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

Ouro Fino Saúde Animal Participações S.A. and Subsidiaries

Individual and Consolidated
Financial Statements
for the Year Ended
December 31, 2022 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes Ltda.

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INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

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

Opinion

We have audited the accompanying individual and consolidated financial statements of Ouro Fino Saúde Animal Participações S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2022, and the related statements of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Ouro Fino Saúde Animal Participações S.A. as at December 31, 2022, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters ("KAM") are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not provide a separate opinion on these matters.

Revenue recognition

<u>Why is it a KAM</u>

As described in notes 1.1 and 29.13 to the individual and consolidated financial statements, the Company and its subsidiaries (together, “the Group”) operate in the animal health segment, specifically in the development, production and marketing of medicines, vaccines and other veterinary products for farm and company animals and their revenue stems substantially from this activity. This issue was considered as a KAM due to the value involved, the volume of transactions and the respective internal controls involved in the process of recognition of the Group’s revenue.

<u>How the matter was addressed in our audit</u>

To address this KAM, our revenue recognition audit procedures included, but are not limited to:

(a) Evaluation of the design, implementation and effectiveness of the Group’s internal control activities related to revenue recognition.

(b) Involvement of our information technology experts to evaluate the systems and the computerized environment used for revenue recognition.

(c) Test, on a sample basis, of the occurrence, completeness and accuracy of the revenues recognized by the Group, as well as whether they were accounted for in the correct period of time.

(d) Evaluation of the disclosures made by Management in the financial statements.

During our audit, deficiencies in internal controls related to the computerized environment used for revenue recognition and controls over customer credit limit approvals were identified, which altered our assessment of time and extent of our initially planned substantive procedures. Additionally, the adjustment in the period of recognition of revenue was measured by Management and was not recorded because it was considered immaterial.

Based on the audit procedures described above and the audit evidence obtained, we consider that the capture, processing, registration and respective disclosures on the Group’s revenue recognition are acceptable in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (“DVA”) for the year ended December 31, 2022, prepared under the responsibility of the Company’s Management and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company’s financial statements. In forming our opinion, we evaluated whether these individual and consolidated statements of value added are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the independent auditor's report

Management is responsible for the other information. Such other information comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the IFRS, issued by the 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.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

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

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

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

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, when applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the KAM. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

Campinas, February 28, 2023

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Renato Foganholi Asam
Engagement Partner

2023CA020288

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

BALANCE SHEET AS OF DECEMBER 31, 2022 AND 2021
In thousands of Brazilian reais

		Parent company		Consolidated	
ASSETS	Note	2022	2021	2022	2021
Current assets					
Cash and cash equivalents	8	12,440	51,274	165,036	161,254
Trade accounts receivable	9			301,008	245,292
Inventories	10			324,971	270,119
Taxes recoverable	11	2,621	3,689	31,368	33,836
Income tax and social contribution recoverable				11,438	7,216
Related parties	26	13,683	83	414	726
Other assets				8,669	11,268
Total current assets		28,744	55,046	842,904	729,711
Non-current					
Taxes recoverable	11			18,983	38,420
Deferred income tax and social contribution	12			34,069	35,350
Inventories	10			276	1,730
Other assets		250	250	1,839	1,746
		250	250	55,167	77,246
Investments in subsidiaries	5	723,467	603,789		
Property, plant and equipment	13			342,358	314,045
Intangible assets	14			106,076	71,641
Total non-current assets		723,717	604,039	503,601	462,932
Total assets		752,461	659,085	1,346,505	1,192,643

		Parent company		Consolidated	
LIABILITIES AND EQUITY	Note	2022	2021	2022	2021
Current					
Trade account payables	15	90		85,566	69,941
Derivative financial instruments				64	
Loans and financing	16			88,229	85,045
Salaries and payroll charges		1,624	1,113	47,875	43,652
Taxes payable		2,533	3,648	7,993	15,400
Income tax and social contribution payable					4,857
Dividends and interest on equity	26	10,576	12,768	10,576	12,768
Related parties	26	59	52	414	175
Commissions on sales				6,614	5,353
Other liabilities		35	39	12,094	8,452
Total current liabilities		14,917	17,620	259,425	245,643
Non-current					
Loans and financing	16			324,140	297,330
Provision for contingencies	17			5,675	4,779
Obligations on investment acquisition	5			8,153	
Other liabilities		1,594	20	13,143	3,419
Total non-current liabilities		1,594	20	351,111	305,528
Total liabilities		16,511	17,640	610,536	551,171
Equity	18				
Share capital		458,102	458,102	458,102	458,102
Treasury shares		(5,125)	(5,125)	(5,125)	(5,125)
Options granted		7,083	6,008	7,083	6,008
Profit reserves		261,404	164,912	261,404	164,912
Equity valuation adjustments		14,486	17,548	14,486	17,548
Total equity of the controlling shareholders		735,950	641,445	735,950	641,445
Non-controlling interest				19	27
Total equity		735,950	641,445	735,969	641,472
Total liabilities and equity		752,461	659,085	1,346,505	1,192,643

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

STATEMENT OF PROFIT OR LOSS
YEARS ENDED DECEMBER 31, 2022 AND 2021
In thousands of Brazilian reais unless otherwise stated

		Parent company		Consolidated	
	Note	2022	2021	2022	2021
Net sales revenue	19			1,041,107	904,991
Cost of sales	20			(513,032)	(457,820)
Gross profit				528,075	447,171
Selling Expenses	20			(221,488)	(190,121)
Expenses on research and innovation	20			(69,341)	(58,931)
General and administrative expenses	20	(8,759)	(6,392)	(62,978)	(54,106)
Equity in the results of investees	5	139,481	119,832		
Other income (expenses), net	21	63	(60)	3,050	(2,902)
Operating profit		130,785	113,380	177,318	141,111
Financial revenues		2,447	2,367	18,402	8,435
Financial expenses		(2,569)	(1,783)	(43,964)	(23,742)
Derivative financial instruments, net				8	1,962
Foreign exchange variation, net				(4,701)	(2,075)
Financial result	22	(122)	584	(30,255)	(15,420)
Income before income tax and social contribution		130,663	113,964	147,063	125,691
Income tax and social contribution	23				
Current				(15,663)	(22,994)
Deferred				(742)	11,260
Net income for the year		130,663	113,964	130,658	113,957
Attributable to:					
the Company's shareholders				130,663	113,964
Non-controlling interest				(5)	(7)
				130,658	113,957
Earnings per share attributable to the company's shareholders during the year (in Brazilian Reais)	24				
Basic earnings per share				2.43014	2.11377
Diluted earnings per share				2.43014	2.11377

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2022 AND 2021
In thousands of Brazilian reais

		Parent company		Consolidated	
		2022	2021	2022	2021
Net income for the year		130,663	113,964	130,658	113,957
Other comprehensive income (loss)					
Items that will be reclassified to profit or loss					
Exchange variation on investment	5	(3,065)	268	(3,068)	270
Total comprehensive income for the year		127,598	114,232	127,590	114,227
Attributable to:					
the Company's shareholders				127,598	114,232
Non-controlling interest				(8)	(5)
				127,590	114,227

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF CHANGES IN EQUITY
In thousands of Brazilian reais

		Attributable to the shareholders of the Parent Company									
					Profit retention reserve						
	Note	Share capital	Treasury shares	Granted options	Legal reserve	Profit retention reserve	Equity valuation adjustments	Retained eanings	Total	Non-controlling dos não interest	Total equity líquido
AS OF JANUARY 1, 2022		458,102	(5,125)	6,008	23,191	141,721	17,548		641,445	27	641,472
Comprehensive income (loss) for the year											
Net income for the year								130,663	130,663	(5)	130,658
Exchange variation on investment	5						(3,065)		(3,065)	(3)	(3,068)
Total comprehensive income (loss) for the year							(3,065)	130,663	127,598	(8)	127,590
Contributions and distributions to shareholders:											
Change in equity interest	5						3		3		3
Long-term incentive granted	18 (d) and (e)			1,075					1,075		1,075
Allocation of profits:											
Legal reserve	18 (b)				6,533			(6,533)			
Interest on equity and dividends	18 (b)							(34,171)	(34,171)		(34,171)
Profits available to the Shareholder's Meeting	18 (b)					89,959		(89,959)			
Total shareholder contributions				1,075	6,533	89,959	3	(130,663)	(33,093)		(33,093)
AS OF DECEMBER 31, 2022		458,102	(5,125)	7,083	29,724	231,680	14,486	-	735,950	19	735,969
AS OF JANUARY 1, 2021		425,237		5,527	17,493	95,241	17,280		560,778	32	560,810
Comprehensive income (loss) for the year											
Net income for the year								113,964	113,964	(7)	113,957
Exchange variation on investment	5						268		268	2	270
Total comprehensive income (loss) for the year							268	113,964	114,232	(5)	114,227
Contributions and distributions to shareholders:											
Capital increase with profit reserves	18 (a)	32,865				(32,865)					
Share buyback	18 (f)		(5,125)						(5,125)		(5,125)
Long-term incentive granted	18 (d) and (e)			481					481		481
Allocation of profits:											
Legal reserve	18 (b)				5,698			(5,698)			
Interest on equity and dividends	18 (b)							(28,921)	(28,921)		(28,921)
Profits available to the Shareholder's Meeting	18 (b)					79,345		(79,345)			
Total shareholder contributions		32,865	(5,125)	481	5,698	46,480		(113,964)	(33,565)		(33,565)
AS OF DECEMBER 31, 2021		458,102	(5,125)	6,008	23,191	141,721	17,548		641,445	27	641,472

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
In thousands of Brazilian reais

		Parent company		Consolidated	
	Note	2022	2021	2022	2021
Cash flows from operating activities					
Net income before Income tax and social contribution		130,663	113,964	147,063	125,691
Adjustments for:					
Expected credit gains	9 and 17			(101)	(133)
Provision for inventory losses and write-offs				9,953	10,825
Provision (reversal) of provision for customer bonuses	17			1,641	(729)
Equity in the results of investees	5	(139,481)	(119,832)		
Depreciation and amortization	13 and 14			31,994	27,679
Provision for impairment of intangible assets	14			478	5,817
Gain (loss) on disposal of property, plant and equipment	21			(3,227)	(2,552)
Gain (loss) on disposal of intangible assets	22			252	3
Interest and monetary/foreign exchange variations, net			(692)	35,975	20,892
Derivative financial instruments				(8)	(1,962)
Provision (reversal) for contingencies	17			154	(1,454)
Long-term incentive	18 (d) (e) and 25 (c)	1,888	243	8,100	481
Fair value adjustment				910	678
Changes in working capital:					
Financial investments			18,732		18,732
Trade accounts receivable				(57,203)	(36,186)
Inventories				(68,253)	(89,509)
Taxes recoverable		1,830	1,327	19,584	(4,035)
Other assets		2		2,467	(4,443)
Trade accounts payable		97	20	17,113	13,462
Taxes payable		(1,115)	(1,275)	(5,501)	6,492
Other liabilities		506	225	10,693	(1,500)
Cash provided by (used in) operations		(5,610)	12,712	152,084	88,249
Interest paid				(34,559)	(19,106)
Income tax and social contribution paid				(27,935)	(22,643)
Net cash provided by (used in) operating activities		(5,610)	12,712	89,590	46,500
Cash flows from investing activities:					
Advances for future capital increase in subsidiaries		(40,000)			
Companies' acquisition, net of acquired cash	5 (f)			(14,532)	
Investment in intangible assets	14			(18,202)	(10,276)
Purchase of property, plant and equipment	13			(51,974)	(55,906)
Distribution of dividends and interest on equity (i)		40,000	77,953		
Proceeds from sale of property, plant and equipment				5,733	5,771
Amount received for the termination of a product license assignment agreement				826	
Net cash provided by (used in) investing activities			77,953	(78,149)	(60,411)
Cash flows from financing activities:					
New loans and financing	28			106,104	76,500
Repayments of loan and financing	28			(78,905)	(89,851)
Lease payments				(1,997)	(800)
Purchase of treasury shares	19 (f)		(5,125)		(5,125)
Payment of dividends and interest on equity	29	(33,224)	(35,607)	(33,224)	(35,607)
Realized derivative financial instruments	29			72	4,260
Net cash used in financing activities=		(33,224)	(40,732)	(7,950)	(50,623)
Increase (decrease) in cash and cash equivalents, net		(38,834)	49,933	3,491	(64,534)
Cash and cash equivalents at the beginning of the year		51,274	1,341	161,254	225,575
Foreign exchange gains on cash and cash equivalents				291	213
Cash and cash equivalents at the end of the year	8	12,440	51,274	165,036	161,254

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

(i) Income from dividends and interest on equity in the Parent Company is classified as investing activities as it refers to returns on investments.

Non-cash transactions in financing activities are presented in Note 28.

STATEMENT OF VALUE ADDED
YEARS ENDED DECEMBER 31, 2022 AND 2021
In thousands of Brazilian reais

		Parent company		Consolidated	
	Note	2022	2021	2022	2021
Revenues:					
Gross revenues from sales and services				1,137,912	984,943
Other revenues, net				4,231	1,446
Income from construction of own assets				12,031	8,424
Expected credit gains	9 and 17			101	133
				1,154,275	994,946
Inputs acquired from third parties:					
Cost of sales and services				(379,957)	(331,397)
Materials, electricity, third-party services and other		(1,039)	(1,070)	(266,744)	(210,857)
Losses on assets, net				(10,139)	(16,427)
Gross value added (distributed)		(1,039)	(1,070)	497,435	436,265
Depreciation and amortization	13 and 14			(31,994)	(27,679)
Net value added (distributed) generated by the entity		(1,039)	(1,070)	465,441	408,586
Value added received through transfer:					
Equity in the results of investees	5	139,481	119,832		
Financial revenues		2,562	2,464	26,097	22,308
Royalties		200	200	205	205
Other		4		1,208	257
Total value added distributed		141,208	121,426	492,951	431,356
DISTRIBUTION OF VALUE ADDED					
Personnel:					
Direct compensation		6,330	4,451	183,092	159,545
Benefits		217	193	34,428	29,842
FGTS		115	101	12,410	10,689
Taxes, charges and contributions:					
Federal		3,717	2,572	69,890	52,178
State		8	9	4,332	24,244
Municipal				537	519
Remuneration of third parties' capital:					
Interest, foreign exchange variation, losses on derivatives etc.		158	136	53,017	36,073
Rentals				4,567	4,292
Other				20	17
Equity remuneration					
Retained earnings		96,492	85,043	96,492	85,043
Interest on equity and dividends		34,171	28,921	34,171	28,921
Non-controlling interest				(5)	(7)
Value added distributed		141,208	121,426	492,951	431,356

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(All amounts in thousands of Brazilian reais (R$) unless otherwise stated)

1. GENERAL INFORMATION

1.1. Operations

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

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

The issue of these individual and consolidated financial statements was authorized for disclosure by the Board of Directors on February 28, 2023.

(i) Merger of subsidiary

At a meeting of the partners held on January 1, 2022, the merger of subsidiary Ouro Fino Pet Ltda. ("OF Pet") into subsidiary Ouro Fino Agronegócio Ltda. ("OF Agro") was approved, based on an appraisal report at book value as of December 31, 2021, issued on January 1, 2022.

The merger purpose was to optimize some distribution centers seeking the gain of logistical synergies and operational gains.

OF Agro merged all OF Pet's assets and liabilities and, therefore, the Merger resulted in OF Agro's capital increase in the amount of R$ 60,921, represented by 60,920,848 new shares, with a par value of one Brazilian real (R$1.00) each. Accordingly, OF Agro's capital increased from R$ 80,622, divided into 80,622,495 shares with a par value of one Brazilian real (R$1.00) each, to R$ 141,543, divided into 141,543,343 shares with a par value of one Brazilian real (R$1.00) each.

(ii) Business combination

In a material fact disclosed on November 18, 2021, subsidiary Ouro Fino Saúde Animal Ltda. ("OF Saúde Animal") entered into an agreement of intent for the acquisition of all the shares issued by Regenera Medicina Avançada Ltda. ("Regenera"). The consummation of the acquisition was conditioned to the approval of certain conditions precedent and completion of regulatory procedures, which have already been met and the signing of the closing of the transaction took place on February 25, 2022.

Regenera is a biotechnology company, founded in Campinas (SP) in 2012, operating in the area of Veterinary Medicine, working with research and development of therapeutic protocols involving mesenchymal stem cells and derivatives and is the holder of the patent in Brazil, Australia and the United States.

This move reaffirms the Company's purpose of reimagining Animal Health and is fully aligned with the strategic goal of growing in high-growth potential adjacent markets and connected with the main trends, especially the humanization of the relationship between pet owners and their pets.

1.2. COVID-19 impact on the preparation of individual and consolidated financial statements

The outbreak of COVID-19 since the beginning of 2020 has affected business and economic activities on a global scale.

The Company has created a Risk Management Committee, since its inception, which has been monitoring the evolution of the pandemic, making some important decisions to protect the health and safety of its employees and the continuity of the operation.

In this context, the Company remains attentive to and following the evolution of this issue, but no impacts on its operations are expected.

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

1.3. Impact of the conflict between Russia and Ukraine on the preparation of individual and consolidated financial statements

Up to the date of approval of these individual and consolidated financial statements, the Company's Executive Board assessed and understood that there were no significant impacts on its operations. The Executive Board is constantly analyzing the unfolding of the issue in order to implement measures to mitigate any impact on its operations.

1.4. Basis of preparation and statement of compliance

The individual and consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board - IASB and also in compliance with accounting practices adopted in Brazil ("BR GAAP").

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

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

The main accounting policies applied in the preparation of these individual and consolidated financial statements are set out in Note 29.

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

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

1.5. Consolidation

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

The subsidiaries included in the consolidation are described in Note 5(a) and the accounting policies applied in the preparation of the consolidated financial statements are described in Note 29.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

a) Fair value of derivative financial instruments

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

b) Expected credit losses

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

c) Deferred income tax and social contribution

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

d) Impairment of property, plant and equipment

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

e) Provision for contingencies

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

f) Fair value of the Share-based Compensation Plan

i) Stock option plan

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

ii) Long-term Incentive Plan – "ILP"

The fair value of shares was calculated using the Monte Carlo simulation, which considers the historical share volatility and the acceleration/penalty curve for the quantity delivered as a result of performance. Considering its features, this plan is remeasured and its accounting impacts are reassessed at each reporting period.

iii) Long-term Incentive Plan – "*Phantom Units*"

The Plan's fair value was calculated based on the higher between the share price or EBITDA multiples and will be measured at the end of each period.

g) Impairment of intangible assets

(i) Product development and registration

Annually, the Group's Executive Board assesses the recoverability ("impairment") of intangible balances of product development and registration, whenever practicable, through the discounted cash flow method, considering, among other aspects:

- Assumptions of future revenue generation based on market size (current and estimated) and on the Group's expected market share.
- Estimates of direct and indirect manufacturing costs.
- Trading expenditures, such as marketing, commission, freight and storage expenses.

The projection period covers five or more years, beginning on the estimated launch date, and considers the estimated life cycle, market development, and level of associated technological innovation of the products. The provision is recorded when the recoverable amount (net present value of cash flow) is below the amount of the recorded asset, pursuant to the Company's accounting policy presented in Note 29.9. The assessment of the recoverability of balances takes into account strategic, technical and market aspects.

(ii) Goodwill on the acquisition of a company

Goodwill generated in a business combination is an intangible asset with an indefinite useful life and is tested for impairment at least once a year or more frequently if there are signs of impairment.

In order to determine if there was a loss in the recoverable value, assets are grouped into Cash Generating Units ("CGU"), which correspond to the smallest groups of assets generating cash flows that are clearly independent of those generated by other CGUs.

In evaluating the recoverability of goodwill, projections of cash flows covering five or more years are considered, and these calculations use projections based on financial budgets approved by Management and, when applicable, are discounted to present value using a discount rate, usually the WACC – Weighted Average Cost of Capital.

h) Provision for inventory losses

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

i) Taxes recoverable

Subsidiary Ouro Fino Saúde Animal Ltda. has accumulated ICMS credits on tax-exempt shipments in operations within the State of São Paulo, exports, and the 60% reduction in the ICMS tax base in interstate operations, with full/partial maintenance of credits on purchases, pursuant to ICMS Agreement 100/97.

The Group's Executive Board understands that there is no relevant risk of non-realization of these credits, considering that the credits have already been released for use in the operation and, therefore, no provision for loss has been set up.

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

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

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

a) Market risks

(i) Foreign exchange risk

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

Where necessary, in order to hedge against foreign exchange risks, derivative transactions are used, mainly swaps and NDF (non-deliverable forward) contracts.

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

NDFs are classified as derivatives at fair value through profit or loss and were contracted to mitigate possible foreign exchange gains or losses that may be incurred by the Group.

Gains and losses are recognized within "Financial Result" in the statement of profit or loss.

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

	2022	2021
Assets in foreign currency		
Cash and cash equivalents (Note 8)	11,319	476
Trade accounts receivable (Note 9)	16,953	14,688
	28,272	15,164
Liabilities in foreign currency		
Trade accounts payable (Note 15)	(30,277)	(10,729)
	(30,277)	(10,729)
Net exposure - assets (liabilities)	(2,005)	4,435

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

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

			Impact		
Assets/liabilities	Risk	Balance as of 2022	Likely scenario (US$1=R$ 5.32)	Scenario 2 (US$ variation - 25%)	Scenario 3 (US$ variation - 50%)
Cash and cash equivalents	US$ depreciation	11,319	226	(2,886)	(5,772)
Trade accounts receivable	US$ depreciation	16,953	338	(4,323)	(8,646)
Trade accounts payable	US$ appreciation	(30,277)	(604)	(7,720)	(15,441)

			Impact		
Assets/liabilities	Risk	Balance as of 2021	Likely scenario (US$=R$5.64)	Scenario 2 (US$ variation - 25%)	Scenario 3 (US$ variation - 50%)
Cash and cash equivalents	US$ depreciation	476	1	(119)	(238)
Trade accounts receivable	US$ depreciation	14,688	24	(3,678)	(7,356)
Trade accounts payable	US$ appreciation	(10,729)	(17)	2,687	5,373

(ii) Interest rate risk

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

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

Currently, the Group’s financing transactions are carried out at floating interest rates, 95.0% (2021 – 90.4%) versus 5.0% of transactions at fixed interest rates (2010 - 9.6%). The higher amount of transactions with floating rates may give rise to volatility in the average cost of transactions, mainly due to the increase in TJLP and SELIC rates and its impact on the CDI, however this risk is partially mitigated by the volume of funds existing in cash.

b) Credit risks

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

Trade account receivables-related credit risk is mitigated through a broad customer base and careful selection of customers by business segment (production animals, companion animals, and international operations), in addition to the utilization of guarantees, establishment of individual exposure limits and a well-defined credit policy that utilizes credit risk modeling, through which a credit rating is assigned to each customer, based on the Group's experience in the market, of more than 35 years.

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

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

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

c) Liquidity risk

The Group's Executive Board adopts a policy for managing its financial assets and liabilities, which is monitored by the Financial Department through operating strategies to ensure liquidity, profitability and security.

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

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

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

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

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

	Consolidated			
	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years
As of December 31, 2022				
Trade accounts payable	85,566			
Loans and financing (i)	120,919	107,734	145,114	159,250
Derivative financial instruments, net	64			
Dividends and interest on equity	10,576			
Related parties	414			
Obligations on investment acquisition			5,000	3,153
Provision for contingencies		1,391	3,245	1,040
Other liabilities (ii)	74,576	3,556	2,206	7,381
	292,115	112,681	155,565	170,824
As of December 31, 2021				
Trade accounts payable	69,941			
Loans and financing (i)	112,573	98,490	146,359	118,577
Dividends and interest on equity	12,768			
Related parties	175			
Provision for contingencies	1,434	3,345		
Other liabilities (ii)	77,714	1,454	1,502	463
	274,605	103,289	147,861	119,040

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

(ii) Balances of salaries and social charges, taxes payable, income tax and social contribution payable, sales commissions and other short-term and long-term liabilities are considered.

3.2. Capital Management

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

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

The leverage ratios for 2022 and 2021 were as follows:

		Consolidated	
	Note	2022	2021
Loans and financing	16	412,369	382,375
Cash and cash equivalents	8	(165,036)	(161,254)
Net debt		247,333	221,121
Equity	18	735,969	641,472
Total capital		983,302	862,593
Leverage ratio %		25.15	25.63

3.3. Fair value estimate

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

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

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

Derivative financial instruments, when contracted, are measured at fair value in the balance sheet, which requires the disclosure of fair value measurements by hierarchy level, are usually classified in Level 2 "Other significant observable data".

4. SEGMENT REPORTING

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

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

The products are manufactured at the Company's industrial facilities in the cities of Cravinhos and Campinas, both in State of São Paulo.

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

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

The results by segment were as follows:

	2022				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenues	767,141	138,189	135,777		1,041,107
Cost of sales	(414,051)	(43,075)	(55,906)		(513,032)
Gross profit	353,090	95,114	79,871		528,075
Selling expenses	(144,832)	(34,972)	(41,684)		(221,488)
Results by segment	208,258	60,142	38,187		306,587
Expenses on research and innovation				(69,341)	(69,341)
General and administrative expenses and other expenses				(59,928)	(59,928)
Financial results				(30,255)	(30,255)
Income tax and social contribution				(16,405)	(16,405)
Unallocated results				(175,929)	(175,929)
Net income for the year					130,658

	2021				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenues	668,838	121,143	115,010		904,991
Cost of sales	(378,918)	(36,730)	(42,172)		(457,820)
Gross profit	289,920	84,413	72,838		447,171
Selling expenses	(126,350)	(26,899)	(36,872)		(190,121)
Results by segment	163,570	57,514	35,966		257,050
Expenses on research and innovation				(58,931)	(58,931)
General and administrative expenses and other expenses				(57,008)	(57,008)
Financial results				(15,420)	(15,420)
Income tax and social contribution				(11,734)	(11,734)
Unallocated results				(143,093)	(143,093)
Net income for the year					113,957

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

	2022	2021
Colombia	37,324	35,284
Mexico	35,919	35,554
Indonesia	9,881	
Ecuador	8,853	10,464
Paraguay	6,269	5,445
Uruguay	5,834	4,879
Spain	5,251	2,171
Honduras	5,000	4,551
Bolivia	4,882	3,980
Costa Rica	4,091	2,697
Arab Emirates	3,145	3,522
Panama	2,996	1,780
Others	6,332	4,683
	135,777	115,010

5. INVESTMENTS (PARENT COMPANY)

a) Information on investments as of December 31, 2022

Name	Country	Business	Direct holding	Indirect holding
(i) Ouro Fino Saúde Animal Ltda.	Brazil	Research, development, production and sale of veterinary drugs, vaccines and other products. Sales in the domestic market are carried out through the companies mentioned in items (ii) and (iii) below. Sales in the foreign market are carried out directly with third parties and through the companies mentioned in items (iv) and (v) below. This company also manufactures to third parties upon order.	99.99%	
(ii) Ouro Fino Agronegócio Ltda.	Brazil	Sales in the domestic market of veterinary drugs, vaccines and other products for production animals and companion animals purchased from the company mentioned in item (i) and from third parties.	99.99%	
(iii) Ouro Fino de México, S.A. de CV	Mexico	Sales, exclusively in Mexico, of veterinary drugs and other products purchased from the company mentioned in item (i).		99.92%
(iv) Ouro Fino Colômbia S.A.S	Colombia	Sales, exclusively in Colombia, of veterinary drugs and other products purchased from the company mentioned in item (i).		100.00%
(v) Regenera Medicina Avançada Ltda.	Brazil	Research, development, manufacturing, and trade of therapeutic protocols involving mesenchymal stem cells and derivatives for companion animals.		100.00%

b) Information on investments as of December 31, 2021

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

(*) Subsidiary Ouro Fino Pet Ltda. was merged into subsidiary Ouro Fino Agronegócio Ltda. on January 1, 2022 (Note 1.1 (i)).

c) Changes in investments

	Parent company	
	2022	2021
Opening balance	603,789	550,524
Equity in the results of investees	139,481	119,832
Capital payment with AFACs	40,000	
Stock options granted	759	238
Interest on Equity	(26,000)	(17,799)
Dividends received (i)	(31,500)	(49,274)
Exchange variation on foreign investment	(3,065)	268
Change in relative equity interest in subsidiaries	3	
Final balance	723,467	603,789

(i) For the year ended December 31, 2022, the partners of subsidiaries Ouro Fino Saúde Animal Ltda. and Ouro Fino Agronegócio Ltda. approved and paid dividends to the parent company Ouro Fino Saúde Animal Participações S.A. in the amount of R$ 1,500 and R$ 30,000 (2021 – R$ 37,274), respectively and for the year ended December 31, 2021, the partners of subsidiary Ouro Fino Pet Ltda. approved and paid dividends to the parent company Ouro Fino Saúde Animal Participações S.A. in the amount of R$ 12,000.

d) Summarized financial information

The tables below present summarized financial information of the subsidiaries.

(i) Summarized balance sheet

	2022				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Regenera Medicina Avançada Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current					
Assets	478,726	422,272	1,150	27,523	20,058
Liabilities	(195,545)	(125,726)	(109)	(7,321)	(15,593)
Current assets, net	283,181	296,546	1,041	20,202	4,465
Non-current					
Assets	476,931	36,763	26,289	3,323	2,429
Liabilities	(343,501)	(3,140)	(2,720)	(1,328)	(1,158)
Non-current assets, net	133,430	33,623	23,569	1,995	1,271
Equity	416,611	330,169	24,610	22,197	5,736

	2021				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current					
Assets	420,604	270,284	74,160	29,772	21,473
Liabilities	(173,761)	(87,694)	(16,629)	(28,245)	(24,159)
Current assets (liabilities), net	246,843	182,590	57,531	1,527	(2,686)
Non-current					
Assets	424,844	18,041	3,840	5,942	3,658
Liabilities	(301,441)	(2,162)	(450)		(1,454)
Non-current assets, net	123,403	15,879	3,390	5,942	2,204
Equity (equity deficiency)	370,246	198,469	60,921	7,469	(482)

(ii) Summarized statement of profit or loss

	2022				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Regenera Medicina Avançada Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	685,098	850,756	1,023	35,919	37,324
Income (loss) before income tax and social contribution	18,744	129,454	1,329	(2,504)	(1,646)
Income tax and social contribution	1,607	(12,858)	(38)	(3,151)	(660)
Net income (loss) for the year	20,351	116,596	1,291	(5,655)	(2,306)

	2021				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	602,883	618,257	149,955	35,554	35,284
Income (loss) before income tax and social contribution	31,691	72,271	53,784	(1,875)	(4,224)
Income tax and social contribution	(2,961)	(367)	(17,883)		873
Net income (loss) for the year	28,730	71,904	35,901	(1,875)	(3,351)

(iii) Statement of comprehensive income (loss)

	2022	2021
Ouro Fino Saúde Animal Ltda. (direct subsidiary)		
Net income for the year	20,351	28,730
Other comprehensive income (loss)	(3,062)	268
Total comprehensive income (loss)	17,289	28,998

(iv) Summarized statement of cash flows

	2022				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Regenera Medicina Avançada Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Cash flows from operating activities					
Cash from operating activities	105,667	80,026	(873)	(16,982)	(10,144)
Interest paid	(33,509)	(226)		(149)	(675)
Income tax and social contribution paid	(3,736)	(24,164)	(35)		
Net cash provided by (used in) operating activities	68,422	55,636	(908)	(17,131)	(10,819)
Net cash provided by (used in) investing activities	(107,780)	15,637	(104)	(1,137)	(414)
Net cash provided by (used in) financing activities	54,448	(30,707)	1,680	23,370	10,138
Increase (decrease) in cash and cash equivalents, net	15,090	40,566	668	5,102	(1,095)
Cash and cash equivalents at the beginning of the year	68,644	18,798		2,732	1,801
Foreign exchange gains (losses) on cash and cash equivalents	291	(1)			
Cash and cash equivalents at the end of the year	84,025	59,363	668	7,834	706

	2021				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Cash flows from operating activities					
Cash from operating activities	5,871	45,761	30,423	(296)	(6,222)
Interest paid	(18,691)	(40)	(13)		(362)
Income tax and social contribution paid	(7,821)	(1,806)	(13,016)		
Net cash provided by (used in) operating activities	(20,641)	43,915	17,394	(296)	(6,584)
Net cash provided by (used in) investing activities	(52,124)	(5,820)	(1,796)	(730)	59
Net cash used in financing activities	(29,210)	(43,007)	(14,856)		(772)
Increase (decrease) in cash and cash equivalents, net	(101,975)	(4,912)	742	(1,026)	(7,297)
Cash and cash equivalents at the beginning of the year	170,407	23,708	17,263	3,758	9,098
Foreign exchange gains on cash and cash equivalents	212	2			
Cash and cash equivalents at the end of the year	68,644	18,798	18,005	2,732	1,801

e) Reconciliation of the financial information on investments

	Subsidiaries						
	Ouro Fino Saúde Animal Ltda.		Ouro Fino Agronegócio Ltda.		Ouro Fino Pet Ltda.	Total	
	2022	2021	2022	2021	2021	2022	2021
Equity as of January 1	370,246	351,077	198,469	170,308	38,283	568,715	559,668
Net income for the year	20,351	28,730	116,596	71,904	35,901	136,947	136,535
Capital payment with AFACs	40,000					40,000	-
Stock options granted	576	171	183	31	36	759	238
Interest on Equity	(10,000)	(10,000)	(16,000)	(6,500)	(1,299)	(26,000)	(17,799)
Dividends paid	(1,500)		(30,000)	(37,274)	(12,000)	(31,500)	(49,274)
Change in relative equity interest in subsidiaries	3					3	
Exchange variation on foreign investment	(3,065)	268				(3,065)	268
Capital increase through merger			60,921			60,921	
Equity as of December 31	416,611	370,246	330,169	198,469	60,921	746,780	629,636
Percentage holding - %	99.99%	99.99%	99.99%	99.99%	99.99%		
Share of investments	416,611	370,246	330,169	198,469	60,921	746,780	629,636
Unrealized profit on inventories	(23,313)	(25,847)				(23,313)	(25,847)
Carrying amount of the investment in Parent Company	393,298	344,399	330,169	198,469	60,921	723,467	603,789

f) Business combination

On February 25, 2022, through its subsidiary Ouro Fino Saúde Animal Ltda. ("OF Saúde Animal"), the Company completed the acquisition of all shares representing the capital of Regenera Medicina Veterinária Ltda, a biotechnology company focused on research and development of therapeutic protocols involving mesenchymal stem cells and derivatives. The transaction involved the initial amount of R$ 14,536 in cash and a retained portion of R$ 5,000 to be paid in two installments, one of R$ 3,000 and the other of R$ 2,000, subject to the result of goals previously agreed between the parties. The acquisition price may be increased by contingent consideration of R$ 3,153, in 2027 and 2028, subject to the achievement of goals to be measured between 2022 and 2026 (Note 1.1 (i)).

The Company hired external consultants for an independent assessment of the fair values of the net assets acquired, and according to the report issued on February 24, 2023, the preliminary goodwill generated amounts to a total of R$ 18,094, which comprises the amount of the difference paid by the Company versus the fair value of the assets of the acquired company. No material adjustments are expected as a result of fair value allocation.

The estimate of the valuation of the fair values of the net assets acquired and liabilities assumed are presented below:

(i) Total consideration

Cash payment	14,536
Payment in installments	5,000
Contingent consideration	3,153
	22,689

(ii) Assets and liabilities recognized at fair value on the acquisition date

ASSETS	02/25/2022	LIABILITIES AND NET ASSETS	02/25/2022
Current assets		Current	
Cash and cash equivalents	4	Trade accounts payable	1,385
Trade accounts receivable	23	Loans and financing	1
Inventories	114	Salaries and payroll charges	73
Other assets	1	Taxes payable	217
Total current assets	142	Other liabilities	510
		Total current liabilities	2,186
		Non-current	
		Taxes payable	63
		Provision for contingencies	1,040
		Total non-current liabilities	1,103
Non-current			
Property, plant and equipment	398	Total liabilities	3,289
Intangible assets	25,438		
Total non-current assets	25,836		
Total assets	25,978	Total assets, net	22,689

(iii) Preliminary goodwill generated in the acquisition

Estimated price	22,689
(-) Fair value of assets acquired	(7,540)
(+) Fair value of liabilities taken	1,040
(-) Accounting equity on acquisition date	1,905
Goodwill produced in acquisition	18,094

The table below shows the acquired intangible assets that were not initially recorded in the acquiree's accounting books, as well as their estimated useful lives and the amortization method:

Intangible assets	Amount	Useful life	Amortization Method
Product development	7,339	8 years	Units produced

6. FINANCIAL INSTRUMENTS BY CATEGORY

	Parent company		Consolidated	
	2022	2021	2022	2021
	Amortized cost	Amortized cost	Amortized cost	Amortized cost
Assets as per balance sheet				
Cash and cash equivalents	12,440	51,274	165,036	161,254
Trade receivables			301,008	245,292
Related parties	13,683	83	414	726
Other assets, except prepaid expenses	250	250	5,793	5,691
	26,373	51,607	472,251	412,963

	Parent company		Consolidated		
	2022	2021	2022		2021
	Amortized cost	Amortized cost	Liabilities measured at fair value through profit or loss	Amortized cost	Amortized cost
Liabilities as per balance sheet					
Trade account payables	90			85,566	69,941
Derivative financial instruments			64		
Loans and financing				412,369	382,375
Related parties	59	52		414	175
Commissions on sales				6,614	5,353
Obligations on investment acquisition			8,153		
Other liabilities	1,629	59		25,237	11,871
	1,778	111	8,217	530,200	469,715

7. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets not past due is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The balances of bank accounts and financial investments amounting to R$ 164,946 (2021 - R$ 161,149) are held in prime financial institutions, most of them rated *(BB-) Standard & Poor's*.

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

	Consolidated	
	2022	2021
AA	119,068	102,630
A	119,841	94,014
B	29,302	24,976
C	18,271	17,349
D	16,410	8,449
E	311	282
	303,203	247,700

8. CASH AND CASH EQUIVALENTS

These comprise cash on hand and at banks, as well as financial investments consisting of Repurchase Agreements (Repos) and CDBs, yielding on average 103.4% of the Interbank Deposit Certificate (CDI) rate variation (December 31, 2021 - up to 103.5% of CDI rate).

	Parent company		Consolidated	
	2022	2021	2022	2021
Cash:				
In local currency			5	6
In foreign currency			85	99
			90	105
Banks:				
In local currency	58	73	2,788	7,778
In foreign currency			11,234	377
	58	73	14,022	8,155
Financial investments - cash and cash equivalents (i):				
In local currency				
Bank Deposit Certificate (CDB)	12,374	47,140	121,689	145,628
Repo and others	8	4,061	29,235	7,366
	12,382	51,201	150,924	152,994
Total cash and cash equivalents	12,440	51,274	165,036	161,254

(i) Financial investments as cash equivalents in the amount of R$ 150,924 (2021 - R$ 152,994) are mainly aimed at maintaining the Group's liquidity to cover investments in R&D and working capital. Such investments include the feature of immediate redemption with no loss of profitability.

9. TRADE ACCOUNTS RECEIVABLE (CONSOLIDATED)

	2022	2021
In local currency		
Accounts receivable	286,250	233,012
Expected credit losses	(2,195)	(2,408)
	284,055	230,604
In foreign currency		
Accounts receivable	16,953	14,688
	16,953	14,688
Current	301,008	245,292

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

	2022	2021
Not yet due:		
Up to three months	245,898	208,476
From three to six months	49,905	35,176
Over six months	4,485	1,010
	300,288	244,662
Past due:		
Up to three months	669	670
From three to six months	63	8
Over six months	2,183	2,360
	2,915	3,038
	303,203	247,700

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

Changes in allowance for expected losses were as follows:

	2022	2021
Opening balance	2,408	5,789
Reversals, net	(101)	(133)
Foreign exchange variation	(8)	(551)
Write-Offs	(104)	(2,697)
Final balance	2,195	2,408

Additions to and reversals of the expected credit losses on account receivables were recorded in the statement of profit or loss under "Selling expenses" (Note 20). The Group's Executive Board analyzes on an annual basis the provisioned balance and the amounts are written off from the provision account when there is no expectation of recovering the funds.

10. INVENTORIES (CONSOLIDATED)

	2022	2021
Finished goods	143,694	88,449
Raw materials	94,519	74,705
Packaging materials	21,617	19,629
Products in process	14,712	12,785
Imports in transit	29,886	47,927
Advances to suppliers	5,195	16,903
Others	23,082	15,186
Provision for inventory losses (Note 17)	(7,458)	(3,735)
Total	325,247	271,849
Current	324,971	270,119
Non-current	276	1,730

11. TAXES RECOVERABLE

	Parent company		Consolidated	
	2022	2021	2022	2021
Value-Added Tax on Sales and Services (ICMS)			28,860	53,153
PIS and COFINS			11,717	9,740
IRRF	2,548	3,689	3,102	3,997
ICMS, PIS and COFINS on purchase of PPE			1,126	1,209
Excise Tax (IPI)			713	377
Others	73		4,833	3,780
Total	2,621	3,689	50,351	72,256
Current	2,621	3,689	31,368	33,836
Non-current			18,983	38,420

ICMS credits were mostly generated by subsidiary Ouro Fino Saúde Animal Ltda., and are not subject to inflation adjustment. The generation resulted from the credit accrual due to non-offsetting of debits on tax-exempt shipments in transactions within the State of São Paulo, as well as exports, and the 60% reduction in the ICMS tax base in interstate transactions, with full/partial credits on purchases, pursuant to ICMS Agreement 100/97.

As from May 1, 2019, upon the enactment of Decree 64.213 of 2019, subsidiary Ouro Fino Saúde Animal Ltda. was no longer entitled to maintain full credits on transactions within the State of São Paulo, and as of January 1, 2022, with the entry into force of Decree 66.054 of 2021, it no longer has the partial maintenance of the aforementioned credits in interstate operations, and, therefore, started reversing such amounts in the monthly calculations.

Ouro Fino Saúde Animal Ltda. completed the delivery of the retroactive costing files (CAT Ordinance 83/2009) for the period from 2010 to 2018.

The credits related to the period from 2010 to 2013 in the amount of R$ 5,707 were released on January 18, 2021 and the residual credits related to the period from 2014 to 2018 in the amount of R$ 39,780 were released on June 22, 2022. Such releases were made through the filing of a writ of mandamus.

Of the credits released on June 22, 2022, the amount of R$ 25,000 was transferred to subsidiary Ouro Fino Agronegócio Ltda. which calculates ICMS payable, through interdependence and the residual of R$ 14,610 is being consumed in the operation of subsidiary Ouro Fino Saúde Animal Ltda. For the year ended December 31, 2022, the residual balances in the subsidiaries amounted to R$ 13,631 and R$ 8,765, respectively.

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

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

The Company and its subsidiaries Ouro Fino Saúde Animal Ltda. and Ouro Fino Agronegócio Ltda. calculate income tax and social contribution under the "Taxable Income" method, at the rates of 25% and 9%, respectively, while subsidiary Regenera Medicina Veterinária Ltda. adopts the "Presumptive Profit" regime. The subsidiaries located in Mexico and Colombia calculate their taxes based on the respective local regulations. Therefore, there is no direct correlation between the amounts presented in the consolidated statement of profit or loss and those that would have been obtained by applying the aforementioned standard rates.

a) Composition, nature and realization of deferred taxes

(i) Deferred income tax and social contribution

	2022	2021
Tax credits on:		
Accumulated income tax and social contribution loss	1,404	4,826
Temporary differences		
Provisions	28,272	24,563
Unrealized profit on inventories	12,010	13,315
Revaluation surplus - business combination	702	893
	42,388	43,597
Tax debits on:		
Temporary differences		
Deemed cost of lands	(7,878)	(7,878)
Provisions	(188)	
Accelerated depreciation	(253)	(369)
	(8,319)	(8,247)
Total assets, net	34,069	35,350

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

The amounts by estimated offset period are as follows:

	2022	2021
Tax credits recoverable		
In 2023	36,787	37,159
In 2024	2,689	5,434
In 2025		110
After 2026	2,912	894
	42,388	43,597
Tax debits to be settled		
In 2022	(203)	(36)
In 2023	(36)	(36)
In 2024	(36)	(297)
After 2025 (*)	(8,044)	(7,878)
	(8,319)	(8,247)

(*) The tax debt to be settled beyond 2025 mainly reflects the adoption of the deemed cost method for lands in subsidiaries occurred on January 1, 2009 in the amount of R$ 7,878 (2021 - R$ 7,878).

Net changes in the deferred tax account were as follows:

	2022	2021
Opening balance	35,350	24,121
Accumulated income tax and social contribution losses	(3,422)	(1,953)
Derivative financial instruments		781
Provisions	3,521	4,010
Unrealized profit on inventories	(1,305)	8,604
Revaluation surplus - business combination	(191)	(94)
Accelerated depreciation	116	(119)
Final balance	34,069	35,350

13. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

Change:	As of January 1st, 2022	Additions	Additions due to company	Foreign exchange variation	Transfers	Write-Offs	Depreciation	Balance as of December 31, 2022
Right of Use - Leases	4,343	3,057					(2,017)	5,383
Land	24,985							24,985
Buildings and improvements	147,231	1,161		2	24,409		(4,733)	168,070
Machinery, equipment and industrial facilities	91,263	10,734	329	(7)	6,525	(6)	(9,478)	99,360
Vehicles and tractors	16,408	7,722		(207)		(2,436)	(4,646)	16,841
Furniture and fixtures	3,325	1,012	16	6		(12)	(640)	3,707
IT equipment	5,356	4,493	53		184	(46)	(2,775)	7,265
Construction in progress (i)	20,533	25,288			(30,335)			15,486
Others	601	1,564			(783)		(121)	1,261
	314,045	55,031	398	(206)		(2,500)	(24,410)	342,358

Change:	As of January 1st, 2021	Additions	Foreign exchange variation	Transfers	Write-Offs	Depreciation	Balance as of December 31, 2021
Right of Use - Leases	478	4,684				(819)	4,343
Land	24,985						24,985
Buildings and improvements	142,004	1,177		8,319		(4,269)	147,231
Machinery, equipment and industrial facilities	84,684	10,672	1	4,503	(234)	(8,363)	91,263
Vehicles and tractors	11,977	11,032	(198)	575	(2,827)	(4,151)	16,408
Furniture and fixtures	2,609	1,930	97	(204)	4	(1,111)	3,325
IT equipment	4,007	3,265	(43)	(281)	(15)	(1,577)	5,356
Construction in progress (i)	5,546	23,334		(8,347)			20,533
Others	1,015	4,496	(1)	(4,565)	(147)	(197)	601
	277,305	60,590	(144)		(3,219)	(20,487)	314,045

	2022			2021			
Balance breakdown:	Cost	Accumulated depreciation	Net	Cost	Accrued depreciation	Net	Average annual depreciation rates
Right of Use - Leases	8,458	(3,075)	5,383	5,400	(1,057)	4,343	33.33%
Land	24,985		24,985	24,985		24,985	
Buildings and improvements	205,913	(37,843)	168,070	180,339	(33,108)	147,231	2.65%
Machinery, equipment and industrial facilities	179,475	(80,115)	99,360	162,089	(70,826)	91,263	5.84%
Vehicles, tractors and aircraft	22,489	(5,648)	16,841	22,630	(6,222)	16,408	19.58%
Furniture and fixtures	11,849	(8,142)	3,707	10,855	(7,530)	3,325	6.44%
IT equipment	19,949	(12,684)	7,265	16,313	(10,957)	5,356	14.43%
Construction in progress (i)	15,486		15,486	20,533		20,533	
Others	3,659	(2,398)	1,261	2,881	(2,280)	601	4.37%
	492,263	(149,905)	342,358	446,025	(131,980)	314,045	

(i) In 2022, the balance of works in progress refers, substantially, to the construction of a new CAG building (Cold Water Center) in the amount of R$ 7,035, expansion of the Biological unit building in the amount of R$ 2,294 (2021 - R$ R$ 701), and the unification of the Sewage Treatment Plant in the amount of R$ 1,700.

For the year ended December 31, 2022, costs of loans related to works in progress were capitalized in the amount of R$ 684 (2021 - R$ 539), at an annual average rate of 7.78% (2021 - 5.80%).

Land, buildings, and machinery and equipment amounting to R$ 75,512 (2021 - R$ 77,712) were pledged as collateral for loans and financing (Note 16).

14. INTANGIBLE ASSETS (CONSOLIDATED)

Change:	As of January 1st, 2022	Additions	Additions due to company acquisition	Foreign exchange variation	Provision for impairment	Write-Offs	Amortization	Balance as of December 31, 2022
Goodwill on company acquisition	618		18,094					18,712
Trademarks and licenses purchased	1,078		5			(1,078)		5
Development and registration of products	64,237	10,463	7,339	(60)	(478)		(6,009)	75,492
Computer software	5,708	7,739		(5)			(1,575)	11,867
	71,641	18,202	25,438	(65)	(478)	(1,078)	(7,584)	106,076

Change:	As of January 1st, 2021	Additions	Provision for impairment	Foreign exchange variation	Write-Offs	Amortization	Balance as of December 31, 2021
Goodwill on company acquisition	618						618
Trademarks and licenses purchased		1,078					1,078
Development and registration of products	67,575	7,743	(5,817)	41	(3)	(5,302)	64,237
Computer software	5,748	1,842		8		(1,890)	5,708
	73,941	10,663	(5,817)	49	(3)	(7,192)	71,641

	2022			
Balance breakdown:	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on company acquisition	18,712			18,712
Trademarks and licenses purchased	2,205		(2,200)	5
Product development and registration	150,946	(27,234)	(48,220)	75,492
Computer software	48,064		(36,197)	11,867
Others	1,333		(1,333)	
	221,260	(27,234)	(87,950)	106,076

	2021			
Balance breakdown:	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on company acquisition	618			618
Trademarks and licenses purchased	1,078			1,078
Product development and registration	136,973	(26,756)	(45,980)	64,237
Computer software	40,330		(34,622)	5,708
Others	1,335		(1,335)	
	180,334	(26,756)	(81,937)	71,641

Product development and registration refers to expenses incurred in new veterinary drugs and its amortization is recognized under “Selling costs” (Note 20).

Goodwill in the company’s acquisition, in the amount of R$ 18,094 was the result of a business combination, which comprises the amount of the difference paid for the Company as compared to the fair value of the acquired company’s equity (Notes 1.1 and 5 (f)).

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

15. TRADE ACCOUNTS PAYABLE (CONSOLIDATED)

	2022	2021
In local currency	55,289	26,779
In foreign currency	30,277	43,162
	85,566	69,941

16. LOANS AND FINANCING (CONSOLIDATED)

	Financial charges incurred	Maturity final	2022	2021
In local currency				
FINEP	Weighted average rate of 7.78% p.a. (2021 - 5.80% p.a.)	2032	255,630	220,636
NCE (Export Credit Note)	Average rate of 15.88% p.a. (2021 - 11.37% p.a.)	2024	56,345	83,538
Working capital	Average rate of 15.84% p.a. (2021 - 11.29% p.a.)	2024	31,398	47,778
BNDES - FINEM	Weighted average rate of 12.40% p.a. (2021 - 10.69% p.a)	2032	60,551	22,375
BNDES - FINEM	Weighted average rate of 9,50% p.a. (2021 - 9.43% p.a.)	2023	25	57
Working capital (i)	Average rate of 16.74% p.a. (2021 - 6.21% p.a.)	2023	5,445	6,966
Working capital (i)	Average rate of 14.26% p.a.	2025	2,182	
Leases	Weighted average rate of 12.52% p.a. (2021 - 8.07% p.a)	2022		643
Drawee risk	Average rate of 19.17% per year		793	382
			412,369	382,375
Current			88,229	85,045
Non-current			324,140	297,330
			412,369	382,375

(i) Loans and financing obtained by the subsidiaries Ouro Fino Colombia S.A.S and Ouro Fino de México, S.A. de CV.

a) Guarantees for loans and financing

Financing for Research, Innovation and Product Development, contracted by subsidiary Ouro Fino Saúde Animal Ltda. with FINEP, is collateralized by: (i) bank-issued guarantees, in the amount of R$ 210,012; (ii) performance bond, in the amount of R$ 95,681; (iii) security interest constituted by its industrial plant located in the municipality of Cravinhos-SP; and (iv) guarantee from the parent company Ouro Fino Saúde Animal Participações S.A., under which no charges are levied.

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

BNDES-FINEM transaction requires compliance with ratios previously defined in the agreement: Net Debt/EBITDA ratio equal to or lower than 3.0, and General Indebtedness equal to or lower than 0.70, both on a consolidated basis. For the years ended 2022 and 2021, these ratios were met by the Group.

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

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

	2022
From 1 to 2 years	83,355
From 2 to 3 years	37,365
From 3 to 4 years	33,382
From 4 to 5 years	33,382
Over five years	136,656
	324,140

17. PROVISIONS (CONSOLIDATED)

	2022				
Balances recognized in Assets:	Opening balance	Additions and reversals, net	Final write-offs	Foreign exchange variation	Final Balance
Bonuses on sales	345	4,497	(2,856)		1,986
Provision for impairment of intangible assets	26,756	478			27,234
Expected credit losses	2,408	(101)	(104)	(8)	2,195
Provision for inventory losses	3,735	5,097	(1,357)	(17)	7,458
	33,244	9,971	(4,317)	(25)	38,873

Balances recognized in Liabilities:	Opening balance	Net additions and reversals	Final write-offs	Foreing exchange variation	Additions due to company acquisition	Final Balance
Provision for contingencies	4,779	1,310	(1,156)	(298)	1,040	5,675
	4,779	1,310	(1,156)	(298)	1,040	5,675

	2021				
Balances recognized in Assets:	Opening balance	Additions and reversals, net	Final write-offs	Foreign exchange variation	Final Balance
Bonuses on sales	1,074	2,370	(3,099)		345
Provision for impairment of intangible assets	20,936	5,817		3	26,756
Expected credit losses	5,789	(133)	(2,697)	(551)	2,408
Provision for inventory losses	4,134	1,583	(1,829)	(153)	3,735
	31,933	9,637	(7,625)	(701)	33,244

Balances recognized in Liabilities:	Opening balance	Net additions and reversals	Final write-offs	Foreing exchange variation	Final Balance
Provision for contingencies	6,384	(572)	(882)	(151)	4,779
	6,384	(572)	(882)	(151)	4,779

a) Bonuses on sales

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

b) Provision for impairment of intangible assets

The Group's Executive Board tests for impairment product development balances in intangible assets, whenever possible, through the discounted cash flow method (Notes 2 (g) and 14).

c) Expected credit losses

The expected credit loss is calculated based on the criterion of expected losses based on the entire life of the instruments. In view of all the Group's controls to mitigate credit risk, and the consequent low historical delinquency level, there were no significant effects for the period (Note 9).

d) Provision for inventory losses

The Group's Executive Board recognizes a provision for inventory losses when there is uncertainty regarding the realization of these balances (damaged, expired and/or about to expire products) (Note 10).

e) Provision for contingencies

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

The provisions are as follows:

	2022	2021
Labor	2,735	3,037
Tax	1,911	881
Civil	1,029	861
	5,675	4,779

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

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

Possible contingencies are as follows:

	2022			2021		
	Administrative	Judicial	Total	Administrative	Judicial	Total
Tax	79,477	5,079	84,556	77,419	3,748	81,167
Labor		6,202	6,202		3,713	3,713
Civil	1	2,545	2,545	3	2,275	2,278
	79,478	13,825	93,303	77,422	9,736	87,158

Tax risks refer mainly to tax assessment notices related to PIS, COFINS, and ICMS. The tax assessment notice related to PIS/COFINS, amounting to R$ 56,358 (2021 - R$ 51,803), was issued by tax authorities against the subsidiary Ouro Fino Saúde Animal Ltda. in May 2019, regarding taxable events that took place in calendar year 2014, and requiring the payment of PIS and COFINS differences calculated under the one-time tax treatment, for not including transactions of Ouro Fino Agronegócio Ltda. and Ouro Fino PET Ltda. In relation to ICMS, the dispute involves issues related to alleged ICMS debts, in the amount of R$ 7,756 (2021 - R$ 10,036), arising from a different interpretation by the tax authorities about the application of the exemption provided for in ICMS Agreement 100/97 on imports of technical inputs to be used in products for the livestock sector.

In addition, the Group is involved in other proceedings of a tax nature amounting to R$ 20,442 (2021 - R$ 19,328). The most relevant proceedings are as follows: (i) R$ 6,247 (2021 - R$ 5,658) related to ICMS credits on electric energy; (ii) R$ 5,589 (2021 - R$ 3,746) related to ICMS levy on operations with germicides; (iii) R$ 3,338 (2021 - R$ 4,019) related to transfers of ICMS credit balances; (iv) R$ 3,502 (2021 - R$ 3,591) related to the acquisition of goods from a supplier with improper registration and (v) R$ 1,732 (2021 - R$ 953) related to divergences in the application of the ICMS rate (FCI).

g) Contingent assets

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

However, on May 13, 2021, the Federal Supreme Court (STF) ruled on the Motion for Clarification under RE 574.706, which defined in 2017 that ICMS does not comprise the calculation basis for PIS and COFINS levy. Pursuant to the decision, ICMS to be excluded is highlighted in the note; in addition, it modulated the effects of the thesis set, so that it takes effect from March 15, 2017, the date of the case judgment, safeguarding, however, those whose cases have been previously filed, which is the case of the subsidiaries Ouro Fino Saúde Animal Ltda. and Ouro Fino Agronegócio Ltda. Therefore, as a result of the aforementioned decision, the rights arising from such proceedings no longer represent a contingent asset and the Group's Executive Board recorded the tax credit in the amount of R$ 4,383 as of May 2021.

18. EQUITY

a) Share capital

In 2022, fully subscribed and paid-up capital comprises 53,949,006 common shares (2021 – 53,949,006 common shares) all of them with no par value and fully subscribed and paid-up.

At the Annual and Extraordinary Shareholders' Meeting held on April 9, 2021, the Company’s shareholders approved an increase in the Company's capital of R$ 32,865, with no issuance of new registered common shares, through the use of profit reserves.

b) Allocation of profit

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

- 5% to the legal reserve, limited to 20% of share capital.
- Minimum dividend of 25% of profit adjusted according to Article 202 of Law 6.404.
- The remaining balance will be distributed as approved at a Shareholders' Meeting by shareholders representing at least 2/3 (two thirds) of the voting shares, in compliance with the applicable legal provisions.

Allocation of profits	2022	2021
Net income for the year	130,663	113,964
Legal reserve (5%)	(6,533)	(5,698)
Basis for calculatin minimum dividends	124,130	108,266
Dividends paid (25%)	31,033	27,067
Interest on Equity	23,595	16,153
IRRF on interest on equity (i)	(3,138)	(1,854)
Minimum mandatory dividends	10,576	12,768

(i) Withholding income tax on interest on equity is calculated at the rate of 15%, however some shareholders are not subject to withholding due to their taxation regime.

c) Equity valuation adjustments

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

d) Stock option plan

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

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

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

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

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

For the year ended December 31, 2021, expenses of R$ 118 related to stock options were recognized.

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

At the Extraordinary Shareholder’s Meeting held on January 29, 2021, the shareholders approved the Long-Term Share-Based Incentive Plan (“ILP Plan”) of the Company.

ILP Plan aims to allow eligible persons, subject to certain conditions established in the Programs, to receive Shares with the purpose of: (i) stimulating the Company's social purpose expansion, (ii) aligning the interests of eligible persons to those of Company's shareholders, (iii) encourage the value creation for the Company and (iv) share risks and gains equitably among shareholders, managers and employees.

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

General Characteristics of ILP Plan

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

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

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

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

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

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

For the year ended December 31, 2022, the Group recognized the expense, including INSS and FGTS charges, of the Plan in the amount of R$ 1,401 (2021 - R$ 461).

f) Restricted Share-Based Compensation Plan

At an Extraordinary Shareholders' Meeting held on April 20, 2022, shareholders approved the Company's Restricted Share-Based Compensation Plan ("RSU Plan"), which provided that the beneficiaries had to remain with the Company during the vesting period in order to define the number of shares effectively granted to the beneficiaries as a result of the number of shares under the vesting period, ranging from 3 to 7 years and the fair value of shares was defined by the market value of the assets at the granting date.

On October 19, 2022, according to the minutes of the Board of Directors Meeting, the RSU plan was replaced by a new *Phantom Units* Plan (Note 25 (c)).

Pursuant to paragraph 28 (c) of CPC 10, "*...if new equity instruments are granted and at the date of those grants the entity identifies the new instruments as replacing the cancelled equity instruments, the entity shall recognize the grant of the new instruments in the same manner as would be treated as the change originally granted. The incremental fair value arising from the new grant shall be the difference of the fair value of the new instruments given in replacement".* Accordingly, in this context, for the year ended December 31, 2022, the Group made the necessary adjustments to the financial statements to reflect the Plan change.

g) Treasury shares

The Company repurchased 181,400 shares in the amount of R$ 5,125, with an average price of R$ 28.25 per share during the year ended December 31, 2021.

19. NET SALES REVENUES (CONSOLIDATED)

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

	2022	2021
In Brazil		
Gross sales and services	1,007,144	873,765
Taxes and deductions on sales	(101,814)	(83,784)
	905,330	789,981
Abroad		
Gross sales	136,920	117,585
Taxes and deductions on sales	(1,143)	(2,575)
	135,777	115,010
	1,041,107	904,991

20. COSTS AND EXPENSES BY NATURE

	Parent company		Consolidated	
	2022	2021	2022	2021
Cost of sales (i)				
Variable costs (materiais and supplies)			293,114	283,015
Personnel expenses			114,289	99,554
Outsourced services			40,900	31,831
Depreciation and amortization			19,393	16,880
Electricity			22,874	15,940
Provision for inventory losses			3,740	(723)
Provision for impairment of intangible assets				91
Others			18,722	11,232
	-	-	513,032	457,820
Selling expenses				
Personnel expenses			88,523	80,405
Sales team expenses			59,406	47,878
Freight expenses			39,559	32,584
Outsourced services			21,423	18,034
Depreciation and amortization			6,205	5,157
Telecommunication and energy			446	583
Others			5,926	5,480
	-	-	221,488	190,121
Expenses on research and innovation				
Personnel expenses			27,290	22,792
Outsourced services			32,602	28,172
Depreciation and amortization			2,552	2,342
Telecommunication and energy			619	546
Others			6,278	5,079
	-	-	69,341	58,931
General and administrative expenses				
Personnel expenses	7,829	5,554	40,382	34,126
Outsourced services	782	310	12,303	10,811
Depreciation and amortization			3,844	3,300
Travel expenses	8	7	913	375
Telecommunication and energy			1,104	1,052
Expenses with vehicles			113	162
Donations and sponsorships			85	44
Other	140	521	4,234	4,236
	8,759	6,392	62,978	54,106
	8,759	6,392	866,839	760,978

(i) The increase shown in “cost of sales” in the year also refers to the result of the variables of volume sold between the periods.

21. OTHER REVENUES (EXPENSES), NET

	Consolidated			
	Parent company		Consolidated	
	2022	2021	2022	2021
Gain on disposal and write-off of PP&E			3,262	2,552
Expense recovry (i)			1,669	
Gains on sales of scrap, rentals and other	181	182	1,247	453
Federal, state, municipal taxes and fees	(9)	(9)	81	3,211
Final write-off of intangible assets (ii)			(252)	(3)
Provision for impairment of intangible assets (ii)			(478)	(5,726)
Other losses	(109)	(233)	(2,479)	(3,389)
	63	(60)	3,050	(2,902)

(i) Refers to reimbursement of expenses of consultants hired for Regenera Medicina Veterinária Ltda.'s acquisition. (Note 1.1 (i)), which were paid by the sellers.

(ii) (ii) Refers to the provision for impairment and write-offs of projects that were under development in intangible assets (Note 14).

22. FINANCIAL RESULT

	Parent company		Consolidated	
	2022	2021	2022	2021
Finance income				
Revenue from financial investments	2,281	2,264	16,609	7,329
Interest received			485	203
Inflation adjustment	166	103	839	236
Other			469	667
	2,447	2,367	18,402	8,435
Financial expenses:				
Interest paid		(6)	(37,451)	(19,408)
Pis and Cofins on interest on equity	(2,405)	(1,646)	(2,405)	(1,646)
Financial charges	(7)	(1)	(3,154)	(1,887)
Other	(157)	(130)	(954)	(801)
	(2,569)	(1,783)	(43,964)	(23,742)
Derivative financial instruments, net:				
Gains on derivatives (foreign exchange variation)			8	2,187
Losses on derivatives (interest)				(225)
	-	-	8	1,962
Foreign exchange variation, net	-	-	(4,701)	(2,075)
Financial result	(122)	584	(30,255)	(15,420)

23. INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

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

	Parent company		Consolidated	
	2022	2021	2022	2021
Earnings before income tax and social contribution	130,663	113,964	147,063	125,691
Statutory tax rates	34%	34%	34%	34%
	(44,426)	(38,748)	(50,002)	(42,735)
Reconciliation for effective tax:				
Permanent differences:				
RD&I Benefit			6,981	5,793
Equity in the results of investees	47,424	40,743		
Calculation adjustments on subsidiary taxed under presumptive income regime			414	
Investment Subsidies (i)			23,867	23,066
Calculation adjustments on subsidiaries abroad taxed at the rate in effect in their respective countries			(5,222)	(1,200)
Interest on Equity		(560)	8,840	5,492
Use of tax loss from previous periods			1,936	
Unrecognized deferred taxes	(2,180)	(1,435)	(2,180)	(1,435)
Other	(818)		(1,039)	(715)
Income tax and social contribution	-	-	(16,405)	(11,734)
Reconciliation with the statement of profit or loss				
Current			(15,663)	(22,994)
Deferred			(742)	11,260
	-	-	(16,405)	(11,734)

(i) The Group's Executive Board recognized the tax deductibility of the amounts of tax incentives related to exits with exemption from ICMS in transactions within the state of São Paulo and exports and exits with a 60% reduction in the ICMS calculation basis in interstate operations (ICMS Agreement 100/97), according to the law case established by the Superior Court of Justice.

24. BASIC AND DILUTED EARNINGS PER SHARE

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

	2022	2021
Net income for the year attributable to the Company's shareholder	130,663	113,964
Weighted average number of common shares outstanding in the year (in thousands of shares)	53,768	53,915
Basic and diluted earnings per share	2.43014	2.11377

25. EMPLOYEE BENEFITS

a) Private pension plan - defined contribution

The Group companies sponsor a defined contribution pension plan for their employees. The plan is managed by Brasilprev Seguros e Previdência S.A. Company contributions to the plan for the year ended December 31, 2022 amounted to R$ 1,382 (2021 - R$ 1,295).

b) Short-term incentives

The Group offers a short-term incentive program ("ICP") to its employees, calculated based on quantitative and qualitative goals established by the Executive Board. In the year ended December 31, 2022, the impact of the short-term incentive was R$ 20,334 (2021 - R$ 18,540).

c) Long-term Incentive Plan – "*Phantom Units*"

At the Extraordinary Shareholders' Meeting held on September 23, 2022, the shareholders approved the creation of the new Grant Program under the Long-Term Incentive Plan and, subsequently, on the minutes of the Board of Directors meeting held on October 19, 2022, the Long-Term Incentive Plan ("*Phantom Units*") was approved, replacing the Restricted Share-Based Compensation Plan("RSU"), (Nota 18 (f)).

The purpose of *Phantom Units* is to incentivize Eligible Person, aiming to: (i) encourage the expansion of the Company's corporate goals, (ii) align the interests of Eligible Persons with those of the Company's shareholders, (iii) enable the Company to attract and retain Eligible Persons, (iv) foster the creation of value to the Company and (v) share long-term risks and gains, indirectly, by means of the Shares upside, on an equal basis between shareholders and Eligible Persons.

General Characteristics of the Plan

Each beneficiary will be entitled to receive, in Brazilian currency, the higher of: (i) the Share price at B3 on the last day of the vesting period, or (ii) the result of EBITDA multiples, and the vesting period ranges from 3 to 7 years.

The Plan will be settled in cash and its fair value will be measured at the end of each period.

The Plan's fair value is measured based on the share price (closing) or EBITDA multiples. For the year ended December 31, 2022, the plan was calculated based on EBITDA multiples and, therefore, the Group recognized expenses, including INSS and FGTS charges, in the amount of R$ 6,695.

26. RELATED-PARTY BALANCES AND TRANSACTIONS

a) Balances and main transactions

	Parent company						
	2022				2021		
	Assets		Liabilities		Ativo	Liabilities	
	Interest on Equity	Other assets (i)	Dividends and interest on equity	Other liabilities (i)	Other assets (i)	Dividends and interest on equity	Other liabilities (i)
Subsidiaries:							
Ouro Fino Saúde Animal Ltda.				58			52
Ouro Fino Agronegócio Ltda.	13,600			1			
Other related parties:							
Ouro Fino Química Ltda.		83			83		
Shareholders			10,576			12,768	
	13,600	83	10,576	59	83	12,768	52

	Parent company				
	2022			2021	
	Subsidiaries:		Other related parties:	Subsidiaries:	Other related parties:
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Química Ltda.	Ouro Fino Saúde Animal Ltda.	Ouro Fino Química Ltda.
Main transactions:					
Shared Services Center (CSC) reimbursement (i)	(193)			(159)	
Royalties			200		200
Other expenses, net	(263)	(1)		(349)	
	(456)	(1)	200	(508)	200

	Consolidated						
	Balances:						
	2022			2021			
	Assets	Liabilities		Assets	Liabilities		
	Other assets (i)	Dividends and interest on equity	Other liabilities (i)	Other assets (i)	Dividends and interest on equity	Other liabilities (i)	Loans and financing (ii)
Other related parties:							
Ouro Fino Química Ltda.	269		315	388		175	
Condomínio Rural Ouro Fino	145		66	338			
BNDES Participações S.A. (*)							22,432
Shareholders		10,576			12,768		
Neotech Soluções Ambientais Ltda.			33				
	414	10,576	414	726	12,768	175	22,432

In 2022, the balance of BNDESPar's loans and financing is not being disclosed as a Company's related party due to the transaction between shareholders, whereby BNDESPar sold all of its shares to Mitsui & Co., Ltd (Note 26 (iii)).

	Consolidated							
	2022				2021			
	Other related parties:			Shareholders:	Other related parties:			Shareholders:
	Ouro Fino Química Ltda.	Condomínio Rural Ouro Fino	Neotech Soluções Ambientais Ltda.	BNDES Participações S.A.	Ouro Fino Química Ltda.	Condomínio Rural Ouro Fino	Neotech Soluções Ambientais Ltda.	BNDES Participações S.A.
Main transactions:								
Gross profit on sales of godds		1						
Shared Services Center (CSC) reimbursement (i)	1,754				1,489			
Royalties	200	5			200	5		
Purchase of inputs						(586)		
Expenses with rents and condominia		(3,374)				(2,682)		
Inceneration services			(799)				(621)	
Other expenses, net	(770)				(1,019)			
Financial result				(3,685)				(1,904)
	1,184	(3,368)	(799)	(3,685)	670	(3,263)	(621)	(1,904)

(i) Other assets and liabilities

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

(ii) Loans and financing

In 2021, the balance of loans and financing refers to the related party BNDES Participações S.A., under market conditions similar to those adopted by BNDES in transactions with third parties (Note 16).

(iii) Transactions between shareholders

In a material fact disclosed on September 8, 2022, BNDES Participações SA - BNDESPAR ("BNDESPAR") and the investment funds managed by Opportunity HDF Administradora de Recursos Ltda. and Opportunity Private Equity Gestora de Recursos Ltda. ("Opportunity") entered into a share purchase and sale agreement, providing for the acquisition by Mitsui & Co., Ltd ("Mitsui"), of all common shares issued by the Company and held by BNDESPAR and Opportunity.

The completion of the transaction and the transfer of shares issued by the Company and held by BNDESPAR and Opportunity would be subject to the implementation of conditions precedent stipulated between the parties, including the approval of the transaction by any antitrust authorities, such as the Brazilian Competition Authority (Conselho Administrativo de Defesa Econômica - CADE), which was granted on October 6, 2022. The transaction has already been completed and as a result, Mitsui became the holder of 29.4% of the Company's share capital.

b) Management compensation

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

	2022	2021
Wages and salaries	3,401	3,228
Share-based payments	2,695	263
Variable compensation	1,881	1,184
Labor charges	1,046	962
Direct and indirect benefits	233	210
	9,256	5,847

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

27. INSURANCE

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

Insured assets	Risks covered	2023	2022
Property, plant and equipment and	Fire, lightning, explosion, electrical damage, windstorm, loss of profits	634,077	459,552
General civil liability	Damage to third parties caused during operations	10,000	10,000
Civil risks - Management	Damage to third parties arising from acts by members of management in the performance of their duties	40,000	40,000

28. OTHER DISCLOSURES ON CASH FLOWS

	Loans and financing	Derivative financial instruments, net	Cash and cash equivalents	Financial investments	Net debt
Balance as of January 1, 2022	382,375		(161,254)		221,121
Funding	106,104				106,104
Repayment of principal	(78,905)				(78,905)
Payment of interest	(33,847)				(33,847)
Drawee risk	411				411
Increase (decrease) in cash and cash equivalents and financial investments			(3,491)		(3,491)
Cash changes	(6,237)		(3,491)		(9,728)
Foreign exchange variations and interest	36,231		(291)		35,940
Non-cash changes	36,231	-	(291)		35,940
Balance as of December 31, 2022	412,369	-	(165,036)		247,333
Balance as of January 1, 2021	394,339	(2,298)	(225,575)	(18,039)	148,427
Funding	76,500				76,500
Repayment of principal	(89,851)	4,260			(85,591)
Payment of interest	(18,781)				(18,781)
Drawee risk	(746)				(746)
Increase (decrease) in cash and cash equivalents			64,534	18,732	83,266
Cash changes	(32,878)		64,534		54,648
Foreign exchange variations and interest	20,914	(1,962)	(213)	(693)	18,046
Non-cash changes	20,914	(1,962)	(213)	(693)	18,046
Balance as of December 31, 2021	382,375		(161,254)	-	221,121

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

29.1 Consolidation

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

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

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

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

29.2 Foreign currency translation

a) Functional and reporting currency

   Items included in the financial statements of each of the Group companies are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"), which is substantially the Brazilian real, except as mentioned in item (c) below and, therefore, the individual and 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 the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss as “financial revenue or expense”.

c) Group companies with a different functional currency

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

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

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

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

29.3 Financial assets

29.3.1 Classification

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

a) Amortized cost

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

b) Financial assets at fair value through profit or loss

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

29.3.2 Recognition and measurement

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

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

29.3.3 Impairment of financial assets

Assets carried at amortized cost

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

Pursuant to CPC 48/IFRS 9 "Financial Instruments", the impairment model for financial assets is based on expected losses and in view of the historically low defaults, this criterion has not produced any relevant effects for the Group.

29.4 Trade accounts receivable

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

29.5 Inventories

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

29.6 Current and deferred income tax and social contribution

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

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

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

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

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

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

In this context, the Group's Executive Board recognized the tax deductibility of the amounts of tax incentives related to exits with exemption from ICMS in transactions within the state of São Paulo and exports and exits with a 60% reduction in the ICMS calculation basis in interstate operations (ICMS Agreement 100/97), according to the law case established by the Superior Court of Justice.

The Group's Executive Board assessed and did not identify any relevant impacts on its financial statements.

29.7 Intangible assets

a) Product research and development

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

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

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

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

b) Trademarks and licenses purchased

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

c) Computer software

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

Costs associated with maintaining computer software are expensed as incurred.

d) Goodwill on the acquisition of subsidiaries

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

29.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation. This cost was adjusted in subsidiaries to reflect the deemed cost of land on the date of transition to IFRS, and depreciation is calculated using the straight-line method, considering the estimated useful lives of the respective assets. The annual depreciation rates are disclosed in Note 13. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced items or parts is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

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

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

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

29.9 Impairment of non-financial assets

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

29.10 Trade accounts payable

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

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

29.11 Loans and financing

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

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

29.12 Employee benefits

a) Private pension plan

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

b) Profit sharing

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

c) Share-based compensation

The Company has share-based compensation plans ("*Stock Options*", "ILP" and "*Phantom Units*"), duly approved by the Board of Directors, Note 18 ((d) and (e)) and 25 (c). Plan expenses are recognized in equity when settled in shares and in other non-current liabilities when settled in cash and charges are recognized in other non-current liabilities during the vesting period.

29.13 Revenue recognition

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

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

29.14 Distribution of dividends and interest on equity

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

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

29.15 Leases

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

The Group's Executive Board assesses periodically all lease agreements and for all those identified as leases (under IFRS16/CPC 06 criteria), applied the exemption and application criteria provided for in the standard.

29.16 Business combination

Business combination is recorded by using the acquisition method when the control is transferred to the Company. The consideration transferred is generally measured at fair value, as well as the identifiable net assets acquired. Any goodwill arising from the transaction is tested annually for impairment. The remaining contingent consideration is remeasured at fair value at each reporting date and subsequent changes in fair value are recorded in the profit or loss for the year. Transaction costs are recorded in profit or loss as incurred, except for costs related to the issuance of debt or equity instruments. The consideration transferred does not include amounts relating to the payment of pre-existing relationships. These amounts are generally recognized in profit or loss for the year. Any contingent consideration payable is measured at its fair value on the acquisition date.

29.17 New standards that are not yet effective

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

30. SUBSEQUENT EVENTS

On February 13, 2023, the Brazilian Securities and Exchange Commission - CVM released CIRCULAR LETTER No. 1/2023/CVM/SNC/SEP which provided guidance on relevant aspects to be met in the preparation and publication of the financial statements for December 31, 2022 relating to the final and unappealable decision of the Federal Supreme Court (STF) dated February 8, 2023 on a tax matter.

The STF's decision, which stipulated the loss of effects of a final and unappealable decision, is valid only for taxes paid continuously and, in view of this, CVM's technical areas understand that the technical pronouncements CPC 24 and 25 must be met when preparing the financial statements.

In this context, the Group’s Executive Board assessed the matter, together with its legal advisor, and concluded that STF’s decision produces no impact in the set of the individual and consolidated financial statements ended December 31, 2022.