(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, 2021 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, 2021, and the related statements of operations, 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, 2021, 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

Why is it a KAM?

As described in notes 1.1 and 31.14 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 dependence of information technology systems and the respective internal controls involved in the process of recognition of the Group’s revenue.

How the matter was addressed in our audit?

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 competence.

(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 were identified, which altered our assessment of the nature, 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 together.

Other matters

Statements of value added

The individual and consolidated statements of value added (“DVA”) for the year ended December 31, 2021, 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.

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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.

- 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 23, 2022

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Renato Foganholi Asam
Engagement Partner

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OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

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

		Parent company		Consolidated	
ASSETS	Note	2021	2020	2021	2020
Current					
Cash and cash equivalents	8	51,274	1,341	161,254	225,575
Financial investments:	8		18,039		18,039
Derivative financial instruments	9				2,298
Trade accounts receivable	10			245,292	209,409
Inventories	11			270,119	190,301
Taxes recoverable	12	3,689	2,347	33,836	22,751
Income tax and social contribution recoverable				7,216	3,891
Related parties	27	83	13,633	726	427
Other assets				11,268	6,932
		55,046	35,360	729,711	679,623
Non-current					
Long-term receivables					
Taxes recoverable	12			38,420	44,024
Income tax and and social contribution	13			35,350	24,121
Inventories	11			1,730	3,332
Other assets		250	250	1,746	1,591
		250	250	77,246	73,068
Investments in subsidiaries	5	603,789	550,524		
Property, plant and equipment	14			314,045	277,305
Intangible	15			71,641	73,941
Total non-current assets		604,039	550,774	462,932	424,314
Total assets		659,085	586,134	1,192,643	1,103,937

		Parent company		Consolidated	
LIABILITIES AND EQUITY	Note	2021	2020	2021	2020
CURRENT LIABILITIES					
Trade accounts payable	16			69,941	55,812
Loans and financing	17			85,045	96,553
Salaries and payroll charges		1,113	934	43,652	39,434
Taxes payable		3,648	3,069	15,400	6,718
Income tax and social contribution payable				4,857	
Dividends and interest on equity	27	12,768	21,309	12,768	21,309
Related parties	27	52	38	175	150
Commissions on sales				5,353	5,782
Other liabilities		39	6	8,452	12,935
Total current liabilities		17,620	25,356	245,643	238,693
NON-CURRENT LIABILITIES					
Loans and financing	17			297,330	297,786
Provision for contingencies	18			4,779	6,384
Other liabilities		20		3,419	264
Total non-current liabilities		20		305,528	304,434
Total liabilities		17,640	25,356	551,171	543,127
EQUITY	19				
Share capital		458,102	425,237	458,102	425,237
Treasury shares		(5,125)		(5,125)	
Options granted		6,008	5,527	6,008	5,527
Profit reserve		164,912	112,734	164,912	112,734
Equity valuation adjustments		17,548	17,280	17,548	17,280
Total equity of the controlling shareholders		641,445	560,778	641,445	560,778
Non-controlling interest				27	32
Total equity		641,445	560,778	641,472	560,810
Total liabilities and equity		659,085	586,134	1,192,643	1,103,937

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

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

		Parent company		Consolidated	
	Note	2021	2020	2021	2020
Net sales revenue	20			904,991	730,108
Cost of sales	21			(457,820)	(356,122)
Gross profit				447,171	373,986
Selling Expenses	21 and 1.5			(190,121)	(170,158)
Expenses on research and innovation	21 and 1.5			(58,931)	(39,668)
General and administrative expenses	21	(6,392)	(6,128)	(54,106)	(47,225)
Equity in the results of investees	5	119,832	96,797		
Other expenses, net	22	(60)	(36)	(2,902)	(14,819)
Operating profit		113,380	90,633	141,111	102,116
Financial revenues		2,367	566	8,435	3,579
Financial expenses		(1,783)	(1,479)	(23,742)	(16,180)
Derivative financial instruments, net				1,962	15,597
Foreign exchange variation, net				(2,075)	(11,275)
Financial result	23	584	(913)	(15,420)	(8,279)
Income before income tax and and social contribution		113,964	89,720	125,691	93,837
Income tax and social contribution	24				
Current				(22,994)	(11,963)
Deferred				11,260	7,839
Profit for the year		113,964	89,720	113,957	89,713
Attributable to:					
the Company's shareholders				113,964	89,720
Non-controlling interest				(7)	(7)
				113,957	89,713
Earnings per share attributable to the company's shareholders during the year (in Brazilian Reais)	25				
Basic earnings per share				2.11377	1.66305
Diluted earnings per share				2.11377	1.66305

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)
YEAR ENDED DECEMBER 31
In thousands of Brazilian reais

		Parent company		Consolidated	
		2021	2020	2021	2020
Profit for the year		113,964	89,720	113,957	89,713
Other comprehensive income (loss)					
Items that will be reclassified to profit or loss					
Exchange variation on investment	5	268	1,323	270	1,328
Total comprehensive income (loss) for the year		114,232	91,043	114,227	91,041
Attributable to:					
the Company's shareholders				114,232	91,043
Non-controlling interest				(5)	(2)
				114,227	91,041

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF CHANGES IN EQUITY
In thousands of Brazilian reais

		Attributable to the shareholders of the Parent Company									
					Profit reserve						
	Note	Capital	Treasury shares	Granted options	Legal reserve	Profit retention reserve	Equity valuation adjustments	Retained eanings	Total	Non-controlling interest	Total equity
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											
Profit 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:											
Share buyback	19 (f)		(5,125)						(5,125)		(5,125)
Capital increase with profit reserves	19 (a)	32,865				(32,865)					
Long-term incentive granted	19 (d) and 19 (e)			481					481		481
Allocation of profits:											
Legal reserve	19 (b)				5,698			(5,698)			
Interest on equity and dividends	19 (b)							(28,921)	(28,921)		(28,921)
Profits available to the Shareholder’s Meeting	19 (b)					79,345		(79,345)			
Total shareholder contributions		32,865	(5,125)	481		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
AS OF JANUARY 1, 2020		377,065		5,382	13,007	81,036	15,957		492,447	34	492,481
Comprehensive income (loss) for the year											
Profit for the year								89,720	89,720	(7)	89,713
Exchange variation on investment	5						1,323		1,323	5	1,328
Total comprehensive income (loss) for the year							1,323	89,720	91,043	(2)	91,041
Contributions and distributions to shareholders:											
Capital increase with profit reserves	19 (a)	48,172				(48,172)					
Long-term incentive granted	19 (d)			145					145		145
Allocation of profits:											
Legal reserve	19 (b)				4,486			(4,486)			
Interest on equity and dividends	19 (b)							(22,857)	(22,857)		(22,857)
Profits available to the Shareholder’s Meeting	19 (b)					62,377		(62,377)			
Total shareholder contributions		48,172		145	4,486	14,205		(89,720)	(22,712)		(22,712)
AS OF DECEMBER 31, 2020		425,237		5,527	17,493	95,241	17,280		560,778	32	560,810

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31
In thousands of Brazilian reais

	Note	Parent company 2021	Parent company 2020	Consolidated 2021	Consolidated 2020
Cash flows from operating activities					
Earnings before Income tax and social contribution		113,964	89,720	125,691	93,837
Adjustments for:					
Expected credit losses (gains)	10 and 18			(133)	40
Provision for inventory losses and write-offs				10,825	8,071
Provision for returns on sales	18				47
Provision (reversal) of provision for customer bonuses	18			(729)	117
Equity in the results of investees	5	(119,832)	(96,797)		
Depreciation and amortization	14 and 15			27,679	26,397
Provision for impairment of intangible assets	14			5,817	17,762
Gain (loss) on disposal of property, plant and equipment	22			(2,552)	(205)
Gain (loss) on disposal of intangible assets	22			3	2,902
Interest and monetary/foreign exchange variations, net		(692)	(39)	20,892	31,324
Derivative financial instruments				(1,962)	(15,597)
Reversal of provision for risks	18			(1,454)	2,404
Stock options expenses	19 (d) (e)	243	50	481	145
Fair value adjustment				678	
Changes in working capital:					
Financial investments		18,732	(18,000)	18,732	(18,000)
Trade accounts receivable				(36,186)	(19,464)
Inventories				(89,509)	(28,926)
Taxes recoverable		1,327	244	(4,035)	(2,958)
Other assets				(4,443)	(1,933)
Trade accounts payable		20	(41)	13,462	12,994
Taxes payable		(1,275)	1,212	6,492	2,495
Other liabilities		225	694	(1,500)	24,395
Cash provided by (used in) operations		12,712	(22,957)	88,249	135,847
Interest paid				(19,106)	(12,755)
Income tax and social contribution paid				(22,643)	(11,156)
Net cash provided by (used in) operating activities		12,712	(22,957)	46,500	111,936
Cash flows from investment activities:					
Advances for future capital increase in subsidiaries			(23,000)		
Investment in intangible assets	14			(10,276)	(9,274)
Purchase of property, plant and equipment	15			(55,906)	(15,251)
Distribution of dividends and interest on equity (i)		77,953	57,000		
Proceeds from sale of property, plant and equipment				5,771	998
Net cash provided by (used in) investing activities		77,953	34,000	(60,411)	(23,527)
Cash flows from financing activities:					
New loans and financing	29			76,500	214,000
Repayments of loan and financing	29			(89,851)	(122,540)
Lease payments				(800)	
Purchase of treasury shares	19 (f)	(5,125)		(5,125)	
Payment of dividends and interest on equity	29	(35,607)	(10,991)	(35,607)	(10,991)
Realized derivative financial instruments	29			4,260	11,047
Net cash provided by (used in) financing activities		(40,732)	(10,991)	(50,623)	91,516
Increase (decrease) in cash and cash equivalents, net		49,933	52	(64,534)	179,925
Cash and cash equivalents at the beginning of the year		1,341	1,289	225,575	45,009
Foreign exchange gains on cash and cash equivalents				213	641
Cash and cash equivalents at the end of the year	8	51,274	1,341	161,254	225,575

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

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

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF VALUE ADDED
YEAR ENDED DECEMBER 31
In thousands of Brazilian reais

		Parent company		Consolidated	
	Note	2021	2020	2021	2020
Revenues:					
Gross revenues from sales and services				984,943	792,547
Other income (expenses), net				1,446	(1,035)
Income from construction of own assets				8,424	8,343
Provision for expected credit loss	10 and 18			133	(40)
				994,946	799,815
Inputs acquired from third parties:					
Cost of sales and services				(331,397)	(264,479)
Materials, electricity, third-party services and other		(1,070)	(1,527)	(210,857)	(164,039)
Losses on assets, net				(16,427)	(28,858)
Gross value added (distributed)		(1,070)	(1,527)	436,265	342,439
Depreciation and amortization	14 and 15			(27,679)	(26,397)
Net value added (distributed) generated by the entity		(1,070)	(1,527)	408,586	316,042
Value added received through transfer:					
Equity in the results of investees	5	119,832	96,797		
Financial revenues		2,464	589	22,308	38,232
Royalties		200	219	205	252
Other				257	130
Total value added distributed		121,426	96,078	431,356	354,656
DISTRIBUTION OF VALUE ADDED					
Personnel:					
Direct compensation		4,451	3,929	159,545	137,320
Benefits		193	137	29,842	25,339
FGTS		101	95	10,689	10,318
Taxes, charges and contributions:					
Federal		2,572	2,088	52,178	26,745
State		9	10	24,244	14,649
Municipal				519	406
Remuneration of third parties' capital:					
Interest, foreign exchange variation, losses on derivatives etc.		136	99	36,073	46,304
Rentals				4,292	3,729
Other				17	133
Equity remuneration					
Retained earnings		85,043	66,863	85,043	66,863
Interest on equity and dividends		28,921	22,857	28,921	22,857
Non-controlling interest				(7)	(7)
Value added distributed		121,426	96,078	431,356	354,656

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 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 publicly-held corporation headquartered in the city of Cravinhos, State of São Paulo. The Company's shares are traded in the Brazilian stock exchange, B3 S.A. - Brasil, Bolsa, Balcão.

The Company and its subsidiaries (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 disclosing by the Board of Directors on February 22, 2022.

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

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

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

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

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

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

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

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

Main risks and uncertainties arising from COVID-19

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

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

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

1.3. Basis of preparation and statement of compliance

The 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 financial statements are set out in Note 31.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, 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"), which is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, SVA has been prepared in compliance with the criteria defined in Technical Pronouncement CPC 09 - Statement of Value Added. International Financial Reporting Standards (IFRS) do not require the presentation of this statement. Therefore, under IFRS, the presentation of such statement is considered supplementary information, without prejudice of the set of financial statements.

1.4. Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries prepared for each period. Control is obtained when the Company: (i) holds the power on the investee; (ii) is exposed 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 31.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Management carefully assessed the impacts of the COVID19 outbreak on its business and was compliant with the requirements of accounting practices adopted in Brazil including the pronouncements issued by the Accounting Pronouncements Committee (CPC) and *International Financial Reporting Standards (IFRS*), issued by the *International Accounting Standards Board - (IASB)*, in addition to CVM/SNS/SEP Circular Letter No. 02/2020.

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

a) Fair value of derivative financial instruments

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

b) Expected credit 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 management, which consider the typical development of business and markets, according to the currently known scenarios.

d) Impairment of property, plant and equipment

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

e) Provision for contingencies

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

f) Fair value of the Stock Option Plan

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

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

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

g) Impairment of intangible assets

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

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

(ii) Estimates of direct and indirect manufacturing costs.

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

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

h) Provision for inventory losses

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

i) Taxes recoverable

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

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

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

a) Market risks

(i) Foreign exchange risk

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

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

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

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

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

	2021	2020
Assets in foreign currency		
Cash and cash equivalents	476	538
Trade accounts receivable	14,688	14,725
	15,164	15,263
Liabilities in foreign currency		
Trade accounts payable	(10,729)	(27,633)
	(10,729)	(27,633)
Net exposure - assets (liabilities)	4,435	(12,370)

(*) In 2020, balances of working capital loans and financing denominated in foreign currency in the amount of R$ 33,540 (Note 17) were excluded, as they are hedged by a foreign exchange swap.

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

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

				Impact	
Assets/liabilities	Risk	Balance as of 2021	Likely scenario (US$1=R$5.64)	Scenario 2 (US$ variation - 25%)	Scenario 3 (US$ variation - 50%)
Cash and cash equivalents	US$	476	1	(119)	(238)
Trade accounts receivable	US$	14,688	24	(3,678)	(7,356)
Trade accounts payable	US$	(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 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, 90.4% (2020 – 78.0%) versus 9.6% of transactions at fixed interest rates (2020 - 22.0%). 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 SELIC rate 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 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 34 years.

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

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

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

c) Liquidity risk

The Group adopts a 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, 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			
Other liabilities (ii)	79,323	4,799	1,502	463
	274,605	103,289	147,861	119,040
As of December 31, 2020				
Trade accounts payable	55,812			
Loans and financing (i)	112,756	85,734	173,200	82,248
Derivative financial instruments, net	(2,298)			
Dividends and interest on equity	21,309			
Other liabilities (ii)	66,934	4,733		
	254,513	90,467	173,200	82,248

(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 statement of financial position.

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

3.2. Capital management

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

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

The leverage ratios for 2021 and 2020 were as follows:

		Consolidated	
	Note	2021	2020
Loans and financing	17	382,375	394,339
Derivative financial instruments, net	9		(2,298)
Cash and cash equivalents	8	(161,254)	(225,575)
Financial investments	8		(18,039)
Net debt		221,121	148,427
Equity	19	641,472	560,810
Total capital		862,593	709,237
Leverage ratio %		25.63	20.93

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

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

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

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

4. SEGMENT REPORTING

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

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

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

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

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

The results by segment were as follows:

	2021				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Net sales revenue	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 result				(15,420)	(15,420)
Income tax and social contribution				(11,734)	(11,734)
Unallocated results				(143,093)	(143,093)
Profit for the year					113,957

	2020				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Net sales revenue	543,259	100,135	86,714		730,108
Cost of sales	(294,669)	(30,465)	(30,988)		(356,122)
Gross profit	248,590	69,670	55,726		373,986
Selling Expenses	(120,118)	(25,109)	(24,931)		(170,158)
Results by segment	128,472	44,561	30,795		203,828
Expenses on research and innovation				(39,668)	(39,668)
General and administrative expenses and other expenses				(62,044)	(62,044)
Financial result				(8,279)	(8,279)
Income tax and social contribution				(4,124)	(4,124)
Unallocated results				(114,115)	(114,115)
Profit for the year					89,713

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

	2021	2020
Mexico	35,554	22,393
Colombia	35,284	27,007
Ecuador	10,464	6,921
Paraguay	5,445	4,934
Uruguay	4,879	5,449
Honduras	4,551	2,714
Bolivia	3,980	3,744
Arab Emirates	3,522	2,588
Costa Rica	2,697	2,029
Other	8,634	8,935
	115,010	86,714

5. INVESTMENTS (PARENT COMPANY)

a) Information on investments in 2021 and 2020

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

b) Changes in investments

	Parent company	
	2021	2020
Opening balance	550,524	501,209
Equity in the results of investees	119,832	96,797
Capital payment with AFACs		23,000
Stock options granted	238	95
Interest on Equity	(17,799)	(14,900)
Dividends received (i)	(49,274)	(57,000)
Exchange variation on foreign investment	268	1,323
Final balance	603,789	550,524

(i) For the year ended December 31, 2021, the quotaholders of the subsidiaries Ouro Fino Pet Ltda. and Ouro Fino Agronegócio Ltda. approved and paid dividends to the parent company Ouro Fino Saúde Animal Participações S.A. in the amounts of R$ 12,000 (2020 - R$ 12,000) and R$ 37,274 (2020 - R$ 45,000), respectively.

c) Summarized financial information

The tables below present summarized financial information of the subsidiaries.

(i) Summarized balance sheet

	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)

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

(ii) Summarized statement of operations

	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)

	2020				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	473,171	508,055	104,857	22,393	27,007
Income (loss) before income tax and social contribution	23,255	49,742	29,312	(1,977)	(1,772)
Income tax and social contribution	3,190	1,921	(9,595)	16	(187)
Net income (loss) for the year	26,445	51,663	19,717	(1,961)	(1,959)

(iii) Statement of comprehensive income (loss)

	2021	2020
Ouro Fino Saúde Animal Ltda. (direct subsidiary)		
Profit for the year	28,730	26,445
Other comprehensive income (loss)	268	1,323
Total comprehensive income (loss)	28,998	27,768

(iv) Summarized statement of cash flows

	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 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

	2020				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Cash flows from operating activities					
Cash from operating activities	63,390	52,173	31,952	2,057	9,233
Interest paid	(12,074)	(55)	(25)		(601)
Income tax and social contribution paid	(543)	(124)	(10,489)		
Net cash from operating activities	50,773	51,994	21,438	2,057	8,632
Net cash used in investing activities	(22,931)	(218)	(59)	(146)	(173)
Net cash provided by (used in) financing activities	127,360	(45,828)	(12,354)		(671)
Increase in cash and cash equivalents, net	155,202	5,948	9,025	1,911	7,788
Cash and cash equivalents at the beginning of the year	14,586	17,740	8,237	1,847	1,310
Foreign exchange gains on cash and cash equivalents	619	20	1		
Cash and cash equivalents at the end of the year	170,407	23,708	17,263	3,758	9,098

d) Reconciliation of the financial information on investments

	Subsidiaries							
	Ouro Fino Saúde Animal Ltda.		Ouro Fino Agronegócio Ltda.		Ouro Fino Pet Ltda.		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Equity as of January 1	351,077	314,214	170,308	163,645	38,283	31,466	559,668	509,325
Profit for the year	28,730	26,445	71,904	51,663	35,901	19,717	136,535	97,825
Capital payment with AFACs		23,000					-	23,000
Stock options granted	171	95	31		36		238	95
Interest on Equity	(10,000)	(14,000)	(6,500)		(1,299)	(900)	(17,799)	(14,900)
Dividends paid			(37,274)	(45,000)	(12,000)	(12,000)	(49,274)	(57,000)
Exchange variation on foreign investment	268	1,323					268	1,323
Equity as of December 31	370,246	351,077	198,469	170,308	60,921	38,283	629,636	559,668
Percentage holding - %	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%		
Share of investments	370,246	351,077	198,469	170,308	60,921	38,283	629,636	559,668
Unrealized profit on inventories	(25,847)	(9,144)					(25,847)	(9,144)
Carrying amount of the investment in Parent Company	344,399	341,933	198,469	170,308	60,921	38,283	603,789	550,524

e) M&A transaction

As disclosed by the Company in a material fact dated 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").

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.

The completion of the Transaction is subject to the execution of the definitive documents, the approvals of certain conditions precedent and the conclusion of the regulatory procedures, which are expected to be complied with in the quarter ended March 31, 2022.

OF Saúde Animal will pay for the Acquisition a total amount of R$ 20,000 as follows: (i) a R$ 15,000 portion to be paid on the closing date, and (ii) a R$ 5,000 million retained portion to be paid in two installments, one of R$ 3,000 and the other of R$ 2,000, based on the result of targets previously agreed between the parties. The acquisition price may also be increased by two additional installments, in 2027 and 2028, subject to the achievement of goals that will be determined between 2022 and 2026.

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.

6. FINANCIAL INSTRUMENTS BY CATEGORY

	Parent company		Consolidated		
	2021	2020	2021	2020	
	Amortized cost	Amortized cost	Amortized cost	Assets measured at fair value through profit or loss	Amortized cost
Assets as per balance sheet					
Cash and cash equivalents	51,274	1,341	161,254		225,575
Financial investments		18,039			18,039
Derivative financial instruments (i)				2,298	
Accounts receivable			245,292		209,409
Related parties	83	13,633	726		427
Other assets, except prepaid expenses	250	250	5,691		4,436
	51,607	33,263	412,963	2,298	457,886

(i) The notional amounts of exchange rate swap contracts as of December 31, 2020 corresponded to EUR 5,217 thousand.

	Parent company		Consolidated	
	2021	2020	2021	2020
	Amortized cost	Amortized cost	Amortized cost	Amortized cost
Liabilities as per balance sheet				
Trade accounts payable			69,941	55,812
Loans and financing			382,375	394,339
Related parties	52	38	175	150
Commissions on sales			5,353	5,782
Other liabilities	59	6	11,871	13,199
	111	44	469,715	469,282

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$ 161,149 (2020 - R$ 243,512) are held in top-tier financial institutions all of them rated BB by *Standard & Poor's*.

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

	Consolidated	
	2021	2020
AA	102,630	75,342
A	94,014	88,277
B	24,976	21,626
C	17,349	14,396
D	8,449	11,543
E	282	4,014
	247,700	215,198

8. CASH AND CASH EQUIVALENTS AND FINANCIAL INVESTMENTS

These comprise cash on hand and at banks, as well as financial investments consisting of Repurchase Agreements (Repos) and CDBs, yielding on average 103.05% of the Interbank Deposit Certificate (CDI) rate variation (2020 - up to 99.2% of CDI rate).

	Parent company		Consolidated	
	2021	2020	2021	2020
Cash:				
In local currency			6	7
In foreign currency			99	95
			105	102
Banks:				
In local currency	73	18	7,778	7,025
In foreign currency			377	443
	73	18	8,155	7,468
Financial investments - cash and cash equivalents (i):				
In local currency				
Bank Deposit Certificate (CDB)	47,140	1,323	145,628	209,106
Repo and others	4,061		7,366	8,899
	51,201	1,323	152,994	218,005
Total cash and cash equivalents	51,274	1,341	161,254	225,575
Financial investments (ii):				
In local currency				
Bank Deposit Certificate (CDB)		18,039		18,039
Total financial investments		18,039		18,039

(i) Financial investments as cash equivalents in the amount of R$ 152,994 (2020 - R$ 218,005) are mainly aimed at maintaining the Group's liquidity to cover investments in R&D and working capital. Such investments includes the feature of immediate redemption with no loss of profitability.

(ii) In 2020, financial investments in CDB, in the amount of R$ 18,039 arise from transactions with redemption terms over 90 days, yielding return of 114% of CDI

9. DERIVATIVE FINANCIAL INSTRUMENTS (CONSOLIDATED)

Derivatives in 2020 in the amount of R$ 2,298 were used only for hedging purposes and not as speculative investments. However, the Group decided not to designate such instruments as Hedge Accounting.

The notional amounts of exchange rate swap contracts corresponded to EUR 5,217 thousand.

10. TRADE ACCOUNTS RECEIVABLE (CONSOLIDATED)

	2021	2020
In local currency		
Accounts receivable	233,012	199,460
Expected credit losses	(2,408)	(4,776)
	230,604	194,684
In foreign currency		
Accounts receivable	14,688	15,738
Expected credit losses		(1,013)
	14,688	14,725
Current	245,292	209,409

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

	2021	2020
Not yet due:		
Up to three months	208,476	169,138
From three to six months	35,176	37,168
Over six months	1,010	683
	244,662	206,989
Past due:		
Up to three months	670	1,169
From three to six months	8	70
Over six months	2,360	6,970
	3,038	8,209
	247,700	215,198

The Group 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:

	2021	2020
Opening balance	5,789	6,717
Additions, net	(133)	40
Foreing exchange variation	(551)	367
Write-Offs	(2,697)	(1,335)
Final balance	2,408	5,789

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

11. INVENTORIES (CONSOLIDATED)

	2021	2020
Finished goods	88,449	63,861
Raw materials	74,705	66,433
Packaging materials	19,629	14,562
Products in process	12,785	7,591
Imports in transit	47,927	28,125
Advances to suppliers	16,903	7,891
Other	15,186	9,304
Provision for inventory losses (Note 18)	(3,735)	(4,134)
Total	271,849	193,633
Current	270,119	190,301
Non-current	1,730	3,332

12. TAXES RECOVERABLE

	Parent company		Consolidated	
	2021	2020	2021	2020
Value-Added Tax on Sales and Services (ICMS)			53,153	52,353
PIS and COFINS			9,740	7,580
IRRF	3,689	2,347	3,997	2,705
ICMS, PIS and COFINS on purchase of PPE			1,209	1,165
Excise Tax (IPI)			377	100
Other			3,780	2,872
Total	3,689	2,347	72,256	66,775
Current	3,689	2,347	33,836	22,751
Non-current			38,420	44,024

ICMS credits were mostly generated by Ouro Fino Saúde Animal Ltda. (2021 - R$ 47,447; 2020 - R$ 49,056), and are not subject to inflation adjustment. Up to April 30, 2019, the generation of the said credits 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 started to reverse them in the monthly calculations.

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

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

Currently, Ouro Fino Saúde Animal Ltda. completed the delivery of the retroactive costing files (CAT Ordinance 83/2009) for the period from 2014 to 2018, which are under process of analysis by the tax authorities. With the entry into force of Decree 64,213 of 2019, as mentioned above, the credits generated from 2019 onwards are being realized in the operation itself.

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

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

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

a) Composition, nature and realization of deferred taxes

(i) Deferred income tax and social contribution

	2021	2020
Tax credits on:		
Accumulated income tax and social contribution losses	4,826	6,779
Temporary differences		
Provisions	24,563	20,810
Unrealized profit on inventories	13,315	4,711
Revaluation surplus - business combination	893	987
	43,597	33,287
Tax debits on:		
Temporary differences		
Deemed cost of lands	(7,878)	(7,878)
Derivative financial instruments		(781)
Provisions		(257)
Accelerated depreciation	(369)	(250)
	(8,247)	(9,166)
Total assets, net	35,350	24,121

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

The amounts by estimated offset period are as follows:

	2021	2020
Tax credits recoverable		
In 2021		16,470
In 2022	37,159	14,121
In 2023	5,434	1,709
After 2024	1,004	987
	43,597	33,287
Tax debits to be settled		
In 2021		1,074
In 2022	36	36
In 2023	36	36
After 2024 (*)	8,175	8,020
	8,247	9,166

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

Net changes in the deferred tax account were as follows:

	2021	2020
Opening balance	24,121	15,441
Pre-operating costs written off		(191)
Accumulated income tax and social contribution losses	(1,953)	(370)
Derivative financial instruments	781	(766)
Provisions	4,010	10,018
Unrealized profit on inventories	8,604	530
Revaluation surplus - business combination	(94)	185
Accelerated depreciation	(119)	(726)
Final balance	35,350	24,121

14. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

Change:	As of January 1st, 2021	Additions	Foreing exchange variation	Transfers	Write-Offs	Depreciation	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
Other	1,015	4,496	(1)	(4,565)	(147)	(197)	601
	277,305	60,590	(144)		(3,219)	(20,487)	314,045

Change:	As of January 1st, 2020	Additions	Foreing exchange variation	Transfers	Write-Offs	Depreciation	As of December 31, 2020
Land	24,985						24,985
Buildings and improvements	138,770	418		6,650		(3,834)	142,004
Machinery, equipment and industrial facilities	83,586	8,025	1	1,125	(19)	(8,034)	84,684
Vehicles and tractors	14,527	1,209	653		(580)	(3,832)	11,977
Furniture and fixtures	3,022	690	(75)		(21)	(1,007)	2,609
IT equipment	3,609	1,615	91		(36)	(1,272)	4,007
Construction in progress (i)	9,742	3,339		(7,535)			5,546
Other	1,398	712	2	(240)		(242)	1,493
	279,639	16,008	672		(793)	(18,221)	277,305

	2021			2020			
Balance breakdown:	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net	Average annual depreciation rates
Right of Use - Leases	5,400	(1,057)	4,343				29.42%
Land	24,985		24,985	24,985		24,985	
Buildings and improvements	180,339	(33,108)	147,231	170,844	(28,840)	142,004	2.73%
Machinery, equipment and industrial facilities	162,089	(70,826)	91,263	147,765	(63,081)	84,684	6.07%
Vehicles, tractors and aircraft	22,630	(6,222)	16,408	21,240	(9,263)	11,977	19.93%
Furniture and fixtures	10,855	(7,530)	3,325	9,115	(6,506)	2,609	6.47%
IT equipment	16,313	(10,957)	5,356	13,045	(9,038)	4,007	14.83%
Construction in progress (i)	20,533		20,533	5,546		5,546	
Other	2,881	(2,280)	601	4,413	(2,920)	1,493	3.38%
	446,025	(131,980)	314,045	396,953	(119,648)	277,305	

(i) In 2021, the balance of the works in progress refers mainly to the substation building in the amount of R$ 10,247 (2020 - R$ 2,911), and expansion of the Biological Products unit building in the amount of R$ 5,249 (2020 - R$ 605).

For the year ended December 31, 2021, costs of loans related to works in progress were capitalized in the amount of R$ 539 (2020 - R$ 380), at an annual average rate of 5.80% (2020 - 5.67%).

Land, buildings, and machinery and equipment amounting to R$ 77,712 (2020 - R$ 80,674) were pledged as collateral for loans and financing (Note 17).

15. INTANGIBLE ASSETS (CONSOLIDATED)

Change:	As of January 1st, 2021	Additions	Provision for impairment	Foreing exchange variation	Write-Offs	Amortization	As of December 31, 2021
Goodwill on acquisition of subsidiary	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

Change:	As of January 1st, 2020	Additions	Provision for impairment	Foreing exchange variation	Write-Offs	Amortization	As of December 31, 2020
Goodwill on acquisition of subsidiary	618						618
Development and registration of products	86,475	7,904	(17,762)	278	(2,902)	(6,418)	67,575
Computer software	6,024	1,370		31	(97)	(1,580)	5,748
Other	178					(178)	
	93,295	9,274	(17,762)	309	(2,999)	(8,176)	73,941

	2021			
Balance breakdown:	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on acquisition of subsidiary	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
Other	1,335		(1,335)	
	180,334	(26,756)	(81,937)	71,641

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

Product development and registration refers to expenses incurred in new veterinary drugs and its amortization is recognized under “Selling costs” (Note 21).

Provisions and write-offs representing R$ 5,820 (2020 - R$ 20,664) are related to projects that were discontinued or postponed by management decision, after a reassessment carried out that identified the need for technical adequacy of some projects and the postponement of others. However, the Company emphasizes that this decision does not change the growth plan for the coming years, based on the portfolio expansion, mainly in biological products, as outlined in the strategic planning.

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

16. TRADE ACCOUNTS PAYABLE (CONSOLIDATED)

	2021	2020
In local currency	26,779	14,916
In foreign currency	43,162	40,896
	69,941	55,812

17. LOANS AND FINANCING (CONSOLIDATED)

	Financial charges incurred	Final maturity	2021	2020
In foreign currency				
Working capital	Exchange variation and weighted average rate of 4.85% p.a. (2019 - 4.85% p.a)	2021		33,540
In local currency				
FINEP	Weighted average rate of 5.80% p.a. (2020 - 5.67% p.a.)	2032	220,636	178,415
NCE (Export Credit Note)	Average rate of 11.37% p.a. (2020 - 3.95% p.a.)	2024	83,538	103,902
Working capital	Average rate of 11.29% p.a. (2020 - 4.10% p.a.)	2024	47,778	40,077
BNDES - FINEM	Weighted average rate of 10.69% p.a. (2020 - 6.46% p.a.)	2025	22,375	27,830
BNDES - FINEM	Weighted average rate of 9.43% p.a. (2020 - 9.34% p.a.)	2023	57	101
Working capital (i)	Average rate of 6.21% p.a. (2020 - 5.14% p.a.)	2022	6,966	7,615
Leases	Weighted average rate of 8.07% p.a. (2020 - 7.17% p.a.)	2023	643	1,731
Drawee risk	Not applicable		382	1,128
			382,375	394,339
Current			85,045	96,553
Non-current			297,330	297,786
			382,375	394,339

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

a) Guarantees for loans and financing

Financing for Research, Innovation and Product Development, contracted by subsidiary Ouro Fino Saúde Animal Ltda. with FINEP, is collateralized by: (i) bank-issued guarantees, in the amount of R$ 115,307; (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 2021 and 2020, these ratios were met by the Company.

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

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

	2021
From 1 to 2 years	77,577
From 2 to 3 years	71,018
From 3 to 4 years	25,191
From 4 to 5 years	21,133
Over five years	102,411
	297,330

b) Working capital loans denominated in foreign currency

Exchange rate swap transactions were contracted for working capital loans and financing denominated in foreign currency (EUR), which amounted to R$ 33,540 in 2020, to replace charges, based on the Interbank Deposit Certificate - CDI variation (Note 9).

18. PROVISIONS (CONSOLIDATED)

	2021				
Balances recognized in Assets:	Opening balance	Additions and reversals, net	Final write-offs	Foreing 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	Additions and reversals, net	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

	2020				
Balances recognized in Assets:	Opening balance	Additions and reversals, net	Final write-offs	Foreing exchange variation	Final Balance
Bonuses on sales	957	2,548	(2,431)		1,074
Provision for impairment of intangible assets	3,174	18,333	(571)		20,936
Expected credit losses	6,717	40	(1,335)	367	5,789
Provision for inventory losses	6,083	5,611	(7,599)	39	4,134
	16,931	26,532	(11,936)	406	31,933
Balances recognized in Liabilities:	Opening balance	Additions and reversals, net	Final write-offs	Foreing exchange variation	Final Balance
Provision for contingencies	3,684	3,529	(1,125)	296	6,384
	3,684	3,529	(1,125)	296	6,384

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

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 10).

d) Provision for inventory losses

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

e) Provision for contingencies

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

The provisions are as follows:

	2021	2020
Labor	3,037	4,357
Tax	881	1,078
Civil	861	949
	4,779	6,384

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

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

Possible contingencies are as follows:

	2021			2020		
	Administrative	Judicial	Total	Administrative	Judicial	Total
Tax	77,419	3,748	81,167	91,758	1,106	92,864
Labor		3,713	3,713		2,777	2,777
Civil	3	2,275	2,278	3	2,259	2,262
	77,422	9,736	87,158	91,761	6,142	97,903

Tax risks refer mainly to tax assessment notices related to PIS, COFINS, and ICMS. The tax assessment notice related to PIS/COFINS, amounting to R$ 51,803 (2020 - R$ 50,382), 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$ 10,036 (2020 - R$ 17,114), 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$ 19,328 (2020 - R$ 25,368). The most relevant proceedings are as follows: (i) R$ 5,658 (2020 - R$ 6,800) related to ICMS credits on electric energy; (ii) R$ 3,746 (2020 - R$ 3,000) related to ICMS levy on operations with germicides; (iii) R$ 4,019 (2020 - R$ 2,950) related to transfers of ICMS credit balances; (iv) R$ 3,591 (2020 - R$ 2,800) related to the acquisition of goods from a supplier with improper registration and (v) R$ 1,953 (2020 - R$ 1,900) related to divergences in the application of the ICMS rate (FCI).

g) Contingent assets

The subsidiaries Ouro Fino Saúde Animal Ltda. and Ouro Fino Agronegócio Ltda. obtained favorable, final and unappealable decisions regarding the right to offset tax credits arising from the exclusion of ICMS from the calculation bases of PIS/COFINS contributions. On October 18, 2018, the Brazilian Federal Revenue Secretariat issued Internal Ruling 13 of the General Coordination of the Taxation System (COSIT), which provides for the criteria and procedures to be followed for calculating the amount to be excluded from the monthly calculation bases of these contributions. Considering that said Internal Ruling brings legal uncertainty to the taxpayers, the Group’s Management understands that the recognition of such credits, in the amount of R$ 4,654, 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 and Ouro Fino Agronegócio. Therefore, as a result of the aforementioned decision, the rights arising from such proceedings no longer represent a contingent asset and the Group's Management recorded the tax credit in the amount of R$ 4,383.

19. EQUITY

a) Share capital

At the Annual and Extraordinary Shareholders' Meeting held on April 9, 2021, the Company’s Management approved an increase in the Company's capital of R$ 32,865 (R$ 48,172 as of May 8, 2020), with no issuance of registered common shares, through the use of profit reserves.

In 2021, fully subscribed and paid-up capital comprises 53,949,006 common shares (2020 – 53,949,006 common shares) all of them with no par value and fully subscribed and paid-up.

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	2021	2020
Net income for the period	113,964	89,720
Legal reserve (5%)	(5,698)	(4,486)
Basis for calculatin minimum dividends	108,266	85,234
Dividends paid (25%)	27,067	21,309
Interest on Equity	16,153	13,522
IRRF on interest on equity (i)	(1,854)	(1,548)
Minimum mandatory dividends	12,768	9,335

(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 statement of financial position and profit or loss of subsidiaries abroad.

d) Stock option plan

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

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

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

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

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

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

	End of the vesting period				
	09/28/17	09/28/18	09/28/19	09/28/20	09/28/21
Qty. of options	8,000	8,000	8,000	8,000	8,000
Strike price	39.38	39.38	39.38	39.38	39.38
Fair Value of options granted	12.89	14.87	16.62	18.23	19.66
Maximum exercise term	09/28/21	09/28/22	09/28/23	09/28/24	09/28/25

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

Grant on September 28, 2016	General assumptions and information on the valuation			
End of the vesting period	09/28/18	09/28/19	09/28/20	09/28/21
Share price on the grant date	39.00	39.00	39.00	39.00
Estimated strike price for the period	43.91	46.40	49.07	51.91
Expected lifetime (in years)	4.00	5.00	6.00	7.00
Expected volatility	30.40%	30.40%	30.40%	30.40%
Risk-free interest rate	11.60%	11.70%	11.70%	11.80%

For the year ended December 31, 2021, expenses of R$ 118 (2020 - R$ 145) 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, Management approved the Long-Term Share-Based Incentive Plan ("ILP Plan") of the Company. ILP Plan aims to allow eligible persons, subject to certain conditions established in the Programs, to receive Shares with the purpose of: (i) stimulating the Company's social purpose expansion, (ii) aligning the Company's Shareholders interests to those of Eligible persons, (iii) encourage the value creation for the Company and (iv) share risks and gains equitably among shareholders, managers and employees.

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

General Characteristics of ILP Plan

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

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

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

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

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

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

For the year ended December 31, 2021, the Group recognized the expense, including INSS and FGTS charges, of the ILP Plan in the amount of R$ 461.

f) Treasury shares

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

20. REVENUES (CONSOLIDATED)

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

	2021	2020
In Brazil		
Gross revenues from sales and services	873,765	710,622
Taxes and deductions on sales	(83,784)	(67,228)
	789,981	643,394
Abroad		
Gross sales	117,585	87,373
Taxes and deductions on sales	(2,575)	(659)
	115,010	86,714
	904,991	730,108

21. COSTS AND EXPENSES BY NATURE

	Consolidated			
	Parent company		Consolidated	
	2021	2020	2021	2020
Cost of sales (i)				
Variable costs (materiais and supplies)			283,015	212,836
Personnel expenses			99,554	77,121
Outsourced services			31,831	25,832
Depreciation and amortization			16,880	17,229
Electricity			15,940	9,906
Reversal of the provision for inventory losses			(723)	(1,988)
Provision for impairment of intangible assets			91	
Other			11,232	15,186
			457,820	356,122
Selling Expenses				
Personnel expenses			80,405	76,108
Sales team expenses			47,878	39,350
Freight expenses			32,584	25,122
Outsourced services			18,034	16,657
Depreciation and amortization			5,157	4,353
Telecommunication and energy			583	679
Other			5,480	7,889
			190,121	170,158
Expenses on research and innovation				
Personnel expenses			22,792	19,412
Outsourced services			28,172	14,496
Depreciation and amortization			2,342	2,062
Telecommunication and energy			546	425
Other			5,079	3,273
			58,931	39,668
General and administrative expenses				
Personnel expenses	5,554	4,824	34,126	32,468
Outsourced services	310	813	10,811	6,933
Depreciation and amortization			3,300	2,753
Travel expenses	7	7	375	268
Telecommunication and energy			1,052	825
Expenses with vehicles			162	155
Donations and sponsorships			44	62
Other	521	484	4,236	3,761
	6,392	6,128	54,106	47,225
	6,392	6,128	760,978	613,173

(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.

22. OTHER EXPENSES, NET

	Parent company		Consolidated	
	2021	2020	2021	2020
Federal, state, municipal taxes and fees (i)	(9)	(11)	3,211	8,953
Gain on disposal and write-off of PP&E			2,552	205
Gains on sales of scrap, rentals and other	182	198	453	(884)
Final write-off of intangible assets (ii)			(3)	(2,902)
Provision for impairment of intangible assets (ii)			(5,726)	(17,762)
Other losses	(233)	(223)	(3,389)	(2,429)
	(60)	(36)	(2,902)	(14,819)

(i) For the year ended December 31, 2021, extemporaneous credits from PIS/COFINS contributions were recognized, in the amount of R$ 4,383 related to ICMS exclusion from the calculation base, and for the year ended December 31, 2020, extemporaneous credits from PIS/COFINS contributions in the amount of R$ 6,223 were recognized, from which: (i) R$ 2,240 was related to essential and relevant inputs to the production process, for which COSIT Normative Opinion No. 5/2018, published on December 18, 2018, concluded that the concept of input should be sought in light of the essentiality and relevance of the input in the Taxpayer's production chain, and thus, the Group, by analyzing the characteristics and specificities of its activity, based on understanding established by STJ, appropriated these credits from the period 2016 to 2020, which meet the concept of the opinion; and (ii) R$ 3,983 was related to credits on freight and product storage expenses, subject to one-time tax levy.

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

23. FINANCE INCOME (COSTS)

	Parent company		Consolidated	
	2021	2020	2021	2020
Finance income				
Revenue from financial investments	2,264	563	7,329	2,697
Interest received			203	295
Inflation adjustment	103	3	236	542
Other			667	45
	2,367	566	8,435	3,579
Finance costs				
Interest paid	(6)	(5)	(19,408)	(12,686)
Pis and Cofins on interest on equity	(1,646)	(1,378)	(1,646)	(1,378)
Finance charges	(1)	(1)	(1,887)	(1,252)
Other	(130)	(95)	(801)	(864)
	(1,783)	(1,479)	(23,742)	(16,180)
Derivative financial instruments, net:				
Gains on derivatives (foreign exchange variation)			2,187	16,823
Losses on derivatives (interest)			(225)	(1,226)
			1,962	15,597
Foreign exchange variation, net			(2,075)	(11,275)
Financial result	584	(913)	(15,420)	(8,279)

24. INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

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

	Parent company		Consolidated	
	2021	2020	2021	2020
Earnings before income tax and social contribution	113,964	89,720	125,691	93,837
Statutory tax rates	34%	34%	34%	34%
	(38,748)	(30,505)	(42,735)	(31,905)
Reconciliation for effective tax:				
Permanent differences:				
PD&I Benefit			5,793	4,001
Equity in the results of investees	40,743	32,911		
Investment Subsidies (i)			23,066	22,479
Calculation adjustments on subsidiaries abroad taxed at the rate in effect in their respective countries			(1,200)	(1,446)
Interest on Equity	(560)	(468)	5,492	5,066
Unrecognized deferred taxes	(1,435)	(1,938)	(1,435)	(1,938)
Other			(715)	(381)
Income tax and social contribution			(11,734)	(4,124)
Reconciliation with the statement of profit or loss				
Current			(22,994)	(11,963)
Deferred			11,260	7,839
			(11,734)	(4,124)

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

On 09/24/2021, the Federal Supreme Court (STF) unanimously judged and decided that the levying of IRPJ (corporate income tax) and CSLL (social contribution on net income) on the Selic Rate (interest in arrears and inflation adjustment) received by the taxpayer in the repetition of the overpayment is unconstitutional. The Group assessed the possible impacts of STF decision and concluded that there is no material impact on its operations.

25. 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.

	2021	2020
Net income for the year attributable to the Company's shareholders	113,964	89,720
Weighted average number of common shares outstanding in the year (in thousands of shares)	53,915	53,949
Basic and diluted earnings per share	2.11377	1.66305

26. EMPLOYEE BENEFITS

a) Private pension plan - defined contribution

The Group companies sponsor a defined contribution pension plan for their employees. The plan entered into effect in August 2008 and, until September 30, 2020, it was managed by Itaú Vida e Previdência S.A. As from October 2020, the plan is being managed by Brasilprev Seguros e Previdência S.A. Company contributions to the plan for the year ended December 31, 2021 amounted to R$ 1,295 (2020 - R$ 1,039).

b) Short-term incentives

The Group offers a short-term incentive program ("ICP") to its employees, calculated based on quantitative and qualitative goals established by management. In the year ended December 31, 2021, the impact of the short-term incentive was R$ 18,540 (2020 - R$ 19,378).

27. RELATED-PARTY BALANCES AND TRANSACTIONS

a) Balances and main transactions

	Parent company						
	2021			2020			
	Assets	Liabilities		Assets		Liabilities	
	Other assets (i)	Dividends and interest on equity	Other liabilities (i)	Interest on Equity	Other assets (i)	Dividends and interest on equity	Other liabilities (i)
Subsidiaries:							
Ouro Fino Saúde Animal Ltda.			52	11,900			38
Ouro Fino Pet Ltda.				1,650			
Other related parties:							
Ouro Fino Química Ltda.	83				83		
Shareholders		12,768				21,309	
	83	12,768	52	13,550	83	21,309	38

	Parent company				
	2021		2020		
	Subsidiaries:	Other related parties:		Subsidiaries:	Other related parties:
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Química Ltda.	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Química Ltda.
Main transactions:					
Shared Services Center (CSC) reimbursement (i)	(159)		(56)	26	
Royalties		200			219
Other expenses, net	(349)		(382)	(5)	
	(508)	200	(438)	21	219

	Consolidated							
	Balances:							
	2021				2020			
	Assets	Liabilities			Assets	Liabilities		
	Other assets (i)	Dividends and interest on equity	Other liabilities (i)	Loans and financing (ii)	Other assets (i)	Dividends and interest on equity	Other liabilities (i)	Loans and financing (ii)
Other related parties:								
Ouro Fino Química Ltda.	388		175		338		150	
Condomínio Rural Ouro Fino	338				89			
BNDES Participações S.A.				22,432				27,931
Shareholders		12,768				21,309		
Other								
	726	12,768	175	22,432	427	21,309	150	27,931

	Consolidated							
	2021				2020			
	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 goods						6		
Shared Services Center (CSC) reimbursement (i)	1,489				1,373			
Royalties	200	5			219	33		
Purchase of Inputs		(586)						
Expenses with rent and condominium expenses		(2,682)				(2,350)		
Product incineration services			(621)				(655)	
Other expenses, net	(1,019)				(855)			
Financial result				(1,904)				(1,989)
	670	(3,263)	(621)	(1,904)	737	(2,311)	(655)	(1,989)

(i) Other assets and liabilities

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

(ii) Loans and financing

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

b) Management compensation

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

	2021	2020
Wages and salaries	3,228	3,201
Variable compensation	1,184	854
Labor charges	962	779
Direct and indirect benefits	210	185
Share-based payments	263	146
	5,847	5,165

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

28. INSURANCE

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

Insured assets	Risks covered	2022	2021
Property, plant and equipment and inventories	Fire, lightning, explosion, electrical damage, windstorm, loss of profits	459,552	497,281
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	30,000

29. OTHER DISCLOSURES ON CASH FLOWS

	Loans and financing	Derivative financial instruments, net	Cash and cash equivalents	Financial investments	Net debt
Balance as of January 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 and financial investments			64,534	18,732	83,266
Changes that affected cash flow	(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
Balance as of January 1, 2020	281,082	2,252	(45,009)		238,325
Funding	214,000				214,000
Repayment of principal	(122,540)	11,047			(111,493)
Payment of interest	(12,755)				(12,755)
Drawee risk	708				708
Increase (decrease) in cash and cash equivalents			(179,925)	(18,000)	(197,925)
Changes that affected cash flow	79,413	11,047	(179,925)	(18,000)	(107,465)
Purchase of property, plant and equipment	279				279
Foreign exchange variations and interest	33,565	(15,597)	(641)	(39)	17,288
Non-cash changes	33,844	(15,597)	(641)	(39)	17,567
Balance as of December 31, 2020	394,339	(2,298)	(225,575)	(18,039)	148,427

30. COMMITMENTS

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

Supply year		Volume in average megawatt	Price	
Beginning	End			
01/01/22	12/31/22	2.500000	$157.00	MWh
01/01/23	12/31/23	2.500000	$150.00	MWh
01/01/24	12/31/24	2.500000	$147.00	MWh

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

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

31.1 Consolidation

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

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

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

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

31.2 Foreign currency translation

a) Functional and reporting currency

Items included in the 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 “Finance income (costs)”.

c) Group companies with a different functional currency

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

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

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

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

31.3 Financial assets

31.3.1 Classification

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

a) Amortized cost

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

b) Financial assets at fair value through profit or loss

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

31.3.2 Recognition and measurement

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

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

31.3.3 Impairment of financial assets

<u>Assets carried at amortized cost</u>

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

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

31.4 Derivative financial instruments

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

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

31.5 Trade accounts receivable

Trade accounts receivable are stated at the original sales amount, plus, when applicable, 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.

31.6 Inventories

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

31.7 Current and deferred income tax and social contribution

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

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

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

Deferred income tax and social contribution are recognized on accumulated tax losses and temporary differences between the tax bases of assets and liabilities and their carrying amounts in the 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 recognized the tax deductibility of the amounts of tax incentives related to exits with exemption from ICMS in transactions within the state of São Paulo and exports and exits with a 60% reduction in the ICMS calculation basis in interstate operations (ICMS Agreement 100/1997), according to the law case established by the Superior Court of Justice.

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

31.8 Intangible assets

a) Product research and development

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

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

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

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

b) Trademarks and licenses purchased

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

c) Computer software

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

Costs associated with maintaining computer software are expensed as incurred.

d) Goodwill on the acquisition of subsidiaries

Goodwill arises from the acquisition of subsidiaries and represents the excess of (i) the consideration transferred, and (ii) the acquisition-date fair value of identifiable assets acquired, and liabilities assumed. Goodwill on acquisitions of subsidiaries is 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.

31.9 Property, plant and equipment

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

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

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

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

31.10 Impairment of non-financial assets

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

31.11 Trade accounts payable

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

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

31.12 Loans and financing

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

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

31.13 Employee benefits

a) Private pension plan

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

b) Profit sharing

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

c) Share-based compensation

The Company has share-based compensation plans ("Stock Options" and "ILP"), duly approved by the Board of Directors, Note 19(d) and (e)). Plan expenses are recognized in equity and charges are recognized in other non-current liabilities during the vesting period.

31.14 Revenue recognition

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

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

31.15 Payment of dividends and interest on capital

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.

31.16 Leases

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

For the year ended December 31, 2021, the Group's management reviewed all lease agreements and concluded that the exemption criteria apply for all contracts identified as leases (according to IFRS16/CPC06).

31.17 New standards that are not yet effective

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

32. SUBSEQUENT EVENTS

32.1 Merger between subsidiaries

At a meeting of the partners held on January 1, 2022, the merger of subsidiary Ouro Fino Pet Ltda. ("OF Pet") by 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 in search 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$1.00) each. Accodingly, OF Agro's capital increased from R$ 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.