NR</b>	<b>Δ%</b>	<b>Δ%*</b>
CAN	39.2	12.5%	39.4	42.5	13.8%	-7.9%	-7.5%
CASAND	59.0	18.9%	58.7	47.4	15.4%	24.5%	24.0%
Diabetrics	16.3	5.2%	17.2	15.5	5.0%	4.6%	10.9%
Nextgel	91.5	29.3%	94.2	94.7	30.7%	-3.4%	-0.5%
Procaps Colombia	106.7	34.1%	115.2	108.3	35.1%	-1.5%	6.4%
<b>Total Net Revenues</b>	<b>312.6</b>	<b>100.0%</b>	<b>324.8</b>	<b>308.5</b>	<b>100.0%</b>	<b>1.4%</b>	<b>5.3%</b>

\* Constant currency basis



### **Central America North (CAN)**

Net revenues for the CAN business segment were \$15.8 million in 3Q23, an increase of 9.3% from 3Q22, positively impacted by the OTC and Clinical Specialties portfolio performance. On a constant currency basis net revenues increased 9.7%.

Net revenues totaled \$39.2 million for 9M23, a decrease of 7.9% from 9M22, negatively impacted by the OTC segment in El Salvador in previous quarters. In addition, the previous year was positively impacted by the sales of brand in the amount of approximately \$3.5 million which impacted the 9M22 results. On a constant currency basis net revenues decreased 7.5%.

### **Central America South and Andean Region (CASAND)**

Net revenues for the CASAND business segment totaled \$21.9 million in 3Q23, an increase of 23.8% versus 3Q22, mainly due to the positive performance of new products launched in the region such as Fortzink and Dol B-vit, and a sales increase in the existing product portfolio such as Alercet D, the RX portfolio, and price increases. On a constant currency basis, net revenues increased by 21.1% in the quarter.

Net revenues totaled \$59.0 million for 9M23, an increase of 24.5% from 9M22. On a constant currency basis net revenues increased by 24.0%, positively impacted by performances in Ecuador, Peru, Panama and Dominican Republic.

### **Diabetrics**

Diabetrics net revenues totaled \$7.0 million, an increase of 40.7% from 3Q22, positively impacted by the performance of blood glucose monitoring and Lipotic. On a constant currency basis net revenues increased 30.3% from 3Q22 to 3Q23.

Net revenues totaled \$16.3 million for 9M23, an increase of 4.6% from 9M22. On a constant currency basis net revenues increased 10.9%.

### **Nextgel**

Net revenues for the Nextgel business segment were \$34.5 million in 3Q23, a decrease of 5.3% versus 3Q22. On a constant currency basis net revenues decreased by 9.6%, compared to 3Q22.

Constant currency net revenues totaled \$91.5 million for 9M23, a decrease of 3.4% versus 9M22. On a constant currency basis net revenues decreased 0.5%.

We continue to experience reduced orders from some of our U.S. and Brazilian clients in gummies and softgels due to new launch postponements, regulatory delays affecting product introduction for some partners, and higher inventory effect post-Covid in Brazil.

### **Procaps Colombia**

Net revenues for the Procaps Colombia segment totaled \$39.1 million in 3Q23, an increase of 6.2% from 3Q22, positively impacted by RX and offset by ceased Rymco operations. On a constant currency basis net revenues decreased by 1.7%.





Net revenues totaled \$106.7 million for 9M23, a decrease of 1.5% from 9M22. On a constant currency basis net revenues increased by 6.4%, positively impacted by the performance of recently launched products such as Aludel, Nutrigel, Eclamp, among others.

The RX segment is performing well, bolstered particularly by feminine care, gastroenterology, respiratory and osteoarticular, with approximately 14% growth for 9M23 on a constant currency basis.

The OTC segment in general experienced a slowdown in consumption in the last few months, impacting the whole chain and resulted in pricing pressure, with a decrease of approximately 7% in the quarter and an increase of approximately 7% for 9M23 on a constant currency basis. Clinical Specialties is still recovering from the post Covid higher inventory effects.

#### Gross Profit

Gross profit totaled \$68.4 million in 3Q23 with a 57.8% gross margin and \$175.7 million in 9M23 with a 56.2% gross margin for the period.

Gross margin was negatively impacted by higher COGS, price pressure on some segments, inventory turnover acquired at higher prices and reduced plant utilization due to reduced CDMO orders. There was also a higher comparison base from the previous year when there were sales of brands that affected gross profit by approximately \$3.5 million, impacting the nine-month comparison.

<i>US\$ million</i>	<b>3Q23</b>	<b>3Q22</b>	<b>Δ%</b>	<b>9M23</b>	<b>9M22</b>	<b>Δ%</b>
Net Revenues	118.4	110.4	7.3%	312.6	308.5	1.4%
COGS	(50.0)	(42.8)	16.7%	(137.0)	(121.1)	13.1%
<b>Gross Profit</b>	<b>68.4</b>	<b>67.6</b>	<b>1.2%</b>	<b>175.7</b>	<b>187.3</b>	<b>-6.2%</b>
<i>Gross Margin</i>	<i>57.8%</i>	<i>61.2%</i>	<i>-342.5bps</i>	<i>56.2%</i>	<i>60.7%</i>	<i>-454.1bps</i>

#### Operating Expenses

Total Operating expenses were \$54.0 million in 3Q23, a decrease of 9.9% versus 3Q22, mainly due to the impact of Other Expenses.

SG&A totaled \$55.2 million in 3Q23, an increase of 10.0% versus 3Q22, mainly related to Rymco's ceased operations and respective write-off. Excluding this non-recurring impact, Adjusted SG&A totaled \$50.9 million in 3Q23, an increase of 1.3% versus 3Q22, impacted by the currency appreciation that offset savings due to the translation FX effect. On a constant currency basis Adjusted SG&A decreased by approximately 3.2% in 3Q33 vs 3Q22.

SG&A totaled \$144.1 million in 9M23, a decrease of 3.6% versus 9M22. Excluding this non-recurring impact of ceased operations mentioned above SG&A totaled \$139.8 million in 3Q23, a decrease of 6.5% versus 9M22, related to the ongoing efforts of the value creation initiatives.

<i>US\$ million</i>	<b>3Q23</b>	<b>%RL</b>	<b>3Q22</b>	<b>%RL</b>	<b>Δ%</b>
Sales and marketing expenses	(29.4)	24.9%	(25.9)	23.4%	13.8%
Administrative expenses	(25.8)	21.8%	(24.3)	22.0%	5.9%
Other expenses	1.2	-1.0%	(9.7)	8.8%	n.a.
<b>Total Operational Expenses</b>	<b>(54.0)</b>	<b>45.6%</b>	<b>(59.9)</b>	<b>54.3%</b>	<b>-9.9%</b>

<i>US\$ million</i>	<b>9M23</b>	<b>%RL</b>	<b>9M22</b>	<b>%RL</b>	<b>Δ%</b>
Sales and marketing expenses	(71.6)	22.9%	(71.7)	23.2%	-0.1%
Administrative expenses	(72.5)	23.2%	(77.7)	25.2%	-6.7%
Other expenses	34.8	-11.1%	(13.2)	4.3%	n.a.
<b>Total Operational Expenses</b>	<b>(109.3)</b>	<b>35.0%</b>	<b>(162.6)</b>	<b>52.7%</b>	<b>-32.8%</b>



Sales and marketing expenses totaled \$29.4 million in 3Q23, an increase of 13.8% versus 3Q22, mainly impacted by the ceased Rymco operations provisions of approximately \$4.1 million. 9M23 sales and marketing expenses totaled \$71.6 million, in line with same period last year. Excluding Rymco provisions, sales and marketing expenses decreased by approximately 2.1% and 5.8% in 3Q23 and 9M23, respectively, in comparison to the same period a year ago.

Administrative expenses totaled \$25.8 million in 3Q23, an increase of 5.9% versus 3Q22, mainly driven by FX translation effect. 9M23 expenses totaled \$72.5 million, a decrease of 6.7% versus 9M22.

Other expenses for 3Q23 are related mainly to the positive effect of the exchange rate differences and 9M23 other expenses are related mainly to the impact of exchange rate differences from the balance sheet that is reflected in the P&L of approximately \$16.9 million and a one-time settlement with third parties related to certain matters in favor of the Company of approximately \$19.3 million.

#### Financial Expenses

Net financial expenses totaled \$3.0 million in 3Q23 and \$8.1 million in 9M23, including the valuation of shares and warrants held in escrow in the amount of \$8.7 million in 3Q23 and \$24.8 million in 9M23.

There was a positive impact related to the net fair value gain of the Procaps ordinary shares held in escrow and warrants liabilities, which are non-cash items. Excluding this effect, net financial expenses totaled \$11.7 million in 3Q23 and \$32.9 million in 9M23, mostly impacted by interest expense (\$10.8 million in 3Q23 and \$30.1 million in 9M23).

Interest expenses are related to interest-bearing debt mostly relating to the Senior Notes, Syndicated Loan, BTG loans and other various loans and leases.

<i>US million</i>	<b>3Q23</b>	<b>3Q22</b>	<b>Δ%</b>	<b>9M23</b>	<b>9M22</b>	<b>Δ%</b>
Banking expenses and fees	(0.9)	(0.3)	153.7%	(2.2)	(1.1)	91.6%
Others financial expenses	(0.0)	(0.4)	-99.2%	(0.6)	(0.8)	-21.5%
Net fair value gain of warrants liabilities	1.6	1.2	39.0%	8.1	1.8	350.8%
Net fair value gain of shares held in escrow	7.1	28.6	-75.2%	16.8	36.3	-53.9%
Interest expenses	(10.8)	(6.3)	71.3%	(30.1)	(17.6)	70.7%
<b>Net Financial Expenses</b>	<b>(3.0)</b>	<b>22.7</b>	<b>n.a.</b>	<b>(8.1)</b>	<b>18.5</b>	<b>n.a.</b>



## Net Income

Procaps reported net income of \$8.2 million for 3Q23 and of \$22.6 million for 3Q22. Non-cash items totaled \$8.7 million in 3Q23 and \$29.7 million in 3Q22.

Net income for 9M23 totaled \$41.8 million, an increase of 30.1% from \$32.1 million in 9M22. Non-cash items totaled \$24.8 million in 9M23 and \$38.1 million in 9M22.

<i>US\$ million</i>	<b>3Q23</b>	<b>%NR</b>	<b>3Q22</b>	<b>%NR</b>	<b>Δ%</b>	<b>9M23</b>	<b>%NR</b>	<b>9M22</b>	<b>%NR</b>	<b>Δ%</b>
EBIT	14.4	12.2%	7.6	6.9%	88.5%	66.3	21.2%	24.7	8.0%	168.9%
Net Financial Expenses	(3.0)	-2.5%	22.7	20.6%	n.a.	(8.1)	-2.6%	18.5	6.0%	n.a.
EBT	11.4	9.7%	30.4	27.5%	-62.4%	58.2	18.6%	43.2	14.0%	34.8%
Income Tax	(3.2)	-2.7%	(7.8)	-7.1%	n.a.	(16.5)	-5.3%	(11.1)	-3.6%	48.4%
<b>Net Income</b>	<b>8.2</b>	<b>6.9%</b>	<b>22.6</b>	<b>20.5%</b>	<b>-63.7%</b>	<b>41.8</b>	<b>13.4%</b>	<b>32.1</b>	<b>10.4%</b>	<b>30.1%</b>

## Indebtedness

As of September 30, 2023, our total gross debt was \$289.9 million compared to \$285.9 million as of December 31, 2022.

Gross debt consisted mainly of Senior Notes and Syndicated Loan.

The Senior Notes consist of a private placement offering of \$115.0 million with Prudential and Cigna with fixed interest rate of 8.5% and mature in 2031.

On August 16, 2023, we renegotiated the terms of the Syndicated Loan and entered into the underlying Credit Agreement with Bancolombia and Banco Davivienda as lenders. The Credit Agreement provides for a loan of up to COP\$247,817,751,759.49. The proceeds of the loan are to be used exclusively for the prepayment of existing indebtedness of the Company and its subsidiaries, including the full repayment of the outstanding indebtedness under the Credit Agreement. The Credit Agreement provides for a term of six years and interest accrues thereunder at a rate equal to the Colombian Central Bank's reference rate (for a three-month tenor) plus 8.50%.

Other loans consist of loans in different currencies (COPs, Soles, Brazilian Reais and USD) with differing interest rates, including some with variable rates, in the amount of \$75.0 million, lease liabilities in the amount of \$34.9 million, and factoring obligations in the amount of \$4.2 million.

Total gross debt is carried at an average cost of approximately 13%.

Cash totaled \$17.6 million as of September 30, 2023. Cash decrease was impacted mainly by CAPEX and R&D investments and higher financial expenses combined with lower operating results compared to 2022.

Total net debt as of September 30, 2023, totaled \$272.4 million, of which approximately 24% consisted of short-term obligations.

<i>US\$ million</i>	<b>9M23</b>	<b>2022</b>	<b>9M22</b>
Short Term	69.2	257.5	83.0
Long Term	220.7	28.4	170.8
<b>Gross Debt</b>	<b>289.9</b>	<b>285.9</b>	<b>253.9</b>
Cash and cash equiv.	17.6	43.0	27.2
<b>Net Debt</b>	<b>272.4</b>	<b>242.9</b>	<b>226.6</b>



## Capital Expenditures (“CAPEX”)

As of September 30, 2023, CAPEX totaled \$20.4 million, comprised of \$11.4 million of property, plant & equipment (“PP&E”) and \$ 9.0 million of intangible CAPEX.

PP&E CAPEX refers mainly to the construction of the new Miramar site for Funtrition and the expansion of analytical lab capacity in addition to maintenance in the plants.

Intangible CAPEX refers mainly to investments in the development of new products and product sanitary registration fees.

These investments are aligned with our strategic growth plan to increase production capacity, facilities improvements and increased capacity to develop new products.

<i>US\$ million</i>	<b>9M23</b>	<b>% NR</b>	<b>1H22</b>	<b>% NR</b>	<b>Δ%</b>
Intangible CAPEX	9.0	2.9%	7.8	3.9%	15.8%
PP&E CAPEX	11.4	3.7%	15.3	7.7%	-25.3%
<b>Total CAPEX</b>	<b>20.4</b>	<b>6.5%</b>	<b>23.1</b>	<b>11.6%</b>	<b>-11.5%</b>

## Cash Flow

Cash flow from operating activities during 9M23 was \$79.0 million. Free cash flow was \$50.6 million.

<i>US\$ million</i>	<b>9M23</b>	<b>9M22</b>	<b>Δ%</b>
Net Income	41.8	32.1	30.1%
D&A	13.0	12.4	5.0%
Income Tax expenses	16.5	11.1	48.4%
Finance expenses	8.1	(18.5)	n.a.
Other adjustments	(5.2)	4.1	n.a.
Changes in working capital	4.8	(13.2)	n.a.
<b>Cash from operations</b>	<b>79.0</b>	<b>27.9</b>	<b>183.0%</b>
Interest paid	(2.6)	(1.3)	103.4%
Income tax paid	(5.5)	(4.6)	19.2%
<b>Operating Cash Flow</b>	<b>70.9</b>	<b>22.1</b>	<b>221.7%</b>
CAPEX and R&D investments	(20.4)	(20.5)	-0.8%
<b>Free Cash Flow</b>	<b>50.6</b>	<b>1.5</b>	<b>3237.4%</b>
Financing Cash Flow	(73.5)	(41.5)	20.8%
<b>Increase (Decrease) in Cash</b>	<b>(22.9)</b>	<b>(40.0)</b>	<b>20.8%</b>



Cash conversion cycle was 132 days (\$151.1 million).

<i>(days)</i>	3Q22	4Q22	2Q23	3Q23
Accounts receivables (DSO)	107	114	121	124
Inventories (DIO)	83	85	92	85
Accounts payable - suppliers (DPO)	79	79	76	78
<b>Working Capital</b>	<b>111</b>	<b>120</b>	<b>137</b>	<b>132</b>

#### Capital Markets

On February 13, 2023, the Company announced the approval by the Board of Directors of a share repurchase program, pursuant to which the Company is authorized to repurchase \$5 million of its ordinary shares over the next 12 months, subject to applicable securities laws and other requirements and the parameters approved by the Company's shareholders at our last annual meeting.

The Repurchase Program underscores our continued commitment to providing value to our shareholders, and our confidence in the long-term growth of our business.

The program started in June, 2023, and the Company has repurchased approximately 616,647 shares through December 22, 2023, at an average price of \$3.55.

The Board of Directors approved a new share repurchase program for 2024, with the same standards as 2023.

#### Board of Director Update

On October 23, 2023, the Board of Directors appointed Sandra Sánchez y Oldenhage as a Director to fill the vacancy on the Board effective immediately and for a period ending at the Company's annual general meeting of shareholders for the fiscal year ended December 31, 2023.

Sandra Sánchez y Oldenhage has over 35 years' experience in steering mature, start-up, and turn-around/restructuring enterprises toward tangible, sustainable growth within diverse international markets. She currently serves as president and chief executive officer of PharmAdvice, a consulting firm offering pharmaceutical, medical device and biotech guidance to healthcare companies entering or operating in Mexico. Previously, she oversaw oncology operations for the North LatAm region at Novartis during 2019 and 2020. She also currently serves as a director on the board of directors of Fenix Holding and Farmapiel, specifically holding the title of chair of the nominations, compensation, and governance committee at Fenix Holding, in addition to serving as a regional board member of Grupo Financiero Banorte. Moreover, she is the former chair of the Pharma Industry Trade Association (AMIIF) in Mexico. Ms. Sánchez y Oldenhage previously worked at several of the world's leading pharmaceutical companies, including as president of Biogen's Mexico affiliate, general manager, and country president for Amgen Inc., and as CEO of Probiomed. She received a bachelor's degree in business administration at Universidad Intercontinental in Mexico City, Mexico.



## CEO Update

On November 22, 2023, the Company announced a strategic leadership transition as Ruben Minski, founder and CEO of Procaps prepares to transition from the role of Chief Executive Officer to focus exclusively on his role as Executive Chairman of the Board, and the appointment of Jose Antonio Vieira as the new Chief Executive Officer of Procaps Group. The transition will be effective January 15, 2024.

Mr. Vieira has over 30 years of experience in the pharmaceutical market, having worked for companies such as Novartis, Abbvie and AstraZeneca in Brazil, Portugal, Australia, New Zealand and the United Kingdom. He started his career at Novartis, where he held various commercial positions in Brazil and Portugal and later was appointed as Country President for Brazil. He also worked for Allergan Brazil as General Manager. Later on, he joined AstraZeneca Brazil as Country President and held a similar position for Australia and New Zealand, and later was appointed as Global Commercial VP in London. He also worked for Abbvie in Brazil and in 2018 he joined Patria Investimentos as Operating Partner responsible for healthcare companies such as Natulab, Víncula and Farmácias Independentes, where he serves as Chairman of the Board. He is also a member of the Board of Directors of Elfa Medicamentos, where he previously served as CEO for nearly three years.

Mr. Vieira holds a degree in Economics from Fundação Armando Alvares Penteado in São Paulo, Brazil, with MBA from Business School São Paulo and Advanced Management Program for Senior Leaders from Harvard Business School. He is currently completing another MBA with a focus on private equity, venture capital and start-up investments at FGV in São Paulo. Jose will be based in the company's headquarters in Barranquilla, Colombia.



## APPENDIX

### ***Portfolio Overview***

Procaps' portfolio is comprised by 5 business lines: Nextgel, Diabetrics, Farma Procaps, Clinical Specialties, and Vital Care.

#### Nextgel

Nextgel is the iCDMO (integral contract development and manufacturing organization) arm of Procaps. We develop and manufacture proprietary Softgel technology, such as Unigel, Versagel, Chewgel, G-tabs and specialized gummies. We export to over 50 countries and partner with global and regional pharmas. This is exclusively a B2B channel.

#### Diabetrics

Diabetrics is a health solution for diabetes patients. It is a patient-centric solution, offering a comprehensive portfolio of products and differentiated services. This solution is offered mainly in Colombia.

#### Farma Procaps

Farma Procaps formulates, manufactures and markets branded prescription drugs. It represents a high-growth portfolio that focuses on nine therapeutic areas: feminine care products, pain relief, skin care, digestive health, growth and development, cardiology, vision care, central nervous system and respiratory.

#### Clinical Specialties

Clinical Specialties business line develops, manufactures, and markets high-complexity drugs for hospitals and clinics, such as antibiotics, blood clots, immunosuppressants, oncology, and analgesics products.

#### VitalCare

VitalCare business line develops, manufactures, and markets OTC consumer healthcare products through an extensive portfolio focused on high-prevalence therapeutic areas, including gastrointestinal, skin care, cough, and cold, analgesics, urological, and vitamins, minerals, and supplements.

Our Farma Procaps, VitalCare and Clinical Specialties business units are part of three business segments: CAN, CASAND, and Procaps Colombia.

Procaps Colombia primarily serves the Colombian market; CAN primarily serves the Honduras, Nicaragua, El Salvador, United States, and Guatemala markets; and CASAND primarily serves the Panama, Costa Rica, Ecuador, Dominican Republic, Peru, and Bolivia markets.

### **Use of Non-IFRS Financial Measures**

Our management uses and discloses EBITDA and net revenue on a constant currency basis, which are non-IFRS financial information to assess our operating performance across periods and for business planning purposes. We believe the presentation of these non-IFRS financial measures is useful to investors as it provides additional information to facilitate comparisons of historical operating results, identify trends in our underlying operating results and provide additional insight and transparency on how we evaluate our business. These non-IFRS measures are not meant to be considered in isolation or as a substitute for financial information presented in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and should be viewed as supplemental and in addition to our financial information presented in accordance with IFRS.



### **Use of Constant Currency**

As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of certain financial metrics and results on a constant currency basis in addition to the IFRS reported results helps improve investors' ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant currency information is non-IFRS financial information that compares results between periods as if exchange rates had remained constant period-over-period. We use results on a constant currency basis as one measure to evaluate our performance. We currently present net revenue on a constant currency basis. We calculate constant currency by calculating three month-end period for the three months and nine months ended September 30, 2023 using prior-period (three months and nine months ended September 30, 2022) foreign currency exchange rates. The functional foreign currencies for the primary regional markets where we operate, such as the Colombian Peso and the Brazilian Real, were adjusted on a constant currency basis at the exchange rates of COP\$4,069.33 per U.S. \$1.00 and R\$5.1360 per U.S. \$1.00, for the three months and nine months ended September 30, 2022. We generally refer to such amounts calculated on a constant currency basis as excluding the impact of foreign exchange. These results should be considered in addition to, not as a substitute for, results reported in accordance with IFRS. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with IFRS.