Ouro Fino Saúde Animal Participações S.A.

Parent company and consolidated interim financial statements at June 30, 2014 and independent auditor's report

Independent auditor's report

To the Board of Directors and Stockholders
Ouro Fino Saúde Animal Participações S.A.

We have audited the accompanying financial statements of Ouro Fino Saúde Animal Participações S.A. ("Company" or "Parent Company"), which comprise the balance sheet as at June 30, 2014 and the statements of income, comprehensive income, changes in equity and cash flows for the period from April 10 (date of constitution - Note 1) to June 30, 2014, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Ouro Fino Saúde Animal Participações S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at June 30, 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from April 10 (date of constitution - Note 1) to June 30, 2014, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the interim financial statements

Management is responsible for the preparation and fair presentation of these parent company interim financial statements in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and for the consolidated interim financial statements in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting, of the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

PricewaterhouseCoopers, Av. Antônio Diederichsen, 400, 21º e 22º, Ed. Metropolitan Business Center, Ribeirão Preto, SP, Brasil 14020-250 T:(16) 2133-6600, Fax: (16) 2133-6685, www.pwc.com/br

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the parent company interim financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Ouro Fino Saúde Animal Participações S.A. as at June 30, 2014, and its financial performance and cash flows for the period from April 10, 2014 (date of constitution - Note 1) to June 30, 2014, in accordance with CPC 21.

Opinion on the consolidated interim financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ouro Fino Saúde Animal Participações S.A. and its subsidiaries as at June 30, 2014, and their financial performance and their cash flows for the period from April 10, 2014 (date of constitution - Note 1) to June 30, 2014, in accordance with CPC 21 and IAS 34.

Emphasis of matter

As discussed in Note 2.1 (b) to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Ouro Fino Saúde Animal Participações S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries based on equity accounting, while IFRS requires measurement based on cost or fair value. Our opinion is not qualified in respect of this matter.

Ouro Fino Saúde Animal Participações S.A.

Restatement of the financial statements and independent auditor's report

As disclosed in Note 2.1(d) , the Company's management has adjusted the consolidated interim financial statements as originally presented at June 30, 2014 because of the matters described therein. Our opinion on the original consolidated interim financial statements was dated August 21, 2014. Following the modifications, our unqualified opinion on these restated consolidated interim financial statements replaces the opinion as originally issued.

Other matters

Supplementary information - statements of value added

We have also audited the parent company and consolidated statements of value added for the period from April 10, 2014 (date of constitution - Note 1) to June 30, 2014, which are the responsibility of the Company's management. The presentation of these statements is not required by the Brazilian corporate legislation for unlisted companies, and is considered supplementary information for IFRS, therefore, these statements are being presented as supplementary information. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Ribeirão Preto, September 29, 2014

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F"

Maurício Cardoso de Moraes
Contador CRC 1PR035795/O-1 "T" SP

(A free translation of the original in Portuguese)

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Ouro Fino Saúde Animal Participações S.A.

Balance sheet
All amounts in thousands of reais

Assets	Note	Parent company June 30, 2014	Parent company April 10, 2014	Consolidated June 30, 2014	Consolidated April 10, 2014
Current assets					
Cash and cash equivalents	7			10,029	
Trade receivables	9			140,341	
Derivative financial instruments	8			1,848	
Inventories	10			97,127	
Taxes recoverable	11			3,595	
Income tax and social contribution recoverable				5,013	
Other assets	12	3,498	1	8,397	1
		3,498	1	266,350	1
Non-current assets					
Long-term receivables					
Trade receivables	9				
Derivative financial instruments	8			1,639	
Taxes recoverable	11			27,155	
Deferred income tax and social contribution	14			4,182	
Other assets				1,975	
				34,951	
Investments in subsidiaries	15	218,876			
Intangible assets	16			57,408	
Property, plant and equipment	17			174,865	
		218,876		232,273	
Total non-current assets		218,876		267,224	
Total assets		222,374	1	533,574	1

Ouro Fino Saúde Animal Participações S.A.

Balance sheet
All amounts in thousands of reais **(continued)**

		Parent company		Consolidated	
Liabilities and equity	**Note**	**June 30, 2014**	**April 10, 2014**	**June 30, 2014**	**April 10, 2014**
Current liabilities					
Trade payables				28,628	
Derivative financial instruments				8	
Borrowings	18			66,461	
Salaries and social charges				21,908	
Taxes payable				2,689	
Income tax and social contribution payable				1,038	
Commissions on sales				4,414	
Related parties	13	2,819		2,819	
Other liabilities	12	3,497		7,555	
		6,316		135,520	
Non-current liabilities					
Derivative financial instruments	8			830	
Borrowings	18			150,163	
Provision for contingencies	19			3,007	
Deferred income tax and social contribution	14			2,903	
Related parties	13			22,857	
				179,760	
Total liabilities		6,316		315,280	
Equity	20				
Share capital		188,627	1	188,627	1
Carrying value adjustments		12,373		12,373	
Profit for the period		15,058		15,058	
		216,058	1	216,058	1
Non-controlling interests				2,236	
Total equity		216,058	1	218,294	1
Total liabilities and equity		222,374	1	533,574	1

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

Ouro Fino Saúde Animal Participações S.A.

Statement of income
Period from April 10, 2014 (date of constitution) and June 30, 2014
All amounts in thousands of reais unless otherwise stated

	Note	Parent company	Consolidated
Net sales revenue	22		88,208
Cost of sales	23		(38,524)
Gross profit			49,684
Selling expenses	23		(24,396)
General and administrative expenses	23		(2,574)
Equity in the results of investees		15,058	
Other expenses, net	24		(190)
Operating profit		15,058	22,524
Finance income			1,633
Finance costs			(3,325)
Finance result	25		(1,692)
Profit before income tax and social contribution		15,058	20,832
Income tax and social contribution	26		
Current			(3,264)
Deferred			(2,181)
Profit for the period		15,058	15,387
Attributable to:			
Owners of the Company			15,058
Non-controlling interests			329
			15,387
Basic and diluted earnings per share - R$	27		0.30
			0.30

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

Ouro Fino Saúde Animal Participações S.A.

Statement of comprehensive income
Period from April 10, 2014 (date of constitution) and June 30, 2014
All amounts in thousands of reais

	Parent company	Consolidated
Profit for the period	15,058	15,387
Other comprehensive income		
Items that will be reclassified to profit or loss		
Payables to minority stockholders	(2,819)	(2,819)
Foreign exchange variation of investee located abroad	(16)	(16)
Total comprehensive income for the period	12,223	12,552
Attributable to:		
Owners of the Company		12,223
Non-controlling interests		329
		12,552

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

Ouro Fino Saúde Animal Participações S.A.

Statement of changes in equity
Period from April 10, 2014 (date of constitution) and June 30, 2014
All amounts in thousands of reais

		Attributable to owners of the Company					
	Note	Share capital	Carrying value adjustments	Retained earnings	Total	Non-controlling interest	Total equity
Contributions by owners of the Company							
Payment of capital on April 10, 2014		1			1		1
Merger of net assets	19 (a)	188,626	15,208		203,834		203,834
Non-controlling interests						1,907	1,907
Total contributions by owners of the Company		188,627	15,208		203,835	1,907	205,742
Comprehensive income for the period							
Profit for the period				15,058	15,058	329	15,387
Payables to minority stockholders			(2,819)		(2,819)		(2,819)
Foreign exchange variation of subsidiary located abroad			(16)		(16)		(16)
Total comprehensive income for the period			(2,835)	15,058	12,223	329	12,552
At June 30, 2014		188,627	12,373	15,058	216,058	2,236	218,294

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

Ouro Fino Saúde Animal Participações S.A.

Statement of cash flows
Period from April 10, 2014 (date of constitution) and June 30, 2014
All amounts in thousands of reais

	Note	Parent company	Consolidated
Cash flows from operating activities			
Profit before income tax and social contribution		15,058	20,832
Adjustments for:			
Provision (reversal) for impairment of trade receivables	9		(130)
Provision for inventory losses	10		771
Provision for losses on advances			242
Equity in the results of investees	15	(15,058)	
Depreciation and amortization			2,828
Provision for impairment of intangible assets			766
Gains on disposal of property, plant and equipment			(312)
Interest and monetary and foreign exchange variations, net			1,498
Unrealized derivative financial instruments			(3)
Reversal and write-off of provision for contingencies	19		(911)
Changes in working capital			
Trade receivables			(33,591)
Inventories			(2,832)
Taxes recoverable			1,621
Other assets			1,512
Trade payables			5,923
Taxes and charges payable			(3,389)
Other liabilities			2,183
Cash used in operations			(2,992)
Interest paid			(1,345)
Net cash used in operating activities			(4,337)
Cash flows from investing activities			
Investments in intangible assets	16		(3,045)
Purchase of property, plant and equipment	17		(2,829)
Proceeds from sale of property, plant and equipment			708
Net cash used in investing activities			(5,166)
Cash flows from financing activities			
New borrowings			17,620
Repayment of borrowings			(7,311)
Loans from related parties			8,600
Payment of loans from related parties			(13,780)
Net cash provided by financing activities			5,129
Net decrease in cash and cash equivalents			(4,374)
Cash and cash equivalents merged			14,424
Foreign exchange losses on cash and bank overdrafts			(21)
Cash and cash equivalents at end of the period	7		10,029

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

Ouro Fino Saúde Animal Participações S.A.

Statement of value added
Period from April 10, 2014 (date of constitution) and June 30, 2014
All amounts in thousands of reais

	Parent company	Consolidated
Revenue		
Gross sales and services		97,079
Other income (expenses)		(131)
Revenue from the construction of own assets		4,296
Provision for impairment of trade receivables		130
		101,374
Inputs acquired from third parties		
Cost of sales and services		(30,659)
Materials, energy, third-party services and others		(19,466)
Reversal of losses (losses) on assets, net		(2,113)
		(52,238)
Gross value added		49,136
Depreciation and amortization		(2,828)
Net value added generated by the entity		46,308
Value added received through transfer		
Equity in the results of investees	15,058	
Finance income		1,633
Others		214
Total value added to distribute	15,058	48,155
Distribution of value added		
Personnel		
Direct remuneration		13,488
Benefits		2,491
Government Severance Indemnity Fund for Employees (FGTS)		991
Taxes and contributions		
Federal		10,040
State		1,737
Municipal		54
Third-party capital remuneration		
Interest		3,269
Rentals		517
Others		181
Own-capital remuneration		
Retained earnings	15,058	15,058
Non-controlling interest in retained earnings		329
Value added distributed	15,058	48,155

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

All amounts in thousands of reais unless otherwise stated

1 General information

Ouro Fino Saúde Animal Participações S.A. (the "Company"), formerly A.H.N.S.P.E. Empreendimentos e Participações S.A., is a private limited company headquartered in Cravinhos, in the State of São Paulo. It was established on April 10, 2014 and its main activity is the investment in companies operating in the animal health segment (production and sale of veterinary drugs, vaccines and other products for livestock and pets).

At the Extraordinary General Meeting held on June 30, 2014, the stockholders approved the merger of net assets consisting of investments, net of the corresponding carrying value adjustments of Ouro Fino Saúde Animal Ltda. (and its subsidiary Ouro Fino de México, S.A. de CV), Ouro Fino Agronegócio Ltda. and Ouro Fino Pet Ltda., based on the appraisal report at book values of April 30, 2014, issued by independent appraisers on June 24, 2014, summarized as follows:

Component	**Amount**
Assets	
Investments	
Ouro Fino Saúde Animal Ltda.	101,410
Ouro Fino Agronegócio Ltda.	76,587
Ouro Fino Pet Ltda.	25,838
	203,835
Liabilities	
Equity	
Carrying value adjustments	(15,208)
Net assets at book value	188,627

The aforementioned net assets were calculated based on the balance sheets of the investees at the base date April 30, 2014. Accordingly, the results obtained from April 30 to June 30, 2014 by the aforementioned investees were recognized by the Company on the equity accounting method.

The corporate documents concerning the split-off mentioned above were duly filed with the Board of Trade on July 17, 2014, and their definite registration is expected to occur in the forthcoming days, in accordance with the regular procedures of this body.

The issue of these parent company and consolidated interim financial statements was authorized by the Company's Board of Directors on September 29, 2014.

The Company and its subsidiaries (hereinafter referred to as “Ouro Fino Group” or “Group”) include the following companies:

(a) Ouro Fino Saúde Animal Participações S.A.

Ouro Fino Saúde Animal Participações S.A. is a private limited company headquartered in Cravinhos, in the State of São Paulo. Its objective and main activity is the direct or indirect investment in the subsidiaries listed below.

(b) Ouro Fino Saúde Animal Ltda.

This subsidiary, headquartered in Cravinhos, in the State of São Paulo, has as its objective and main activity the research, development, production and sale of veterinary drugs, vaccines and other products. The sales in the domestic market are carried out through the companies mentioned in items (c) and (d) below. The sales in the foreign market are carried out directly through third parties and also by the company mentioned in item (e) below. This company also provides manufacturing services to order from third parties.

On May 30, 2014, the Ministry of Agriculture, Cattle Breeding and Supply (MAPA) published Normative Instruction 13, which is effective as from that same date, which established the “prohibition of the manufacture, processing, fractionation, sale, import and use of long-acting antiparasitic products, whose active ingredients are the macrocyclic lactones (avermectins), for veterinary use, and which may be used in the feeding of all animals and insects” and suspended, as from its effectiveness, the registrations granted to the finished products for veterinary use until MAPA conducts studies regarding such matter.

The Group's veterinary division has some products in its portfolio that, depending on the interpretation to be adopted by the Ministry, may be subject to the terms of this Normative Instruction, however, management understands that these products are fully regulated, also taking into consideration that all the tests and studies approved for the granting of the product registrations by MAPA itself provided evidence of their effectiveness, safety and grace periods, accordingly, it will adopt the applicable defense measures to protect its interests.

At June 30, 2014, even though management understands that its products containing avermectins are in accordance with the regulations, it opted for the conservative decision of recording a provision for the possible risk of non-realization of some balances of inventories and intangible assets, in the amounts of R$ 293 and R$ 330, respectively.

(c) Ouro Fino Agronegócio Ltda.

This subsidiary, headquartered in Cravinhos, in the State of São Paulo, has as its main activities the sale, in the domestic and foreign markets, of veterinary drugs and products for livestock (cattle, pigs, poultry, sheep, horses and goats) acquired from the company mentioned in item (b) above.

(d) Ouro Fino Pet Ltda.

This subsidiary, headquartered in Vinhedo, in the State of São Paulo, has as its main activity the sale in the domestic market of veterinary drugs and products and related goods for pets (cats, dogs and ornamental birds) purchased from the company mentioned in item (b) above.

(e) Ouro Fino de México, S.A. de CV

This company is a subsidiary of Ouro Fino Saúde Animal Ltda., headquartered in Guadalajara, Mexico. Its main activity is the sale, exclusively in Mexico, of veterinary drugs and products purchased from its parent company.

2 Summary of significant accounting policies

The main accounting policies applied in the preparation of the parent company and consolidated interim financial statements are set out below. These policies have been consistently applied in the parent company and subsidiaries.

2.1 Basis of preparation

The interim financial statements were prepared in accordance with technical pronouncement CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

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 Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company and consolidated interim financial statements, are disclosed in Note 3.

(a) Consolidated financial statements

The consolidated interim financial statements were prepared and are being presented in accordance with technical pronouncement CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

(b) Parent company financial statements

The parent company interim financial statements have been prepared in accordance with technical pronouncement CPC 21, Interim Financial Reporting.

In the parent company interim financial statements, subsidiaries are recorded based on the equity method of accounting. The same adjustments are made in the parent company and consolidated interim financial statements to reach the same profit or loss and equity attributable to the owners of the Parent company. In the case of Ouro Fino Saúde Animal Participações S.A, the accounting practices adopted in Brazil applicable to the individual interim financial statements differ from IFRS only in relation to the evaluation of investments in subsidiaries based on the equity accounting method, instead of cost or fair value in accordance with IFRS.

All amounts in thousands of reais unless otherwise stated

(c) Changes in accounting policies and disclosures

In 2014, new CPC/IFRS standards and reviews became effective and started being adopted by the Company and its subsidiaries, when applicable. The only one of these standards that is relevant for the Company and its subsidiaries is:

CPC 46/IFRS 13, "Fair value measurement". This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS/CPCs.

(d) Restatement of the financial statements

The consolidated interim financial statements for the six-month period ended June 30, 2014 are being restated in order to reflect the reverse stock splits carried out on August 20 and September 25, 2014 and to include the "Events after the reporting period" Note for events through the new approval for issuance date, as described in Notes 27 and 30.

	As originally presented	As adjusted
Net income attributable to the shareholders of the Company	15,058	15,058
Number of shares in issue (thousands)	188,627	49,834
Basic and diluted earnings per share	0.08	0.30

2.2 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating and strategic decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Board of Directors.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the interim financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), which is substantially the Brazilian real, except as mentioned in item (c) below, and, accordingly, the parent company 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 valuation, when items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, as finance income or cost.

(c) Group companies with a functional currency other than the Brazilian real

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

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

(ii) Income and expenses for each statement of income are translated at average 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 resulting exchange differences are recognized as a separate component of equity, in the account "Carrying value adjustments".

2.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less and immaterial risk of change in value

2.6 Financial assets

2.6.1 Classification

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

(a) Loans and receivables

Loans and receivables 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. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

(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".

2.6.2 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 income. 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 at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are carried at amortized cost using the effective interest rate method.

2.6.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.6.4 Impairment of financial assets

Assets carried at amortized cost

Management assesses at the end of each reporting period 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 impairment 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 that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.7 Derivative financial instruments

Derivative financial instruments are contracted with the purpose of hedging transactions against the risks of fluctuations in foreign exchange rates and interest rates, and are not used for speculative purposes. The Group operates predominantly with foreign exchange and interest rate swaps. Derivatives are recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their 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 income within "Finance result".

2.8 Trade receivables

Trade receivables are stated at the original sales amount, plus, when applicable, monetary and foreign exchange variations, and less the provision for impairment of trade receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Impairment is established when there is objective evidence that the companies will not be able to recover all the amounts due. The calculation of the provision is based on a reasonable estimate to cover probable losses on the realization of receivables, taking into consideration the situation of each customer and respective guarantees.

2.9 Inventories

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

2.10 Current and deferred income tax and social contribution

The income tax and social contribution benefit or expense for the period comprises current and deferred taxes. Taxes on profit are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity. In this case, the tax is also recognized in equity.

The 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 and generate taxable income. The currently defined tax rates in Brazil of 25% for income tax and 9% for social contribution are utilized to calculate deferred taxes.

The 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 financial statements. They are determined based on tax rates in effect on the balance sheet date and 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.

Ouro Fino Pet Ltda. calculates income tax and social contribution under the presumed profit method. The presumed profit system is a simplified taxation method to determine the calculation basis of corporate entities that are not obliged, in the calendar year, to use the taxable profit method, or whose total gross revenue is equal to or lower than R$ 78,000.

2.11 Intangible assets

(a) Research and development of products

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

The Group evaluates its projects based on its own methodology, which considers various analysis landmarks. The projects will be successful as from the development of pilot products, carried out in accordance with the requirements of the regulatory bodies, together with financial feasibility analyses.

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.

(b) Trademarks and licenses acquired

Separately acquired trademarks and licenses are initially stated at historical cost. Since trademarks and licenses have a defined useful life, they are subsequently 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 purchased are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of five years on the straight line method.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

2.12 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation was adjusted in the subsidiaries to reflect the deemed cost of land on the date of transition to IFRS and is calculated on the straight-line method, considering the estimated useful lives of the respective assets. The annual depreciation rates are disclosed in Note 16. Subsequent costs are included in an 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 income during the financial period in which they are incurred.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other income (expenses), net" in the statement of income.

2.13 Impairment of non-financial assets

Assets that are subject to 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.

2.14 Trade payables

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

2.15 Borrowings

Borrowings are initially recognized on the receipt of funds, net of transaction costs, and are subsequently presented at cost plus charges and interest in proportion to the year elapsed, using the effective interest rate method.

Borrowings 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 period.

2.16 Provisions

Provisions are recognized when there is a present 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 a reliable estimate of the amount can be made.

2.17 Other assets and liabilities

An asset is recognized in the balance sheet when it is probable that its future economic benefits will flow to the Group and its cost or value can be reliably measured. A liability is recognized in the balance sheet when the Group has a legal or constituted obligation resulting from a past event and it is probable that economic resources will be required to settle the liability. The assets and liabilities are recorded including accrued income or incurred charges and foreign exchange and monetary variations.

Assets and liabilities are classified as current when the realization or settlement is probable within the next 12 months. Otherwise, they are presented as non-current.

2.18 Employee benefits

(a) Private pension plan

The Group sponsors a defined contribution pension plan for its employees. In a defined contribution plan, the companies pay contributions to a private pension plan 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 are included in personnel expenses.

(b) Profit sharing

The Group recognizes a liability and an expense for profit-sharing in the results of operations. These provisions are calculated based on quantitative and qualitative targets established by management and are recorded as personnel expenses in the statement of income.

2.19 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, in the consolidated financial statements, after eliminating sales within the Group. Revenue is recognized when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group produces and sells a variety of veterinary drugs and products for livestock and pets.

Sales are recognized when a Group entity has delivered products to the customer and the customer has full discretion over the channel and price to resell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) Interest income

Interest income is recognized on the accrual basis of accounting, using the effective interest rate method.

2.20 Other income and expenses

Other income and expenses are recognized in the statement of income on the accrual basis of accounting.

2.21 Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased item and the present value of the minimum lease payments.

Lease obligations are included in borrowings.

2.22 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to stockholders is recognized as a liability in the financial statements based on the Company's bylaws. Any amount that exceeds the statutory minimum dividend is only provided on the date it is approved by the stockholders at the Annual General Meeting.

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

2.23 New standards, amendments and interpretations to existing standards that are not yet effective

The following new standards and interpretations to existing standards were issued by the IASB but are not effective for the period ended June 30, 2014. The early adoption of standards, even though encouraged by the IASB, is not allowed in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch. The Group is assessing IFRS 9's full impact. The standard is applicable as from January 1, 2015.

- IFRS 15, “Revenue from contracts with customers”, specifies how and when revenue must be recognized and also defines rules for the disclosure of significant information. IFRS 15 was issued in May 2014 and replaces IAS 18 – “Revenue”, IAS 11 - “Construction contracts” and a series of interpretations concerning revenue. The application of this standard is mandatory for all the companies that issue financial statements according to the IFRS, and is applicable to almost all of the contracts with customers, with the main exceptions being leases, financial instruments and insurance contracts. The Group is yet to assess IFRS 15's application's impact. The standard is applicable as from January 1, 2017.

The other standards issued are not relevant to the Group.

3 Critical accounting estimates and judgments

Accounting estimates and assumptions 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.

3.1 Critical accounting estimates and assumptions

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions 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) Impairment of intangible assets

The Group annually tests for impairment the balances of development costs of products in intangible assets, whenever practicable, using the discounted cash flow method, considering, among other aspects:

(i) assumptions of future revenue generation, based on market dimensions (current and expected) and on the market share that the Group hopes to achieve;

(ii) estimates of direct and indirect manufacturing costs; and

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

The projection period covers five or more years as from the estimated launching date, depending on the estimates of the product's life cycle, market development and level of associated technological innovation. Provisions are 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 2.14.

(b) Deferred income tax and social contribution

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

(c) Provision for contingencies

The Group is a party to labor, civil and tax lawsuits at various court levels. Provisions for contingencies, recorded to cover potential probable losses arising from unfavorable outcomes on ongoing lawsuits, are determined and restated based on management's assessment, supported by the opinion of legal counsel, and require a high degree of judgment on the matters involved.

(d) Review of the useful lives of property, plant and equipment

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

4 Financial risk management

4.1 Financial risk factors

The activities of the Group companies expose them to financial risks mainly related to foreign exchange variations, fluctuations in interest rates, credit and liquidity. The objective of risk management is to reduce potential unexpected variations in the results of operations arising from these risks. The Group manages 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 can 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 risk

(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 the fluctuation of the US dollar exchange rate.

In order to protect from foreign exchange risks, when necessary, the Group utilizes derivative transactions, mainly foreign exchange rate swaps.

The swaps, recorded as derivatives at fair value through profit or loss, are contracted for swapping the charges on borrowings originally made in foreign currency for charges based on the variation of the Interbank Deposit Certificate (CDI) interest rate, as well as for swapping originally contracted fixed rates for floating rates. Gains and losses are recognized in "Finance result" in the statement of income, since hedge accounting is not currently adopted.

All amounts in thousands of reais unless otherwise stated

The following table presents the carrying amount of the assets and liabilities denominated in U.S. dollars:

Assets in foreign currency	
Cash and cash equivalents	1,383
Trade receivables	8,457
Advances to suppliers	11,812
	21,652
Liabilities in foreign currency	
Borrowings (*)	951
Trade payables	16,176
Advances from customers	2
	17,129
Asset exposure	4,523

(*) The balances of borrowings denominated in foreign currency do not include working capital loans of R$ 30,195, because foreign exchange swaps have been contracted.

The assets and liabilities denominated in foreign currency are regularly monitored through estimated cash flows projecting receipts and payments of foreign currency assets and liabilities. The amount of assets and liabilities in foreign currency fluctuates during the year, which may or may not cause a mismatch. Consequently, in order to mitigate risks arising from foreign exchange variations, the Group contracts derivative transactions, when necessary, predominantly foreign exchange rate swaps.

In the table below five scenarios are presented, considering the changes in the quotation of the Real against the U.S. dollar. The Group adopts the probable scenario.

		Impact of the appreciation/depreciation of the U.S. dollar on the portfolio balances					
		2.2025	2.3900	1.7925	1.1950	2.9875	3.5850
Assets/liabilities	**Risk**		**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 5**
			(probable)	(US$ depreciation - 25%)	(US$ depreciation - 50%)	(US$ appreciation - 25%)	(US$ appreciation - 50%)
Cash and cash equivalents	US$ depreciation	1,383	118	(257)	(633)	493	868
Trade receivables	US$ depreciation	8,457	720	(1,574)	(3,869)	3,014	5,308
Advances to suppliers	US$ depreciation	11,812	1,006	(2,199)	(5,403)	4,210	7,414
Borrowings	US$ appreciation	951	(81)	177	435	(339)	(597)
Trade payables	US$ appreciation	16,176	(1,377)	3,011	7,399	(5,765)	(10,154)
Advances from customers	US$ appreciation	2			1	(1)	(1)
Net effect		4,523	386	(842)	(2,070)	1,612	2,838

(ii) Interest rate risk

This risk arises from the possibility that the Group may incur losses due to adverse fluctuations in interest rates. The Group's interest rate risk primarily arises from borrowings. The indebtedness is mainly subject to the fixed interest rate and the Interbank Deposit Certificate (CDI) rate. The Group seeks to maintain a stable relation between its long and short-term indebtedness, maintaining a higher proportion in the long term. As regards financial investments, the index is the CDI rate.

The Group continuously monitors market interest rates in order to assess the need to contract new derivatives to hedge against the volatility risk of these rates.

The Group understands that at present the fluctuations in interest rates do not significantly affect its finance result, since, at June 30, 2014, 62% of its borrowings are essentially linked to fixed interest rates.

(b) Credit risk

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, the Group carries out transactions only with leading financial institutions.

The credit risk is mitigated through the broad customer base and careful selection of customers by business segment (cattle, horses, pigs, poultry and pets), 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 rating and credit risk level is attributed to each customer, based on the Group's 27 years of experience in the market.

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 mitigations established in credit policies, the Group has credit insurance coverage contracted for a portion of its sales.

The Group classifies its customers portfolio through risk evaluation methodologies developed with the purpose of expressing the real risk of its customers. Weights are attributed to each indicator and a rating is defined based on their combination. The Group's synthetic credit risk rating for its customers is defined according to ratings ranging from "AA" (the lowest risk) to "E" (the highest risk) (Note 6).

(c) Liquidity risk

This is the risk of the Group not having sufficient liquid funds to meet its financial commitments, due to the mismatch of terms or volume in expected receipts and payments.

All amounts in thousands of reais unless otherwise stated

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

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

Cash and cash equivalents are primarily invested in Bank Deposit Certificates (CDB), which are highly liquid instruments.

The Group maintains its gearing ratio in a manner that does not jeopardize its payment capacity and investments. As established by a guideline, the highest percentage of indebtedness should be allocated to the long term.

The table below analyzes the non-derivative financial liabilities into relevant maturity groups, based on the remaining period from the balance sheet date to the contractual maturity date.

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

	Consolidated			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At June 30, 2014				
Trade payables	28,628			
Borrowings (*)	75,953	94,008	68,616	952
Derivative financial instruments, net	(1,840)	(809)		
Other payables	37,045	23,365	902	7,878
	139,786	116,564	69,518	8,830

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

4.2 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 stockholders, maintaining a strong credit classification in order to support business and maximize value for the stockholders.

The Group manages the capital structure and adjusts it considering changes in the economic situation. The capital structure arises from the selection between own capital (capital contributions and profit retention) and third-party capital to finance the Group's operations. The Group monitors capital on the basis of the gearing ratio, which can be measured using several indexes.

All amounts in thousands of reais unless otherwise stated

The gearing ratios at June 30, 2014 were as follows:

	Note	Consolidated
Borrowings	18	216,624
Derivative financial instruments	8	(2,649)
Cash and cash equivalents	7	(10,029)
Net debt		203,946
Equity	20	218,294
Total capital		422,240
Gearing ratio %		48.30

4.3 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 based on the standard market pricing methodology, which comprises measuring their nominal value up to the due date and discounting this to present value at future market rates.

The Group evaluates, at the reporting date, if there is objective evidence that a financial asset or a group of financial assets is impaired in relation to its recoverable value.

The carrying amounts of trade receivables, less provision for impairment, and payables are assumed to approximate their fair values, especially as regards 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.

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

All of the Group's financial instruments were classified as Level 2 "Observable inputs other than quoted prices", as shown below.

As per balance sheet	Classification	Consolidated
Asset - derivative financial instruments		
Foreign exchange rate swap	Level 2	3,487
Liability - derivative financial instruments		
Interest rate swap	Level 2	(838)
		2,649

All amounts in thousands of reais unless otherwise stated

5 Financial instruments by category (consolidated)

	Assets at fair value through profit or loss	Loans and receivables
Assets as per balance sheet		
Cash and cash equivalents		10,029
Derivative financial instruments	3,487	
Trade receivables		140,341
Other assets, except for prepaid expenses		5,849
	3,487	156,219

	Liabilities at fair value through profit or loss	Other financial liabilities
Liabilities as per balance sheet		
Trade payables		28,628
Derivative financial instruments	838	
Borrowings		216,624
Related parties		25,676
Commissions on sales		4,414
Other liabilities		7,555
	838	282,897

Parent company

Other assets are classified as “Loans and receivables” and other liabilities as “Other financial liabilities”.

6 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 current accounts and bank deposits amounting to R$ 10,011 were held in leading financial institutions rated as A-2 by Standard & Poor's.

All amounts in thousands of reais unless otherwise stated

The balances of trade receivables are classified as described in Note 4.1(b), as follows:

AA	36,616
A	42,848
B	28,853
C	20,946
D	11,195
E	2,973
	143,431

7 Cash and cash equivalents (consolidated)

Cash and cash equivalents comprise cash on hand and at banks, as well as investments in Bank Deposit Certificates (CDB) earning up to 100% of the Interbank Deposit Certificate (CDI) interest rate.

Cash	
Local currency	3
Foreign currency	15
	18
Banks	
Local currency	3,303
Foreign currency	1,368
	4,671
Bank Deposit Certificates (CDBs)	5,340
	10,029

8 Derivative financial instruments (consolidated)

	Assets	Liabilities
Foreign exchange rate and interest rate swaps	3,487	838
Non-current	(1,639)	(830)
Current	1,848	8

All amounts in thousands of reais unless otherwise stated

The fair value of derivatives is classified as a non-current asset or liability if the remaining maturity of the item protected by the swap is more than 12 months, and as a current asset or liability if the remaining maturity of the item is less than 12 months.

The notional principal amounts of the outstanding foreign exchange rate swap contracts at June 30, 2014 were US$ 13,625 thousand and of the interest rate swaps were R$ 20,400.

9 Trade receivables (consolidated)

Domestic	134,974
Foreign (U.S. dollars)	8,457
Provision for impairment of trade receivables	(3,090)
Current	140,341

At June 30, 2014, the foreign trade receivables correspond to U$ 3,841 thousand.

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

Not yet due	
Up to 3 months	96,847
3 to 6 months	30,275
Over 6 months	3,305
	130,427
Overdue	
Up to 3 months	5,273
3 to 6 months	1,474
Over 6 months	6,257
	13,004
	143,431

The provision for impairment of trade receivables was constituted for receivables overdue for more than 180 days and without guarantees. Management maintains the appropriate collection procedures in relation to the other overdue receivables and believes that the Group will not incur losses.
Changes in the provision were as follows:

Merged balance	3,220
Reversal of provision	(130)
At June 30, 2014	3,090

After attempting all collection methods, at June 30, 2014, the Group opted to write off receivables overdue for more than 2 years, totaling R$ 62.

All amounts in thousands of reais unless otherwise stated

10 Inventories (consolidated)

Finished products	36,073
Raw materials	24,537
Imports in transit	11,722
Packaging materials	11,623
Advances to suppliers	4,844
Semi-finished products	5,238
Others	4,565
Provision for inventory losses	(1,475)
	97,127

The changes in the provision for inventory losses were as follows:

Merged balance	704
Additions	771
At June 30, 2014	1,475

11 Taxes recoverable (consolidated)

Value-added Tax on Sales and Services (ICMS)	27,698
ICMS, Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) on purchases of property, plant and equipment	1,220
Income Tax Withheld at Source (IRRF)	752
Excise Tax (IPI)	529
Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)	453
Others	98
	30,750
Non-current	(27,155)
Current	3,595

The Value-added Tax on Sales and Services (ICMS) credits (June 30, 2014 - R$ 24,553) were mainly generated by Ouro Fino Saúde Animal Ltda. These credits are generated by exempted sales on domestic transactions and sales with a 60% reduction in the calculation basis in interstate transactions, with the full/partial maintenance of credits on inputs, pursuant to the ICMS Agreement 100/97.

After the credit balances have been audited by the tax authorities, they are considered to be appropriate according to the applicable legislation and can be utilized in the purchase of inputs and machinery and equipment and/or transferred to other Group companies with an interdependence relationship and which regularly calculate ICMS payable. Currently, most of these credits have been subjected to regular audit processes.

All amounts in thousands of reais unless otherwise stated

At June 30, 2014, all ICMS credits related to 2010, 2011 and 2012 were approved by the authorities, of which R$ 7,000 was released immediately for use. The residual balance of R$ 5,034 was temporarily retained due to tax assessment notices at the administrative level and obligations related to the submission of electronic files pursuant to Ordinance 83/2009 of the Coordinating Committee of Tax Administration Board (CAT). The credits released were used in the amount of R$ 2,753 and the remaining amount will be used during 2014.

12 Other assets and liabilities

	Parent company		Consolidated	
	June 30, 2014	**April 10, 2014**	**June 30, 2014**	**April 10, 2014**
Other assets				
Advances for the purchase of quotas	2,009		2,009	
Securities receivable			3,371	
Prepaid expenses			3,035	
Advances to representatives			1,584	
Borrowing cost - IPO	1,488		1,488	
Advances to employees			426	
Advances for travel			372	
Others	1	1	714	
Provision for losses on advances			(2,627)	1
	3,498	1	10,372	1
Non-current			(1,975)	
Current	3,498	1	8,397	1
Other liabilities				
Provision for freight			2,923	
Payables to related parties	3,497		2,009	
Accounts payable			1,459	
Advances from customers			1,036	
Sundry provisions			99	
Others			29	
	3,497		7,555	

All amounts in thousands of reais unless otherwise stated

13 Related parties

	Parent company	Consolidated
Assets		
Advances for the purchase of quotas (c)	2,009	2,009
Liabilities		
Loans (a)		22,857
Borrowings (b)		14,389
Accounts payable (c)	3,497	2,009
Payables to minority stockholders (d)	2,819	2,819
	6,316	42,074
Result		
Interest on loans (a)		(166)
Interest on borrowings (b)		(163)
		(329)

(a) Loans

At June 30, 2014, the balance payable of R$ 22,857 refers to the loan with the related party Ouro Fino Participações e Empreendimentos S.A., and the interest results on loans refer to transactions with related parties Ouro Fino Química Ltda. (settled on June 30, 2014) and Ouro Fino Participações e Empreendimentos S.A., which are remunerated at 100% of the CDI interest rate.

(b) Borrowings from related parties

Borrowings from related parties refer to transactions with the National Bank for Economic and Social Development (BNDES), under conditions similar to those established with independent parties.

(c) Accounts receivable and payable

The balance receivable of R$ 2,009 refers to the advances for the acquisition of quotas, and the balance payable of R$ 3,497 refers to securities payable to the related parties Ouro Fino Participações e Empreendimentos S.A. (R$ 1,730), Ouro Fino Saúde Animal Ltda. (R$ 737), Ouro Fino Agronegócio Ltda. (R$ 749), Ouro Fino Pet Ltda. (R$ 2) and minority stockholders (R$ 279).

(d) Payables to minority quotaholders

These amounts refer to payables recorded regarding the sale option of the quotas held by minority quotaholders of Ouro Fino Agronegócio Ltda. and Ouro Fino Pet Ltda.

All amounts in thousands of reais unless otherwise stated

(e) Management remuneration

Key management personnel include members of the Executive Board, whose remuneration is approved at the Annual General Meeting. From April 10, 2014 to June 30, 2014, key management remuneration expenses totaled R$ 302, of which R$ 50 referred to labor charges.

14 Current and deferred income tax and social contribution (consolidated)

Ouro Fino Saúde Animal Ltda. and Ouro Fino Agronegócio Ltda. determine income tax and social contribution on the taxable profit method, calculated at the rates of 25% for income tax and 9% for social contribution, whereas Ouro Fino Pet Ltda. adopts the presumed profit method. The Group also has a subsidiary located in Mexico, which calculates its taxes based on the regulations of that country. Therefore, there is no correlation between the amounts presented in the consolidated statement of income and the results that would have been obtained by applying the standard rates mentioned above.

Deferred tax credits arise from accumulated income tax and social contribution losses, as well as from temporary differences. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset temporary differences and/or tax losses, considering projections of future results based on internal assumptions and future economic scenarios, which are, therefore, subject to changes.

(a) Analysis, nature and realization of taxes

(i) Deferred income tax and social contribution assets, net

Tax credits	
Accumulated income tax and social contribution losses	411
Temporary differences	
Provisions	3,182
Mark-to-market adjustments	589
Total assets, net	4,182

All amounts in thousands of reais unless otherwise stated

(ii) Deferred income tax and social contribution liabilities, net

Tax credits	
Accumulated income tax and social contribution losses	(1,049)
Temporary differences	
Provisions	(3,287)
Pre-operating expenses written-off	(1,248)
	(5,584)
Tax liabilities	
Deemed cost of land	7,878
Foreign exchange variations - cash basis	373
Accelerated depreciation	236
	8,487
Total liabilities, net	2,903
Total deferred tax credits	9,766
Total deferred tax liabilities	8,487

The deferred income tax and social contribution are presented net, by company, in the balance sheet.

The net changes in the deferred income tax and social contribution account were as follows:

Merged balance	3,495
Pre-operating expenses written-off	(32)
Accumulated income tax and social contribution losses	(4,188)
Mark-to-market adjustments	(2)
Provisions	1,703
Foreign exchange variations - cash basis	296
Accelerated depreciation	7
Closing balance	1,279

The credits arising from accumulated income tax and social contribution losses will be offset against future taxable profit, limited to 30% of taxable profit of each year, considering the current projections of realization prepared by management.

All amounts in thousands of reais unless otherwise stated

The amounts by estimated offset period are as follows:

Deferred tax assets to be recovered	
in up to 1 year	8,792
from 2 to 5 years	974
	9,766
Deferred tax liabilities to be settled	
in up to 1 year	609
after 5 years	7,878
	8,487

15 Investments in subsidiaries (consolidated)

		Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Total
(a)	**Information on subsidiaries**				
	Number of quotas held	87,064,319	78,017,502	995,000	
	Percentage holding	99.99%	97.80%	99.50%	
	Equity (*)	98,925	91,094	31,016	221,035
	Profit (loss) for the period	(1,192)	12,785	5,048	16,641
	Unrealized profit in inventories of the current period	(3,075)			(3,075)
	Unrealized profit in inventories of the prior period	1,798			1,798
(b)	**Changes in investments**				
	Merger of net assets (Note 1)	101,410	76,586	25,838	203,834
	Equity in the results of investees	(2,469)	12,504	5,023	15,058
	Foreign exchange variations on foreign investments	(16)			(16)
		98,925	89,090	30,861	218,876

(*) The equity of subsidiary Ouro Fino Saúde Animal Ltda. is adjusted by the unrealized profit in inventories.

Summarized financial information

The tables below provide a summary of the subsidiaries' financial information.

All amounts in thousands of reais unless otherwise stated

(i) Summarized balance sheet

	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.
Current				
Assets	103,486	182,214	34,589	3,347
Liabilities	(143,717)	(37,746)	(3,565)	(1,260)
Net current assets (liabilities)	(40,231)	144,468	31,024	2,087
Non-current				
Assets	229,219	39,280	251	80
Liabilities	(86,988)	(92,654)	(259)	
Net non-current assets (liabilities)	142,231	(53,374)	(8)	80
Equity	102,000	91,094	31,016	2,167

(ii) Summarized statement of operations

	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.
Net sales revenue	38,629	72,542	12,202	928
Profit (loss) before income tax and social contribution	(2,095)	19,353	5,485	618
Income tax and social contribution	903	(6,568)	(437)	(1)
Profit (loss) for the period (*)	(1,192)	12,785	5,048	617

(*) Two-month period ended June 30, 2014

All amounts in thousands of reais unless otherwise stated

(iii) Statement of comprehensive loss

Ouro Fino Saúde Animal Ltda. (direct subsidiary)	
Loss for the period	(1,192)
Other comprehensive loss	(16)
Total comprehensive loss	(1,208)

(iv) Summarized statement of cash flows

	Subsidiaries			
	Direct			
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.
Cash flows from operating activities				
Net cash provided by (used in) operating activities	(1,714)	(2,320)	1,130	(89)
Interest paid	(577)	(768)		
Net cash provided by (used in) operating activities	(2,291)	(3,088)	1,130	(89)
Net cash used in investing activities	(4,727)	(271)	(168)	
Net cash provided by (used in) financing activities	8,216	(3,086)		
Net increase (decrease) in cash and cash equivalents	1,198	(6,445)	962	(89)
Cash and cash equivalents at the beginning of the period	3,994	9,273	768	389
Foreign exchange losses on cash and cash equivalents	(12)	(9)		
Cash and cash equivalents at end of the period	5,180	2,819	1,730	300

All amounts in thousands of reais unless otherwise stated

16 Intangible assets (consolidated)

	Trademarks and licenses acquired	Development and registration of products	Computer software	Total
Total cost	2,198	46,759	21,414	70,371
Provision for impairment		(2,141)		(2,141)
Accumulated amortization	(1,482)	(6,791)	(3,670)	(11,943)
Net book value merged	716	37,827	17,744	56,287
Merged balance	716	37,827	17,744	56,287
Additions		1,786	1,259	3,045
Provision for impairment		(766)		(766)
Amortization	(56)	(528)	(574)	(1,158)
At June 30, 2014	660	38,319	18,429	57,408
Total cost	2,198	48,545	22,673	73,416
Provision for impairment		(2,907)		(2,907)
Accumulated amortization	(1,538)	(7,319)	(4,244)	(13,101)
Net book value	660	38,319	18,429	57,408

The amortization of intangible assets with development and registration of products is recorded as "Cost of sales".

The development and registration of products substantially refer to costs incurred with new veterinary drugs of R$ 31,687, and with the development of a vaccine against foot-and-mouth disease of R$ 6,632.

At June 30, 2014, the Group recognized an impairment loss of R$ 766, of which R$ 330 corresponds to intangible assets of the avermectins (Note 1) and R$ 436 corresponds to the assessment of lack of economic feasibility of the other products.

The assumptions used to analyze evidence of impairment are disclosed in Note 3.1.

All amounts in thousands of reais unless otherwise stated

17 Property, plant and equipment (consolidated)

	Land	Buildings and improvements	Machinery, equipment and industrial facilities	Vehicles, tractors and aircraft	Furniture and fittings	IT equipment	Others	Construction in progress	Total
Cost	24,947	78,998	73,097	19,433	5,546	9,023	4,471	14,058	229,573
Accumulated depreciation		(12,302)	(24,635)	(8,444)	(2,793)	(5,474)	(1,823)		(55,471)
Net book value merged	24,947	66,696	48,462	10,989	2,753	3,549	2,648	14,058	174,102
Merged balance	24,947	66,696	48,462	10,989	2,753	3,549	2,648	14,058	174,102
Purchases			523	645	187	107	68	1,299	2,829
Disposals			(1)	(394)		(1)			(396)
Depreciation		(353)	(708)	(300)	(90)	(167)	(52)		(1,670)
At June 30, 2014	24,947	66,343	48,276	10,940	2,850	3,488	2,664	15,357	174,865
Cost	24,947	78,998	73,619	19,684	5,733	9,129	4,539	15,357	232,006
Accumulated depreciation		(12,655)	(25,343)	(8,744)	(2,883)	(5,641)	(1,875)		(57,141)
Net book value	24,947	66,343	48,276	10,940	2,850	3,488	2,664	15,357	174,865
Annual average depreciation rates - %		2.68	6.09	12.00	10.25	18.79	11.57		

The balance of construction in progress of R$ 12,804 refers mainly to the new plant of the biologics unit.

(a) Leases

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased item and the present value of the minimum lease payments.

The net book value of leased vehicles totaled R$ 1,050 at June 30, 2014.

(b) Guarantees

Land, buildings, machinery and equipment amounting to R$ 14,905 are pledged as collaterals for borrowings (Note 17).

All amounts in thousands of reais unless otherwise stated

18 Borrowings (consolidated)

	Financial charges	Final maturity	June 30, 2014
Foreign currency			
BNDES - FINEM	Average of foreign exchange variations of funds obtained by BNDES and weighted average rate of 2.58% p.a.	2016	951
Export credit note	Foreign exchange variations and weighted average rate of 4.28% p.a.	2016	12,575
Working capital	Foreign exchange variations and weighted average rate of 1.95% p.a.	2015	17,620
Local currency			
FINEP (technological innovation)	Weighted average rate of 4.46% p.a.	2018	149,188
BNDES - FINEM	Weighted average rate of 2.89% p.a.	2016	8,824
BNDES - FINAME	Weighted average rate of 4.50% p.a.	2022	4,614
Export credit note	Weighted average rate of 8% p.a.	2016	22,336
Finance lease	Weighted average rate of 12.87% p.a.	2015	516
			216,624
Current			(66,461)
Non-current			150,163

FINEM - Financing for Enterprises
FINEP - Fund for Financing of Studies and Projects
FINAME - Government Agency for Machinery and Equipment Financing

(a) Finance lease liabilities

Finance lease transactions were mainly contracted to renew the vehicle fleet.

Leases are payable as follows:

Up to 1 year	468
Between 1 and 3 years	48
	516

(b) Guarantees for borrowings

The borrowings for research, innovation and development of products obtained from the Fund for Financing of Studies and Projects (FINEP) and which, at June 30, 2014, totaled R$ 149,188, are guaranteed by a surety of the related party Ouro Fino Participações e Empreendimentos S.A. and bank guarantees of R$ 17,748.

The borrowings contracted with the National Bank for Economic and Social Development (BNDES), mainly for the construction of plants, purchases of Brazilian equipment and for working capital, are guaranteed by the industrial plant of animal health, in the City of Cravinhos, in the State of São Paulo, and the financed equipment, up to no more than the debt balance of the borrowings.

All amounts in thousands of reais unless otherwise stated

Borrowings for working capital are covered by personal guarantees. Finance leases and borrowings from the Government Agency for Machinery and Equipment Financing (FINAME) are guaranteed through the statutory lien of the assets leased and financed.

At June 30, 2014, the subsidiaries Ouro Fino Saúde Animal Ltda. and Ouro Fino Agronegócio Ltda. are the guarantors of some borrowings of the related party Ouro Fino Química Ltda., which amount to R$ 21,140. Related parties Ouro Fino Química Ltda. and Ouro Fino Participações e Empreendimentos S.A. are also the guarantors of borrowings of Ouro Fino Saúde Animal Ltda. and Ouro Fino Agronegócio Ltda., which amount to R$ 186,935. No amounts are charged between the parties for the guarantees granted.

The carrying amounts of borrowings approximate their fair values.

The analysis of non-current borrowings by maturity is as follows:

2015	27,057
2016	58,254
2017	34,674
2018	29,236
2019 to 2022	942
	150,163

(c) Working capital borrowings in foreign currency

Foreign exchange rate swap transactions were contracted for working capital borrowings contracted in foreign currency (US$), which amounted to R$ 30,195, to exchange the charges for those based on the CDI interest rate (Note 8).

19 Provision for contingencies (consolidated)

Certain Group companies are parties to tax, labor and civil lawsuits at various court levels. The provisions for contingencies against potentially unfavorable outcomes of litigation in progress are established and updated based on management's evaluation, as supported by external legal counsel. The provisions are as follows:

Labor	2,657
Civil and social security	350
	3,007

In addition, certain Group companies are parties to other administrative disputes, including those which were the object of tax assessments. No provisions were recorded to cover possible losses, based on the opinion of legal counsel. The claims classified as possible success, which are substantially comprised of tax (ICMS) and labor lawsuits, amount to approximately R$ 24,783.

All amounts in thousands of reais unless otherwise stated

The changes in the provision for contingencies were as follows:

Merged balance	3,918
Reversal of provision for new claims	(38)
Cancellation of claims	(873)
Closing balance	3,007

20 Equity

(a) Share capital

Capital was fully paid on April 10, 2014 at the amount of R$ 1, corresponding to 500 shares. After the merger (Note 1), capital is represented by 188,627,485 common shares, with no par value, fully subscribed and paid-up, in the amount of R$ 188,626.

The Extraordinary General Meeting of August 20, 2014, approved the reverse stock split of the total number of common shares that comprise the Company's capital, in the proportion of three common shares to one common share. Accordingly, the total number of common shares is 62,875,828, which will be distributed among the stockholders at the same proportion as that held by each one of them prior to the reverse split. The Company's share capital remains unchanged at R$ 188,626.

The Extraordinary General Meeting of September 25, 2014 approved the Company's capital increase through the issue of 209,521 shares for the total amount of R$ 3,819, paid up upon (a) contribution of net assets represented by 764,874 quotas issued by Ouro Fino Agronegócio Ltda., a subsidiary of the Company, for R$ 3,545, as per the assessment report issued by AMKS Contadores e Consultores Ltda.; and (b) contribution of net assets represented by 4,262 quotas issued by Ouro Fino Pet Ltda., a subsidiary of the Company, for R$ 273, as per the assessment report issued by AMKS Contadores e Consultores Ltda.

At the same meeting, the Company's stockholders approved the reverse stock split of the total number of common shares that represent the Company's capital, in the proportion of 1.26170698 common shares to one common share. Accordingly, the total number of common shares is 50,000,000, which will be distributed among the stockholders in the same proportion as that held by each one of them prior to the reverse split of shares.

The Company signed the Stockholders' Agreement and Other Covenants entered into by the controlling stockholders, BNDES Participações S.A. – BNDESPAR and other minority stockholders, which establishes that, under specific circumstances, BNDESPAR is entitled to demand that the controlling stockholders jointly acquire the shares owned by BNDESPAR and issued by the Company, in a single batch, and in compliance with the prices and terms established in the agreement.

(b) Allocation of profit

Profit is allocated as follows according to the bylaws:

- 5% to the legal reserve, limited to 20% of the capital;
- minimum dividend of 25% of profit adjusted according to Article 202 of Law 6404; and

- the remaining balance as decided by the stockholders, holding a simple majority of capital, in accordance with the applicable legal provisions.

(c) Carrying value adjustments

The carrying value adjustments in equity refer to the adoption of the deemed cost for land in subsidiaries at January 1, 2009, as well as all foreign exchange rate differences resulting from the translation of the balance sheet and statement of income of the subsidiaries abroad.

21 Segment information

The Board of Directors is the main decision-maker and has determined the Group's operating segments according to the markets in which it operates, based on strategic business decisions.

The segments are:

- Livestock - production and sale of veterinary drugs, vaccines and other products for livestock (cattle, pigs, poultry, sheep, horses and goats) in the domestic market.

- Pets – production and sale of veterinary drugs and other products for pets (dogs, cats and ornamental birds) in the domestic market.

- International operations - production and sale of veterinary drugs, vaccines and other products for livestock (cattle, pigs, poultry, sheep, horses and goats) in the foreign market. Exports of these products are mainly to Latin America.

As described in Note 4.1 (b), the broad customer base is a characteristic of the veterinary products segment; therefore, the Group does not have customers representing more than 10% of its total net revenue.

The Group has not presented assets and liabilities by business segment, since they do not form part of the analyses carried out by the Board of Directors when making strategic decisions.

The results per segment are as follows:

All amounts in thousands of reais unless otherwise stated

	Results by business segments			
	Livestock	**Pets**	**International operations**	**Total**
Net revenue	73,069	11,798	3,341	88,208
Cost of sales	(34,800)	(2,463)	(1,261)	(38,524)
Gross profit	38,269	9,335	2,080	49,684
Selling expenses	(21,037)	(2,797)	(562)	(24,396)
General and administrative expenses (not segmented)				(2,574)
Other income, net (not segmented)				(190)
Operating profit				22,524
Finance income (not segmented)				1,633
Finance costs (not segmented)				(3,325)
Finance result (not segmented)				(1,692)
Profit before income tax and social contribution				20,832
Income tax and social contribution				
Current (not segmented)				(3,264)
Deferred (not segmented)				(2,181)
Profit for the period				15,387

Net revenues arising from the international operations segment by country are as follows:

Mexico	939
Colombia	623
Others	578
Paraguay	529
Panama	395
Guatemala	277
	3,341

22 Revenue (consolidated)

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

Domestic	
Gross sales revenue	97,121
Taxes and sales deductions	(12,254)
	84,867
Foreign	
Gross sales revenue	3,341
	88,208

All amounts in thousands of reais unless otherwise stated

23 Costs and expenses by nature (consolidated)

Variable costs (raw and consumable materials)	22,915
Personnel	19,210
Sales team	8,150
Others	6,471
Depreciation and amortization	2,828
Freight	2,648
Telecommunications and electric power	1,194
Third-party services	799
Provision for inventory losses	771
Provision for impairment of intangible assets	766
Maintenance and consumable materials	225
Travel	196
Vehicles	137
Donations and sponsorships	95
Reversal of provision for contingencies	(911)
	65,494
Cost of sales	38,524
Selling expenses	24,396
General and administrative expenses	2,574
	65,494

24 Other expenses, net (consolidated)

Gains on sale and write-off of property, plant and equipment	312
Others	(11)
Sundry charges	(20)
Sundry taxes	(214)
Sundry losses	(257)
	(190)

All amounts in thousands of reais unless otherwise stated

25 Finance result (consolidated)

Finance income	
Foreign exchange gains	1,056
Gains on derivatives	333
Discounts obtained	151
Interest receivable	67
Income from financial investments	26
	1,633
Finance costs	
Interest payable	(1,869)
Foreign exchange losses	(864)
Losses on derivatives	(330)
Financial charges	(136)
Bank fees	(69)
Discounts granted	(55)
Others	(2)
	(3,325)
Finance result	(1,692)

26 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
Profit before income tax and social contribution	15,058	20,832
Standard rates	34%	34%
	(5,120)	(7,083)
Reconciliation to the effective rate:		
Permanent differences:		
Equity in the results of investees	5,120	
Adjustment related to the calculation of the subsidiary taxed based on the presumed profit method		1,427
Adjustment related to the calculation of the foreign subsidiary taxed at the effective rate in its country		209
Other permanent differences		2
Income tax and social contribution		(5,445)
Reconciliation with the statement of income:		
Current		(3,264)
Deferred		(2,181)
		(5,445)

Transitional Tax System - Law 12,973/2014, conversion of Provisional Measure 627

Normative Instruction 1,397 issued by the Brazilian Federal Revenue Service on September 16, 2013 provided significant understanding on the Brazilian federal tax rules concerning the adjustments required in relation to the Transitional Tax System established by Article 15 of Law 11,941 of May 27, 2009, mainly in relation to the recognition of revenues, costs and expenses affecting the calculation of taxable income after December 31, 2007, among others, establishing restrictions for the amount of profits distributable that are exempt from taxation.

Subsequently, on November 11, 2013, Provisional Measure 627 was published, determining the repeal of the Transitional Tax System and establishing a series of tax rules with the objective to converge the recognition of revenues, costs and expenses which affect the taxation bases in order to maintain tax neutrality due to the new accounting practices required by Laws 6,404/1976 and 11,638/2007 after December 31, 2007, including exemption rules as a result of Normative Instruction 1,397/2013, mainly in relation to profit distribution. The aforementioned Provisional Measure will be effective as from January 1, 2015, but early adoption by the taxpayers as from January 1, 2014 is permitted.

Provisional Measure (MP) 627 was converted into Law 12,973 on May 13, 2014 with changes in its original text, but essentially maintaining what was initially established, especially with regard to the periods and limits of exemption initially granted. Like the original text, the Law is effective as from January 1, 2015, however, early adoption by the taxpayers as from January 1, 2014 is permitted.

Based on the analysis made by management regarding the possible tax impacts arising from the adoption of this Law, the Group intends to opt for the early adoption of its legal provisions at January 1, 2014, according to the rules established by Normative Instruction 1,469 of the Brazilian Federal Revenue Service of May 29, 2014. According to management's analysis, no significant impacts will affect its interim financial statements.

27 Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to stockholders by the number of shares.

Profit for the period attributable to the owners of the Company	15,058
Number of shares at the end of the period (in thousands)	49,834
Basic and diluted earnings per share	0.30

28 Employee benefits

(a) Private pension plan - defined contribution

The Group sponsors a defined contribution pension plan for its employees. The plan was implemented in August 2008 and is managed by Itaú Vida e Previdência S.A. The plan contributions made by the companies from April 10, 2014 to June 30, 2014 totaled R$ 155.

(b) Profit sharing

The Group offers to its employees a variable remuneration program, calculated based on quantitative and qualitative goals established by management From April 10, 2014 to June 30, 2014, profit sharing totaled R$ 962.

29 Insurance

The Group has insurance coverage for operating risks and comprehensive civil liability, with a maximum indemnity of R$ 269,302 at June 30, 2014. The Group's management considers these amounts to be sufficient to cover any potential liability risks and damages to the assets and loss of profits.

30 Events after the reporting period

At July 30, 2014, the Company entered into a remunerated license agreement for the purpose of granting the license to the use of its brands to Ouro Fino Participações e Empreendimentos S.A., Ouro Fino Química Ltda., Ouro Fino Hong Kong Limited, and Shangai Ouro Fino Trading Co., Ltd. for the amount of R$ 1,500, corresponding to the first ten years of the agreement. The license covers the brands owned by the Company, specifically as regards the activities of the Ouro Fino Group's agrochemical segment.

The Extraordinary General Meeting of August 20, 2014 approved the reverse stock split of the total number of common shares that comprise the Company's capital, as described in Note 20(a).

The Extraordinary General Meeting of September 25, 2014 approved the Company's capital increase through the issue of 209,521 shares, for R$ 3,819, paid up upon (a) contribution of net assets represented by 764,874 quotas issued by Ouro Fino Agronegócio Ltda., a subsidiary of the Company, for R$ 3,545, as per the assessment report issued by AMKS Contadores e Consultores Ltda.; and (b) contribution of net assets represented by 4,262 quotas issued by Ouro Fino Pet Ltda., a subsidiary of the Company, for R$ 273, as per the assessment report issued by AMKS Contadores e Consultores Ltda. At the same meeting, the Company's stockholders approved the reverse stock split of the total number of common shares that represent the Company's capital, as described in Note 20(a).

On September 26, 2014, controlling stockholders Norival Bonamichi and Jardel Massari entered into an investment agreement ("Investment Agreement") with an investment and private equity company GA Latin America Investments, LLC (“General Atlantic”) through which, subject to certain conditions, General Atlantic must make a direct or indirect investment in the Company, amounting to R$ 200,000, based on a pre-money assessment of the Company that totals R$ 1,300,000. The investment is to be made through a Private Equity Investment Fund (“FIP”), established under the provisions of Instruction 391, issued by the Brazilian Securities Commission (CVM) on July 16, 2003.

On September 26, 2014, the Company entered into a remunerated license agreement with its controlling stockholders Jardel Massari and Norival Bonamichi through which it grants the license to use of its brands for the rural condominium owned by the controlling stockholders, located in the City of Guatapará, State of São Paulo, for the amount of R$ 5 per annum, for a 10-year term of effectiveness.

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