(A free translation of the original in Portuguese)

Ouro Fino Saúde Animal Participações S.A.

Combined consolidated financial statements at December 31, 2014 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

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

We have audited the accompanying combined-consolidated financial statements of Grupo Ouro Fino (as defined in Note 1 to these financial statements), which comprise the combined-consolidated balance sheet as at December 31, 2014 and the combined-consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these combined-consolidated financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by 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 combined-consolidated 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 combined-consolidated financial statements are free from material misstatement.

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

In making those risk assessments, the auditor considers internal control relevant to the 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 this internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

(A free translation of the original in Portuguese)

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

Opinion

In our opinion, the combined-consolidated financial statements referred to above present fairly, in all material respects, the combined-consolidated financial position of Grupo Ouro Fino as at December 31, 2014, and its combined-consolidated financial performance and cash flows for the year then ended, in accordance with the IFRS issued by the International Accounting Standards Board (IASB).

Emphasis of matter -
Financial statement combination

We draw attention to Note 2.1 (a) to the combined-consolidated financial statements, which describes that the businesses included in these combined-consolidated financial statements were not operated as a single legal entity during the years presented. These combined-consolidated financial statements, therefore, do not necessarily indicate the results that would have been obtained if these businesses had operated as a single legal entity during the year or in the future. Our opinion is not qualified in respect of this matter.

Ribeirão Preto, March 24, 2015.

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

Eduardo Dias Vendramini
Contador CRC 1SP220017/O-4

(A free translation of the original in Portuguese)

Contents

Ouro Fino Saúde Animal Participações S.A.

Combined consolidated balance sheet

All amounts in thousands of reais (A free translation of the original in Portuguese)

Assets	Note	2014	2013
Current assets			
Cash and cash equivalents	7	72,442	38,423
Trade receivables	9	178,303	133,608
Derivative financial instruments	8	10,376	2,982
Inventories	10	86,848	65,447
Taxes recoverable	11	6,809	3,238
Income tax and social contribution recoverable		2,486	6,900
Other assets		7,425	8,389
		364,689	258,987
Non-current assets held for sale	13		19,494
		364,689	278,481
Non-current assets			
Long-term receivables			
Trade receivables	9		1,596
Derivative financial instruments	8		2,833
Taxes recoverable	11	22,529	24,878
Deferred income tax and social contribution	14	1,920	7,168
Other assets		261	1,898
		24,710	38,373
Intangible assets	15	66,300	53,307
Property, plant and equipment	16	170,635	168,520
		236,935	221,827
Total non-current assets		261,645	260,200
Total assets		626,334	538,681

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

Ouro Fino Saúde Animal Participações S.A.

Combined consolidated balance sheet
All amounts in thousands of reais **(continued)**

Liabilities and equity	Note	2014	2013
Current liabilities			
Trade payables		22,286	16,108
Derivative financial instruments	8	12	
Borrowings	17	103,093	53,728
Salaries and social charges		24,848	20,789
Taxes payable		5,204	3,877
Income tax and social contribution payable		763	596
Dividends and interest on capital	12	3,400	3,565
Commissions on sales		5,669	4,828
Other liabilities		5,343	6,011
		170,618	109,502
Liabilities related to non-current assets held for sale	13		965
		170,618	110,467
Non-current liabilities			
Derivative financial instruments	8	1,164	1,046
Borrowings	17	112,560	172,285
Provision for contingencies	18	2,664	3,135
Deferred income tax and social contribution	14	3,812	4,431
Related parties	12	104,260	37,897
		224,460	218,794
Total liabilities		395,078	329,261
Equity	19	231,168	209,379
Non-controlling interests		88	41
Total equity		231,256	209,420
Total liabilities and equity		626,334	538,681

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

Ouro Fino Saúde Animal Participações S.A.

Combined consolidated statement of income
Years ended December 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Note	2014	2013
Continuing operations			
Revenue	21	432,241	384,021
Cost of sales	22	(171,930)	(149,098)
Gross profit		260,311	234,923
Selling expenses	22	(146,676)	(131,738)
General and administrative expenses	22	(34,831)	(36,542)
Other income, net	23	211	11
Operating profit		79,015	66,654
Finance income		26,967	11,398
Finance costs		(38,410)	(20,060)
Finance result	24	(11,443)	(8,662)
Profit before income tax and and social contribution		67,572	57,992
Income tax and social contribution	25		
Current		(10,429)	(5,274)
Deferred		(4,629)	1,171
Earnings for the year from continuing operations		52,514	53,889
Discontinued operations			
Loss for the year from discontinued operations	13	(1,211)	(11,884)
Profit for the year		51,303	42,005

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

Ouro Fino Saúde Animal Participações S.A.

Combined consolidated statement of comprehensive income
Years ended December 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	2014	2013
Profit for the year	51,303	42,005
Other components of comprehensive income		
Items that will be reclassified to profit or loss		
Exchange variation of investee located abroad	45	159
Total comprehensive income for the year	51,348	42,164
From continuing operations	52,559	54,048
From discontinued operations	(1,211)	(11,884)
	51,348	42,164

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

Ouro Fino Saúde Animal Participações S.A.

Combined consolidated statement of changes in equity

All amounts in thousands of reais (A free translation of the original in Portuguese)

		Attributable to owners of the parent								
		Capital								
	Note	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Total	Carrying value adjustments	Retained earnings	Total	Non-controlling interests	Total equity
At January 1, 2013		78,160	79,772	1,000	158,932	15,099	20,770	194,801	34	194,835
Comprehensive income for the period										
Profit for the year							42,004	42,004	1	42,005
Exchange variation of subsidiary located abroad						159		159		159
Total comprehensive income for the period						159	42,004	42,163	1	42,164
Contributions by and distributions to owners of the Company										
Capital increase	19 (a)	8,905			8,905			8,905		8,905
Dividend distribution	19 (b)						(32,297)	(32,297)		(32,297)
Interest on capital							(4,193)	(4,193)		(4,193)
Non-controlling interests									6	6
Total contributions by and distributions to owners of the Company		8,905			8,905		(36,490)	(27,585)	6	(27,579)
At December 31, 2013		87,065	79,772	1,000	167,837	15,258	26,284	209,379	41	209,420
Comprehensive income for the period										
Profit for the year							51,257	51,257	46	51,303
Exchange variation of subsidiary located abroad						45		45		45
Total comprehensive income for the period						45	51,257	51,302	46	51,348
Contributions by and distributions to owners of the Company										
Dividend distribution	19 (b)						(25,513)	(25,513)		(25,513)
Interest on capital							(4,000)	(4,000)		(4,000)
Non-controlling interests									1	1
Total contributions by and distributions to owners of the Company							(29,513)	(29,513)	1	(29,512)
At December 31, 2014		87,065	79,772	1,000	167,837	15,303	48,028	231,168	88	231,256

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

Ouro Fino Saúde Animal Participações S.A.

Combined consolidated statement of cash flows
Years ended December 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Note	2014	2013
Cash flows from operating activities			
Profit before income tax and social contribution, including discontinued operations		66,361	46,108
Adjustments for:			
Provision for impairment of trade receivables	9	490	508
Provision for inventory losses and write-offs	10	1,531	2,139
Provision for losses on advances			2,385
Depreciation and amortization	15 and 16	16,624	12,485
Provision for impairment of intangible assets	15	776	808
Gains on disposal of property, plant and equipment	23	(265)	(219)
Interest, monetary and exchange variations, net		22,842	11,442
Unrealized derivative financial instruments		(6,598)	(739)
Provision (reversal) of provision for contingencies	18	(471)	501
Other losses		(84)	626
Changes in working capital			
Trade receivables		(37,064)	(28,396)
Inventories		(23,544)	(12,640)
Taxes recoverable		9,329	(14,035)
Other assets		(3,320)	12,789
Trade payables		(8,906)	3,971
Taxes and charges payable		(2,268)	3,244
Other liabilities		4,229	10,214
Cash provided by operations		39,662	51,191
Interest paid		(11,082)	(9,327)
Income tax and social contribution paid		(7,017)	(8,413)
Net cash provided by operating activities		21,563	33,451
Cash flows from investing activities			
Funds received from related parties - intercompany loan			12,726
Investments in intangible assets	15	(20,607)	(25,059)
Purchase of property, plant and equipment	16	(23,440)	(27,571)
Proceeds from sale of property, plant and equipment		15,819	2,076
Net cash used in investing activities		(28,228)	(37,828)
Cash flows from financing activities			
Proceeds from borrowings		61,369	73,171
Repayment of borrowings		(80,797)	(31,713)
Funds received from related parties - intercompany loan		13,600	
Repayment of related parties - intercompany loan		(32,640)	(10,145)
Proceeds from advances for future capital increase		104,260	31,000
Dividends and interest on capital paid		(24,990)	(35,750)
Net cash provided by financing activities		40,802	26,563
Net increase in cash and cash equivalents		34,137	22,186
Cash and cash equivalents at the beginning of the year	7	38,423	15,775
Exchange gains (losses) on cash and cash equivalents		(118)	462
Cash and cash equivalents at the end of the year	7	72,442	38,423

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

All amounts in thousands of reais unless otherwise stated

1 General information

The Group's combined consolidated financial statements, which are the responsibility of the management of the combined companies, are presented solely for the purpose of providing, by means of a single financial statement, information relating to all of the veterinary activities of the Group, regardless of its corporate structure. In the year ended December 31, 2013, the companies Ouro Fino Saúde Animal Ltda., Ouro Fino Agronegócio Ltda., Ouro Fino Pet Ltda. and Ouro Fino de Mexico, S.A. de CV (this indirectly) were controlled by Ouro Fino Participações e Empreendimentos S.A., and the other entities under common control (Ouro Fino Química Ltda. and Ouro Fino Hong Kong Limited) have not been combined because they do not operate in the animal health industry.

Ouro Fino Saúde Animal Participações S.A. (the "Company"), formerly A.H.N.S.P.E. Empreendimentos e Participações S.A., is a listed corporation headquartered in Cravinhos, state of São Paulo, as described in Note 1 (a). It was established on April 10, 2014 and its objective and main activity is the investment in companies operating in the animal health industry (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 corresponding carrying value adjustments of Ouro Fino Saúde Animal Ltda. (and its subsidiary Ouro Fino de Mexico, S.A. de CV), Ouro Fino Agronegócio Ltda. and Ouro Fino Pet Ltda., based on an appraisal report at book value of June 24, 2014, issued by independent appraisers, as summarized below:

Component	**Amount**
Assets	
Investments	
Ouro Fino Saúde Animal Ltda.	101,410
Ouro Fino Agronegócio Ltda.	76,586
Ouro Fino Pet Ltda.	25.838
	203,834
Liabilities	
Equity	
Carrying value adjustments	(15,208)
Net assets at book value	188,626

Before the merger, Ouro Fino Saúde Animal Ltda. (and its subsidiary Ouro Fino de Mexico, S.A. de CV), Ouro Fino Agronegócio Ltda. and Ouro Fino Pet Ltda. were controlled by the related party Ouro Fino Participações e Empreendimentos S.A. Also, Ouro Fino Participações e Empreendimentos S.A. held a 99.55% interest in Ouro Fino Química Ltda. and a 100% interest in Ouro Fino Hong Kong Limited in the period presented in these financial statements.

All amounts in thousands of reais unless otherwise stated

The investment held by Ouro Fino Participações e Empreendimentos S.A. in the combined consolidated companies is presented below:

		Percentage holding		
Entity	**Parent company**	**2013**	**2012**	**2011**
Ouro Fino Saúde Animal Ltda.	Ouro Fino Participações e Empreendimentos S.A.	99.99%	99.99%	99.99%
Ouro Fino Agronegócio Ltda.	Ouro Fino Participações e Empreendimentos S.A.	97.80%	97.50%	97.50%
Ouro Fino Pet Ltda.	Ouro Fino Participações e Empreendimentos S.A.	99.50%	96.50%	96.50%
Ouro Fino de Mexico, S.A. de CV	Ouro Fino Saúde Animal Ltda.	96.43%	96.43%	96.43%

The objective of the corporate restructuring was to unify the control of the companies operating in the animal health industry into an entity operating in this segment only, as follows:

Entity	**Parent company**	**Holding at December 31, 2014**
Ouro Fino Saúde Animal Ltda.	Ouro Fino Saúde Animal Participações S.A.	99.99%
Ouro Fino Agronegócio Ltda.	Ouro Fino Saúde Animal Participações S.A.	100.00%
Ouro Fino Pet Ltda.	Ouro Fino Saúde Animal Participações S.A.	100.00%
Ouro Fino de Mexico, S.A. de CV	Ouro Fino Saúde Animal Ltda.	96.43%

The investments in Ouro Fino Química Ltda. and Ouro Fino Hong Kong Limited were not included in the net assets contributed to the Company.

The combined consolidated financial statements for the year ended December 31, 2014 of Ouro Fino Saúde Animal Ltda. (and its subsidiary Ouro Fino de Mexico, S.A. de CV), Ouro Fino Agronegócio Ltda. and Ouro Fino Pet Ltda. hereinafter referred to as the Ouro Fino Group (the "Group"), are being presented for the purpose of providing historical information relating to all of the animal health activities under common control of Ouro Fino Participações e Empreendimentos S.A. Regardless of the existing corporate structure at the time, the entities included in these combined financial statements did not operate as a single legal entity during the year presented.

These combined consolidated financial statements represent the combination of the animal health segment, comprising the following companies under common control: Ouro Fino Agronegócio Ltda., Ouro Pet Ltda. and Ouro Fino Saúde Animal Ltda., which comprises the consolidated financial statements of its subsidiary Ouro Fino de Mexico, S.A. de C.V.

The issue of these combined consolidated financial statements was authorized by the Company's Board of Directors on March 24, 2015.

All amounts in thousands of reais unless otherwise stated

After the corporate restructuring of June 30, 2014, the Group is now comprised of the following companies:

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

Ouro Fino Saúde Animal Participações S.A. is a listed corporation headquartered in the city of Cravinhos, state of São Paulo, and registered with the São Paulo Futures, Commodities and Securities Exchange - BM&FBovespa S.A. ("BM&FBovespa") in the Novo Mercado (New Market) category. Its objective and main activity is the direct or indirect investment in the subsidiaries listed below.

On October 17, 2014, the Group completed the public offering process for the primary and secondary distribution of its common shares. The public offering was carried out on the OTC market, as established in CVM Instruction 400. In this context, 1,923,077 common shares were issued at R$ 27.00 per share, resulting in a capital increase of R$ 51,923, which was approved by the Board of Directors at a meeting held on October 17, 2014.

Also, on November 18, 2014, the exercise of the Supplementary Stock Option took place, with the issue of 2,019,230 common shares by the Company, at R$ 27.00 per share, resulting in a capital increase of R$ 54,520, which was approved by the Board of Directors at a meeting held on November 18, 2014.

The table below shows the number of the Company's common shares held by holders of not less than 5% of common shares and the members of management, before and after the completion of the offering, considering the exercise of the Supplementary Stock Option.

	Before the Offering		After the Offering	
	Common shares	**%**	**Common shares**	**%**
Jardel Massari	18,438,557	36.88	14,834,135	27.50
Norival Bonamichi	18,438,557	36.88	14,834,135	27.50
BNDESPar	9,966,788	19.93	6,666,788	12.36
Dolivar Coraucci Neto	996,679	1.99	801,845	1.49
Fábio Lopes Júnior	996,679	1.99	801,845	1.49
Carlos Henrique	996,678	1.99	356,728	0.66
General Atlantic			7,407,407	13.73
Other	166,062	0.33	8,239,424	15.27
Total	50,000,000	100.00	53,942,307	100.00

(b) Ouro Fino Saúde Animal Ltda.

This subsidiary, headquartered in Cravinhos, state of São Paulo, has as its objective and main activity the research, development, production and sale of veterinary drugs, vaccines and 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 with third parties and through 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 the Regulatory Instruction (IN) 13, effective on the same date, and resolved to "prohibit the manufacture, processing, fractionation, sale, import and use of long-acting veterinary products having macrocyclic lactones (avermectins) as their active ingredients, and that could be used in the food of any animal or insect" and suspended, as from its effectiveness, the registrations granted to finished products for veterinary use until MAPA carries out studies on the subject.

The veterinary division of the Group has in its portfolio some products that, depending on the interpretation to be adopted by the Ministry, could be considered as subject to this IN, but management understands that these products are in full compliance, considering that all tests and studies approved for granting the registrations of the products by MAPA itself proved their efficacy, safety and grace periods and will take all appropriate measures to defend its interests.

At December 31, 2014, despite the understanding of the full compliance of the products containing avermectins in their formula, conservatively, the Company's management decided to record a provision for the risk of a potential non-realization of some inventory balances and intangible assets, in the amounts of R$ 293 and R$ 340, respectively.

(c) Ouro Fino Agronegócio Ltda.

This company is headquartered in Cravinhos, state of São Paulo, and has as its main activities the sale in the domestic market of veterinary drugs and products for livestock (cattle, pigs, poultry, sheep, horses and goats) acquired from the company mentioned in item (b) above. As a part of the marketing strategy, this company also carried out the sale of pedigree cattle, embryos and semen. This activity was discontinued at the end of 2013.

(d) Ouro Fino Pet Ltda.

This subsidiary, headquartered in Vinhedo, 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 Mexico, S.A. de CV

A subsidiary of Ouro Fino Saúde Animal Ltda., headquartered in Guadalajara, Mexico, in which it holds 96.43% equity interest. Its main activity is the sale, exclusively in Mexico, of veterinary drugs and products purchased from its parent company and the company mentioned in item (c) above.

1.1 Discontinued operations

At a meeting held on December 10, 2013, the members of the Board of Directors decided to discontinue the activity of raising and selling pedigree cattle and *Criollo* horses ("Genetics Division") which was, until then, carried out by the subsidiary Ouro Fino Agronegócio Ltda., as described in Note 13.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these combined consolidated financial statements are set out below. These policies have been consistently applied in the years presented, and in all combined consolidated entities, unless otherwise stated.

2.1 Basis of preparation of the combined consolidated financial statements

The combined consolidated financial statements have been prepared and are being presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and predecessor bodies.

The preparation of the combined consolidated 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 policy. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the combined consolidated financial statements, are disclosed in Note 3.

(a) Purpose of presenting the combined consolidated financial statements

The purpose of presenting the combined consolidated financial statements is to provide historical financial information of the Ouro Fino Group for comparing results in the veterinary products segment. Management believes that the presentation of these combined consolidated financial statements provides significant, useful and important information of the Group, as well as its financial position for the periods presented

The presentation of these combined consolidated financial statements is not required by the Brazilian corporate legislation, but they are being presented to provide supplementary information on the Group's operations. These financial statements do not represent the parent company or consolidated financial statements of Ouro Fino Saúde Animal Participações S.A. or Ouro Fino Saúde Animal Participações S.A. and its subsidiaries, and should not be taken as a basis for purposes of calculation of dividends, taxes or for any other corporate purposes or profitability analysis or past or future performance.

The structure is offered to the market by Ouro Fino Saúde Animal Participações S.A. and includes entities and businesses that were combined in these combined consolidated financial statements, as presented in Note 2.2.

The definition of control used to assess the existence of common control in the preparation of the combined consolidated financial statements is in accordance with the provisions of IAS 27.

2.2 Combination

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

(a) The balances of asset and liability and income accounts of the combined companies were included and the balances resulting from transactions between these companies were eliminated.

(b) The combined equity is the sum of the accounts presented by individual companies and does not represent the asset and liability accounts of an individual legal entity.

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

2.3 Consolidation

The following accounting policies are applied in the preparation of the combined consolidated 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. The accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Equity in 2014 and 2013 and the results of operations for the years ended December 31 of the combined companies can be presented as follows:

All amounts in thousands of reais unless otherwise stated

(i) Balance sheet

								2014
				Combined				
	Consolidated							
	Ouro Fino Saúde Animal Ltda.	Ouro Fino de Mexico, S.A. de C.V.	Total	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Total	Eliminations	Combined-consolidated
Current								
Assets	186,359	5,077	191,436	221,786	35,603	448,825	(84,136)	364,689
Liabilities	(149,317)	(2,696)	(152,013)	(90,909)	(7,537)	(250,459)	79,841	(170,618)
Current assets, net	37,042	2,381	39,423	130,877	28,066	198,366	(4,295)	194,071
Non-current								
Assets	239,504	98	239,602	22,619	355	262,576	(931)	261,645
Liabilities	(170,070)		(170,070)	(54,132)	(258)	(224,460)		(224,460)
Non-current assets (liabilities), net	69,434	98	69,532	(31,513)	97	38,116	(931)	37,185
Equity	106,476	2,479	108,955	99,364	28,163	236,482	(5,226)	231,256

								2013
				Combined				
	Consolidated							
	Ouro Fino Saúde Animal Ltda.	Ouro Fino de Mexico, S.A. de C.V.	Total	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Total	Eliminations	Combined-consolidated
Current								
Assets	81,467	2,235	83,702	207,784	21,515	313,001	(34,520)	278,481
Liabilities	(82,833)	(1,133)	(83,966)	(56,178)	(2,527)	(142,671)	32,204	(110,467)
Current assets (liabilities), net	(1,366)	1,102	(264)	151,606	18,988	170,330	(2,316)	168,014
Non-current								
Assets	217,425	44	217,469	43,753	84	261,306	(1,106)	260,200
Liabilities	(107,277)		(107,277)	(111,347)	(170)	(218,794)		(218,794)
Non-current assets (liabilities), net	110,148	44	110,192	(67,594)	(86)	42,512	(1,106)	41,406
Equity	108,782	1,146	109,928	84,012	18,902	212,842	(3,422)	209,420

All amounts in thousands of reais unless otherwise stated

(ii) Statement of income

								2014
								Combined
			Consolidated					
	Ouro Fino Saúde Animal Ltda.	Ouro Fino de México, S.A. de C.V.	Total	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Total	Eliminations	Combined-consolidated
Net sales revenue	237,782	6,225	244,007	345,707	59,360	649,074	(216,833)	432,241
Profit before income tax and social contribution	3,568	2,099	5,667	37,756	27,366	70,789	(3,217)	67,572
Income tax and social contribution expense	(328)	(814)	(1,142)	(13,014)	(2,221)	(16,377)	1,319	(15,058)
Earnings from continuing operations	3,240	1,285	4,525	24,742	25,145	54,412	(1,898)	52,514
Loss from discontinued operations				(1,211)		(1,211)		(1,211)
Profit for the year	3,240	1,285	4,525	23,531	25,145	53,201	(1,898)	51,303

								2013
								Combined
			Consolidated					
	Ouro Fino Saúde Animal Ltda.	Ouro Fino de México, S.A. de C.V.	Total	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Total	Eliminations	Combined-consolidated
Net sales revenue	198,442	3,170	201,612	313,583	47,785	562,980	(178,959)	384,021
Profit before income tax and and social contribution	11,917	46	11,963	23,291	23,842	59,096	(1,104)	57,992
Income tax and social contribution expense (income)	393	(17)	376	(3,065)	(1,780)	(4,469)	366	(4,103)
Earnings from continuing operations	12,310	29	12,339	20,226	22,062	54,627	(738)	53,889
Loss from discontinued operations				(11,884)		(11,884)		(11,884)
Profit for the period	12,310	29	12,339	8,342	22,062	42,743	(738)	42,005

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's 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.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(c) Combined consolidated companies with a functional currency different from the Brazilian real

The results and the financial position of Ouro Fino de Mexico, 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 the 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".

2.6 Cash and cash equivalents

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

2.7 Financial assets

2.7.1 Classification

The combined consolidated companies classify their financial assets, at initial recognition, in the following categories: loans and receivables and measured 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".

2.7.2 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 Company 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.

2.7.3 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. The legal right should not be contingent on the occurrence of future events and should be applicable in the ordinary course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.7.4 Impairment of financial assets

Assets carried at amortized cost

Management assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and 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.

2.8 Derivative financial instruments

Derivative financial instruments are contracted with the purpose of hedging transactions against the risks of fluctuations in foreign exchange and interest rates, and are not used for speculative purposes. The combined consolidated companies mainly operate with exchange rate and interest rate swap contracts. 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".

2.9 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, the receivables 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.

2.10 Inventories

Inventories are stated at the lower of average cost of purchase or production and net realizable value. Cost is determined using the weighted average method. The cost of finished products and work in process comprises 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 estimated completion costs and estimated selling expenses. Imports in transit are stated at the accumulated cost of each transaction.

2.11 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered mainly through a sale transaction and when a sale is considered highly probable.
They are stated at the lower of the carrying amount and the fair value less costs to sell (Note 13).

2.12 Current and deferred income tax and social contribution

The income tax and social contribution expenses for the year comprise current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity. In this case, the taxes are also recognized directly 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 Brazilin 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 in liabilities, separated by taxpaying entity, 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/tax losses can be utilized.

Ouro Fino Pet Ltda. calculates income tax and social contribution under the deemed profit method. The deemed 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.

2.13 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 they will bring future economic benefits.

The combined company Ouro Fino Saúde Animal Ltda. evaluates projects based on its own methodology, which considers various analysis structures, and the projects will be successful from the development of "pilots" of the products made according to the requirements of regulatory bodies, accompanied by analyses of financial feasibility.

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

The finance charges on borrowings to finance a project are capitalized during the period required to develop the products.

(b) Trademarks and licenses purchased

Separately purchased trademarks and licenses are initially stated at historical cost. Since trademarks and licenses have a 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 acquired 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 are recognized as an expense, as incurred.

2.14 Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Depreciation adjusted to reflect the deemed cost of land on the date of transition to IFRS/CPCs, 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 part or item is derecognized. All other repairs and maintenance are charged to the statement of income when 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.

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

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

2.15 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that their 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.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business and are classified as current liabilities if payment is due in one year or less. If not, they are presented as non-current liabilities. Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recorded at the amount of the related invoice.

2.17 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.18 Provisions

Provisions are recognized when there is a present or constructive obligation as a result of past events, it is probable that assets will be surrendered to settle the obligation, and a reliable estimate of the amount can be made.

2.19 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 Company and its cost or value can be reliably measured. A liability is recognized in the balance sheet when the Company 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, when applicable, accrued income or incurred charges and 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.

2.20 Employee benefits

(a) Private pension plan

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

(b) Profit sharing

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

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the activities. Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminating sales within the Group. Revenue is recognized when the amount of revenue 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 its 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 products

The Group produces and sells a range 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) Finance income

Finance income is recognized on the accrual basis, using the effective interest rate method.

2.22 Other income and expenses

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

2.23 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.

2.24 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to stockholders is recognized as a liability in the parent company financial statements based on the bylaws of each combined company. Any amount that exceeds the minimum required is only provisioned on the date it is approved by the stockholders at the Ordinary 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.

2.25 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 2014. Early adoption of the standards is encouraged by the IASB.

- IFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The full version of IFRS 9 was published in July 2014, effective on January 10, 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 maintains, but simplifies, the combined measurement model, and establishes three main categories of measurement of financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. It also includes a new model of expected loan losses, which replaces the existing incurred losses model. IFRS 9 mitigates the requirements of hedge effectiveness and requires an economic relationship between the hedged item and the hedging instrument, and that the hedge ratio be the same as that which management effectively uses for risk management purposes. Management is assessing the full impact of the adoption of IFRS 9.

- IFRS 15 – “Revenue from Contracts with Clients”, specifies how and when revenue must be recognized, as well as defines rules for disclosure of relevant information. IFRS 15 was issued in May 2014 and replaces IAS 18 – “Revenue”, IAS 11 - “Construction Contracts” and several interpretations related to revenue. The application of this standard is mandatory for all the companies that issue financial statements for IFRS purposes and it applies to almost all contracts with clients, the main exceptions being leases, financial instruments and insurance contracts. The Group is yet to assess IFRS 15's full impact. The standard is applicable as from January 1, 2017.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on 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 year are addressed below:

(a) Impairment of intangible assets

The Group annually tests product development balances in intangible assets for impairment, whenever possible through 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 Group's planned market share;

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

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

The projection year 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 combined companies' accounting policy presented in Note 2.14.

(b) Income tax, social contribution and other taxes

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

(c) Provision for contingencies

The Group is a party to labor, civil and tax lawsuits at various court levels. Provisions for contingencies, to cover expected losses on proceedings in progress are established and updated based on management's assessment, according to the opinion of its legal counsel, and require a high level of judgment on the matters involved.

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

The recovery capacity of the assets that are used in the Group's activities is evaluated whenever events or changes in circumstances indicate that the carrying amount of assets or 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, fluctuation in interest rates, credit and liquidity. The objective of risk management is to reduce potential unexpected variations in the results arising from the aforementioned 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 could 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 in the U.S. dollar exchange rate.

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

Swaps, classified as derivatives at fair value through profit or loss, were contracted to exchange the charges on borrowings initially obtained in foreign currency for charges based on the Interbank Deposit Certificate (CDI) rate variation, as well as to exchange interest rates initially contracted as fixed for variable rates. Gains and losses are recognized in “Finance result” in the statement of income, because 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:

	2014	2013
Assets in foreign currency		
Cash and cash equivalents	2,266	4,460
Trade receivables	13,965	8,273
Advances to suppliers	10,820	4,786
	27,051	17,519
Liabilities in foreign currency		
Borrowings (*)	817	1,303
Trade payables	11,330	9,939
Advances from customers	1	
	12,148	11,242
Net exposure - assets	14,903	6,277

(*) The balance of borrowings in foreign currency does not consider working capital amounting to R$ 63,648 (December 31, 2013 - R$ 17,924), because exchange rate swap has been contracted.

The assets and liabilities denominated in foreign currency are regularly monitored through the estimated cash flows. The amount of assets and liabilities in foreign currency fluctuates during a year, which may or may not cause a mismatch. Consequently, in order to mitigate risks arising from foreign exchange variations, whenever required, derivative transactions may be contracted.

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 balance					
		2.6562	2.7200	2.0400	1.3600	3.4000	4.0800
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	2,266	54	(526)	(1,106)	635	1,215
Trade receivables	US$ depreciation	13,965	335	(3,240)	(6,815)	3,911	7,486
Advances to suppliers	US$ depreciation	10,820	260	(2,510)	(5,280)	3,030	5,800
Borrowings	US$ appreciation	817	20	190	399	(229)	(438)
Trade payables	US$ appreciation	11,330	272	2,628	5,529	(3,173)	(6,073)
Advances from customers	US$ appreciation	1					(1)
Net effect		14,903	941	(3,458)	(7,273)	4,174	7,989

(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 rates 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 in 2014, 49.3% (2013 – 63%) of its borrowings are linked to fixed interest rates and 11.1% (2013 – 13%) are linked to long-term interest rates (TJLP), which has a history of low volatility.

(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 prime 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.

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

All amounts in thousands of reais unless otherwise stated

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 (CDBs) and Repurchase Agreements, corresponding to 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.

	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years
At December 31, 2014				
Trade payables	22,286			
Borrowings (*)	113,048	60,987	59,139	339
Derivative financial instruments, net	(10,364)	1,164		
Interest on capital	3,400			
Other liabilities	38,625	105,059	1,001	7,878
	166,995	167,210	60,140	8,217
At December 31, 2013				
Trade payables	16,108			
Borrowings (*)	63,225	117,583	72,393	215
Interest on capital	3,565			
Derivative financial instruments, net	(2,982)	(1,787)		
Other liabilities	37,066	36,466	1,119	7,878
	116,982	152,262	73,512	8,093

(*) 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 on the balance sheet for borrowings.

All amounts in thousands of reais unless otherwise stated

4.2 Capital risk management

The objectives of the management of the combined companies 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 management of the combined companies 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.

The gearing ratios in 2014 and 2013 are as follows:

	Note	2014	2013
Borrowings	17	215,653	226,013
Derivative financial instruments, net	8	(9,200)	(4,769)
Cash and cash equivalents	7	(72,442)	(38,423)
Net debt		134,011	182,821
Equity	19	231,256	209,420
Total capital		365,267	392,241
Gearing ratio (%)		36.69	46.61

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 considering 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; this requires disclosure of fair value measurements by level of hierarchy:

All the Group's financial instruments have been classified as Level 2 “Other observable significant data”, as shown below.

All amounts in thousands of reais unless otherwise stated

As per combined balance sheet	Classification	2014	2013
Assets - Derivative financial instruments			
Exchange rate swap	Level 2	10,376	5,815
Liabilities - Derivative financial instruments			
Exchange rate and interest rate swap	Level 2	(1,176)	(1,046)
		9,200	4,769

5 Financial instruments by category

	2014		2013		
	Assets at fair value through profit or loss	**Loans and receivables**	**Assets at fair value through profit or loss**	**Loans and receivables**	**Available for sale**
Assets as per balance sheet					
Cash and cash equivalents		72,442		38,423	
Derivative financial instruments	10,376		5,815		
Accounts receivable		178,303		135,204	
Non-current assets held for sale					5,020
Other assets, except for prepaid expenses		5,444		7,618	
	10,376	256,189	5,815	181,245	5,020

	2014		2013		
	Liabilities at fair value through profit or loss	**Other financial liabilities**	**Liabilities at fair value through profit or loss**	**Available for sale**	**Other financial liabilities**
Liabilities as per balance sheet					
Trade payables		22,286			16,108
Derivative financial instruments	1,176		1,046		
Borrowings		215,653			226,013
Interest on capital		3,400			3,565
Commissions on sales		5,669			4,828
Related parties		104,260			37,897
Non-current liabilities held for sale				965	
Other liabilities		5,343			6,011
	1,176	356,611	1,046	965	294,422

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, repurchase agreements and bank deposits (CDBs) amounting to R$ 72,400 (2013 - R$ 38,401) were held in prime 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 evaluated as described in Note 4.1 (b), as follows:

	2014	2013
AA	57,847	38,279
A	55,465	46,689
B	31,631	25,146
C	22,987	19,787
D	11,275	5,635
E	2,508	2,588
	181,713	138,124

7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, as well as investments in Bank Deposit Certificates (CDBs) earning up to 101.2% of the Interbank Deposit Certificate (CDI) rate variation.

	2014	2013
Cash		
In local currency	6	3
In foreign currency	47	19
	53	22
Banks		
In local currency	2,221	8,840
In foreign currency	2,219	4,441
	4,440	13,281
Bank Deposit Certificates (CDBs)	67,949	25,120
	72,442	38,423

All amounts in thousands of reais unless otherwise stated

8 Derivative financial instruments

	2014		2013	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Exchange rate and interest rate swap	10,376	1,176	5,815	1,046
Non-current		(1,164)	(2,833)	(1,046)
Current	10,376	12	2,982	

The fair value of the 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 period until maturity of the item is less than 12 months.

The notional principal amounts of the outstanding exchange rate swap contracts in 2014 correspond to US$ 23,750 thousand (2013 – US$ 11,250 thousand) and of the interest rate swap contracts to R$ 20,400 thousand (2013 – R$ 20,400 thousand).

9 Trade receivables

	2014	2013
Domestic customers	167,748	129,851
Foreign customers (U.S. dollar)	13,965	8,273
Provision for impairment of trade receivables	(3,410)	(2,920)
	178,303	135,204
Non-current		(1,596)
Current	178,303	133,608

The foreign trade receivables in 2014 corresponded to US$ 5,258 thousand (2013 - US$ 2,744 thousand).

All amounts in thousands of reais unless otherwise stated

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

	2014	2013
Falling due		
Up to 3 months	108,008	89,533
From 3 to 6 months	46,199	34,401
Over 6 months	10,760	3,765
	164,967	127,699
Past due		
Up to 3 months (*)	10,126	5,861
From 3 to 6 months	341	1,701
Over 6 months	6,279	2,863
	16,746	10,425
	181,713	138,124

(*) Includes notes receivable amounting R$ 4,811, which have been renegotiated at the beginning of 2015, and will be paid in installments.

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:

At January 1, 2013	2,412
Additions	508
At December 31, 2013	2,920
Additions	490
At December 31, 2014	3,410

All amounts in thousands of reais unless otherwise stated

10 Inventories

	2014	2013
Finished products	33,254	28,565
Raw materials	24,347	18,277
Imports in transit	6,021	1,831
Packaging materials	10,431	6,159
Advances to suppliers	3,672	2,766
Semi-finished goods	6,568	5,252
Other	5,137	4,822
Provision for inventory losses	(2,582)	(2,225)
	86,848	65,447

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

At January 1, 2013	1,528
Additions	1,962
Write-offs	(1,265)
At December 31, 2013	2,225
Additions	695
Write-offs	(338)
At December 31, 2014	2,582

The changes in the provision for inventory losses differ from the cash flow because it does not take into consideration reductions resulting from inventory adjustments amounting to R$ 1,174 (2013 – R$ 1,442).

11 Taxes recoverable

	2014	2013
ICMS	26,161	24,819
ICMS, PIS and COFINS on acquisitions of property, plant and equipment	743	769
IRRF	425	735
IPI	510	483
PIS and COFINS	1,402	1,143
Other	97	167
	29,338	28,116
Non-current	(22,529)	(24,878)
Current	6,809	3,238

All amounts in thousands of reais unless otherwise stated

ICMS credits, which amounted to R$ 22.058 in 2014 (2013 - R$ 23,627), were mainly generated by Ouro Fino Saúde Animal Ltda. These credits are generated by exempted sales in domestic transactions and sales with a sixty-percent 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 were inspected, they were 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 inspection processes.

In 2014, all ICMS credits related to 2010, 2011 and 2012 amounting to R$ 18,846 were approved by the tax authorities, and R$ 11,048 were released for immediate use. The residual balance of R$ 7,798 was temporarily withheld in connection with tax assessment notices which have been discussed at an administrative level and obligations related to the submission of electronic files under the terms of the Coordinating Committee of Tax Administration Board (CAT) Ordinance 83/2009. Of the credits released, R$ 10,245 were used and the remaining amount will be used next year.

12 Related parties

(a) Balances as per balance sheet

	2014	2013
Assets		
Accounts receivable (i)	1,136	91
	1,136	91
Liabilities		
Interest on capital (ii)	3,400	3,565
AFAC (iii)	104,260	37,897
Trade payables (iv)	214	3
Borrowings (v)	8,361	17,708
	116,235	59,173

(i) Accounts receivable

In 2014, accounts receivable are represented by the reimbursement of expenses, especially expenditures with the Shared Services Center (“CSC”), according to the expense sharing agreement entered into on June 30, 2014, with related parties Ouro Fino Participações e Empreendimentos S.A. (R$ 28), Ouro Fino Química Ltda. (R$ 838), Ouro Fino Saúde Animal Participações S.A. (R$ 192) and other receivables from the related party Condomínio Rural Ouro Fino (R$ 78). In 2013, the balance of R$ 91 of trade receivables referred to the related party Ouro Fino Química Ltda.

All amounts in thousands of reais unless otherwise stated

(ii) Interest on capital

In 2014, the balance payable of interest on capital amounting to R$ 3,400 referred to the related party Ouro Fino Saúde Animal Participações S.A. (2013 – R$ 3,565 with the related party Ouro Fino Participações e Empreendimentos S.A.).

(iii) Advances for future capital increase

Advances for future capital increase refer to the related party Ouro Fino Saúde Animal Participações S.A. in the amount of R$ 104,260 (2013 – R$37,897 with the related party Ouro Fino Participações e Empreendimentos S.A.). The advances for future capital increase were approved by the stockholders, are irrevocable and unconditional and will be utilized to pay up capital, when the corporate documents are registered. In 2013, the balances related to advances for future capital increase of Ouro Fino Saúde Animal Ltda. amounting to R$ 8,905 were paid up.

(iv) Trade payables

The balance of R$ 214 (2013 – R$ 3) of trade payables referred to the reimbursement of expenses to related party Ouro Fino Química Ltda.

(v) Borrowings

Refers to borrowings from the related party BNDES Participações S.A., under conditions similar to those practiced with third parties, totaling R$ 8,361 (2013 – R$ 17,708).

(b) Statement of income

	2014	**2013**
Collection of expenditures for the CSC	7,198	
Proceed from sale of property, plant and equipment	5,807	
Expenditure on sale of property, plant and equipment	(5,789)	
Finance costs	(1,489)	(1,457)
Other income, net	255	764
	5,982	(693)

The results for the year ended December 31 between related parties mainly refer to the reimbursement of expenditures incurred with the Shared Services Center (“CSC”) with Ouro Fino Química Ltda., Ouro Fino Participações e Empreendimentos S.A. and Ouro Fino Saúde Animal Participações S.A.

Income and expenses on the sale of property, plant and equipment refers to the sale of an aircraft, model VLJ 500 Embraer, to related party Ouro Fino Química Ltda.

Finance costs relate to interest on intercompany loan of R$ 819 (2013 – R$ 60), which is based on 100% of the variation in the Interbank Deposit Certificate (CDI) rate, and was settled in 2014, interest on borrowings amounting to R$ 587 (2013 – R$ 1,397) and Tax on Financial Transactions (IOF) of R$ 83.

All amounts in thousands of reais unless otherwise stated

(c) Management remuneration

Key management personnel include members of the Executive Board, whose remuneration is approved at the Ordinary General Meeting. In 2014, remuneration expenses totaled R$ 5,160 (2013 – R$ 4,191), of which R$ 860 (2013 – R$ 698) referred to labor charges.

13 Non-current assets and liabilities held for sale and discontinued operations

Genetics Division

At the end of 2013, the Group decided to discontinue operations related to purchase, management and sale of pedigree Nelore cattle and *Criollo* horses ("Genetics Division") (Note 1.1). Assets and liabilities related to this activity were reclassified in combined as "assets and liabilities held for sale". The transaction was carried out in January 2014 and, therefore, the cash flows presented below represent the result of this transaction.

(i) Cash flows

	2014	2013
Operating cash flows		19,534
Investing cash flows		(4,654)
Cash flows from realization of assets and liabilities held for sale	18,529	
Total cash flows	18,529	14,880

All amounts in thousands of reais unless otherwise stated

(ii) Nature of assets held for sale

	2013
Trade receivables	4,906
Biological assets	9,948
Intangible assets	3
Property, plant and equipment	4,523
Other assets	114
	19,494

(iii) Nature of liabilities related to assets held for sale

	2013
Trade and other payables	965

The assets and liabilities held for sale were written down to their fair value less costs to sell. This is a non-recurring fair value which has been measured using market observable inputs, such as the prices for recent sales of similar businesses, and is therefore within Level 2 of the fair value hierarchy.

The statement of income of the Genetics Division is presented below:

	2014	2013
Discontinued operations		
Net sales revenue		5,737
Cost of sales		(13,610)
Gross loss		(7,873)
Selling expenses	(354)	(1,476)
General and administrative expenses	(245)	
Other expenses, net	(612)	(2,530)
Operating loss	(1,211)	(11,879)
Finance result		(5)
Loss for the year from discontinued operations	(1,211)	(11,884)

All amounts in thousands of reais unless otherwise stated

14 Current and deferred income tax and social contribution

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 deemed profit method. The Group also has a company located in Mexico, which calculates its taxes based on the regulations of that country. Therefore, there is no direct correlation between the amounts presented in the combined 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) Composition, nature and realization of taxes

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

	2014	2013
Tax credits on:		
Accumulated income tax and social contribution losses		1,632
Temporary differences		
Provisions	2,841	5,270
Derivative financial instruments		266
	2,841	7,168
Tax liabilities on:		
Temporary differences		
Derivative financial instruments	(921)	
Total assets, net	1,920	7,168

All amounts in thousands of reais unless otherwise stated

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

	2014	2013
Tax credits on:		
Temporary differences		
Provisions	(4,311)	(2,496)
Unrealized profit in inventories	(1,460)	(141)
Pre-operating expenses written-off	(1,152)	(1,344)
	(6,923)	(3,981)
Tax liabilities on:		
Deemed cost of land	7,878	7,878
Foreign exchange variations - taxation on cash basis	430	280
Derivative financial instruments	2,208	
Accelerated depreciation	219	254
	10,735	8,412
Total liabilities, net	3,812	4,431
Total deferred tax credits	9,764	11,149
Total deferred tax liabilities	11,656	8,412

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

The net changes in the deferred tax account were as follows:

	2014	2013
Opening balance	2,737	1,566
Provisions	(614)	3,181
Accumulated income tax and social contribution losses	(1,632)	(1,418)
Unrealized profit in inventories	1,319	(366)
Pre-operating expenses written-off	(192)	(193)
Exchange rate variations - taxation on cash basis	(150)	(323)
Accelerated depreciation	35	24
Derivative financial instruments	(3,395)	266
Closing balance	(1,892)	2,737

The credits arising from accumulated income tax and social contribution losses will be offset against future taxable profit, limited to 30% thereof 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:

	2014	2013
Deferred tax assets to be recovered		
within 1 year	8,899	10,073
from 2 to 5 years	865	1,076
	9,764	11,149
Deferred tax liabilities to be settled		
within 1 year	3,778	534
after 5 years	7,878	7,878
	11,656	8,412

15 Intangible assets

	At January 1, 2013	Additions	Provision for impairment	Amortization	Transferred to assets held for sale	At December 31, 2013
Trademarks and licenses purchased	4,118			(330)		3,788
Development and registration of products	25,149	11,002	(808)	(2,138)		33,205
Computer software	1,741	15,097		(521)	(3)	16,314
	31,008	26,099	(808)	(2,989)	(3)	53,307

	At January 1, 2014	Additions	Write - offs	Provision for impairment	Amortization	Transfers	At December 31, 2014
Trademarks and licenses purchased	3,788				(329)	(2,965)	494
Development and registration of products	33,205	13,449		(776)	(2,848)	2,965	45,995
Computer software	16,314	7,158	(37)		(3,624)		19,811
	53,307	20,607	(37)	(776)	(6,801)		66,300

All amounts in thousands of reais unless otherwise stated

	At December 31, 2013			
	Cost	Provision for impairment	Accumulated amortization	Net
Trademarks and licenses purchased	5,163		(1,375)	3,788
Development and registration of products	41,242	(2,141)	(5,896)	33,205
Computer software	18,856		(2,542)	16,314
	65,261	(2,141)	(9,813)	53,307

	At December 31, 2014			
	Cost	Provision for impairment	Accumulated amortization	Net
Trademarks and licenses purchased	2,198		(1,704)	494
Development and registration of products	57,656	(2,917)	(8,744)	45,995
Computer software	25,977		(6,166)	19,811
	85,831	(2,917)	(16,614)	66,300

The amortization of intangible assets with product development and registration was recognized within "Cost of sales".

The development and registration of products substantially refer to expenditures for new veterinary drugs of R$ 39,832 (2013 - R$ 26,005) and expenditures for the development of a vaccine against foot-and-mouth disease of R$ 6,163 (2013 - R$ 7,200).

Additionally, in 2013 expenditures were incurred in software SAP ERP R3 totaling R$ 3,021 and in other project-related items totaling R$ 11,624.

In 2014, the Group recognized impairment losses of R$ 776 (2013 – R$ 808), of which R$ 340 related to intangible assets of avermectins (Note 1) and R$ 436 (2013 – R$ 808) to the appraisal of the economic feasibility of other products.

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

All amounts in thousands of reais unless otherwise stated

16 Property, plant and equipment

	At January 1, 2013	Additions	Transfers	Write-offs	Depreciation	Amounts transferred to assets held for sale	At December 31, 2013
Land	24,947						24,947
Buildings and improvements	71,046	969	2,171	(36)	(2,285)	(2,543)	69,322
Machinery, equipment and industrial facilities	42,485	3,535	5,702	(1,000)	(3,745)	(418)	46,559
Vehicles, tractors and aircraft	10,375	2,210	(27)	(831)	(1,640)	(12)	10,075
Furniture and fittings	2,566	627	17	(125)	(469)	(97)	2,519
IT equipment	2,332	2,189	1	(74)	(818)	(18)	3,612
Construction in progress	1,039	8,922	(309)	(31)			9,621
Other	2,392	9,119	(7,555)	(117)	(539)	(1,435)	1,865
	157,182	27,571		(2,214)	(9,496)	(4,523)	168,520

	At January 1, 2014	Additions	Transfers	Write-offs	Depreciation	At December 31, 2014
Land	24,947					24,947
Buildings and improvements	69,322	1,591	7,300	(1,527)	(2,097)	74,589
Machinery, equipment and industrial facilities	46,559	6,063	6,728	(660)	(4,321)	54,369
Vehicles, tractors and aircraft	10,075	4,514	(13)	(7,961)	(1,553)	5,062
Furniture and fittings	2,519	1,267	(17)	(153)	(537)	3,079
IT equipment	3,612	910		(148)	(1,009)	3,365
Construction in progress	9,621	8,026	(13,986)	(632)		3,029
Other	1,865	1,069	(12)	(421)	(306)	2,195
	168,520	23,440		(11,502)	(9,823)	170,635

	At December 31, 2013			At December 31, 2014			
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net	Annual average depreciation rates
Land	24,947		24,947	24,947		24,947	
Buildings and improvements	80,958	(11,636)	69,322	88,322	(13,733)	74,589	2.58%
Machinery, equipment and industrial facilities	69,833	(23,274)	46,559	81,964	(27,595)	54,369	6.20%
Vehicles, tractors and aircraft	18,003	(7,928)	10,075	14,543	(9,481)	5,062	22.09%
Furniture and fittings	5,148	(2,629)	2,519	6,245	(3,166)	3,079	10.21%
IT equipment	8,753	(5,141)	3,612	9,515	(6,150)	3,365	18.68%
Construction in progress	9,621		9,621	3,029		3,029	
Other	3,546	(1,681)	1,865	4,182	(1,987)	2,195	10.92%
	220,809	(52,289)	168,520	232,747	(62,112)	170,635	

The balance of construction in progress mainly comprises the construction of the new plant of the biological products unit of R$ 1,799 (2013 – R$ 8,978). In the year ended December 31, 2014, the first phase of the works was completed, and transfers to "Buildings and improvements" and "Industrial facilities" were made.

All amounts in thousands of reais unless otherwise stated

(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.

In 2014, the net book value of leased vehicles totaled R$ 584 (2013 - R$ 1,647).

(b) Guarantees

Land, buildings, machinery and equipment amounting to R$ 89,087 (2013 - R$ 18,824) are pledged as collaterals for borrowings (Note 17).

17 Borrowings

	Finance charges incurred	Final maturity	2014	2013
In foreign currency				
BNDES - FINEM	Average of exchange variations of funds obtained by BNDES and weighted average rate of 2.57% p.a. (December 31, 2013 - 2.59%)	2016	817	1,303
Export credit note	Exchange variation and weighted average rate of 4.28% p.a. (December 31, 2013 - 4.28% p.a.)	2016	10,111	17,924
Working capital	Exchange variation and weighted average rate of 1.68% p.a.	2015	53,537	
In local currency				
FINEP (Technological innovation)	Weighted average rate of 4.44% p.a. (December 31, 2013 - 4.46% p.a.)	2018	122,555	167,645
BNDES - FINEM	Weighted average rate of 2.88% p.a. (December 31, 2013 - 2.89% p.a.)	2016	6,268	11,387
BNDES - FINAME	Weighted average rate of 4.50% p.a. (December 31, 2013 - 4.50% p.a.)	2022	1,276	5,018
Export credit note	Weighted average rate of 8% p.a. (December 31, 2013 - 8% p.a.)	2016	20,889	21,619
Finance lease	Weighted average rate of 12.32% p.a. (December 31, 2013 - 13.22% p.a.)	2015	200	1,117
			215,653	226,013
Current			(103,093)	(53,728)
Non-current			112,560	172,285

All amounts in thousands of reais unless otherwise stated

(a) Finance lease liabilities

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

Leases are payable as follows:

	2014	2013
Within 1 year	200	839
From 1 to 3 years		278
	200	1,117

(b) Guarantees for borrowings

The financing for research, innovation and development of products obtained from the Fund for Financing of Studies and Projects (FINEP) and which, in 2014 totaled R$ 122,555 (2013 - R$ 167,645), are guaranteed by a surety of the related party Ouro Fino Participações e Empreendimentos S.A. and bank guarantees of R$ 11,716.

For the loan obtained with the National Bank for Economic and Social Development (BNDES), mainly for the construction of industrial facilities, purchases of Brazilian equipment and working capital, the Group offered as guarantee the industrial plant of animal health products located in the city of Cravinhos, state of São Paulo, up to the limit of the debit balance of the borrowings, as well as the financed equipment items themselves, in addition to sureties of the controlling interests.

Borrowings for working capital and leases are collaterized by sureties of the parent company and/or controlling interests. Borrowings from the Government Agency for Machinery and Equipment Financing (FINAME) are guaranteed through the statutory lien of the assets financed, in addition to sureties of the parent company and/or controlling interests.

The carrying amounts of borrowings approximate their fair values.

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

	2014	2013
2015		52,232
2016	53,682	58,779
2017	31,985	31,679
2018	26,555	28,651
2019 to 2022	338	944
	112,560	172,285

All amounts in thousands of reais unless otherwise stated

(c) Working capital borrowings in foreign currency

Exchange rate swap transactions were contracted for working capital borrowings contracted in foreign currency (US$), which amounted to R$ 63,648 (2013 - R$ 17,924), to exchange the charges for those based on the CDI rate variation (Note 8).

18 Provision for contingencies

Some 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:

	2014	2013
Labor	2,561	2,714
Civil and social security	103	421
	2,664	3,135

In addition, some Group companies are parties to other administrative disputes, including those which were the object of tax assessments. No provisions were constituted to cover possible losses, based on the opinion of the legal advisors. Disputes for which a favorable outcome was considered as possible amounted to approximately R$ 38,938 (2013 - R$ 22,387), and mainly corresponded to tax (ICMS) and labor claims.

The changes in the provision for contingencies were as follows:

	2014	2013
Opening balance	3,135	2,634
Additions	750	1,292
Write-offs	(1,221)	(791)
Closing balance	2,664	3,135

19 Equity

(a) Capital

(i) Ouro Fino Saúde Animal Ltda.

Fully paid-up capital comprises 87,064,319 quotas with no par value.

On March 31, 2013, a capital increase of R$ 8,905 took place, representing 8,904,319 quotas, through an advance for future capital increase by parent company Ouro Fino Participações e Empreendimentos S.A.

(ii) Ouro Fino Agronegócio Ltda.

Fully paid-up capital comprises 79,772,495 quotas with no par value.

(iii) Ouro Fino Pet Ltda.

Fully paid-up capital comprises 1,000,000 quotas with no par value.

(b) Allocation of profit

According to the bylaws of the combined companies profit will be allocated as described below.

The profit determined, as resolved by quotaholders representing 75% of capital can be:

- distributed to quotaholders, totally or partially, in proportion to their ownership interest or as resolved at the quotaholders' meeting, not excluding, however, any quotaholder from the results computed; and/or
- withheld, totally or partially, in retained earnings or reserve account or capitalized.

In 2014, dividends amounting to R$ 25,513 (2013 – R$ 32,297) and interest on capital amounting to R$ 4,000 (2013 – R$ 4,193) were distributed.

(c) Carrying value adjustments

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

20 Segment information

The Board of Directors of Ouro Fino Saúde Animal Participações S.A. is the chief decision-maker and has determined the Group's operating segments according to the markets where it operates, based on strategic business decisions.

The segments are:

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

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

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

As described in Note 4.1 (b), the combined consolidated companies have a broad customer base and, therefore, the Group does not have customers representing more than 10% of its total net revenues.

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

All amounts in thousands of reais unless otherwise stated

The results by segment are as follows:

				2014
	Results by business segment			
	Livestock	Pets	International operations	Total
Net revenue	346,175	59,360	26,706	432,241
Cost of sales	(152,363)	(9,174)	(10,393)	(171,930)
Gross profit	193,812	50,186	16,313	260,311
Selling expenses	(125,604)	(15,417)	(5,655)	(146,676)
General and administrative expenses (not segmented)				(34,831)
Other revenues, net (not segmented)				211
Operating profit				79,015
Finance income (not segmented)				26,967
Finance costs (not segmented)				(38,410)
Finance result (not segmented)				(11,443)
Profit before income tax and and social contribution				67,572
Income tax and social contribution				
Current (not segmented)				(10,429)
Deferred (not segmented)				(4,629)
Earnings from continuing operations				52,514

All amounts in thousands of reais unless otherwise stated

				2013
	Results by business segment			
	Livestock	**Pets**	**International operations**	**Total**
Net revenue	315,426	45,931	22,664	384,021
Cost of sales	(134,701)	(7,019)	(7,378)	(149,098)
Gross profit	180,725	38,912	15,286	234,923
Selling expenses	(111,365)	(13,591)	(6,782)	(131,738)
General and administrative expenses (not segmented)				(36,542)
Other revenues, net (not segmented)				11
Operating profit				66,654
Finance income (not segmented)				11,398
Finance costs (not segmented)				(20,060)
Finance result (not segmented)				(8,662)
Profit before income tax and and social contribution				57,992
Income tax and social contribution				
Current (not segmented)				(5,274)
Deferred (not segmented)				1,171
Earnings from continuing operations				53,889

The table below shows the composition by country of net revenues from foreign customers:

	2014	**2013**
Venezuela	6,551	7,130
Mexico	6,225	3,170
Colombia	2,859	1,965
Paraguay	1,897	2,066
Sudan	1,886	2,014
Other	7,288	6,319
	26,706	22,664

All amounts in thousands of reais unless otherwise stated

21 Revenues

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

	2014	2013
Domestic customers		
Gross sales and services	462,667	408,288
Taxes and deductions on sales	(57,132)	(46,931)
	405,535	361,357
Foreign customers		
Gross sales of products	26,706	23,721
Taxes and deductions on sales		(1,057)
	26,706	22,664
	432,241	384,021

All amounts in thousands of reais unless otherwise stated

22 Costs and expenses by nature

	2014	2013
Cost of sales		
Variable costs (raw and consumption materials)	107,082	88,007
Personnel expenses	26,853	25,998
Outsourced services	10,160	7,820
Depreciation and amortization	9,150	9,277
Electric power	3,558	3,024
Provision for impairment	776	808
Provision for inventory losses and write-offs	1,531	2,139
Other	12,820	12,025
	171,930	149,098
Selling expenses		
Personnel expenses	57,471	49,553
Sales team expenses	51,801	54,689
Freight charges	13,376	10,342
Outsourced services	13,302	9,944
Depreciation and amortization	4,027	2,391
Telecommunications and electricity	1,330	1,281
Recovery of expenses - Shared Services Center	(1,304)	
Other	6,673	3,538
	146,676	131,738
General and administrative expenses		
Personnel expenses	27,358	23,625
Depreciation and amortization	3,447	2,378
Telecommunications and electricity	950	994
Travel expenses	886	908
Vehicle expenses	826	421
Maintenance and consumption materials	444	273
Donations and sponsorship	429	409
Outsourced services	4,297	4,924
Recovery of expenses - Shared Services Center	(5,894)	
Other	2,088	2,610
	34,831	36,542
	353,437	317,378

All amounts in thousands of reais unless otherwise stated

23 Other income, net

	2014	2013
Gains on sale and write-off of PP&E	265	219
Capital gain on the disproportionate distribution of profit		267
Bonuses received	72	116
Gains on other sales	348	338
Sundry charges	(131)	(699)
Sundry losses	(91)	(89)
Sundry taxes	(252)	(85)
Other		(56)
	211	11

24 Finance result

	2014	2013
Finance income		
Foreign exchange variation	13,325	5,272
Gains on derivatives	10,332	1,785
Income from financial investments	1,885	3,061
Interest receivable	556	950
Discounts obtained	295	47
Monetary variation	274	214
Other	300	69
	26,967	11,398
Finance costs		
Foreign exchange variation	(22,645)	(6,620)
Interest payable	(10,002)	(10,517)
Losses on derivatives	(3,734)	(1,046)
Finance charges	(1,144)	(1,833)
Bank fees	(454)	(123)
Discounts granted	(251)	90
Monetary variation		(11)
Other	(180)	
	(38,410)	(20,060)
Finance result	(11,443)	(8,662)

All amounts in thousands of reais unless otherwise stated

25 Income tax and social contribution expense

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

	2014	2013
Profit before income tax and social contribution including discontinued operations	66,361	46,108
Standard rates	34%	34%
	(22,563)	(15,677)
Reconciliation to the effective rate:		
Permanent differences:		
R&D incentive	600	3,989
Adjustment related to the calculation of subsidiary taxed based on the deemed profit method	7,084	6,327
Adjustment related to the calculation of foreign subsidiary taxed based on the rate in effect in that country	(100)	(1)
Interest on capital	1,360	1,425
Derivative financial instruments	(1,887)	
Other permanent differences	448	(166)
Income tax and social contribution	(15,058)	(4,103)
Reconciliation with the statement of income:		
Current	(10,429)	(5,274)
Deferred	(4,629)	1,171
	(15,058)	(4,103)

On May 13, 2014, the Provisional Measure 627 was converted into Law 12,973/14, and confirmed the repealing of the Transitional Tax System (RTT) as from 2015, earlier adoption in 2014 being permitted.

The Group completed its analysis of the impacts of the provisions in the mentioned Law, both in its financial statements and in its internal control structure. Considering that the results of this analysis did not present material tax effects, the Group has decided not to elect early adoption of the rules and provisions of the new law in 2014.

26 Employee benefits

(a) Private pension plan - defined contribution

The combined companies sponsor a defined contribution pension plan for their employees. The plan was implemented in August 2008 and is managed by Itaú Vida e Previdência S.A. The contributions of the companies in 2014 totaled R$ 948 (2013 - R$ 786).

(b) Profit sharing

The combined companies offer to their employees a variable remuneration program, calculated based on quantitative and qualitative goals established by management. In 2014, the amount of the profit-sharing provision was R$ 10,930 (2013 – R$ 5,433).

27 Insurance cover (unaudited)

The combined consolidated companies had insurance coverage for operating risks and comprehensive civil liability, with a maximum indemnity of R$ 295,800 in 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.

28 Events after the reporting period

On February 10, 2015, an increase in the capital of Ouro Fino Agronegócio Ltda. from R$ 79,772 to R$ 80,622 was approved, with advances for future capital increase made by Ouro Fino Saúde Animal Participações S.A. in the amount of R$ 850.

On February 25, 2015, an increase in the capital of Ouro Fino Saúde Animal Ltda. from R$ 87,064 to R$ 190,474 was approved, with advances for future capital increase made by Ouro Fino Saúde Animal Participações S.A. in the amount of R$ 103,410.

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