(Convenience Translation into English from the Original Previously Issued in Portuguese)

Ouro Fino Saúde Animal Participações S.A. and Subsidiaries

Individual and Consolidated Interim Financial Information for the Quarter Ended March 31, 2021 and Report on Review of Individual and Consolidated Interim Financial Information

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REPORT ON REVIEW OF INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Shareholders, Board of Directors and Management of
Ouro Fino Saúde Animal Participações S.A.

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Ouro Fino Saúde Animal Participações S.A. (the "Company") included in the Interim Financial Information Form (ITR) for the quarter ended March 31, 2021, which comprises the individual and consolidated balance sheet as of March 31, 2021 and the related individual and consolidated statements of operations, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) - Interim Financial Reporting and international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of the Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the ITR referred to above was not prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34, applicable to the preparation of the ITR, and presented in accordance with the standards issued by CVM.

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Emphasis of matter

Corresponding figures

We draw attention to note 1.5 to the individual and consolidated financial statements, which describes the restatement of the comparative balances to separately disclose in the statement of profit and loss for the period the expenses on research and innovation, which were disclosed together with selling expenses until the reporting date. Our conclusion is not qualified in respect of this matter.

Other matters

Statements of value added

The interim financial information previously mentioned includes the individual and consolidated statements of value added ("DVA") for the three-month period ended March 31, 2021, prepared under the responsibility of the Company's Management and presented as additional information for IAS 34 purposes. These statements have been subject to review procedures performed in connection with the interim financial information (ITR) to conclude whether they were reconciled with the interim financial information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the technical pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that the statements of value added were not prepared, in all material respects, in accordance with the criteria defined in this standard and consistently with the individual and consolidated interim financial information taken as a whole.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

Campinas, April 30, 2021

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Renato Foganholi Asam
Engagement Partner

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OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

BALANCE SHEET AS OF MARCH 31 2021 AND DECEMBER 31, 2020
In thousands of Brazilian reais

		Parent company		Consolidated	
ASSETS	Note	2021	2020	2021	2020
Current assets					
Cash and cash equivalents	8	38,531	1,341	218,721	225,575
Financial investments	8	18,150	18,039	18,150	18,039
Derivative financial instruments	9			3,573	2,298
Trade accounts receivable	10			172,807	209,409
Inventories	11			228,679	190,301
Taxes recoverable	12	802	2,347	24,026	22,751
Income tax and social contribution recoverable				2,114	3,891
Related parties	27	133	13,633	428	427
Other assets		31		9,250	6,932
		57,647	35,360	677,748	679,623
Non-current assets					
Long-term receivables					
Taxes recoverable	12			39,005	44,024
Income tax and and social contribution	13			23,672	24,121
Inventories	11			3,369	3,332
Other assets		250	250	1,627	1,591
		250	250	67,673	73,068
Investments in subsidiaries	5	535,457	550,524		
Property, plant and equipment	14			287,488	277,305
Intangible	15			77,332	73,941
Total non-current assets		535,707	550,774	432,493	424,314
Total assets		593,354	586,134	1,110,241	1,103,937

		Parent company		Consolidated	
LIABILITIES AND EQUITY	Note	2021	2020	2021	2020
CURRENT LIABILITIES					
Trade accounts payable	16	91		74,222	55,812
Loans and financing	17			98,955	96,553
Salaries and payroll charges		349	934	26,168	39,434
Taxes payable		340	3,069	5,035	6,718
Income tax and social contribution payable				1,671	
Dividends and interest on equity	27	21,309	21,309	21,309	21,309
Related parties	27	38	38	234	150
Commissions on sales				4,388	5,782
Other liabilities		4	6	10,186	12,935
Total current liabilities		22,131	25,356	242,168	238,693
NON-CURRENT LIABILITIES					
Loans and financing	17			289,810	297,786
Provision for contingencies	18			5,815	6,384
Other liabilities		6		1,195	264
Total non-current liabilities		6		296,820	304,434
Total liabilities		22,137	25,356	538,988	543,127
EQUITY	19				
Share capital		425,237	425,237	425,237	425,237
Options granted		5,637	5,527	5,637	5,527
Profit reserve		112,734	112,734	112,734	112,734
Retained earnings		9,491		9,491	
Equity valuation adjustments		18,118	17,280	18,118	17,280
Total equity of the controlling shareholders		571,217	560,778	571,217	560,778
Non-controlling interest				36	32
Total equity		571,217	560,778	571,253	560,810
Total liabilities and equity		593,354	586,134	1,110,241	1,103,937

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF PROFIT OR LOSS
QUARTERS ENDED MARCH 31
In thousands of Brazilian reais unless otherwise stated indicated

		Parent company		Consolidated	
	Note	2021	2020	2021	2020
Net sales revenue	20			168,784	111,879
Cost of sales	21			(85,522)	(60,576)
Gross profit				83,262	51,303
Selling Expenses	21 and 1.5			(40,745)	(34,349)
Expenses on research and innovation	21 and 1.5			(11,651)	(7,925)
General and administrative expenses	21	(1,729)	(1,208)	(12,233)	(10,537)
Equity in the results of investees	5	11,037	(1,019)		
Other income (expenses), net	22	1	3	(175)	1,854
Operating income (loss)		9,309	(2,224)	18,458	346
Finance income		197	95	1,169	310
Finance expenses		(15)	(26)	(4,751)	(2,746)
Derivative financial instruments, net				1,275	13,681
Foreign exchange variation, net				(2,171)	(12,730)
Finance income (costs)	23	182	69	(4,478)	(1,485)
Income (loss) before income tax and social contribution		9,491	(2,155)	13,980	(1,139)
Income tax and social contribution	24				
Current				(3,800)	(1,937)
Deferred				(690)	914
Net income (loss) for the period		9,491	(2,155)	9,490	(2,162)
Attributable to:					
the Company's shareholders				9,491	(2,155)
Non-controlling interest				(1)	(7)
				9,490	(2,162)
Earnings (losses) per share attributable to the company's shareholders during the period (in Brazilian Reais)	25				
Basic earnings (losses) per share				0.17593	(0.03995)
Diluted earnings (losses) per share				0.17593	(0.03995)

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)
QUARTERS ENDED MARCH 31
In thousands of Brazilian reais

		Parent company		Consolidated	
		2021	2020	2021	2020
Net income (loss) for the period		9,491	(2,155)	9,490	(2,162)
Other comprehensive income (loss)					
Items that will be reclassified to profit or loss					
Exchange variation on investment	5	838	346	843	347
Total comprehensive income (loss) for the period		10,329	(1,809)	10,333	(1,815)
Attributable to:					
the Company's shareholders				10,329	(1,809)
Non-controlling interest				4	(6)
				10,333	(1,815)

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF CHANGES IN EQUITY
In thousands of Brazilian reais

		Attributable to the shareholders of the Parent Company								
				Profit reserve						
	Note	Share Capital	Options granted	Legal reserve	Profit retention reserve	Equity valuation adjustments	Retained earnings	Total	Non-controlling interest	Total equity líquido
AS OF JANUARY 1, 2021		425,237	5,527	17,493	95,241	17,280		560,778	32	560,810
Comprehensive income (loss) for the period										
Net income for the period							9,491	9,491	(1)	9,490
Exchange variation on investment	5					838		838	5	843
Total comprehensive income (loss) for the period						838	9,491	10,329	4	10,333
Contributions and distributions to shareholders:										
Stock options granted	19 (d) e 19 (e)		110					110		110
Total shareholder contributions			110					110		110
AS OF MARCH 31, 2021		425,237	5,637	17,493	95,241	18,118		571,217	36	571,253
AS OF JANUARY 1, 2020		377,065	5,382	13,007	81,036	15,957		492,447	34	492,481
Comprehensive income (loss) for the period										
Loss for the period							(2,155)	(2,155)	(7)	(2,162)
Exchange variation on investment	5					346		346	1	347
Total comprehensive income (loss) for the period						346	(2,155)	(1,809)	(6)	(1,815)
Contributions and distributions to shareholders:										
Stock options granted	19 (d)		37					37		37
Total shareholder contributions			37					37		37
AS OF MARCH 31, 2020		377,065	5,419	13,007	81,036	16,303		490,675	28	490,703

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF CASH FLOWS
QUARTERS ENDED MARCH 31
In thousands of Brazilian reais

		Parent company		Consolidated	
	Note	2021	2020	2021	2020
Cash flows from operating activities					
Earnings before Income tax and social contribution		9,491	(2,155)	13,980	(1,139)
Adjustments for:					
Provision for expected credit loss	10 and 18			(10)	9
Provision for inventory losses and write-offs				2,238	1,821
Provision (reversal) of returns on sales	18				13
Provision for customer bonuses	18			(497)	(367)
Equity in the results of investees	5	(11,037)	1,019		
Depreciation and amortization	14 and 15			6,459	6,416
Provision (reversal) for impairment of intangible assets	14				(21)
Gain (loss) on disposal of property, plant and equipment	22			(11)	(63)
Gain (loss) on disposal of intangible assets	22				21
Interest and monetary/foreign exchange variations, net		(111)		6,414	16,061
Derivative financial instruments				(1,275)	(13,681)
Provision for contingencies	18			(597)	152
Stock options granted	19 (d) and (e)	51	14	110	37
Changes in working capital:					
Trade accounts receivable				38,242	52,536
Inventories				(41,928)	(11,572)
Taxes recoverable		1,544	292	3,696	(2,335)
Other assets		(80)	(647)	(2,355)	(2,839)
Trade accounts payable		20	(41)	15,925	(2,055)
Taxes payable		(2,728)	(195)	124	672
Other liabilities		(510)	259	(17,047)	(2,005)
Cash provided by (used in) operations		(3,360)	(1,454)	23,468	41,661
Interest paid				(3,572)	(2,478)
Income tax and social contribution paid				(2,000)	(1,481)
Net cash provided by (used in) operating activities		(3,360)	(1,454)	17,896	37,702
Cash flows from investment activities:					
Advances for future capital increase in subsidiaries			(23,000)		
Investment in intangible assets	14			(3,065)	(2,596)
Purchase of property, plant and equipment	15			(13,942)	(8,188)
Distribution of dividends and interest on equity		40,550	57,000		
Proceeds from sale of property, plant and equipment				170	184
Net cash provided by (used in) investing activities		40,550	34,000	(16,837)	(10,600)
Cash flows from financing activities:					
New loans and financing	29				90,000
Repayments of loan and financing	29			(8,191)	(42,185)
Realized derivative financial instruments	29				5,170
Net cash provided by (used in) financing activities				(8,191)	52,985
Increase (decrease) in cash and cash equivalents, net		37,190	32,546	(7,132)	80,087
Cash and cash equivalents at the beginning of the period		1,341	1,289	225,575	45,009
Foreign exchange gains on cash and cash equivalents				278	590
Cash and cash equivalents at the end of the period	8	38,531	33,835	218,721	125,686

Non-cash transactions in financing activities are presented in Note 29.

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF VALUE ADDED
QUARTERS ENDED MARCH 31
In thousands of Brazilian reais

		Parent company		Consolidated	
	Note	2021	2020	2021	2020
Revenues:					
Gross revenues from sales and services				186,391	123,316
Other income (expenses), net				180	213
Income from construction of own assets				1,713	2,449
Provision for expected credit loss	10 and 18			10	(9)
				188,294	125,969
Inputs acquired from third parties:					
Cost of sales and services				(63,954)	(38,035)
Materials, electricity, third-party services and other		(235)	(286)	(41,285)	(32,228)
Losses on assets, net				(2,126)	(1,821)
Gross value added (distributed)		(235)	(286)	80,929	53,885
Depreciation and amortization	14 and 15			(6,459)	(6,416)
Net value added (distributed) generated by the entity		(235)	(286)	74,470	47,469
Value added received through transfer:					
Equity in the results of investees	5	11,037	(1,019)		
Finance income		197	98	5,824	20,436
Royalties		50	50	51	50
Other				30	30
Total value added distributed		11,049	(1,157)	80,375	67,985
DISTRIBUTION OF VALUE ADDED					
Personnel:					
Direct compensation		1,138	788	36,001	27,616
Benefits		48	11	6,527	5,494
FGTS		24	7	2,351	2,135
Taxes, charges and contributions:					
Federal		330	165	12,961	7,375
State		3	2	1,642	4,212
Municipal				119	135
Remuneration of third parties' capital:					
Interest, foreign exchange variation, losses on derivatives etc.		15	25	10,310	22,259
Rentals				970	875
Other				4	46
Equity remuneration					
Retained income (loss)		9,491	(2,155)	9,491	(2,155)
Non-controlling interest				(1)	(7)
Value added distributed		11,049	(1,157)	80,375	67,985

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

1. GENERAL INFORMATION

1.1. Operations

Ouro Fino Saúde Animal Participações S.A. (the "Company") is a listed corporation headquartered in the city of Cravinhos, State of São Paulo. The Company's shares are traded in the Brazilian stock exchange, B3 S.A. - Brasil, Bolsa, Balcão.

The Company and its subsidiaries (together the “Group”) operate in the animal health industry, specifically in the development, production and sale of veterinary drugs, vaccines and other products for production and companion animals.

The issue of these individual and consolidated interim financial statements was authorized for disclosing by the Board of Directors on April 30, 2021

1.2. Impact of COVID-19 pandemic on the preparation of interim financial statements

According to the Organization for Economic Cooperation and Development (OECD), the Coronavirus outbreak (COVID-19), which was declared as a pandemic by the World Health Organization (WHO) in March 2020, has lead the global economy to face its worst scenario since the 2008 financial crisis.

In Brazil, as well as in most other countries where the Group operates, animal health is considered an essential activity, since it is part of the agribusiness chain, which is critical for the continuity of food production and supply, in addition to the maintenance of good care for companion animals.

Within this context, the Company’s operations at industrial plants, the remote customer services, and the product distribution logistics have not been impacted by the actions taken by governments so far in response to the outbreak.

On a timely basis, and aiming both at preserving the safety of employees and the continuity of operations, management has adopted the following measures:

(i) Creation of a Risk Management Committee, in charge of monitoring the situation on a regular basis, proposing and coordinating preventive measures to protect employees' health and minimize possible impacts on the business;

(ii) Compliance with the recommendations of the Ministry of Health to reduce social contact, with the consequent replacement of face-to-face meetings by remote meetings; adoption of remote work where applicable for corporate functions (home office); and cancellation of national and international travels; and

(iii) Implementation of awareness and guidance campaigns for employees, enhanced cleaning of workplaces, and supply of in-house produced hand sanitizer to the staff.

Main risks and uncertainties arising from COVID-19

In view of the operational risks related to the COVID-19 pandemic, the Group assesses the impacts of possible scenarios of delays in imports of inputs, particularly from China and India. Such impacts are minimized by the Company's current inventories of both raw materials and finished products in Brazil, Mexico, and Colombia.

Risks of market and economic negative events are also being considered. Among them (but not limited to), possible impacts on sales and increased default are expected - which can be mitigated by the scattered portfolio of customers, and the possibility of activating of this network comprised by: merchants, livestock farmers and veterinarians – in addition to the devaluation of currencies against the US dollar. It should be noted, however, that part of the Group's revenue is tied to the US dollar due to its operations in international markets, and the characteristics of sales that are translated from US dollars into Brazilian reais in the poultry and swine chains for producers in Brazil, which end up providing a natural hedge against exchange rate fluctuations.

The critical accounting estimates and judgments revisited for the preparation of these interim financial statements considering the effects of COVID -19 on the Company's business are disclosed in Note 2.

1.3. Basis of preparation and statement of compliance

The interim financial statements were prepared in accordance with the Brazilian technical pronouncement CPC 21 - Interim Financial Reporting, and with international accounting standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and are presented in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of quarterly information (ITR).

The accounting policies adopted in Brazil comprise those included in Brazilian Corporate Law and technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee - CPC, which were approved by the Federal Accounting Board - CFC and the Brazilian Securities and Exchange Commission - CVM.

As there is no difference between the consolidated equity and the consolidated income attributable to the shareholders of the parent company, included in the consolidated interim financial statements prepared in compliance with IFRSs and accounting practices adopted in Brazil, and the parent company equity and income, included in the individual interim financial statements prepared in compliance with IFRSs and accounting practices adopted in Brazil, the Company decided to present these individual and consolidated interim financial statements in a single set, side by side.

The main accounting policies applied in the preparation of these interim financial statements are set out in Note 31.

The preparation of interim financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, as well as areas where assumptions and estimates are significant to the individual and consolidated interim financial statements are disclosed in Note 2.

The presentation of the individual and consolidated statements of value added ("SVA"), which is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, SVA has been prepared in compliance with the criteria defined in Technical Pronouncement CPC 09 - Statement of Value Added. International Financial Reporting Standards (IFRS) do not require the presentation of this statement. Therefore, under IFRS, the presentation of such statement is considered supplementary information, without prejudice of the set of interim financial statements.

1.4. Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries prepared for each period. Control is obtained when the Company: (i) holds the power on the investee; (ii) is exposed or has rights to variable returns as a result of its involvement with the investee and (iii) has the ability to direct the significant activities of the investee.

The subsidiaries included in the consolidation are described in Note 5 (a) and the accounting policies applied in the preparation of the consolidated interim financial statements are described in Note 31.

1.5. Restatement of comparative figures

As from the year ended December 31, 2020, the Group decided to segregate in the statement of profit or loss the expenses related to research and innovation, which until then were shown together with selling expenses.

The change aims to provide readers of the financial statements a better understanding of the investments made for the sustainability of our business.

	Consolidated		
	March 31, 2020 Released	Reclassification	March 31, 2020 Restated
Net sales revenue	111,879		111,879
Cost of sales	(60,576)		(60,576)
Gross profit	51,303		51,303
Selling Expenses	(42,274)	7,925	(34,349)
Expenses on research and innovation		(7,925)	(7,925)
General and administrative expenses	(10,537)		(10,537)
Other revenues, net	1,854		1,854
Operating loss	346		346
Finance income (costs)	(1,485)		(1,485)
Income tax and social contribution	(1,023)		(1,023)
Loss for the period	(2,162)		(2,162)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management has carefully assessed the impacts of the COVID19 outbreak on its business, and complied with the requirements of accounting practices adopted in Brazil, including the Brazilian technical pronouncement CPC 21 - Interim Financial Reporting, and with international accounting standard IAS 34 - "Interim Financial Reporting", issued by the International Accounting Standards Board - (IASB).

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom be equal the actual results. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a) Fair value of derivative financial instruments

The fair value of derivative financial instruments is determined by using valuation techniques. The Group uses judgment to select methods, and makes assumptions that are mainly based on market conditions existing at the balance sheet date.

b) Expected credit loss

The method consists of assessing changes in the quality of the receivables since their initial recognition, taking into consideration three stages: (i) expected loss upon initial recognition; (ii) significant increase in credit risk after initial recognition; and (iii) credit-impaired assets.

c) Deferred income tax and social contribution

The balances of deferred income tax and social contribution assets, respectively arising from income tax and social contribution losses, were recognized based on the expectation of future realization, supported by projections of results made by management, which consider the typical development of business and markets, according to the currently known scenarios.

d) Impairment of property, plant and equipment

The Group reviews the recoverable value of the assets used in its activities for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable on the basis of future cash flows. If the carrying amount of these assets is higher than their recoverable value, the net value is adjusted, and the useful lives revised to new levels.

e) Provision for contingencies

A provision is recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The amount recognized as a provision is the best estimate of the expenditures required to settle the obligation at the end of the reporting period, taking into consideration the risks and uncertainties related to the obligation. When the provision is measured based on the estimated cash flows required to settle the present obligation, its carrying amount corresponds to the present value of these cash flows (in which the time value of money is relevant). When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, the receivables are recognized in assets if, and only if, the reimbursement is virtually certain, and the amount can be measured reliably.

f) Fair Value of the Stock Option Plan

The Company has two stock option plans: the Stock Option Plan approved on December 31, 2014 and the Stock-Based Compensation Plan - ILP approved on January 29, 2021.

The fair value of shares under the share purchase option Plan was determined using the Black-Scholes-Merton pricing model, which takes into consideration the value of the share, the strike price, the time to elapse up to the exercise of the option, the likelihood of the option being exercised, the historical volatility, the dividend rate and the risk-free interest rate.

The fair value of shares under the ILP Plan was calculated using the Monte Carlo simulation, which takes into account the historical share volatility and the acceleration/penalty curve for the quantity delivered as a result of performance.

g) Impairment of intangible assets

The Group annually tests intangible assets - mainly represented by product development and registration - for impairment, whenever possible using the discounted cash flow method, and considering, among other aspects:

(i) Assumptions of future revenue generation based on market size (current and estimated) and on the Group's expected market share.

(ii) Estimates of direct and indirect manufacturing costs.

(iii) Trading expenditures, such as marketing, commission, freight and storage expenses.

The projection period covers five or more years, beginning on the estimated launch date, and considers the estimated life cycle, market development, and level of associated technological innovation of the products. The provision is recorded when the recoverable amount (net present value of cash flow) is below the amount of the recorded asset, pursuant to the Company's accounting policy presented in Note 31.8. The assessment of the recoverability of balances takes into account strategic, technical and market aspects.

h) Provision for inventory losses

The provision for inventory losses is recognized when there is uncertainty regarding the realization of these balances. Products that are damaged, expired and/or about to expire are recognized in this provision.

i) Taxes recoverable

Up to April 30, 2019, the subsidiary Ouro Fino Saúde Animal Ltda. accumulated ICMS credits on tax-exempt shipments in operations within the State of São Paulo, exports, and the 60% reduction in the ICMS tax base in interstate operations, with full/partial maintenance of credits on purchases, pursuant to ICMS Agreement 100/97. As from May 1, 2019, Decree 64,213 revoked the maintenance of tax credits arising from tax-exempt transactions within the State.

Upon the submission of the file addressed by Ordinance 83/2009 of the Coordinating Committee of Tax Administration Board (CAT), the remaining credit balances are converted into accumulated credits, which may be used in purchases of inputs and machinery and equipment and/or transferred to other Group companies which have an interdependence relationship and calculate ICMS payable on a regular basis.

As the Group's Management believes that there is no material risk of not realizing these credits, no provision for impairment was recorded.

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Group companies' activities expose them to financial risks, mainly related to foreign exchange variations, fluctuations in interest rates, credit and liquidity risks. The objective of risk management is to reduce potential unexpected variations in the results arising from the aforementioned risks. The Group manages its financial risks as the basis for its growth strategy and satisfactory cash flows. The Group has a Finance Committee that establishes management strategies regarding such exposures, which may include the utilization of derivative or non-derivative financial instruments for hedging potential risks.

The Group monitors the levels of exposure to each market risk (foreign exchange variation and interest rate) through an analysis based on accounting exposure and future cash flow projections.

a) Market risks

(i) Foreign exchange risk

This risk arises from the possibility of the Group incurring unexpected losses due to fluctuations in foreign exchange rates which reduce the amount of assets and increase liabilities. The Group is mainly exposed to fluctuation in the U.S. dollar exchange rate.

Where necessary, in order to hedge against foreign exchange risks, the Group uses derivative transactions, mainly exchange rate swaps.

Swaps are classified as derivatives at fair value through profit or loss and were entered into to exchange the charges on loans and financing initially obtained in foreign currency for charges based on the Interbank Deposit Certificate (CDI) rate.

Gains and losses are recognized within "Finance income (costs)" in the statement of profit or loss.

The following table presents the consolidated accounting balances of assets and liabilities denominated in U.S. dollars:

	03/31/2020	12/31/2020
Assets in foreign currency		
Cash and cash equivalents	2,000	538
Trade accounts receivable	13,308	14,725
	15,308	15,263
Liabilities in foreign currency		
Trade accounts payable	(36,835)	(27,633)
	(36,835)	(27,633)
Net exposure - liabilities	(21,527)	(12,370)

(*) The table above does not include balances of working capital loans and financing denominated in foreign currency of R$ 35,289 (R$ 33,540 as of December 31, 2020) (Note 17), as they are hedged by a foreign exchange swap.

Assets and liabilities denominated in foreign currency are regularly monitored through projected cash inflows and outflows related to foreign exchange assets and liabilities. The amount of assets and liabilities in foreign currency fluctuates throughout the year, which may or may not give rise to a mismatch. Consequently, in order to mitigate risks arising from any possible foreign exchange exposure, whenever required, derivative transactions may be entered into.

The table below presents two scenarios, considering the changes in the quotations of the Brazilian real (R$) against the U.S. dollar (US$).

				Impact	
Assets/liabilities	Risco	Balance as of 03/31/2021	Likely scenario (US$ 5,29)	Scenario 2 (US$ variation - 25%)	Scenario 3 (US$ variation - 50%)
Cash and cash equivalents	US$	2,000	(143)	(464)	(929)
Trade accounts receivable	US$	13,308	(950)	(3,089)	(6,179)
Trade accounts payable	US$	(36,835)	2,630	8,551	17,103

(ii) Interest rate risk

This risk arises from the possibility that the Group may incur losses due to adverse fluctuations in interest rates. As its interest rate risk primarily arises from loans and financing, the Group seeks to maintain a stable relation between short- and long-term debts. Financial investments are linked to the CDI rate.

The Group continuously monitors market interest rates in order to assess the need to enter into new derivative transactions to hedge against the volatility risk of these rates.

Currently, 78.1% of the Group's financing transactions (78.0% as of December 31, 2020) are carried out at floating interest rates, and 21.9% of transactions at fixed interest rates (22.0% as of December 31, 2020). However, the higher value of post-fixed operations does not cause greater volatility in the average cost of operations due to the reduction in the main market indexes (Special System for Settlement and Custody (SELIC), Interbank Deposit Certificate (CDI), Long-term Interest Rate (TJLP), etc.).

b) Credit Risks

The Group is potentially subject to credit risk related to trade receivables, financial investments and derivatives. To limit the risk associated with financial assets, especially financial investments and derivative contracts, the Group carries out transactions with prime financial institutions.

Credit risk is mitigated through a broad customer base and careful selection of customers by business segment (production animals, companion animals, and international operations), in addition to the utilization of guarantees, establishment of individual exposure limits and a well-defined credit policy that utilizes credit risk modeling, through which a credit rating is assigned to each customer, based on the Group's experience in the market, of more than 33 years.

The Group has a Credit Committee that establishes guidelines and assesses and monitors the levels of credit risk that the Group is willing to accept in the course of its business.

In addition to the risk mitigating factors established in the credit policies, the Group has credit insurance to cover part of its sales.

The Group classifies its customers' portfolio through risk evaluation methodologies developed internally, with the purpose of properly assessing the real risk of its customers. Weights are assigned to each variable, such as the history of payments, length of the business relationship with the Group, how long the company has been operating in the market etc., and a rating is defined for each customer based on a combination of the variables. This credit risk rating ranges from "AA" (the lowest risk) to "E" (the highest risk) (Note 7).

c) Liquidity risk

The Group adopts a responsible policy for managing its financial assets and liabilities, which is monitored by the Chief Financial Officer through operating strategies to ensure liquidity, profitability and security.

Cash flow forecasting is based on the approved budget and subsequent adjustments, which take into consideration, in addition to all the operating plans, the plan for raising funds to support planned investments, and the maturity schedule of the debts. The treasury department monitors daily the forecasts included in the cash flow projections to ensure sufficient cash for the Group to meet its operational needs. Additionally, the Group has previously approved the use of credit facilities available to increase and strengthen its liquidity position.

Cash and cash equivalents are primarily invested in highly liquid Repurchase Agreements and CDBs.

The Group maintains its leverage ratio so that it does not jeopardize its payment capacity and investments.

The table below breaks down financial liabilities into relevant maturity buckets, based on the remaining period between the balance sheet date and the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Consolidated			
	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years
As of march 31, 2021				
Trade accounts payable	74,222			
Loans and financing (*)	115,113	85,524	167,694	77,614
Derivative financial instruments, net	(3,573)			
Dividends and interest on equity	21,309			
Other liabilities	49,427	4,468	395	403
	256,498	89,992	168,089	78,017
As of December 31, 2020				
Trade accounts payable	55,812			
Loans and financing (*)	112,756	85,734	173,200	82,248
Derivative financial instruments, net	(2,298)			
Dividends and interest on equity	21,309			
Other liabilities	66,934	4,733		
	254,513	90,467	173,200	82,248

(*) As the amounts included in the table above are the contractual undiscounted cash flows, and therefore include future financial charges, they will not reconcile to the amounts disclosed for loans and financing in the balance sheet.

3.2. Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for the shareholders, as well as to maintain a strong credit rating in order to support business and maximize value for the shareholders.

The Group manages and adjusts its capital structure considering changes in the economic conditions. The capital structure arises from the selection between own (capital contributions and profit retention) and third-party capital to finance the operations. Capital is monitored on the basis of the leverage ratio, which can be measured using several indexes.

As of March 31, 2021 and December 31, 2020, the gearing ratios were as follows:

		Consolidated	
	Note	03/31/2021	12/31/2020
Loans and financing	17	388,765	394,339
Derivative financial instruments, net	9	(3,573)	(2,298)
Cash and cash equivalents	8	(218,721)	(225,575)
Financial investments	8	(18,150)	(18,039)
Net debt		148,321	148,427
Equity	19	571,253	560,810
Total capital		719,574	709,237
Leverage ratio %		20.61	20.93

3.3. Fair value estimation

The fair value of the financial instruments contracted by the Group is measured based on information obtained from the financial institutions and prices quoted in an active market, using a standard market pricing methodology, which consists of measuring their nominal value up to the due date and discounting it to present value at future market rates.

The Group assesses, at the reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired.

The carrying amounts of trade accounts receivable, less impairment losses and trade accounts payable are assumed to approximate their fair values, especially considering their term and nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Derivative financial instruments are measured at fair value in the balance sheet, which requires the disclosure of fair value measurements by hierarchy level.

All the Group's derivative financial instruments have been classified as Level 2 - “Significant other observable inputs”.

4. SEGMENT REPORTING

The Board of Directors is the chief decision-maker and has determined the following operating segments based on strategic business decisions: Such segments are as follows:

- Production animals – sale, in the domestic market, of veterinary drugs, vaccines and other products for cattle, pigs, poultry, sheep, horses and goats.
- Companion animals – sale, in the domestic market, of veterinary drugs and other products for dogs and cats.
- International operations - sale, in the foreign market, mainly to Latin American countries, of veterinary drugs, vaccines and other products for production and companion animals.

The products are manufactured at the Company’s industrial facilities in the city of Cravinhos, State of São Paulo.

Sales are widely dispersed, and therefore, no individual customer accounts for more than 10% of net revenue.

Assets and liabilities, general and administrative expenses, research and innovation expenses, other income (expenses), net, finance income (costs), and income tax and social contribution are analyzed on an aggregate basis, and therefore are not presented by business segment.

The results by segment were as follows:

	03/31/2021				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenues	115,567	29,962	23,255		168,784
Cost of sales	(69,464)	(8,835)	(7,223)		(85,522)
Gross profit	46,103	21,127	16,032		83,262
Selling Expenses	(26,768)	(6,474)	(7,503)		(40,745)
Results by segment	19,335	14,653	8,529		42,517
Expenses on research and innovation				(11,651)	(11,651)
General and administrative expenses and other expenses				(12,408)	(12,408)
Finance income (costs)				(4,478)	(4,478)
Income tax and social contribution				(4,490)	(4,490)
Unallocated results				(33,027)	(33,027)
Net income for the period					9,490

	03/31/2020				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenues	71,475	21,040	19,364		111,879
Cost of sales	(45,656)	(7,216)	(7,704)		(60,576)
Gross profit	25,819	13,824	11,660		51,303
Selling Expenses	(23,425)	(5,807)	(5,117)		(34,349)
Results by segment	2,394	8,017	6,543		16,954
Expenses on research and innovation				(7,925)	(7,925)
General and administrative expenses and other expenses				(8,683)	(8,683)
Finance income (costs)				(1,485)	(1,485)
Income tax and social contribution				(1,023)	(1,023)
Unallocated results				(19,116)	(19,116)
Loss for the period					(2,162)

The breakdown, by country, of revenue from international operations is as follows:

	03/31/2021	03/31/2020
Colombia	8,906	5,404
Mexico	8,218	4,043
Ecuador	3,130	1,358
Honduras	1,118	
Costa Rica	792	
Paraguay	263	88
Uruguay		5,449
Arab Emirates		2,588
Other	828	434
	23,255	19,364

5. INVESTMENTS (PARENT COMPANY)

a) Information on investments as of March 31, 2021 and December 31, 2020

	Name	Country	Business	Direct holding	Indirect holding
(i)	Ouro Fino Saúde Animal Ltda.	Brazil	Research, development, production and sale of veterinary drugs, vaccines and other products. Sales in the domestic market are carried out through the companies mentioned in items (ii) and (iii) below. Sales in the foreign market are carried out directly with third parties and through the companies mentioned in items (iv) and (v) below. This company also manufactures to third parties upon order.	99.99%	
(ii)	Ouro Fino Agronegócio Ltda.	Brazil	Sales in the domestic market of veterinary drugs, vaccines and other products for production animals purchased from the company mentioned in item (i) and from third parties.	99.99%	
(iii)	Ouro Fino Pet Ltda.	Brazil	Sales in the domestic market of veterinary drugs and products and related goods for companion animals purchased from the company mentioned in item (i) and from third parties.	99.99%	
(iv)	Ouro Fino de México, S.A. de CV	Mexico	Sales, exclusively in Mexico, of veterinary drugs and other products purchased from the company mentioned in item (i).		99.64%
(v)	Ouro Fino Colômbia S.A.S	Colombia	Sales, exclusively in Colombia, of veterinary drugs and other products purchased from the company mentioned in item (i).		100.00%

b) Changes in investments

	Parent company	
	03/31/2021	03/31/2020
Opening balance	550,524	501,209
Equity in the results of investees	11,037	(1,019)
Stock options granted	58	23
Dividends received (i)	(27,000)	(57,000)
Exchange variation on foreign investment	838	346
Final balance	535,457	443,559

(i) For the quarter ended March 31, 2021, the quotaholders of the subsidiaries Ouro Fino Pet Ltda. and Ouro Fino Agronegócio Ltda. approved the distribution of profits to the parent company Ouro Fino Saúde Animal Participações S.A. in the amounts of R$ 7,000 (R$ 12,000 as of March 31, 2020) and R$ 20,000 (R$ 45,000 as of March 31, 2020), respectively.

c) Summarized financial information

The tables below present summarized financial information of the subsidiaries.

(i) Summarized balance sheet

	03/31/2021				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current					
Assets	427,481	201,299	50,157	14,145	19,627
Liabilities	(186,376)	(56,245)	(13,807)	(10,603)	(19,603)
Current assets, net	241,105	145,054	36,350	3,542	24
Non-current					
Assets	409,963	11,976	1,548	5,868	4,048
Liabilities	(292,142)	(2,391)	(175)		
Non-current assets, net	117,821	9,585	1,373	5,868	4,048
Equity	358,926	154,639	37,723	9,410	4,072

	12/31/2020				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current					
Assets	425,721	211,623	51,263	13,479	24,085
Liabilities	(181,944)	(51,826)	(14,736)	(10,099)	(22,785)
Current assets, net	243,777	159,797	36,527	3,380	1,300
Non-current					
Assets	406,501	13,295	1,928	5,648	4,148
Liabilities	(299,201)	(2,784)	(172)		(2,533)
Non-current assets, net	107,300	10,511	1,756	5,648	1,615
Equity	351,077	170,308	38,283	9,028	2,915

(ii) Summarized statement of operations

	03/31/2021				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	128,863	105,446	31,489	8,218	8,906
Income (loss) before income tax and social contribution	9,892	6,019	9,747	(225)	(1,448)
Income tax and social contribution	(2,924)	(1,695)	(3,315)		
Net income (loss) for the period	6,968	4,324	6,432	(225)	(1,448)

	03/31/2020				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	88,165	61,332	21,900	4,043	5,404
Income (loss) before income tax and social contribution	4,080	(1,527)	5,571	(2,013)	(1,598)
Income tax and social contribution	(2,446)	536	(1,884)	16	
Net income (loss) for the period	1,634	(991)	3,687	(1,997)	(1,598)

(iii) Statement of comprehensive income (loss)

	03/31/2021	03/31/2020
Ouro Fino Saúde Animal Ltda. (direct subsidiary)		
Net income (loss) for the period	6,968	1,634
Other comprehensive income (loss)	838	346
Total comprehensive income (loss)	7,806	1,980

(iv) Summarized statement of cash flows

	03/31/2021				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Cash flows from operating activities					
Cash from operating activities	(9,588)	35,874	6,637	(435)	(5,663)
Interest paid	(3,444)	(1)	(1)		(126)
Income tax and social contribution paid			(2,000)		
Net cash provided by (used in) operating activities	(13,032)	35,873	4,636	(435)	(5,789)
Net cash provided by (used in) investing activities	(15,798)	(1,064)	33	(7)	
Net cash provided by financing activities	(19,772)	(20,081)	(8,690)		(196)
Increase (decrease) in cash and cash equivalents, net	(48,602)	14,728	(4,021)	(442)	(5,985)
Cash and cash equivalents at the beginning of the period	170,407	23,708	17,263	3,758	9,098
Foreign exchange gains on cash and cash equivalents	271	6	1		
Cash and cash equivalents at the end of the period	122,076	38,442	13,243	3,316	3,113

	03/31/2020				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Cash flows from operating activities					
Cash from operating activities	(10,846)	41,093	10,983	(215)	2,100
Interest paid	(2,286)	(22)	(9)		(161)
Income tax and social contribution paid		(124)	(1,357)		
Net cash provided by (used in) operating activities	(13,132)	40,947	9,617	(215)	1,939
Net cash used in investing activities	(10,185)	(291)	(3)	(122)	
Net cash provided by (used in) financing activities	76,403	(45,195)	(12,084)		(136)
Increase (decrease) in cash and cash equivalents, net	53,086	(4,539)	(2,470)	(337)	1,803
Cash and cash equivalents at the beginning of the period	14,586	17,740	8,237	1,847	1,310
Foreign exchange gains on cash and cash equivalents	571	17			
Cash and cash equivalents at the end of the period	68,243	13,218	5,767	1,510	3,113

d) Reconciliation of the financial information on investments

	Subsidiaries							
	Ouro Fino Saúde Animal Ltda.		Ouro Fino Agronegócio Ltda.		Ouro Fino Pet Ltda.		Total	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Equity as of January 1	351,077	314,214	170,308	163,645	38,283	31,466	559,668	509,325
Net income (loss) for the period	6,968	1,634	4,324	(991)	6,432	3,687	17,724	4,330
Stock options granted	43	23	7		8		58	23
Interest on Equity							-	-
Dividends paid			(20,000)	(45,000)	(7,000)	(12,000)	(27,000)	(57,000)
Exchange variation on foreign investment	838	346					838	346
Equity as of March 31	358,926	316,217	154,639	117,654	37,723	23,153	551,288	457,024
Percentage holding - %	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%		
Share of investments	358,926	316,217	154,639	117,654	37,723	23,153	551,288	457,024
Unrealized profit on inventories	(15,831)	(13,465)					(15,831)	(13,465)
Carrying amount of the investment in Parent Company	343,095	302,752	154,639	117,654	37,723	23,153	535,457	443,559

6. FINANCIAL INSTRUMENTS BY CATEGORY

	Parent company		Consolidated			
	03/31/2021	12/31/2020	03/31/2021		12/31/2020	
	Amortized cost	Amortized cost	Assets measured at fair value through profit or loss	Amortized cost	Assets measured at fair value through profit or loss	Amortized cost
Assets as per balance sheet						
Cash and cash equivalents	38,531	1,341		218,721		225,575
Financial investments	18,150	18,039		18,150		18,039
Derivative financial instruments (i)			3,573		2,298	
Accounts receivable				172,807		209,409
Related parties	133	13,633		428		427
Other assets, except prepaid expenses	251	250		4,361		4,436
	57,065	33,263	3,573	414,467	2,298	457,886

	Parent company		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
	Amortized cost	Amortized cost	Amortized cost	Amortized cost
Liabilities as per balance sheet				
Trade accounts payable	91		74,222	55,812
Loans and financing			388,765	394,339
Related parties	38	38	234	150
Commissions on sales			4,388	5,782
Other liabilities	10	6	11,381	13,199
	139	44	478,990	469,282

(i) The notional amounts of exchange rate swap contracts as of March 31, 2021 correspond to EUR 5.217 thousand (EUR 5.217 thousand as of December 31, 2020).

7. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The balances of bank accounts and financial investments amounting to R$ 236,762 (R$ 243,512 as of December 31, 2020) are held in prime financial institutions rated BB by Standard & Poor's.

The balances of trade accounts receivable are classified as described in Note 3.1 (b), as follows:

	Consolidated	
	03/31/2021	12/31/2020
AA	55,443	75,342
A	72,814	88,277
B	26,250	21,626
C	11,959	14,396
D	8,017	11,543
E	2,922	4,014
	177,405	215,198

8. CASH AND CASH EQUIVALENTS AND FINANCIAL INVESTMENTS

These comprise cash on hand and at banks, as well as financial investments consisting of Repurchase Agreements (Repos) and CDBs, earning on average 100.77% of the Interbank Deposit Certificate (CDI) rate variation (up to 101.37% of CDI rate as of December 31, 2020).

	Parent company		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Cash:				
In local currency			7	7
In foreign currency			102	95
			109	102
Banks:				
In local currency	17	18	6,067	7,025
In foreign currency			1,898	443
	17	18	7,965	7,468
Financial investments - cash and cash equivalents (i):				
In local currency				
Bank Deposit Certificate (CDB)	38,514	1,323	208,976	209,106
Other			1,671	8,899
	38,514	1,323	210,647	218,005
Total cash and cash equivalents	38,531	1,341	218,721	225,575
Financial investments (ii):				
In local currency				
Bank Deposit Certificate (CDB)	18,150	18,039	18,150	18,039
Total financial investments	18,150	18,039	18,150	18,039

(i) Financial investments as cash equivalents in the amount of R$ 210,647 (R$ 218,005 as of December 31, 2020) are mainly intended for maintaining the Group's liquidity to cover investments in R&D and working capital. Such investments include the feature of immediate redemption with no loss of profitability.

(ii) Financial investments in the amount of R$ 18,150 (December 31, 2020 - R$ 18,039) arise from transactions with redemption terms over 90 days, which were contracted with bank BTG Pactual S.A. with return of 114% of CDI (114% of CDI as of December 31,2020).

9. DERIVATIVE FINANCIAL INSTRUMENTS (CONSOLIDATED)

Derivatives as of March 31, 2021 in the amount of R$ 3,573 (December 31, 2020 - R$ 2,298) are used only for hedging purposes and not as speculative investments. However, the Group decided not to designate such instruments as Hedge Accounting.

The notional amounts of exchange rate swap contracts as of March 31, 2021 correspond to EUR 5.217 thousand (EUR 5.217 thousand as of December 31, 2020).

10. TRADE ACCOUNTS RECEIVABLE (CONSOLIDATED)

	03/31/2021	12/31/2020
In local currency:		
Accounts receivable	164,097	199,460
Expected credit loss	(4,598)	(4,776)
	159,499	194,684
In foreign currency:		
Accounts receivable	13,308	15,738
Expected credit loss		(1,013)
	13,308	14,725
Current	172,807	209,409

The analysis of the maturity of trade receivables is as follows:

	03/31/2021	12/31/2020
To be due:		
Up to three months	153,090	169,138
From three to six months	17,158	37,168
Over six months	220	683
	170,468	206,989
Past due:		
Up to three months	1,042	1,169
From three to six months	62	70
Over six months	5,833	6,970
	6,937	8,209
	177,405	215,198

The Group has adopted the measurement of expected credit losses based on the lifetime of the instruments, using the simplified approach, and considering the history of changes and losses. As a general rule, notes overdue over 180 days represent a significant indication of loss, and are assessed individually, considering existing guarantees.

Changes in the provision were as follows:

	03/31/2021	03/31/2020
Opening balance	5,789	6,717
Additions, net	(10)	9
Foreing exchange variation	115	252
Final write-offs	(1,296)	
Final balance	4,598	6,978

Additions to and reversals of the expected credit loss on trade account receivables were recorded in the statement of profit or loss for the year under “Selling expenses” (Note 21). The Group's Management analyzes on an annual basis the provisioned balance and the amounts are written off from the provision account when there is no expectation of recovering the funds.

11. INVENTORIES (CONSOLIDATED)

	03/31/2021	12/31/2020
Finished products	75,611	63,861
Raw materials	83,357	66,433
Materials in warehouse	19,059	14,562
Products in process	14,906	7,591
Imports in transit	22,998	28,125
Advances to suppliers	11,360	7,891
Other	9,837	9,304
Provision for inventory losses (Note 18)	(5,080)	(4,134)
Total	232,048	193,633
Current	228,679	190,301
Non-current	3,369	3,332

12. TAXES RECOVERABLE

	Parent company		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Value-Added Tax on Sales and Services (ICMS)			49,425	52,353
PIS and COFINS			7,609	7,580
IRRF	802	2,347	1,197	2,705
ICMS, PIS and COFINS on purchase of PP&E			1,141	1,165
Excise Tax (IPI)			224	100
Other			3,435	2,872
Total		2,347	63,031	66,775
Current	802	2,347	24,026	22,751
Non-current			39,005	44,024

ICMS credits, amounting to R$ 48,267 as of March 31, 2021 (R$ 49,056 as of December 31, 2020), were mostly generated by Ouro Fino Saúde Animal Ltda., and are not subject to inflation adjustment. Up to April 30, 2019, the subsidiary Ouro Fino Saúde Animal Ltda. accumulated ICMS credits on tax-exempt shipments in transactions within the State of São Paulo, exports, and the 60% reduction in the ICMS tax base in interstate transactions, with full/partial credits on purchases, pursuant to ICMS Agreement 100/97. As from May 1, 2019, upon the enactment of Decree 64,213 of 2019, the subsidiary Ouro Fino Saúde Animal Ltda. was no longer entitled to maintain full credits on transactions within the State of São Paulo, and started to reverse them in the monthly calculations.

Upon the submission of the file addressed by Ordinance 83/2009 of the Coordinating Committee of Tax Administration Board (CAT) and the approval by the tax authorities, the credit balances are converted into accumulated credits pursuant to the applicable tax legislation, and may be used in purchases of inputs and machinery and equipment and/or transferred to other Group companies which have an interdependence relationship, and calculate ICMS payable on a regular basis.

Currently, Ouro Fino Saúde Animal Ltda. is working on the upload of the retroactive costing files (CAT Ordinance 83/2009), which must be submitted in a chronological order, with a view to enabling the conversion of the credit balance into accumulated credits to be used as previously described.

On January 18, 2021, the remaining amounts from the period 2010 to 2013 were released due to the costing methodology, through a writ of mandamus, in the amount of R$ 5,707.

In this context, the Group’s Management understands that there is no material risk of not realizing the amounts recorded; therefore, no provision for impairment of receivables was necessary.

13. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION (CONSOLIDATED)

The Company and its subsidiaries Ouro Fino Saúde Animal Ltda., Ouro Fino Agronegócio Ltda. and Ouro Fino Pet Ltda. calculate income tax and social contribution under the taxable income method, at the rates of 25% for income tax and 9% for social contribution. The subsidiaries located in Mexico and Colombia calculate their taxes based on the respective local regulations. Therefore, there is no direct correlation between the amounts presented in the consolidated statement of profit or loss and those that would have been obtained by applying the aforementioned standard rates.

a) Composition, nature and realization of deferred taxes

(i) Deferred income tax and social contribution

	03/31/2021	12/31/2020
Tax credits on:		
Accumulated income tax and social contribution losses	6,561	6,779
Temporary differences		
Provisions	17,422	20,810
Unrealized profit on inventories	8,156	4,711
Revaluation surplus - business combination	1,012	987
	33,151	33,287
Tax debts on:		
Temporary differences		
Deemed cost of lands	(7,878)	(7,878)
Derivative financial instruments	(1,215)	(781)
Provisions	(262)	(257)
Accelerated depreciation	(124)	(250)
	(9,479)	(9,166)
Total assets, net	23,672	24,121

Deferred income tax and social contribution are presented net, by entity, in the balance sheet.

Net changes in the deferred tax account were as follows:

	03/31/2021	03/31/2020
Opening balance	24,121	15,441
Pre-operating costs written off		(47)
Accumulated income tax and social contribution losses	(218)	691
Derivative financial instruments	(434)	(766)
Provisions	(3,393)	285
Unrealized profit on inventories	3,445	2,755
Revaluation surplus - business combination	25	36
Accelerated depreciation	126	(1,888)
Final balance	23,672	16,507

The amounts by estimated offset period are as follows:

	03/31/2021	12/31/2020
Deferred tax assets to be recovered		
In 2021	15,545	16,470
In 2022	14,935	14,121
In 2023	1,659	1,709
After 2024	1,012	987
	33,151	33,287
Deferred tax liabilities to be settled		
In 2021	1,512	1,074
In 2022	36	36
In 2023	36	36
After 2024 (*)	7,895	8,020
	9,479	9,166

(*) Deferred tax liability to be realized beyond 2024 mainly reflects the adoption of the deemed cost method for lands in subsidiaries occurred on January 1, 2009 in the amount of R$ 7,878 (December 31, 2020 - R$ 7,878).

14. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

Change:	As of January 1st, 2021	Additions	Foreing exchange variation	Transfers	Write-Offs	Depreciation	As of March 31, 2021
Right of Use - Leases	478	931				(98)	1,311
Land	24,985						24,985
Buildings and improvements	142,004	41		8,499		(972)	149,572
Machinery, equipment and industrial facilities	84,684	1,016			(42)	(2,000)	83,658
Vehicles and tractors	11,977	352	131		(115)	(942)	11,403
Furniture and fixtures	2,609	1,359	(20)		(1)	(280)	3,667
IT equipment	4,007	393	15			(312)	4,103
Construction in progress (i)	5,546	6,351		(8,499)			3,398
Other	1,015	4,430				(54)	5,391
	277,305	14,873	126		(158)	(4,658)	287,488

Change:	As of January 1st, 2020	Additions	Foreing exchange variation	Transfers	Write-Offs	Depreciation	As of march 31, 2020
Land	24,985						24,985
Buildings and improvements	138,770	222		2,395		(933)	140,454
Machinery, equipment and industrial facilities	83,586	4,574	(1)	646	(19)	(1,981)	86,805
Vehicles and tractors	14,527	784	112		(86)	(1,016)	14,321
Furniture and fixtures	3,022	595	2			(138)	3,481
IT equipment	3,609	93	9		(15)	(334)	3,362
Construction in progress (i)	9,742	1,906		(3,030)			8,618
Other	1,398	14		(11)		(63)	1,338
	279,639	8,188	122		(120)	(4,465)	283,364

	03/31/2021			12/31/2020			
Balance breakdown:	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net	Average annual depreciatio n rates
Right of Use - Leases	1,648	(337)	1,311				21.56%
Land	24,985		24,985	24,985		24,985	
Buildings and improvements	179,385	(29,813)	149,572	170,844	(28,840)	142,004	2.33%
Machinery, equipment and industrial facilities	148,652	(64,994)	83,658	147,765	(63,081)	84,684	6.10%
Vehicles, tractors and aircraft	21,863	(10,460)	11,403	21,240	(9,263)	11,977	19.17%
Furniture and fixtures	9,952	(6,285)	3,667	9,115	(6,506)	2,609	6.51%
IT equipment	13,583	(9,480)	4,103	13,045	(9,038)	4,007	9.59%
Construction in progress (i)	3,398		3,398	5,546		5,546	
Other	8,365	(2,974)	5,391	4,413	(2,920)	1,493	5.72%
	411,831	(124,343)	287,488	396,953	(119,648)	277,305	

(i) As of March 31, 2021, the balance of the works in progress refers mainly to the substation building in the amount of R$ 3,048 (R$ 2,911 as of December 31, 2020), and expansion of the Biological Products unit building in the amount of R$ 350 (R$ 605 as of December 31, 2020).

As of March 31, 2021, costs of loans related to works in progress were capitalized in the amount of R$ 125 (R$ 136 as of March 31, 2020), at an annual average rate of 5.60% (5.67% as of December 31, 2020).

Land, buildings, and machinery and equipment amounting to R$ 79,908 (R$ 80,674 as of December 31, 2020) were pledged as collateral for loans and financing (Note 17).

15. INTANGIBLE ASSETS (CONSOLIDATED)

Change:	As of January 1st, 2021	Additions	Foreing exchange variation	Amortization	As of March 31, 2021
Goodwill on acquisition of subsidiary	618				618
Trademarks and licenses purchased		1,078			1,078
Product development and registration	67,575	3,683	93	(1,349)	70,002
Computer software	5,748	327	11	(452)	5,634
	73,941	5,088	104	(1,801)	77,332

Change:	As of January 1st, 2020	Additions	Reversal of impairment provision	Foreing exchange variation	Write-Offs	Amortization	As of March 31, 2020
Goodwill on acquisition of subsidiary	618						618
Product development and registration	86,475	2,135	21	51	(21)	(1,474)	87,187
Computer software	6,024	461		3		(409)	6,079
Other	178					(68)	110
	93,295	2,596	21	54	(21)	(1,951)	93,994

	03/31/2021			
Balance breakdown:	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on acquisition of subsidiary	618			618
Trademarks and licenses purchased	3,278		(2,200)	1,078
Product development and registration	129,376	(20,936)	(38,438)	70,002
Computer software	38,818		(33,184)	5,634
Other	1,333		(1,333)	
	173,423	(20,936)	(75,155)	77,332

	12/31/2020			
Balance breakdown:	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on acquisition of subsidiary	618			618
Trademarks and licenses purchased	2,200		(2,200)	
Product development and registration	125,599	(20,936)	(37,088)	67,575
Computer software	38,480		(32,732)	5,748
Other	1,335		(1,335)	
	168,232	(20,936)	(73,355)	73,941

Product development and registration refer to expenses incurred in new drugs and their amortization is recognized in the "Cost of sales” (Note 21).

The assumptions adopted to review evidence of impairment are disclosed in Note 2(g).

16. TRADE ACCOUNTS RECEIVABLE (CONSOLIDATED)

	03/31/2021	12/31/2020
In local currency	23,595	14,916
In foreign currency	50,627	40,896
	74,222	55,812

17. LOANS AND FINANCING (CONSOLIDATED)

	Financial charges incurred	Final maturity	03/31/2021	12/31/2020
In foreign currency				
Working capital	Exchange variation and weighted average rate of 4.85% p.a. (December 31, 2020 - 4.85% p.a.)	2021	35,289	33,540
In local currency				
FINEP	Weighted average rate of 5.60% p.a. (December 31, 2020 - 5.67% p.a.)	2032	172,028	178,415
NCE (Export Credit Note)	Average rate of 4.70% p.a. (December 31, 2020 - 5.95% p.a.)	2024	104,328	103,902
Working capital	Average rate of 4.85% p.a. (December 31, 2020 - 4.10% p.a.)	2024	40,095	40,077
BNDES - FINEM	Weighted average rate of 6.78% p.a. (December 31, 2020 - 6.46% p.a.)	2025	26,408	27,830
BNDES - FINEM	Weighted average rate of 9.35% p.a. (December 31, 2020 - 9.34% p.a.)	2023	90	101
Working capital (i)	Average rate of 5.13% p.a. (December 31, 2020 - 5.14% p.a.)	2021	7,755	7,615
Leases	Weighted average rate of 6.76% p.a. (December 31, 2020 - 7.17% p.a.)	2023	1,399	1,731
Drawee risk	Not applicable		1,373	1,128
			388,765	394,339
Current			98,955	96,553
Non-current			289,810	297,786
			388,765	394,339

(i) Loans and financing obtained by the subsidiary Ouro Fino Colombia S.A.S

a) Guarantees for loans and financing

Financing for Research, Innovation and Product Development, contracted by subsidiary Ouro Fino Saúde Animal Ltda. with FINEP, is collateralized by: (i) bank-issued guarantees, in the amount of R$ 141,174; (ii) performance bond, in the amount of R$ 24,000; (iii) security interest constituted by its industrial plant located in the municipality of Cravinhos-SP; and (iv) guarantee from the parent company Ouro Fino Saúde Animal Participações S.A., under which no charges are levied.

Working capital loans are collateralized by personal guarantees of the parent company and/or controlling shareholders, as well as lease transactions and transactions under Finame program, which are also backed by security interest through the fiduciary sale of financed assets.

BNDES-FINEM transaction requires compliance with ratios previously defined in the agreement: Net Debt/EBITDA ratio equal to or lower than 3.0, and General Indebtedness equal to or lower than 0.70, both on a consolidated basis. For the periods ended March 31, 2021 and December 31, 2020, the Group has complied with these ratios.

The carrying amounts of loans and financing are close to their fair values.

The composition of long-term loans and financing is as follows:

	03/31/2021
From 1 to 2 years	72,652
From 2 to 3 years	71,751
From 3 to 4 years	60,500
From 4 to 5 years	16,187
Over five years	68,720
	289,810

b) Working capital loans denominated in foreign currency

Exchange rate swap transactions were contracted for working capital borrowings denominated in foreign currency (EUR), which amounted to R$ 35,289 (R$ 33,540 as of December 31, 2020), for the exchange of borrowing contractual charges for charges based on the CDI rate variation (Note 9).

18. PROVISIONS (CONSOLIDATED)

	03/31/2021				
Balances recognized in Assets:	Opening balance	Additions and reversals, net	Final write-offs	Foreing exchange variation	Final Balance
Bonuses on sales	1,074	461	(958)		577
Provision for impairment of intangible assets	20,936				20,936
Expected credit loss	5,789	(10)	(185)	115	5,709
Provision for inventory losses	4,134	1,841	(912)	17	5,080
	31,933	2,292	(2,055)	132	32,302
Balances recognized in Liabilities:	Opening balance	Net additions and reversals	Final write-offs	Foreing exchange variation	Final Balance
Provision for contingencies	6,384	1	(598)	28	5,815
	6,384	1	(598)	28	5,815

	03/31/2020				
Balances recognized in Assets:	Opening balance	Additions and reversals, net	Final write-offs	Foreing exchange variation	Final Balance
Bonuses on sales	957	86	(453)		590
Provision for impairment of intangible assets	3,174		(21)		3,153
Expected credit loss	6,717	9		252	6,978
Provision for inventory losses	6,083	1,784	(12)	6	7,861
	16,931	1,879	(486)	258	18,582
Balances recognized in Liabilities:	Opening balance	Net additions and reversals	Inflation Adjustment :	Foreing exchange variation	Final Balance
Provision for contingencies	3,684	206	(54)	55	3,891
	3,684	206	(54)	55	3,891

a) Bonuses on sales

The provisions for bonuses on sales are related to sales campaigns which have already been negotiated with customers but are still pending completion. These provisions are recognized in the statement of profit or loss under “Cost of sales”.

b) Provision for contingencies

The Group companies are parties to labor, civil and tax litigation in progress, which are being discussed at the administrative and judicial levels, and, where applicable, are supported by judicial deposits. The provision for probable losses arising from these matters is estimated and periodically adjusted by management, supported by the opinion of its external legal advisors.

The provisions are as follows:

	03/31/2021	12/31/2020
Labor	3,770	4,357
Tax	1,078	1,078
Civil	967	949
	5,815	6,384

c) Expected credit loss

The expected credit loss (“*impairment*”) is calculated based on the criterion of expected losses based on the entire life of the instruments. In view of all the Group's controls to mitigate credit risk, and the consequent low historical delinquency level, there were no significant effects for the period (Note 10).

d) Provision for inventory losses

The Group recognizes a provision for inventory losses when there is uncertainty regarding the realization of these balances (damaged, expired and/or about to expire products) (Note 11).

e) Provision for impairment of intangible assets

The Group tests for impairment product development balances in intangible assets, whenever possible, through the discounted cash flow method (Notes 2 (g) and 15).

f) Possible losses, not provided for in the balance sheet

The Group companies are parties to tax, labor and civil lawsuits involving risks of loss classified by management as possible, based on the evaluation of the legal advisors, for which no provision for estimated possible losses has been recorded.

Possible contingencies are as follows:

	03/31/2021			12/31/2020		
	Administrative	Judicial	Total	Administrative	Judicial	Total
Tax	79,757	3,653	83,410	91,758	1,106	92,864
Labor		2,687	2,687		2,777	2,777
Civil	3	2,259	2,262	3	2,259	2,262
	79,760	8,599	88,359	91,761	6,142	97,903

Tax risks refer mainly to tax assessment notices related to PIS, COFINS, and ICMS. The tax assessment notice related to PIS/COFINS, amounting to R$ 50,515 (R$ 50,382 as of December 31, 2020), was issued by tax authorities against the subsidiary Ouro Fino Saúde Animal Ltda. in May 2019, regarding taxable events that took place in 2014, and requiring the payment of PIS and COFINS differences calculated under the one-time tax treatment, for not including transactions of Ouro Fino Agronegócio Ltda. and Ouro Fino Pet Ltda. In relation to ICMS, the dispute involves issues related to alleged debts, in the amount of R$ 10,000 (R$ 17,114 as of December 31, 2020), arising from a different interpretation by the tax authorities about the application of the exemption provided for in ICMS Agreement 100/97 on imports of technical inputs to be used in products for the livestock sector.

In addition, the Group is involved in other proceedings of tax nature amounting to R$22,895 (R$25,368 as of December 31, 2020). The most relevant proceedings are as follows: (i) R$7,000 (R$6,800 as of December 31, 2019) related to ICMS credits on electric energy; (ii) R$3,100 (R$3,000 as of December 31, 2020) related to ICMS levy on operations with germicides; (iii) R$3,050 (R$2,950 as of December 31, 2020) related to transfers of ICMS credit balances; (iv) R$2,900 (R$2,800 as of December 31, 2020) related to the acquisition of goods from a supplier with improper registration and (v) R$2,000 (R$1,900, as of December 31, 2020) related to divergences in the application of the ICMS rate (FCI).

g) Contingent assets

The subsidiaries Ouro Fino Saúde Animal Ltda. and Ouro Fino Agronegócio Ltda. obtained favorable, final and unappealable decisions regarding the right to offset tax credits arising from the exclusion of ICMS from the calculation bases of PIS/COFINS contributions. On October 18, 2018, the Brazilian Federal Revenue Secretariat issued Internal Ruling 13 of the General Coordination of the Taxation System (COSIT), which provides for the criteria and procedures to be followed for calculating the amount to be excluded from the monthly calculation bases of these contributions. Considering that said Internal Ruling brings legal uncertainty to the taxpayers, the Group's management understands that the recognition of such credits, in the amount of R$ 4,654 (R$ 4,654 as of December 31, 2020), is considered as probable, but not virtually certain, and, therefore, they have not been recorded and are being disclosed as contingent assets.

19. EQUITY

a) Share capital

At the Annual and Extraordinary Shareholders' Meeting held on April 9, 2021, the Company’s Management approved an increase in the Company's capital of R$ 32,864 (R$ 48,172 as of May 8, 2020), without the issuance of registered common shares, through the use of profit reserves.

As of March 31, 2021, the share capital comprises 53,949,006 common shares (53,949.006 as of December 31,2020 common shares) all fully subscribed and paid-up and with no par value.

b) Allocation of profit

According to the bylaws, profit will be allocated as follows:

- 5% to the legal reserve, limited to 20% of share capital.
- Minimum dividend of 25% of profit adjusted according to Article 202 of Law 6,404.
- The remaining balance will be distributed as approved at a Shareholders' Meeting by shareholders representing at least 2/3 (two thirds) of the voting shares, in compliance with the applicable legal provisions.

c) Equity valuation adjustments

These relate to the effect from adoption of the deemed cost method to record land in subsidiaries from January 1, 2009, as well as to all foreign exchange rate differences resulting from the translation of the balance sheet and profit or loss of subsidiaries abroad.

d) Stock option plan

The Group has a Stock Option Plan (the "Plan") in place, aiming at: (i) stimulating the Company's growth, success and achievement of objectives; (ii) aligning the interests of the Company's shareholders with those of the eligible individuals; (iii) enabling the attraction and retention of professionals and service providers, thus stimulating the generation of value for the Company, and (iv) sharing risks and gains equally among shareholders, management and employees.

The Plan is managed by the Board of Directors and, according to its rules, the following beneficiaries are eligible: members of management, employees and service providers of the Company or of other companies under its control. The total number of common shares for which options may be granted cannot exceed 1.5% of the total common shares comprising the Company's share capital. Data on the Company's Stock Option Plan is available at the Brazilian Securities Commission (CVM).

The vesting period considers that the beneficiaries may exercise their right in installments of 1/5 (one fifth) of the total shares granted as from the end of the first year from the date of signature of the Adhesion Agreement, and the same number of shares annually up to the end of the fifth year, provided that the beneficiaries remain continually linked to the Company.

The strike price will be set based on the average quoted price of the Company's shares on the Brazilian stock exchange (B3), weighted by the trading volume, within the 60 (sixty) trading sessions prior to the grant, monetarily restated by the General Market Price Index (IGP-M).

The maximum term for the exercise of these options is 4 (four) years as from the end of the vesting period. Options that are not exercised according to the terms and conditions established will be automatically canceled, without any compensation.

On September 28, 2016, the Board of Directors approved an additional grant of 40,000 stock options, for one beneficiary, as shown in the table below.

	End of the vesting period				
	9/28/2017	9/28/2018	09/28/2019	9/28/2020	9/28/2021
Qty. of Options	8,000	8,000	8,000	8,000	8,000
Strike price	39.38	39.38	39.38	39.38	39.38
Fair Value of options granted	12.89	14.87	16.62	18.23	19.66
Maximum exercise term	9/28/2021	9/28/2022	9/28/2023	9/28/2024	9/28/2025

The fair value attributed to the options granted was determined using the Black-Scholes-Merton pricing model, which takes into consideration the value of the share, the strike price, the remaining period up to the exercise of the option, the likelihood of the option being exercised, the historical volatility, the dividend rate and the risk-free interest rate, in accordance with the assumptions below:

Grant on 28 September 2016	General assumptions and information on the valuation			
End of the vesting period	28/09/2018	28/09/2019	28/09/2020	28/09/2021
Share price on the grant date	39.00	39.00	39.00	39.00
Estimated strike price for the period	43.91	46.40	49.07	51.91
Expected lifetime (in years)	4.00	5.00	6.00	7.00
Expected volatility	30.40%	30.40%	30.40%	30.40%
Risk-free interest rate	11.60%	11.70%	11.70%	11.80%

Expenses of R$ 39 incurred in connection with stock options were recognized for the quarter ended March 31, 2021 (R$ 37 as of March 31, 2020).

e) Stock-Based Compensation Plan - Long-Term Incentive

At the Extraordinary Shareholder's Meeting held on January 29, 2021, Management approved the Long-Term Share-Based Incentive Plan ("ILP Plan") of the Company. ILP Plan aims to allow eligible persons, subject to certain conditions established in the Programs, to receive Shares with the purpose of: (i) stimulating the Company's social purpose expansion, (ii) aligning the Company's Shareholders interests to those of Eligible persons, (iii) encourage the value creation for the Company and (iv) share risks and gains equitably among shareholders, managers and employees.

ILP Plan is managed by the Board of Directors and the Share-based compensation will be made through the signing of ILP agreements, which shall specify the base number of shares, terms and conditions for the transfer of shares by the Company to the beneficiaries, final term for receiving Share-based compensation, share price and payment conditions.

General Characteristics of ILP Plan

ILP Plan features: (i) "Performance Shares granted" from 2021, with a forecast for 5 grants until 2025; (ii) grants made annually following market practices; (iii) 3 years vesting period, with performance goals measured at the end of the grace period; (iv) performance indicators and performance goals defined in each grant; and (v) termination rules following good market practices.

ILP Plan will be settled through treasury shares, being treated as compensation (charges via payroll), but with the possibility of settlement in cash and commitment of up to 2% of the Company's Capital.

The Program's Performance goals are linked to Net Income and the Performance of the Company's Shares, with 60% weight for Net Income and 40% weight for the appreciation of Shares.

The measurement for Net Income will be assessed based on the compound profit, that is, 3 years together, with margin for variations up or down during the period, having an adjusted starting number of the net income of the year prior to the grant considering the goals set by the Board of Directors.

For the measurement of the starting share price, the average value weighted by the trading volume of the last 30 trading sessions prior to the end date of the vesting period will be considered (the amount will be adjusted by the payment of dividends in the period using the concept of Total Shareholder Return).

The fair value of these shares was calculated using the Monte Carlo simulation, which takes into account the historical share volatility and the acceleration/penalty curve for the quantity delivered as a result of performance.

For the quarter ended March 31, 2021, the Group recognized the expense, including INSS and FGTS charges, of the ILP Plan in the amount of R$ 109.

20. REVENUES (CONSOLIDATED)

The reconciliation between gross and net sales revenue is as follows:

	Consolidated	
	03/31/2021	03/31/2020
In Brazil:		
Gross revenues from sales and services	164,415	105,143
Taxes and deductions on sales	(18,886)	(12,628)
	145,529	92,515
Abroad:		
Gross sales	23,373	19,541
Taxes and deductions on sales	(118)	(177)
	23,255	19,364
	168,784	111,879

21. COSTS AND EXPENSES BY NATURE

	Parent company		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Cost of sales				
Variable costs (raw materials and consumables)			51,293	33,206
Personnel expenses			18,023	12,680
Outsourced services			5,849	4,070
Depreciation and amortization			4,160	4,184
Electricity			2,392	1,662
Provision for inventory losses			929	1,772
Other			2,876	3,002
			85,522	60,576
Selling Expenses				
Personnel expenses			19,239	16,048
Sales team expenses			8,135	6,916
Freight expenses			6,205	4,138
Outsourced services			4,205	3,866
Depreciation and amortization			1,080	1,095
Telecommunication and energy			144	194
Other			1,737	2,092
			40,745	34,349
Expenses on research and innovation				
Personnel expenses			5,061	3,999
Outsourced services			5,242	2,651
Depreciation and amortization			534	493
Telecommunication and energy			134	57
Other			680	725
			11,651	7,925
General and administrative expenses				
Personnel expenses	1,533	964	8,082	7,101
Outsourced services	41	(6)	2,071	1,470
Depreciation and amortization			685	644
Travel expenses		4	70	109
Telecommunication and energy			265	117
Expenses with vehicles			76	113
Donations and sponsorships			11	13
Other	155	246	973	970
	1,729	1,208	12,233	10,537
	1,729	1,208	150,151	113,387

22. OTHER INCOME (EXPENSES), NET

	Parent company		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Gains on sales of scrap, rentals and other	45	45	181	70
Gain on disposal and write-off of PP&E			11	63
Federal, state, municipal taxes and fees (i)	(3)	(2)	(220)	1,759
Final write-off of intangible assets (ii)				(21)
Reversal of provision for impairment of intangible assets (ii)				21
Other losses	(41)	(40)	(147)	(38)
	1	3	(175)	1,854

(i) For the quarter ended March 31, 2021, extemporaneous credits from PIS/COFINS contributions were recognized, in the amount of R$ 1,993 related to essential and relevant inputs to the production process, for which COSIT Normative Opinion No. 5/2018, published on December 18, 2018, concluded that the concept of input should be sought in light of the essentiality and relevance of the good in the Taxpayer's production chain, and thus, the Group, by analyzing the characteristics and specificities of its activity, based on understanding established by the STJ, appropriated these credits from the period 2016 to 2020, which meet the concept of the opinion.

(ii) Refers to the provision for impairment and definitive write-offs of projects that were under development in intangible assets (Note 15).

23. FINANCE INCOME (COSTS)

	Parent company		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Finance income				
Revenue from financial investments	197	95	1,059	106
Interest received			38	151
Inflation adjustment			43	41
Other			29	12
	197	95	1,169	310
Finance costs				
Interest paid	(6)	(2)	(4,109)	(2,087)
Finance charges			(457)	(202)
Other	(9)	(24)	(185)	(457)
	(15)	(26)	(4,751)	(2,746)
Derivative financial instruments, net:				
Gains (losses) on derivatives (foreign exchange variation)			1,500	13,352
Derivative losses (interest)			(225)	329
			1,275	13,681
Foreign exchange variation, net			(2,171)	(12,730)
Finance income (costs)	182	69	(4,478)	(1,485)

24. INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

The income tax and social contribution expense is reconciled to the standard rates as shown below:

	Parent company		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Earnings before income tax and social contribution	9,491	(2,155)	13,980	(1,139)
Statutory tax rates	34%	34%	34%	34%
	(3,227)	733	(4,753)	387
Reconciliation for effective tax:				
Permanent differences:				
PD&I Benefit			1,026	169
Equity in the results of investees	3,752	(347)		
Investment Subsidies (i)			364	
Adjustment of the calculation of foreign subsidiaries taxed at the rate in effect in their respective countries			(569)	(1,212)
Unrecognized deferred taxes	(525)	(386)	(525)	(386)
Other			(33)	19
Income tax and social contribution			(4,490)	(1,023)
Reconciliation with the statement of profit or loss				
Current			(3,800)	(1,937)
Deferred			(690)	914
			(4,490)	(1,023)

(i) The Group recognized the tax deductibility of the amounts of tax incentives related to exits with exemption from ICMS in transactions within the state of São Paulo and exports and exits with a 60% reduction in the ICMS calculation basis in interstate operations (ICMS Agreement 100/1997), according to the law case established by the Superior Court of Justice.

25. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings (losses) per share are calculated by dividing the earnings attributable to the Company's shareholders by the weighted average number of common shares during the period.

	03/31/2021	03/31/2020
Net income (loss) for the period attributable to the Company's shareholders	9,491	(2,155)
Weighted average number of common shares in the period (in thousands of shares)	53,949	53,949
Basic and diluted earnings (losses) per share	0.17593	(0.03995)

26. EMPLOYEE BENEFITS

a) Private pension plan - defined contribution

The Group companies sponsor a defined contribution pension plan for their employees. The plan was implemented in August 2008 and was managed by Itaú Vida e Previdência S.A until September 30, 2020. As from October 2020, the plan is being managed by Brasilprev Seguros e Previdência S.A. Company contributions to the plan in the quarter ended March 31, 2021 amounted to R$322 (March 31, 2020 - R$259).

b) Short term incentives

The Group offers a short-term incentive program ("ICP") to its employees, calculated based on quantitative and qualitative goals established by management. For the quarter ended March 31, 2021, the impact of the short-term incentive was R$ 3,448 (March 31, 2020 - R$ 1,022).

27. RELATED-PARTY BALANCES AND TRANSACTIONS

a) Balances and main transactions

	Parent Company						
	03/31/2021			12/31/2020			
	Ativo	Liabilities		Assets		Liabilities	
	Other assets (i)	Dividends and interest on equity	Other liabilities (i)	Interest on Equity	Other assets (i)	Dividends and interest on equity	Other liabilities (i)
Subsidiaries:							
Ouro Fino Saúde Animal Ltda.			38	11,900			38
Ouro Fino Pet Ltda.				1,650			
Other related parties:							
Ouro Fino Química Ltda.	133				83		
Shareholders		21,309				21,309	
	133	21,309	38	13,550	83	21,309	38

	Parent company					
	Main transactions:					
	03/31/2021			03/31/2020		
	Royalties	Shared Services Center (CSC) reimbursement (i)	Other income (expenses), net	Royalties	Shared Services Center (CSC) reimburseme nt (i)	Other expenses, net
Subsidiaries:						
Ouro Fino Saúde Animal Ltda.		(26)	(73)		(26)	(46)
Ouro Fino Agronegócio Ltda.					119	
Ouro Fino Pet Ltda.					23	
Other related parties:						
Ouro Fino Química Ltda.	50			50		
Shareholders						524
	50	(26)	(73)	50	116	478

	Consolidated							
	Balances:							
	03/31/2021				12/31/2020			
	Assets	Liabilities			Assets	Liabilities		
	Other assets (i)	Dividends and interest on equity	Other liabilities (i)	Loans and financing (ii)	Other assets (i)	Dividends and interest on equity	Other liabilities (i)	Loans and financing (ii)
Other related parties:								
Ouro Fino Química Ltda.	255		234		338		150	
Condomínio Rural Ouro Fino	173				89			
BNDES Participações S.A.				26,498				27,931
Shareholders		21,309				21,309		
Other								
	428	21,309	234	26,498	427	21,309	150	27,931

	Consolidated								
	Key operations:								
	03/31/2021				03/31/2020				
	Services Center (CSC) reimburseme	*Royalties*	Other expenses, net	Finance income (costs)	Gross profit on sales of goods	Services Center (CSC) reimburseme	*Royalties*	Other expenses, net	Finance income (costs)
Other related parties:									
Ouro Fino Química Ltda.	333	50	(321)			305	50	(335)	
Condomínio Rural Ouro Fino		1	(620)		2			(588)	
Neotech Soluções Ambientais Ltda.			(127)					242	
Shareholders									
BNDES Participações S.A.				(419)				220	(553)
	333	51	(1,068)	(419)	2	305	50	(461)	(553)

(i) Other assets and liabilities

Other assets and liabilities are represented by the reimbursement of expenses, especially those incurred with the Shared Services Center ("CSC"), under the expense sharing agreement entered into on September 30, 2014.

(ii) Loans and financing

These refer to loans and financing from the related party BNDES Participações S.A., under market conditions similar to those adopted by BNDES in transactions with third parties (Note 17).

b) Management compensation

Key management personnel include the members of the Board of Directors and the officers appointed pursuant to the Company's bylaws whose compensation is approved at the Annual Shareholders' Meeting. The compensation paid or payable to key management for their services is described below:

	03/31/2021	03/31/2020
Wages and salaries	743	719
Variable compensation	737	70
Labor charges	345	165
Direct and indirect benefits	51	41
Share-based payments	73	36
	1,949	1,031

Despite the fact that management does not consider share-based payments as compensation, the amounts under this heading are recorded in this Note, as required by Technical Pronouncement CPC 05 – Related-party Disclosures.

28. INSURANCE

As part of its risk management policy, the Group maintains insurance coverage for operational and civil liability risks. The current policies are in effect for one year, as shown in the table below:

Insured goods	Risks covered	2021	2020
Property, plant and equipment and inventories	Fire, lightning, explosion, electrical damage, windstorm, loss of profits	497,281	403,980
General civil liability	Damage to third parties caused during operations	10,000	10,000
Civil risks - Management	Damage to third parties arising from acts by members of management in the performance of their duties	30,000	30,000

29. OTHER DISCLOSURES ON CASH FLOWS

	Loans and financing	Derivative financial instruments, net	Cash and cash equivalents	Financial investments	Net debt
Balance as of January 1st, 2021	394,339	(2,298)	(225,575)	(18,039)	148,427
Repayment of principal	(8,191)				(8,191)
Payment of interest	(3,572)				(3,572)
Drawee risk	245				245
Increase (decrease) in cash and cash equivalents and financial investments			7,132		7,132
Changes that affected cash flow	(11,518)		7,132		(4,386)
Foreign exchange variations and interest	5,944	(1,275)	(278)	(111)	4,280
Non-cash changes	5,944	(1,275)	(278)	(111)	4,280
Balance as of March 31, 2021	388,765	(3,573)	(218,721)	(18,150)	148,321
Balance as of January 1, 2020	281,082	2,252	(45,009)		238,325
Funding	90,000				90,000
Repayment of principal	(42,185)	5,170			(37,015)
Payment of interest	(2,478)				(2,478)
Drawee risk	465				465
Increase (decrease) in cash and cash equivalents			(80,087)		(80,087)
Changes that affected cash flow	45,802	5,170	(80,087)		(29,115)
Foreign exchange variations and interest	16,964	(13,681)	(590)		2,693
Non-cash changes	16,964	(13,681)	(590)		2,693
Balance as of March 31, 2020	343,848	(6,259)	(125,686)		211,903

30. COMMITMENTS

The Group establishes several commitments in the normal course of its activities and on November 17, 2020, the Company assumed a relevant commitment to purchase electric energy from Votener - Votorantim Comercializadora de Energia Ltda. The following are the commercial terms of the agreement:

Supply period		Volume in average-megawatt	Price
Beginning	End		
01/01/2022	12/31/2022	2.500000	R$ 157.00
01/01/2023	12/31/2023	2.500000	R$ 150.00
01/01/2024	12/31/2024	2.500000	R$ 147.00

The prices indicated above will be adjusted through IPCA index and since the base date (June 30, 2020) and the month of the start of supply of each year.

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in the preparation of this interim financial statements are set out below. Such policies have been consistently applied to the years presented, unless otherwise stated.

31.1 Consolidation

The following accounting policies are applied in the preparation of the consolidated interim financial statements:

a) Subsidiaries are all entities over which the Group has control. They are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

   Identifiable assets acquired and liabilities and contingent liabilities assumed on the acquisition of subsidiaries in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

b) Transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

31.2 Foreign currency translation

a) Functional and reporting currency

   Items included in the interim financial statements of each of the Group companies are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"), which is substantially the Brazilian real, except as mentioned in item (c) below. Therefore, the individual and consolidated interim financial statements are presented in this currency.

b) Transactions and balances

   Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the dates of valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss as “Finance income (costs)”.

c) Group companies with a different functional currency

   The results and the financial position of Ouro Fino de México, S.A. de CV and Ouro Fino Colombia S.A.S (subsidiaries of Ouro Fino Saúde Animal Ltda.), whose functional currency is different from the reporting currency are translated into the reporting currency as follows:

   (i) Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing on the balance sheet date.

(ii) Income and expenses for each statement of income are translated at average foreign exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

(iii) All the resulting exchange variations are recognized as a separate component of equity in the "Equity valuation adjustments" account.

31.3 Financial assets

31.3.1 Classification

The Group classifies its financial assets, upon initial recognition, in the following categories: amortized cost and measured at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired.

a) Amortized cost

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and which are not classified in the "at fair value through profit or loss" category. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Financial assets classified at amortized cost comprise trade and other receivables and cash equivalents.

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. All financial assets in this category are classified as current assets. Derivatives are also classified as "held for trading".

31.3.2 Recognition and measurement

Normal purchases and sales of financial assets are recognized on the trade date. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership. Financial assets measured at fair value through profit or loss are subsequently carried at fair value.

For financial assets carried at amortized cost the effective interest rate method is adopted.

31.3.3 Impairment of financial assets

Assets carried at amortized cost

Management assesses, at each balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and if that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets and provided that such impact can be reliably estimated.

The new standard CPC 48/IFRS 9 "Financial Instruments", which has been in effect since January 1, 2018, introduces a new impairment model for financial assets, whereby it replaces the provision for incurred losses with expected losses. Considering the low historical default rates, the criterion change did not have major effects for the Group.

31.4 Derivative financial instruments

Derivative financial instruments are contracted with the purpose of hedging transactions against the risks of fluctuations in foreign exchange and interest rates, and are not used for speculative purposes. The Group operates mainly with exchange rate swaps. Derivatives are initially recognized at their fair value on the date on which the contract is entered into, and are subsequently remeasured at fair value. Since the Group does not adopt hedge accounting, the changes in the fair value of derivative instruments are recognized immediately in the statement of profit or loss within "Finance income (costs)".

CPC 48/*IFRS* 9 - “Financial instruments” new standard has entered into force on January 1, 2018. Its major amendment was the establishment of new criteria for the classification of financial assets and the loosening of requirements for adoption of hedge accounting. Management believes that there will be no significant changes in the classification and measurement of its financial assets, especially considering that the Group has not entered into transactions classified as hedge.

31.5 Trade accounts receivable

Trade accounts receivable are stated at the original sales amount, plus, when applicable, monetary and foreign exchange variations, and less the expected credit loss. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

31.6 Inventories

Inventories are stated at the lower of average cost of purchase or production and net realizable value. Cost is determined using the fixed weighted average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less completion costs and selling expenses. Imports in transit are stated at the accumulated cost of each transaction.

31.7 Current and deferred income tax and social contribution

The income tax and social contribution expenses for the period comprise current and deferred taxes. Taxes on profit are recognized in the statement of profit or loss, except to the extent that they relate to items recognized directly in equity. In such cases, the taxes are also recognized directly in equity.

Current and deferred income tax and social contribution are calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Group entities operate. The currently defined tax rates in Brazil of 25% for income tax and 9% for social contribution are utilized.

Current and deferred income tax and social contribution are presented net, separated by taxpaying entity, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

Deferred income tax and social contribution are recognized on accumulated tax losses and temporary differences between the tax bases of assets and liabilities and their carrying amounts in the interim financial statements. They are determined based on tax rates in effect at the balance sheet date, which are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the temporary differences and/or tax losses can be utilized.

The interpretation IFRIC 23 - Uncertainty Over Income Tax Treatment clarifies the accounting for tax positions not yet accepted by the tax authorities and only applies to income tax and social contribution. It does not introduce new disclosures, but reinforces the need to comply with existing disclosure requirements related to (i) judgments made; (ii) assumptions or other estimates used; and (iii) the potential impact of uncertainties that are not reflected in the interim financial statements.

In this context, the Group recognized the tax deductibility of the amounts of tax incentives related to exits with exemption from ICMS in transactions within the state of São Paulo and exports and exits with a 60% reduction in the ICMS calculation basis in interstate operations (ICMS Agreement 100/1997), according to the law case established by the Superior Court of Justice.

The Group assessed and did not identify any relevant impacts on its interim financial statements.

31.8 Intangible assets

a) Product research and development

Research expenditures are recognized as expenses when incurred. Expenditures incurred with the development of products are recognized as intangible assets only if the cost can be reliably measured and when it is probable that they will bring future economic benefits.

The Group assesses its projects based on its own methodology, covering several milestones of analysis and clinical studies. Therefore, projects are considered successful based on the development of “pilot lots” and field tests, carried out in compliance with the requirements of regulatory bodies, accompanied by analyzes of financial and technical feasibility.

Capitalized development expenditures are amortized as from the beginning of the sale of the product, using the straight-line method over the period of the expected benefit, which is, on average, 10 years.

Finance charges on loans to finance a project are capitalized over the period required to develop the products.

b) Trademarks and licenses purchased

Separately purchased trademarks and licenses are initially stated at historical cost. Since trademarks and licenses have a finite useful life, they are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of approximately 10 years.

c) Computer software

Computer software licenses acquired are capitalized on the basis of the costs incurred to purchase and bring to use the specific software. These costs are amortized over their estimated useful lives of five years, using the straight-line method.

Costs associated with maintaining computer software are expensed as incurred.

d) Goodwill on the acquisition of subsidiaries

Goodwill arises from the acquisition of subsidiaries and represents the excess of (i) the consideration transferred, and (ii) the acquisition-date fair value of identifiable assets acquired, and liabilities assumed. Goodwill on acquisitions of subsidiaries is included in “Intangible assets” in the consolidated interim financial statements. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

31.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation. This cost was adjusted in subsidiaries to reflect the deemed cost of land on the date of transition to IFRS, and depreciation is calculated using the straight-line method, considering the estimated useful lives of the respective assets. The annual depreciation rates are disclosed in Note 14. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced items or parts is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

If the carrying amount of an asset is higher than its recoverable value, a provision for impairment is recorded to adjust the carrying amount to the estimated recoverable value.

The costs of loans used to finance the construction of property, plant and equipment are capitalized during the period necessary to execute and prepare the asset for its intended use.

Gains and losses on disposals are determined by comparing the amounts of sales with the carrying amounts and are recognized within "Other income (expenses), net" in the statement of profit or loss.

31.10 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

31.11 Trade accounts payable

Trade accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are classified as current liabilities if payment is due in one year or less. If not, they are presented as non-current liabilities.

Trade accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the related invoice.

31.12 Loans and financing

Loans and financing are initially recognized upon receipt of the funds, net of transaction costs, and are subsequently presented at cost plus charges and interest in proportion to the period elapsed (on a "*pro rata temporis*" basis), using the effective interest rate method.

Loans and financing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

31.13 Employee benefits

a) Private pension plan

The Group companies sponsor a defined contribution pension plan for their employees. Under the defined contribution plan, the companies pay contributions to private pension plans on contractual bases. After the contributions have been made, the companies have no further obligations for additional payments. The regular contributions comprise the net periodic costs for the period in which they are due and, as such, are included in personnel expenses.

b) Profit sharing

The provision is calculated based on quantitative and qualitative targets established by management and are recorded as personnel expenses in the statement of profit or loss for the period.

c) Share-based compensation

The Company has a share-based compensation plan (stock option plan), duly approved by the Board of Directors, under which it receives services from its executives and third parties as consideration for the stock options granted. The cost of these options, calculated on the grant date, is recognized as an expense against equity during the vesting period.

31.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognized when the control of a good or service is transferred to a customer, thus replacing the principle of risks and rewards.

Sales revenues are adjusted to reflect the effects of a significant financing component when it is expected, at the beginning of the contract, that the period between the sale of products and services and the time the customer pays for those products or services exceeds one year. Where applicable, the adjustment to present value in long-term sales transactions has a corresponding entry in "Trade account receivables", and its realization is recorded in "Finance income," according to maturity.

31.15 Payment of dividends and interest on capital

Payment of dividends and interest on equity to shareholders is recognized as a liability in the interim financial statements, in accordance with the Company's bylaws. Any amount that exceeds the minimum required is only provided on the date it is approved by the shareholders at the Annual Shareholders' Meeting.

The tax benefit of interest on equity is recognized in the statement of profit or loss, because in substance it represents a decrease in the effective rate of income tax and social contribution.

31.16 Leases

The accounting for leases requires lessees to recognize liabilities assumed in exchange for the respective assets corresponding to their right to use for all contracts that give the right to control an identifiable asset, including lease agreements and, potentially, some components of service agreements, unless it presents the following characteristics that are within the scope of the standard exemption, such as (i) Leases with a lease term of 12 months or less and (ii) Leases of low-value assets or based on variable amounts.

For the quarter ended March 31, 2021, the Group's management reviewed all lease agreements and concluded that the exemption criteria apply for all contracts identified as leases (according to IFRS16/CPC06). Therefore, there were no material impacts on the balance sheet or statement of profit or loss.

31.17 New standards that are not yet effective

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.
