

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

**Ouro Fino Saúde Animal
Participações S.A. and Subsidiaries**

Individual and Consolidated
Interim Financial Statements for the
Quarter Ended June 30, 2022 and
Report on Review of Interim Financial Statements

Deloitte Touche Tohmatsu Auditores Independentes Ltda.

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

REPORT ON THE REVIEW OF INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial statements of Ouro Fino Saúde Animal Participações S.A. (the “Company”) identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form - ITR, for the quarter ended June 30, 2022, which comprises the individual and consolidated balance sheet as of June 30, 2022 and the related individual and consolidated statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

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

Scope of review

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

Conclusion on the individual and consolidated interim financial statements

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


Other matter


Statements of value added

The interim financial information referred to above includes the individual and consolidated statements of value added - DVA for the six-month period ended June 30, 2022, prepared under the responsibility of the Company's Executive Board and disclosed as supplemental information for purposes of the international standard IAS 34. These statements have been subject to review procedures performed together with the ITR to reach a conclusion on whether they were reconciled with the individual and consolidated interim 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. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not appropriately prepared, in all material respects, in relation to the criteria defined in this standard and consistently with the individual and consolidated interim financial statements taken as a whole.

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

Campinas, August 2, 2022


DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.


Renato Foganholi Asam
Engagement Partner

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

BALANCE SHEET AS OF JUNE 30 2022 AND DECEMBER 31, 2021
In thousands of Brazilian reais

ASSETS	Note	Parent company		Consolidated		LIABILITIES AND EQUITY	Note	Parent company		Consolidated	
		2022	2021	2022	2021			2022	2021	2022	2021
Current assets						Current liabilities					
Cash and cash equivalents	8	9,752	51,274	216,955	161,254	Trade accounts payable	15	17		89,206	69,941
Trade accounts receivable	9			200,063	245,292	Loans and financing	16			87,799	85,045
Inventories	10			331,585	270,119	Salaries and payroll charges		786	1,113	40,280	43,652
Taxes recoverable	11	1,624	3,689	44,198	33,836	Taxes payable		130	3,648	4,736	15,400
Income tax and social contribution recoverable				7,718	7,216	Income tax and social contribution payable					4,857
Related parties	26	183	83	651	726	Dividends and interest on equity	26		12,768		12,768
Other assets		23		11,226	11,268	Related parties	26	45	52	168	175
Total current assets		<u>11,582</u>	<u>55,046</u>	<u>812,396</u>	<u>729,711</u>	Commissions on sales				5,130	5,353
						Other liabilities		40	39	8,464	8,452
						Total current liabilities		<u>1,018</u>	<u>17,620</u>	<u>235,783</u>	<u>245,643</u>
Non-current assets						Non-current liabilities					
Long-term receivables						Loans and financing	16			360,955	297,330
Taxes recoverable	11			22,475	38,420	Provision for contingencies	17			5,210	4,779
Deferred income tax and social contribution	12			31,644	35,350	Obligations on investment acquisition	5			8,784	
Related parties	26	40,000				Other liabilities		165	20	3,425	3,419
Inventories	10			1,171	1,730	Total non-current liabilities		<u>165</u>	<u>20</u>	<u>378,374</u>	<u>305,528</u>
Other assets		250	250	1,963	1,746						
		<u>40,250</u>	<u>250</u>	<u>57,253</u>	<u>77,246</u>	Total liabilities		<u>1,183</u>	<u>17,640</u>	<u>614,157</u>	<u>551,171</u>
Investments in subsidiaries	5	628,965	603,789			Equity	18				
Property, plant and equipment	13			323,728	314,045	Share capital		458,102	458,102	458,102	458,102
Intangible assets	14			100,415	71,641	Treasury shares		(5,125)	(5,125)	(5,125)	(5,125)
Total current assets		<u>669,215</u>	<u>604,039</u>	<u>481,396</u>	<u>462,932</u>	Options granted		7,087	6,008	7,087	6,008
						Profit reserve		164,912	164,912	164,912	164,912
						Retained earnings		39,542	39,542	39,542	39,542
						Equity valuation adjustments		15,096	17,548	15,096	17,548
						Total equity of the controlling shareholders		<u>679,614</u>	<u>641,445</u>	<u>679,614</u>	<u>641,445</u>
						Non-controlling interest				21	27
						Total equity		<u>679,614</u>	<u>641,445</u>	<u>679,635</u>	<u>641,472</u>
Total assets		<u>680,797</u>	<u>659,085</u>	<u>1,293,792</u>	<u>1,192,643</u>	Total liabilities and equity		<u>680,797</u>	<u>659,085</u>	<u>1,293,792</u>	<u>1,192,643</u>

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF PROFIT OR LOSS

PERIODS ENDED JUNE 30, 2022 AND 2021

In thousands of Brazilian reais unless otherwise stated indicated

	Note	Parent company			
		2022		2021	
		Quarter	6 months	Quarter	6 months
General and administrative expenses	20	(2,305)	(4,036)	(1,626)	(3,355)
Equity in the results of investees	5	25,450	41,930	33,267	44,304
Other income (expenses), net	21	46	90	(4)	(3)
Operating profit (loss)		23,191	37,984	31,637	40,946
Financial revenues		406	1,634	405	602
Financial expenses		(50)	(76)	(59)	(74)
Financial result	22	356	1,558	346	528
Net income for the period		23,547	39,542	31,983	41,474

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF PROFIT OR LOSS

PERIODS ENDED JUNE 30, 2022 AND 2021

In thousands of Brazilian reais unless otherwise stated indicated

	Note	Consolidated			
		2022		2021	
		Quarter	6 months	Quarter	6 months
Net sales revenue	19	235,308	437,623	230,981	399,765
Cost of sales	20	(116,660)	(221,182)	(115,186)	(200,708)
Gross profit		118,648	216,441	115,795	199,057
Selling Expenses	20	(53,098)	(101,170)	(44,080)	(84,825)
Expenses on research and innovation	20	(15,107)	(30,947)	(13,714)	(25,365)
General and administrative expenses	20	(15,250)	(28,365)	(12,423)	(24,656)
Other income (expenses), net	21	329	3,183	(2,396)	(2,571)
Operating profit (loss)		35,522	59,142	43,182	61,640
Financial revenues		4,168	8,130	1,522	2,691
Financial expenses		(10,442)	(19,289)	(5,044)	(9,795)
Derivative financial instruments, net				687	1,962
Foreign exchange variation, net		(1,307)	(3,098)	(872)	(3,043)
Financial result	22	(7,581)	(14,257)	(3,707)	(8,185)
Income before income tax and social contribution		27,941	44,885	39,475	53,455
Income tax and social contribution	23				
Current		(1,950)	(1,977)	(9,080)	(12,880)
Deferred		(2,445)	(3,368)	1,583	893
Net income for the period		23,546	39,540	31,978	41,468
Attributable to:					
the Company's shareholders		23,547	39,542	31,983	41,474
Non-controlling interest		(1)	(2)	(5)	(6)
		23,546	39,540	31,978	41,468
Earnings per share attributable to the company's shareholders during the period (in Brazilian Reais)	24				
Basic earnings per share		0.43794	0.73542	0.59284	0.76876
Diluted earnings per share		0.43794	0.73542	0.59284	0.76876

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

STATEMENT OF COMPREHENSIVE INCOME (LOSS)
 PERIODS ENDED JUNE 30, 2022 AND 2021
 In thousands of Brazilian reais

	Parent company				
	2022		2021		
	Quarter	6 months	Quarter	6 months	
Net income for the period	23.547	39.542	31.983	41.474	
Other comprehensive income (loss)					
Items that will be reclassified to profit or loss					
Exchange variation on investment	5	2.106	(2.455)	(1.056)	(218)
Total comprehensive income (loss) for the period		<u>25.653</u>	<u>37.087</u>	<u>30.927</u>	<u>41.256</u>
	Consolidated				
	2022		2021		
	Quarter	6 months	Quarter	6 months	
Net income for the period	23.546	39.540	31.978	41.468	
Other comprehensive income (loss)					
Items that will be reclassified to profit or loss					
Exchange variation on investment	5	2.111	(2.459)	(1.061)	(218)
Total comprehensive income (loss) for the period		<u>25.657</u>	<u>37.081</u>	<u>30.917</u>	<u>41.250</u>
Attributable to:					
the Company's shareholders		25.653	37.087	30.927	41.256
Non-controlling interest		4	(6)	(10)	(6)
		<u>25.657</u>	<u>37.081</u>	<u>30.917</u>	<u>41.250</u>

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF CHANGES IN EQUITY
In thousands of Brazilian reais

	Note	Attributable to the shareholders of the Parent Company									
		Share capital	Treasury shares	Options granted	Legal reserve	Profit reserve		Retained earnings	Total	Non-controlling interest	Total equity
						Profit retention reserve	Equity valuation adjustments				
AS OF JANUARY 1, 2022		458,102	(5,125)	6,008	23,191	141,721	17,548		641,445	27	641,472
Comprehensive income (loss) for the period											
Net income for the period								39,542	39,542	(2)	39,540
Exchange variation on investment	5						(2,455)		(2,455)	(4)	(2,459)
Total comprehensive income (loss) for the period							(2,455)	39,542	37,087	(6)	37,081
Contributions and distributions to shareholders:											
Change in equity interest	5						3		3		3
Long-term incentive granted	18 (d), (e) and (f)			1,079					1,079		1,079
Total shareholder contributions				1,079			3		1,082		1,082
AS OF JUNE 30, 2022		458,102	(5,125)	7,087	23,191	141,721	15,096	39,542	679,614	21	679,635
AS OF JANUARY 1, 2021		425,237		5,527	17,493	95,241	17,280		560,778	32	560,810
Comprehensive income (loss) for the period											
Net income for the period								41,474	41,474	(6)	41,468
Exchange variation on investment	5						(218)		(218)		(218)
Total comprehensive income (loss) for the period							(218)	41,474	41,256	(6)	41,250
Contributions and distributions to shareholders:											
Capital increase with profit reserves	19 (a)	32,865					(32,865)				
Long-term incentive granted	18 (d), (e) and (f)			248					248		248
Total shareholder contributions		32,865		248					248		248
AS OF JUNE 30, 2021		458,102		5,775	17,493	62,376	17,062	41,474	602,282	26	602,308

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

STATEMENT OF CASH FLOWS
PERIODS ENDED JUNE 30, 2022 AND 2021
In thousands of Brazilian reais

	Note	Parent company		Consolidated	
		2022	2021	2022	2021
Cash flows from operating activities					
Earnings before Income tax and social contribution		39,542	41,474	44,885	53,455
Adjustments for:					
Expected credit gains	9 and 17			(41)	(98)
Provision for inventory losses and write-offs				2,789	5,642
Provision (reversal) of provision for customer bonuses	17			147	(958)
Equity in the results of investees	5	(41,930)	(44,304)		
Depreciation and amortization	13 and 14			15,408	12,879
Provision for impairment of intangible assets	14				5,550
Gain (loss) on disposal of property, plant and equipment	21			(1,652)	(72)
Interest and monetary/foreign exchange variations, net			(273)	17,963	10,014
Derivative financial instruments					(1,962)
Reversal of provision for contingencies	17			(496)	(1,569)
Long-term incentive granted	18 (d) (e)	525	139	1,673	248
Fair value adjustment				399	
Changes in working capital:					
Trade accounts receivable				45,325	20,874
Inventories				(66,142)	(51,854)
Taxes recoverable		2,065	1,518	4,399	736
Other assets		(122)	(119)	(358)	(2,459)
Trade accounts payable		(20)		17,143	5,247
Taxes payable		(3,518)	(2,950)	(10,444)	(1,261)
Other liabilities		(296)	(378)	(3,818)	(10,654)
Cash provided by (used in) operations		(3,754)	(4,893)	67,180	43,758
Interest paid				(14,643)	(8,052)
Income tax and social contribution paid				(6,743)	(8,543)
Net cash provided by (used in) operating activities		(3,754)	(4,893)	45,794	27,163
Cash flows from investing activities:					
Advances for future capital increase in subsidiaries		(40,000)			
Companies' acquisition, net of acquired cash	5 (f)			(14,532)	
Investment in intangible assets	14			(6,511)	(4,619)
Purchase of property, plant and equipment	13			(22,267)	(24,004)
Distribution of dividends and interest on equity (i)		15,000	62,823		
Proceeds from sale of property, plant and equipment				2,975	714
Net cash provided by (used in) investing activities		(25,000)	62,823	(40,335)	(27,909)
Cash flows from financing activities:					
New loans and financing	28			81,104	9,000
Repayments of loan and financing	28			(17,768)	(64,765)
Lease payments				(799)	(154)
Payment of dividends and interest on equity	29	(12,768)	(21,308)	(12,768)	(21,308)
Realized derivative financial instruments	29				4,260
Net cash provided by (used in) financing activities				49,769	(72,967)
Increase (decrease) in cash and cash equivalents, net		(41,522)	36,622	55,228	(73,713)
Cash and cash equivalents at the beginning of the period		51,274	1,341	161,254	225,575
Foreign exchange gains on cash and cash equivalents				473	1
Cash and cash equivalents at the end of the period	8	9,752	37,963	216,955	151,863

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

- (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 28.

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF VALUE ADDED
PERIODS ENDED JUNE 30, 2022 AND 2021
In thousands of Brazilian reais

	Note	Parent company		Consolidated	
		2022	2021	2022	2021
Revenues:					
Gross revenues from sales and services				483,828	437,244
Other income (expenses), net				3,951	(111)
Income from construction of own assets				3,366	3,036
Expected credit losses	9 and 17			41	98
				491,186	440,267
Inputs acquired from third parties:					
Cost of sales and services				(162,796)	(150,553)
Materials, electricity, third-party services and other		(514)	(635)	(113,555)	(89,467)
Losses on assets, net				(2,487)	(11,402)
Gross value added (distributed)		(514)	(635)	212,348	188,845
Depreciation and amortization	13 and 14			(15,408)	(12,879)
Net value added (distributed) generated by the entity		(514)	(635)	196,940	175,966
Value added received through transfer:					
Equity in the results of investees	5	41,930	44,304		
Finance income		1,715	608	12,546	10,722
Royalties		100	100	103	103
Other				722	159
Total value added distributed		43,231	44,377	210,311	186,950
DISTRIBUTION OF VALUE ADDED					
Personnel:					
Direct compensation		2,704	2,174	86,105	73,929
Benefits		104	95	16,125	13,833
FGTS		67	54	5,780	4,966
Taxes, charges and contributions:					
Federal		743	503	31,092	25,398
State		2	4	2,520	6,097
Municipal				243	235
Remuneration of third parties' capital:					
Interest, foreign exchange variation, losses on derivatives etc.		69	73	26,700	18,947
Rentals				2,199	2,070
Other				7	7
Equity remuneration					
Retained earnings		39,542	41,474	39,542	41,474
Non-controlling interest				(2)	(6)
Value added distributed		43,231	44,377	210,311	186,950

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 30, 2022

(All amounts in thousands of Brazilian reais (R\$) unless otherwise stated)

1. GENERAL INFORMATION

1.1. Operations

Ouro Fino Saúde Animal Participações S.A. (the "Company") is a listed corporation headquartered in the city of Cravinhos, State of São Paulo. The Company's shares are traded in the 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 issuance of these individual and consolidated interim financial statements was authorized for disclosing by the Board of Directors on August 02, 2022.

(i) Merger of subsidiary

At a meeting of the partners held on January 1, 2022, the merger of subsidiary Ouro Fino Pet Ltda. ("OF Pet") 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 seeking the gain of logistical synergies and operational gains.

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

(ii) Business combination

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

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

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

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

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

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

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

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

1.3. Impact of the Russia-Ukraine conflict on the preparation of interim financial statements

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

1.4. Basis of preparation and statement of compliance

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

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

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

The main accounting policies applied in the preparation of this interim accounting information are set out in Note 29.

The preparation of interim accounting information 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 interim accounting information, 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. The SVA has been prepared in compliance with the criteria defined in Technical Pronouncement CPC 09 - Statement of Value Added. International Financial Reporting Standards (IFRS) do not require the presentation of this statement. Therefore, under IFRS, the presentation of such statement is considered supplementary information, without prejudice to the set of the interim financial statements.

1.5. Consolidation

The consolidated interim financial statements include the interim 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 interim accounting information are described in Note 29.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

a) Fair value of derivative financial instruments

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

b) Expected credit losses

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

c) Deferred income tax and social contribution

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

d) Impairment of property, plant and equipment

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

e) Provision for contingencies

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

f) Fair value of the Share-based Compensation Plan

i) Stock option plan

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

ii) Long-term Incentive Plan - "ILP"

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

iii) Restricted Stock Plan - "RSU"

Pursuant to CPC 10 - Share-Based Compensation, the fair value of shares was defined by the fair value of the assets on the grant date and will be remeasured only on the settlement date.

g) Impairment of intangible assets

The Group's Executive Board 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 29.9. 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

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.

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

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Group companies' activities expose them to financial risks, mainly related to foreign exchange variations, fluctuations in interest rates, credit and liquidity risks. The objective of risk management is to reduce potential unexpected variations in the results arising from the aforementioned risks. The Executive Board manages its financial risks as the basis for its growth strategy and satisfactory cash flows. The Executive Board 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 Executive Board 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 are entered into to exchange the charges on loans and financing initially obtained in foreign currency for charges based on the Interbank Deposit Certificate (CDI) rate. Gains and losses are recognized within "Financial results" in the statement of profit or loss.

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

	<u>06/30/2022</u>	<u>12/31/2021</u>
Assets in foreign currency		
Cash and cash equivalents	3,406	476
Trade accounts receivable	<u>11,952</u>	<u>14,688</u>
	<u>15,358</u>	<u>15,164</u>
Liabilities in foreign currency		
Trade accounts payable	<u>(43,428)</u>	<u>(10,729)</u>
	<u>(43,428)</u>	<u>(10,729)</u>
Net exposure - liabilities (assets)	<u><u>(28,070)</u></u>	<u><u>4,435</u></u>

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\$).

Assets/liabilities	Risco	Balance as of 06/30/2022	Likely scenario (US\$1=R\$ 5.23)	Impact	
				Scenario 2 (US\$ variation - 25%)	Scenario 3 (US\$ variation - 50%)
Cash and cash equivalents	US\$	3,406	(5)	(850)	(1,700)
Trade accounts receivable	US\$	11,952	(18)	(2,983)	(5,967)
Trade accounts payable	US\$	(43,428)	66	(10,840)	(21,681)

(ii) Interest rate risk

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

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

Currently, 94.0% of the Group's financing transactions (90.4% as of December 31, 2021) are carried out at floating interest rates, and 6.0% of transactions at fixed interest rates (9.6% as of December 31, 2021). 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 35 years.

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

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

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

c) Liquidity risk

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

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

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

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

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

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

	Consolidated			
	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years
As of June 30, 2022				
Trade accounts payable	89,206			
Loans and financing (i)	121,709	110,457	179,559	161,730
Related parties	168			
Obligations on investment acquisition			5,000	3,784
Provision for contingencies		1,251	2,919	1,040
Other liabilities (ii)	58,610	2,496	228	701
	<u>269,693</u>	<u>114,204</u>	<u>187,706</u>	<u>167,255</u>
As of December 31, 2021				
Trade accounts payable	69,941			
Loans and financing (i)	112,573	98,490	146,359	118,577
Dividends and interest on equity	12,768			
Related parties	175			
Provision for contingencies	1,434	3,345		
Other liabilities (ii)	77,714	1,454	1,502	463
	<u>274,605</u>	<u>103,289</u>	<u>147,861</u>	<u>119,040</u>

- (i) The amounts included in the table above are the contractual undiscounted cash flows, and therefore include future financial charges, and such amounts will not reconcile to the amounts disclosed for loans and financing in the balance sheet.
- (ii) Balances of salaries and social charges, taxes payable, income tax and social contribution payable, sales commissions and other short-term and long-term liabilities are considered.

3.2. Capital management

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

As of June 30, 2022 and December 31, 2021, leverage ratio were as follows:

	Note	Consolidated	
		06/30/2022	12/31/2021
Loans and financing	16	448,754	382,375
Cash and cash equivalents	8	(216,955)	(161,254)
Net debt		231,799	221,121
Equity	18	679,635	641,472
Total capital		911,434	862,593
Leverage ratio %		25.43	25.63

3.3. Fair value estimate

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

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

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

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

4. SEGMENT REPORTING

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

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

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

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

Assets and liabilities, general and administrative expenses, research and innovation expenses, other income (expenses), net, 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:

	Quarter ended June 30, 2022				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Net sales revenue	174,265	29,605	31,438		235,308
Cost of sales	(93,678)	(8,253)	(14,729)		(116,660)
Gross profit	80,587	21,352	16,709		118,648
Selling Expenses	(34,202)	(8,445)	(10,451)		(53,098)
Results by segment	46,385	12,907	6,258		65,550
Expenses on research and innovation				(15,107)	(15,107)
General and administrative expenses and other expenses				(14,921)	(14,921)
Finance income (costs)				(7,581)	(7,581)
Income tax and social contribution				(4,395)	(4,395)
Unallocated results				(42,004)	(42,004)
Net income for the period					23,546
	Six-month period ended June 30, 2022				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenues	314,820	62,956	59,847		437,623
Cost of sales	(176,358)	(18,792)	(26,032)		(221,182)
Gross profit	138,462	44,164	33,815		216,441
Selling Expenses	(66,028)	(15,745)	(19,397)		(101,170)
Results by segment	72,434	28,419	14,418		115,271
Expenses on research and innovation				(30,947)	(30,947)
General and administrative expenses and other expenses				(25,182)	(25,182)
Finance income (costs)				(14,257)	(14,257)
Income tax and social contribution				(5,345)	(5,345)
Unallocated results				(75,731)	(75,731)
Net income for the period					39,540
	Quarter ended June 30, 2021				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Net sales revenue	173,646	30,184	27,151		230,981
Cost of sales	(96,379)	(8,793)	(10,014)		(115,186)
Gross profit	77,267	21,391	17,137		115,795
Selling Expenses	(29,584)	(6,081)	(8,415)		(44,080)
Results by segment	47,683	15,310	8,722		71,715
Expenses on research and innovation				(13,714)	(13,714)
General and administrative expenses and other expenses				(14,819)	(14,819)
Finance income (costs)				(3,707)	(3,707)
Income tax and social contribution				(7,497)	(7,497)
Unallocated results				(39,737)	(39,737)
Net income for the period					31,978

Six-month period ended June 30, 2021					
Business segments					
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenues	289,213	60,146	50,406		399,765
Cost of sales	(165,843)	(17,628)	(17,237)		(200,708)
Gross profit	123,370	42,518	33,169		199,057
Selling Expenses	(56,352)	(12,555)	(15,918)		(84,825)
Results by segment	67,018	29,963	17,251		114,232
Expenses on research and innovation				(25,365)	(25,365)
General and administrative expenses and other expenses				(27,227)	(27,227)
Finance income (costs)				(8,185)	(8,185)
Income tax and social contribution				(11,987)	(11,987)
Unallocated results				(72,764)	(72,764)
Net income for the period					41,468

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

	2022		2021	
	Quarter	6 months	Quarter	6 months
Colombia	9,614	19,120	7,868	16,774
Mexico	6,993	15,419	6,658	14,876
Uruguay		5,834	4,879	4,879
Bolivia	3,199	3,700	2,376	2,376
Ecuador	2,463	3,525	1,552	4,682
Spain	1,402	3,501		
Paraguay	2,602	2,602	1,332	1,595
Arab Emirates	2,196	2,196	1,851	1,851
Mozambique	1,291	1,291		375
Guatemala	971	1,006		
Other	707	1,653	635	2,998
	31,438	59,847	27,151	50,406

5. INVESTMENTS (PARENT COMPANY)

a) Information on investments as of June 30, 2022

	<u>Name</u>	<u>Country</u>	<u>Business</u>	<u>Direct holding</u>	<u>Indirect holding</u>
(i)	Ouro Fino Saúde Animal Ltda.	Brazil	Research, development, production and sale of veterinary drugs, vaccines and other products. Sales in the domestic market are carried out through the companies mentioned in items (ii) and (iii) below. Sales in the foreign market are carried out directly with third parties and through the companies mentioned in items (iv) and (v) below. This company also manufactures to third parties upon order.	99,99%	
(ii)	Ouro Fino Agronegócio Ltda.	Brazil	Sales in the domestic market of veterinary drugs, vaccines and other products for production animals and companion animals purchased from the company mentioned in item (i) and from third parties.	99,99%	
(iii)	Ouro Fino de México, S.A. de CV	Mexico	Sales, exclusively in Mexico, of veterinary drugs and other products purchased from the company mentioned in item (i).		99,92%
(iv)	Ouro Fino Colômbia S.A.S	Colombia	Sales, exclusively in Colombia, of veterinary drugs and other products purchased from the company mentioned in item (i).		100,00%
(v)	Regenera Medicina Avançada Ltda.	Brazil	Research, development, manufacturing, and trade of therapeutic protocols involving mesenchymal stem cells and derivatives for companion animals.		100,00%

b) Information on investments as of December 31, 2021

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

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

c) Changes in investments

	Parent company	
	06/30/2022	06/30/2021
Opening balance	603,789	550,524
Equity in the results of investees	41,930	44,304
Stock options granted	698	109
Dividends received (i)	(15,000)	(49,274)
Exchange variation on foreign investment	(2,455)	(218)
Change in relative equity interest in subsidiaries	3	
Final balance	<u>628,965</u>	<u>545,445</u>

- (i) For the six-month period ended June 30, 2022, the partners of subsidiary Ouro Fino Agronegócio Ltda. approved and paid dividends to the parent company Ouro Fino Saúde Animal Participações S.A. in the amount of R\$15,000 (June 30, 2021 - R\$37,274) and for the six-month period ended June 30, 2021, the partners of subsidiary Ouro Fino Pet Ltda. approved and paid dividends to the parent company Ouro Fino Saúde Animal Participações S.A. in the amount of R\$12,000.

d) Summarized financial information

The tables below present summarized financial information of the subsidiaries.

(i) Summarized balance sheet

	06/30/2022				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Regenera Medicina Avançada Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current					
Assets	515,676	379,709	1,650	22,711	18,336
Liabilities	(193,194)	(124,565)	(76)	(2,400)	(11,419)
Current assets, net	322,482	255,144	1,574	20,311	6,917
Non-current					
Assets	460,229	32,001	26,463	5,735	3,156
Liabilities	(412,651)	(1,590)	(2,720)	(1,656)	(1,272)
Non-current assets, net	47,578	30,411	23,743	4,079	1,884
Equity	<u>370,060</u>	<u>285,555</u>	<u>25,317</u>	<u>24,390</u>	<u>8,801</u>

	12/31/2021				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current					
Assets	420,604	270,284	74,160	29,772	21,473
Liabilities	(173,761)	(87,694)	(16,629)	(28,245)	(24,159)
Current assets (liabilities), net	246,843	182,590	57,531	1,527	(2,686)
Non-current					
Assets	424,844	18,041	3,840	5,942	3,658
Liabilities	(301,441)	(2,162)	(450)		(1,454)
Non-current assets, net	123,403	15,879	3,390	5,942	2,204
Equity (equity deficiency)	370,246	198,469	60,921	7,469	(482)

(ii) Summarized statement of operations

	Quarter ended June 30, 2022				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Regenera Medicina Avançada Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	168,877	193,639	(187)	6,993	9,614
Income (loss) before income tax and social contribution	9,577	29,708	(369)	(1,821)	(431)
Income tax and social contribution	(4,103)	(3,502)			
Net income (loss) for the period	5,474	26,206	(369)	(1,821)	(431)
	Six-month period ended June 30, 2022				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Regenera Medicina Avançada Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	308,931	356,549	661	15,419	19,120
Income (loss) before income tax and social contribution	3,316	44,877	2,025	(2,592)	(447)
Income tax and social contribution	(1,567)	(3,893)	(27)	(272)	
Net income (loss) for the period	1,749	40,984	1,998	(2,864)	(447)
	Quarter ended June 30, 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	154,091	163,103	32,058	6,658	7,868
Income (loss) before income tax and social contribution	13,132	19,314	10,222	(1,461)	(723)
Income tax and social contribution	(4,060)	(591)	(3,493)		
Net income (loss) for the period	9,072	18,723	6,729	(1,461)	(723)
	Six-month period ended June 30, 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	282,954	268,549	63,547	14,876	16,774
Income (loss) before income tax and social contribution	23,024	25,333	19,969	(1,686)	(2,171)
Income tax and social contribution	(6,984)	(2,286)	(6,808)		
Net income (loss) for the period	16,040	23,047	13,161	(1,686)	(2,171)

(iii) Statement of comprehensive income (loss)

	2022		2021	
	Quarter	6 months	Quarter	6 months
Ouro Fino Saúde Animal Ltda. (direct subsidiary)				
Net income for the period	5,474	1,749	9,072	16,040
Other comprehensive income (loss)	2,103	(2,452)	(1,056)	(218)
Total comprehensive income (loss)	7,580	(703)	8,016	15,822

(iv) Summarized statement of cash flows

	06/30/2022				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegocio Ltda.	Regenera Medicina Avançada Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Cash flows from operating activities					
Cash from operating activities	28,215	71,542	(360)	(18,896)	(9,602)
Interest paid	(14,375)	(52)			(216)
Income tax and social contribution paid		(6,713)	(30)		
Net cash provided by (used in) operating activities	13,840	64,777	(390)	(18,896)	(9,818)
Net cash provided by (used in) investing activities	(72,402)	17,254	(104)	(705)	7
Net cash provided by (used in) financing activities	100,648	(15,221)	1,681	23,852	10,232
Increase in cash and cash equivalents, net	42,086	66,810	1,187	4,251	421
Cash and cash equivalents at the beginning of the period	68,644	18,798		2,732	1,801
Foreign exchange gains on cash and cash equivalents	473				
Cash and cash equivalents at the end of the period	<u>111,203</u>	<u>85,608</u>	<u>1,187</u>	<u>6,983</u>	<u>2,222</u>
	06/30/2021				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegocio 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	7,935	34,736	14,082	(1,920)	(6,183)
Interest paid	(7,903)	(1)			(148)
Income tax and social contribution paid	(3,413)		(5,130)		
Net cash provided by (used in) operating activities	(3,381)	34,735	8,952	(1,920)	(6,331)
Net cash provided by (used in) investing activities	(22,757)	(5,225)	81	(8)	
Net cash used in financing activities	(63,046)	(37,355)	(13,690)		(390)
Increase in cash and cash equivalents, net	(89,184)	(7,845)	(4,657)	(1,928)	(6,721)
Cash and cash equivalents at the beginning of the period	170,407	23,708	17,263	3,758	9,098
Foreign exchange gains (losses) on cash and cash equivalents	5	(4)			
Cash and cash equivalents at the end of the period	<u>81,228</u>	<u>15,859</u>	<u>12,606</u>	<u>1,830</u>	<u>2,377</u>

e) Reconciliation of the financial information on investments

	Subsidiaries						
	Ouro Fino Saúde Animal Ltda.		Ouro Fino Agronegócio Ltda.		Ouro Fino Pet Ltda.	Total	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2021	06/30/2022	06/30/2021
Equity as of January 1	370,246	351,077	198,469	170,308	38,283	568,715	559,668
Net income for the period	1,749	16,040	40,984	23,047	13,161	42,733	52,248
Stock options granted	517	76	181	16	17	698	109
Dividends paid			(15,000)	(37,274)	(12,000)	(15,000)	(49,274)
Change in relative equity interest in subsidiaries	3					3	
Exchange variation on foreign investment	(2,455)	(218)				(2,455)	(218)
Capital increase through merger			60,921			60,921	
Equity as of June 30	370,060	366,975	285,555	156,097	39,461	655,615	562,533
Percentage holding - %	99.99%	99.99%	99.99%	99.99%	99.99%		
Share of investments	370,060	366,975	285,555	156,097	39,461	655,615	562,533
Unrealized profit on inventories	(26,650)	(17,088)				(26,650)	(17,088)
Carrying amount of the investment in Parent Company	343,410	349,887	285,555	156,097	39,461	628,965	545,445

f) Business combination

On February 25, 2022, through its subsidiary Ouro Fino Saúde Animal Ltda. ("OF Saúde Animal"), the Company completed the acquisition of all shares representing the capital of Regenera Medicina Veterinária Ltda, a biotechnology company focused on research and development of therapeutic protocols involving mesenchymal stem cells and derivatives. The transaction involved the initial amount of R\$14,536 in cash and a retained portion of R\$5,000 to be paid in two installments, one of R\$3,000 and the other of R\$2,000, subject to the result of goals previously agreed between the parties. The acquisition price may be increased by contingent consideration of R\$3,784, in 2027 and 2028, subject to the achievement of goals to be set between 2022 and 2026 (Note 1.1 (i)).

The Company has engaged external consultants for an independent valuation of the fair values of the net assets acquired, which is in progress as of the date of these interim financial statements. The preliminary goodwill generated has a total amount of R\$18,560, which comprises the amount of the difference paid by the Company compared to the fair value of the acquired company's assets. No material adjustments are expected as a result of fair value allocation.

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

(i) Total consideration

Cash payment	14,536
Payment in installments	5,000
Contingent consideration	3,784
	<u>23,320</u>

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

ASSETS	02/25/2022	LIABILITIES AND NET ASSETS	02/25/2022
Current assets		Current	
Cash and cash equivalents	4	Trade accounts payable	1,385
Trade accounts receivable	23	Loans and financing	1
Inventories	114	Salaries and payroll charge	73
Other assets	1	Taxes payable	217
Total current assets	<u>142</u>	Other liabilities	510
		Total current liabilities	<u>2,186</u>
		Non-current	
Non-current		Taxes payable	63
Property, plant and equipment	398	Provision for contingencies	1,040
Intangible assets	26,069	Total non-current liabilities	<u>1,103</u>
Total non-current assets	<u>26,467</u>		
Total assets	<u>26,609</u>	Total liabilities	<u>3,289</u>
		Net assets	<u>23,320</u>

(iii) Preliminary goodwill generated in the acquisition

Estimated price	23,320
(-) Fair value of assets acquired	(7,705)
(+) Fair value of liabilities taken	1,040
(-) Accounting equity on acquisition date	1,905
Goodwill produced in acquisition	<u>18,560</u>

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

<u>Intangible assets</u>	<u>Amount</u>	<u>Useful life</u>	<u>Amortization Method</u>
Product development	7,504	8 years	Units produced

6. FINANCIAL INSTRUMENTS BY CATEGORY

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>	<u>06/30/2022</u>	<u>12/31/2021</u>
	<u>Amortized cost</u>	<u>Amortized cost</u>	<u>Amortized cost</u>	<u>Amortized cost</u>
Assets as per balance sheet				
Cash and cash equivalents	9,752	51,274	216,955	161,254
Trade receivables			200,063	245,292
Related parties	40,183	83	651	726
Other assets, except prepaid expenses	251	250	6,404	5,691
	<u>50,186</u>	<u>51,607</u>	<u>424,073</u>	<u>412,963</u>

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>	<u>06/30/2022</u>	<u>12/31/2021</u>
	<u>Amortized cost</u>	<u>Amortized cost</u>	<u>Amortized cost</u>	<u>Amortized cost</u>
Liabilities as per balance sheet				
Trade accounts payable	17		89,206	69,941
Loans and financing			448,754	382,375
Related parties	45	52	168	175
Commissions on sales			5,130	5,353
Obligations on investment acquisition			8,784	
Other liabilities	205	59	11,889	11,871
	<u>267</u>	<u>111</u>	<u>563,931</u>	<u>469,715</u>

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\$216,865 (R\$161,149 as of December 31, 2021) are held in prime financial institutions, all rated BB - by Standard & Poor's.

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

	Consolidated	
	06/30/2022	12/31/2021
AA	78,173	102,630
A	81,725	94,014
B	19,876	24,976
C	14,282	17,349
D	8,068	8,449
E	303	282
	<u>202,427</u>	<u>247,700</u>

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 103.4% of the Interbank Deposit Certificate (CDI) rate variation (December 31, 2021- up to 103.5% of CDI rate).

	Parent company		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Cash:				
In local currency			9	6
In foreign currency			81	99
			<u>90</u>	<u>105</u>
Banks				
In local currency	10	73	10,759	7,778
In foreign currency			3,325	377
	<u>10</u>	<u>73</u>	<u>14,084</u>	<u>8,155</u>
Financial investments - cash and cash equivalents (i)				
In local currency				
Bank Deposit Certificate (CDB)	9,742	47,140	144,140	145,628
Repo and others		4,061	58,641	7,366
	<u>9,742</u>	<u>51,201</u>	<u>202,781</u>	<u>152,994</u>
Total cash and cash equivalents	<u>9,752</u>	<u>51,274</u>	<u>216,955</u>	<u>161,254</u>

- (i) Financial investments as cash equivalents in the amount of R\$202,781 (R\$152,994 as of December 31, 2021) 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.

9. TRADE ACCOUNTS RECEIVABLE (CONSOLIDATED)

	<u>06/30/2022</u>	<u>12/31/2021</u>
In local currency		
Accounts receivable	190,475	233,012
Expected credit losses	<u>(2,364)</u>	<u>(2,408)</u>
	188,111	230,604
In foreign currency		
Accounts receivable	<u>11,952</u>	<u>14,688</u>
	11,952	14,688
Current	<u><u>200,063</u></u>	<u><u>245,292</u></u>

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

	<u>06/30/2022</u>	<u>12/31/2021</u>
Not yet due:		
Up to three months	170,206	208,476
From three to six months	28,226	35,176
Over six months	<u>713</u>	<u>1,010</u>
	199,145	244,662
Past due:		
Up to three months	892	670
From three to six months	28	8
Over six months	<u>2,362</u>	<u>2,360</u>
	<u>3,282</u>	<u>3,038</u>
	<u><u>202,427</u></u>	<u><u>247,700</u></u>

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

Changes in allowance for expected losses were as follows:

	<u>06/30/2022</u>	<u>06/30/2021</u>
Opening balance	2,408	5,789
Additions, net	(41)	(98)
Foreing exchange variation	(3)	100
Write-Offs		<u>(1,347)</u>
Final balance	<u><u>2,364</u></u>	<u><u>4,444</u></u>

Additions to and reversals of the expected credit losses on account receivables were recorded in the statement of profit or loss for the quarter under "Selling expenses" (Note 20). 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.

10. INVENTORIES (CONSOLIDATED)

	<u>06/30/2022</u>	<u>12/31/2021</u>
Finished goods	133,274	88,449
Raw materials	102,609	74,705
Packaging materials	23,122	19,629
Products in process	25,029	12,785
Imports in transit	22,117	47,927
Advances to suppliers	11,128	16,903
Other	20,104	15,186
Provision for inventory losses (Note 17)	<u>(4,627)</u>	<u>(3,735)</u>
Total	<u>332,756</u>	<u>271,849</u>
Current	<u>331,585</u>	<u>270,119</u>
Non-current	<u>1,171</u>	<u>1,730</u>

11. TAXES RECOVERABLE

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>	<u>06/30/2022</u>	<u>12/31/2021</u>
Value-Added Tax on Sales and Services (ICMS):			47,372	53,153
PIS and COFINS			10,283	9,740
IRRF	1,624	3,689	2,543	3,997
ICMS, PIS and COFINS on purchase of PPE			1,186	1,209
Excise Tax (IPI)			428	377
Other			<u>4,861</u>	<u>3,780</u>
Total	<u>1,624</u>	<u>3,689</u>	<u>66,673</u>	<u>72,256</u>
Current	<u>1,624</u>	<u>3,689</u>	<u>44,198</u>	<u>33,836</u>
Non-current			<u>22,475</u>	<u>38,420</u>

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

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

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

In view of this, the credits related to the period from 2010 to 2013 in the amount of R\$5,707 were released on January 18, 2021 and the residual credits related to the period from 2014 to 2018 in the amount of R\$39,780 were released on June 22, 2022, and the amounts relating to 2017 and 2018 were released on a precarious basis, that is, they can still be analyzed by the tax authorities. Such releases took place through the filing of a writ of mandamus.

Of the credits released on June 22, 2022, the amount of R\$25,000 was transferred to subsidiary Ouro Fino Agronegócio Ltda. which calculates ICMS payable, through interdependence and the residual of R\$14,610 is being consumed in the operation of subsidiary Ouro Fino Saúde Animal Ltda..

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

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

The Company and its subsidiaries Ouro Fino Saúde Animal Ltda. and Ouro Fino Agronegócio Ltda. calculate income tax and social contribution under the "Taxable Income" method, at the rates of 25% and 9%, respectively, while subsidiary Regenera Medicina Veterinária Ltda. adopts the "Presumptive Profit" regime. The subsidiaries located in Mexico and Colombia calculate their taxes based on the respective local regulations. Therefore, there is no direct correlation between the amounts presented in the consolidated information of the P&L and the result that would be obtained by applying the usual tax rates mentioned above.

a) Composition, nature and realization of deferred taxes

(i) Deferred income tax and social contribution

	<u>06/30/2022</u>	<u>12/31/2021</u>
Tax credits on:		
Accumulated income tax and social contribution losses	4,582	4,826
Temporary differences		
Provisions	20,739	24,563
Unrealized profit on inventories	13,729	13,315
Revaluation surplus - business combination	821	893
	<u>39,871</u>	<u>43,597</u>
Tax debits on:		
Temporary differences		
Deemed cost of lands	(7,878)	(7,878)
Accelerated depreciation	(349)	(369)
	<u>(8,227)</u>	<u>(8,247)</u>
Total assets, net	<u>31,644</u>	<u>35,350</u>

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

The amounts by estimated offset period are as follows:

	<u>06/30/2022</u>	<u>12/31/2021</u>
Tax credits recoverable		
In 2022	21,175	37,159
In 2023	14,290	5,434
In 2024	3,190	110
After 2025	1,216	894
	<u>39,871</u>	<u>43,597</u>
Tax debits to be settled		
In 2022	(36)	(36)
In 2023	(36)	(36)
In 2024	(36)	(297)
After 2025 (*)	(8,119)	(7,878)
	<u>(8,227)</u>	<u>(8,247)</u>

- (*) The tax debt to be settled beyond 2025 mainly reflects the adoption of the deemed cost method for lands in subsidiaries occurred on January 1, 2009 in the amount of R\$7,878 (R\$7,878 as of December 31, 2021).

Net changes in the deferred tax account were as follows:

	06/30/2022	06/30/2021
Opening balance	35,350	24,121
Accumulated income tax and social contribution losses	(244)	(2,753)
Derivative financial instruments		781
Provisions	(3,824)	(1,578)
Unrealized profit on inventories	414	4,092
Revaluation surplus - business combination	(72)	(117)
Accelerated depreciation	20	190
Final balance	<u>31,644</u>	<u>24,736</u>

13. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

Change:	As of January 1st, 2022	Additions	Additions due to company	Foreing exchange variation	Transfers	Write-Offs	Depreciation	As of June 30, 2022
Right of Use - Leases	4,343	160					(815)	3,688
Land	24,985							24,985
Buildings and improvements	147,231	663		2	21,201		(2,297)	166,800
Machinery, equipment and industrial facilities	91,263	4,824	329	(2)	4,258		(4,656)	96,016
Vehicles and tractors	16,408	2,754		(210)		(1,270)	(2,105)	15,577
Furniture and fixtures	3,325	533	16	103		(12)	(539)	3,426
IT equipment	5,356	1,383	53	(31)	133	(5)	(1,224)	5,665
Construction in progress (i)	20,533	12,110			(25,592)			7,051
Other	601					(35)	(46)	520
	<u>314,045</u>	<u>22,427</u>	<u>398</u>	<u>(138)</u>		<u>(1,322)</u>	<u>(11,682)</u>	<u>323,728</u>

Change:	As of January 1st, 2021	Additions	Foreing exchange variation	Transfers	Write-Offs	Depreciation	As of June 30, 2021
Right of Use - Leases	478	2,747				(116)	3,109
Land	24,985						24,985
Buildings and improvements	142,004	1,105		6,929		(1,999)	148,039
Machinery, equipment and industrial facilities	84,684	2,226			(234)	(4,029)	82,647
Vehicles and tractors	11,977	4,039	(316)		(366)	(1,856)	13,478
Furniture and fixtures	2,609	1,434	114		(37)	(547)	3,573
IT equipment	4,007	1,308	(58)		(3)	(653)	4,601
Construction in progress (i)	5,546	9,442		(6,929)			8,059
Other	1,015	4,589	(2)			(108)	5,494
	<u>277,305</u>	<u>26,890</u>	<u>(262)</u>		<u>(640)</u>	<u>(9,308)</u>	<u>293,985</u>

	06/30/2022			12/31/2021			Average annual depreciation rates
Balance breakdown:	Cost	Accumulated depreciation	Net	Cost	Accrued depreciation	Net	
Right of Use - Leases	5,561	(1,873)	3,688	5,400	(1,057)	4,343	33.03%
Land	24,985		24,985	24,985		24,985	
Buildings and improvements	202,207	(35,407)	166,800	180,339	(33,108)	147,231	2.68%
Machinery, equipment and industrial facilities	171,500	(75,484)	96,016	162,089	(70,826)	91,263	5.96%
Vehicles, tractors and aircraft	21,620	(6,043)	15,577	22,630	(6,222)	16,408	19.83%
Furniture and fixtures	11,372	(7,946)	3,426	10,855	(7,530)	3,325	6.59%
IT equipment	17,172	(11,507)	5,665	16,313	(10,957)	5,356	15.29%
Construction in progress (i)	7,051		7,051	20,533		20,533	
Other	2,842	(2,322)	520	2,881	(2,280)	601	4.09%
	<u>464,310</u>	<u>(140,582)</u>	<u>323,728</u>	<u>446,025</u>	<u>(131,980)</u>	<u>314,045</u>	

- (i) As of June 30, 2022, the balance of works in progress refers, substantially, to the expansion of the biological unit building in the amount of R\$1,832 (R\$5,249 as of December 31, 2021), the construction of a new CAG building in the amount of R\$1,729 and an artesian well in the amount of R\$1,543.

In the six-month period ended June 30, 2022, loan costs referring to construction in progress balances of R\$355 (June 30, 2021 - R\$181) were capitalized at an average annual rate of 7.38% (June 30, 2021 - 5.80%).

Land, buildings, and machinery and equipment amounting to R\$76,398 (R\$77,712 as of December 31, 2021) were pledged as collateral for loans and financing (Note 16).

14. INTANGIBLE ASSETS (CONSOLIDATED)

Change:	As of January 1st, 2022	Additions	Additions due to company acquisition	Foreing exchange variation	Amortization	As of June 30, 2022
Goodwill on company acquisition	618		18,560			19,178
Trademarks and licenses purchased	1,078		5			1,083
Development and registration of products	64,237	4,852	7,504	(70)	(2,968)	73,555
Computer software	5,708	1,659		(10)	(758)	6,599
	<u>71,641</u>	<u>6,511</u>	<u>26,069</u>	<u>(80)</u>	<u>(3,726)</u>	<u>100,415</u>
Change:	As of January 1st, 2021	Additions	Provision for impairment	Foreing exchange variation	Amortization	As of June 30, 2021
Goodwill on company acquisition	618					618
Trademarks and licenses purchased		1,078				1,078
Development and registration of products	67,575	5,179	(5,550)	(65)	(2,665)	64,474
Computer software	5,748	385		(6)	(906)	5,221
	<u>73,941</u>	<u>6,642</u>	<u>(5,550)</u>	<u>(71)</u>	<u>(3,571)</u>	<u>71,391</u>

06/30/2022				
Balance breakdown:	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on company acquisition	19,178			19,178
Trademarks and licenses purchased	3,283		(2,200)	1,083
Product development and registration	145,659	(26,756)	(45,348)	73,555
Computer software	41,979		(35,380)	6,599
Other	1,333		(1,333)	
	<u>211,432</u>	<u>(26,756)</u>	<u>(84,261)</u>	<u>100,415</u>
12/31/2021				
Balance breakdown:	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on company acquisition	618			618
Trademarks and licenses purchased	1,078			1,078
Product development and registration	136,973	(26,756)	(45,980)	64,237
Computer software	40,330		(34,622)	5,708
Other	1,335		(1,335)	
	<u>180,334</u>	<u>(26,756)</u>	<u>(81,937)</u>	<u>71,641</u>

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

Goodwill in the company's acquisition, in the amount of R\$18,560 was the result of a business combination, which comprises the amount of the difference paid for the Company as compared to the fair value of the acquired company's equity (Notes 1.1 e 5 (f)).

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

15. TRADE ACCOUNTS PAYABLE (CONSOLIDATED)

	<u>06/30/2022</u>	<u>12/31/2021</u>
In local currency	37,317	26,779
In foreign currency	<u>51,889</u>	<u>43,162</u>
	<u><u>89,206</u></u>	<u><u>69,941</u></u>

16. LOANS AND FINANCING (CONSOLIDATED)

	Financial charges incurred	Maturity final	06/30/2022	12/31/2021
In local currency				
FINEP	Weighted average rate of 7.38% p.a. (December 31, 2021 - 5.80% p.a.)	2032	266,901	220,636
NCE (Export Credit Note)	Average rate of 15.37% p.a. (December 31, 2021 - 11.37% p.a.)	2024	85,123	83,538
Working capital	Average rate of 15.30% p.a. (December 31, 2021 - 11.29% p.a.)	2024	46,303	47,778
BNDES - FINEM	Weighted average rate of 15.98% p.a. (December 31, 2021 - 10.69% p.a.)	2032	40,716	22,375
BNDES - FINEM	Weighted average rate of 9,50% p.a. (December 31, 2021 - 9.43% p.a.)	2023	38	57
Working capital (i)	Average rate of 10.66% p.a. (December 31, 2021 - 6.21% p.a.)	2022	6,456	6,966
Working capital (i)	Average rate of 11.52% p.a.	2025	2,604	
Leases	Weighted average rate of 12.52% p.a. (December 31, 2021 - 8.07% p.a.)	2023	104	643
Drawee risk	Not applicable		509	382
			<u>448,754</u>	<u>382,375</u>
Current			87,799	85,045
Non-current			<u>360,955</u>	<u>297,330</u>
			<u><u>448,754</u></u>	<u><u>382,375</u></u>

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

a) Guarantees for loans and financing

Financing for Research, Innovation and Product Development, contracted by subsidiary Ouro Fino Saúde Animal Ltda. with FINEP, is collateralized by: (i) bank-issued guarantees, in the amount of R\$173,806; (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 quarter and the six-month period ended June 30, 2022, the Group has complied with these ratios.

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

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

	<u>06/30/2022</u>
From 1 to 2 years	83,367
From 2 to 3 years	77,929
From 3 to 4 years	31,162
From 4 to 5 years	30,117
Over five years	<u>138,380</u>
	<u>360,955</u>

17. PROVISIONS (CONSOLIDATED)

	<u>Quarter ended June 30, 2022</u>				
	<u>Opening balance</u>	<u>Additions and reversals, net</u>	<u>Final write-offs</u>	<u>Foreign exchange variation</u>	<u>Final Balance</u>
Balances recognized in Assets:					
Bonuses on sales	109	897	(514)		492
Provision for impairment of intangible assets	26,756				26,756
Expected credit losses	2,396	(31)		(1)	2,364
Provision for inventory losses	3,619	1,470	(466)	4	4,627
	<u>32,880</u>	<u>2,336</u>	<u>(980)</u>	<u>3</u>	<u>34,239</u>
Balances recognized in Liabilities:					
Provision for contingencies	4,842	406	(35)	(3)	5,210
	<u>4,842</u>	<u>406</u>	<u>(35)</u>	<u>(3)</u>	<u>5,210</u>
	<u>Six-month period ended June 30, 2022</u>				
	<u>Opening balance</u>	<u>Additions and reversals, net</u>	<u>Final write-offs</u>	<u>Foreign exchange variation</u>	<u>Final Balance</u>
Balances recognized in assets:					
Bonuses on sales	345	1,514	(1,367)		492
Provision for impairment of intangible assets	26,756				26,756
Expected credit losses	2,408	(41)		(3)	2,364
Provision for inventory losses	3,735	1,684	(791)	(1)	4,627
	<u>33,244</u>	<u>3,157</u>	<u>(2,158)</u>	<u>(4)</u>	<u>34,239</u>
Balances recognized in Liabilities:					
Provision for contingencies	4,779	442	(938)	(113)	5,210
	<u>4,779</u>	<u>442</u>	<u>(938)</u>	<u>(113)</u>	<u>5,210</u>

Quarter ended June 30, 2021					
	Opening balance	Additions and reversals, net	Final write-offs	Foreign exchange variation	Final Balance
Balances recognized in Assets:					
Bonuses on sales	577	236	(697)		116
Provision for impairment of intangible assets	20,936	5,550			26,486
Expected credit losses	4,598	(88)	(51)	(15)	4,444
Provision for inventory losses	5,080	(345)	(109)	(172)	4,454
	<u>31,191</u>	<u>5,353</u>	<u>(857)</u>	<u>(187)</u>	<u>35,500</u>
Balances recognized in Liabilities:					
Provision for contingencies	5,815	(688)	(284)	(218)	4,625
	<u>5,815</u>	<u>(688)</u>	<u>(284)</u>	<u>(218)</u>	<u>4,625</u>
Six-month period ended June 30, 2021					
	Opening balance	Additions and reversals, net	Final write-offs	Foreign exchange variation	Final Balance
Balances recognized in assets:					
Bonuses on sales	1,074	697	(1,655)		116
Provision for impairment of intangible assets	20,936	5,550			26,486
Expected credit losses	5,789	(98)	(1,347)	100	4,444
Provision for inventory losses	4,134	1,496	(1,021)	(155)	4,454
	<u>31,933</u>	<u>7,645</u>	<u>(4,023)</u>	<u>(55)</u>	<u>35,500</u>
Balances recognized in Liabilities:					
Provision for contingencies	6,384	(687)	(882)	(190)	4,625
	<u>6,384</u>	<u>(687)</u>	<u>(882)</u>	<u>(190)</u>	<u>4,625</u>

a) Bonuses on sales

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

b) Provision for impairment of intangible assets

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

c) Expected credit losses

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

d) Provision for inventory losses

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

e) Provision for contingencies

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

The provisions are as follows:

	<u>06/30/2022</u>	<u>12/31/2021</u>
Labor	2,511	3,037
Tax	1,903	881
Civil	796	861
	<u>5,210</u>	<u>4,779</u>

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

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

Possible contingencies are as follows:

	<u>06/30/2022</u>			<u>12/31/2021</u>		
	<u>Administrative</u>	<u>Judicial</u>	<u>Total</u>	<u>Administrative</u>	<u>Judicial</u>	<u>Total</u>
Tax	74,950	4,877	79,827	77,419	3,748	81,167
Labor		6,220	6,220		3,713	3,713
Civil	3	2,275	2,278	3	2,275	2,278
	<u>74,953</u>	<u>13,372</u>	<u>88,324</u>	<u>77,422</u>	<u>9,736</u>	<u>87,158</u>

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\$53,824 (R\$51,803 as of December 31, 2021), was issued by tax authorities against the subsidiary Ouro Fino Saúde Animal Ltda. in May 2019, regarding taxable events that took place in calendar year 2014, and requiring the payment of PIS and COFINS differences calculated under the one-time tax treatment, for not including transactions of Ouro Fino Agronegócio Ltda. and Ouro Fino PET Ltda. In relation to ICMS, the dispute involves issues related to alleged ICMS debts, in the amount of R\$7,937 (R\$10,036 as of December 31, 2021), arising from a different interpretation by the tax authorities about the application of the exemption provided for in ICMS Agreement 100/97 on imports of technical inputs to be used in products for the livestock sector.

In addition, the Group is involved in other proceedings of a tax nature amounting to R\$20,986 (R\$19,328 as of December 31, 2021). The most relevant proceedings are as follows: (i) R\$4,629 (R\$5,658 as of December 31, 2021) related to ICMS credits on electric energy; (ii) R\$3,443 (R\$3,746 as of December 31, 2021) related to ICMS levy on operations with germicides; (iii) R\$2,348 (R\$4,019 as of December 31, 2021) related to transfers of ICMS credit balances; (iv) R\$3,744 (R\$3,591 as of December 31, 2021) related to the acquisition of goods from a supplier with improper registration and (v) R\$1,021 (R\$953 as of December 31, 2021) 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 as of May 2021.

18. EQUITY

a) Share capital

As of June 30, 2022, the share capital comprises 53,949,006 common shares (53,949,006 common shares as of December 31, 2021) all fully subscribed and paid-up and with no par value.

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

b) Allocation of profit

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

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

c) Equity valuation adjustments

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

d) Stock option plan

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

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

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

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

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

For the six-month period ended June 30, 2021, expenses in the amount of R\$79 were recognized in connection with stock options.

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 interests of eligible persons to those of Company's shareholders, (iii) encourage the value creation for the Company and (iv) share risks and gains equitably among shareholders, managers and employees.

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

General Characteristics of ILP Plan

ILP Plan features: (i) "Performance Shares granted" from 2021, with a forecast for 5 grants until 2025; (ii) grants made annually following market practices; (iii) 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 Programs' Performance goals are linked to Net Income and the Performance of the Company's Shares, with 60% weight for Net Income and 40% weight for the appreciation of Shares.

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

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

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

For the six-month period ended June 30, 2022, the Group recognized the expense, including INSS and FGTS charges, of the ILP Plan in the amount of R\$1,108 (R\$247 as of June 30, 2021).

f) Restricted Share-Based Compensation Plan

At the Extraordinary Shareholder's Meeting held on April 20, 2022, Management approved the Restricted Share-Based Plan ("RSU Plan") of the Company. RSU 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 corporate purpose expansion, (ii) aligning the interests of eligible persons with those of Company's shareholders, (iii) encourage the value creation for the Company and (iv) share risks and gains equitably among shareholders, managers and employees.

RSU Plan is managed by the Board of Directors and the Share-based compensation will be made through the execution of RSU agreements, which shall specify the base number of shares, terms and conditions for the transfer of shares by the Company to the beneficiaries, including the existence of one or more lots with different rules and terms, vesting conditions and lockup period.

RSU Plan has the condition that the beneficiaries remain in the Company during the grace period to define the number of shares effectively granted to the beneficiaries as a result of the number of shares with a vesting period ranging from 3 to 7 years.

The fair value of shares was defined by the fair value of the assets on the grant date, and will be remeasured only on the settlement date.

For the six-month period ended June 30, 2022, the Group recognized the expense, including INSS and FGTS charges, of the RSU Plan in the amount of R\$565.

g) Treasury shares

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

19. REVENUES (CONSOLIDATED)

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

	2022		2021	
	Quarter	6 months	Quarter	6 months
In Brazil				
Gross sales and services	229,095	425,810	223,729	388,144
Taxes and deductions on sales	<u>(25,225)</u>	<u>(48,034)</u>	<u>(19,899)</u>	<u>(38,785)</u>
	203,870	377,776	203,830	349,359
Abroad				
Gross sales	31,757	60,350	29,123	52,496
Taxes and deductions on sales	<u>(319)</u>	<u>(503)</u>	<u>(1,972)</u>	<u>(2,090)</u>
	31,438	59,847	27,151	50,406
	<u>235,308</u>	<u>437,623</u>	<u>230,981</u>	<u>399,765</u>

20. COSTS AND EXPENSES BY NATURE

	Parent company			
	2022		2021	
	Quarter	6 months	Quarter	6 months
General and administrative expenses				
Personnel expenses	1,938	3,521	1,277	2,810
Outsourced services	330	396	78	119
Travel expenses	1	3		
Other	36	116	271	426
	<u>2,305</u>	<u>4,036</u>	<u>1,626</u>	<u>3,355</u>

	Consolidated			
	2022		2021	
	Quarter	6 months	Quarter	6 months
Cost of sales (i)				
Variable costs (materials and supplies)	66,508	127,613	72,184	123,477
Personnel expenses	26,166	49,164	24,536	42,559
Outsourced services	8,570	16,218	7,576	13,425
Depreciation and amortization	4,874	9,451	4,084	8,244
Electricity	5,187	9,715	3,757	6,149
Provision (reversal) for inventory losses	1,004	893	(954)	(25)
Other	4,351	8,128	4,003	6,879
	<u>116,660</u>	<u>221,182</u>	<u>115,186</u>	<u>200,708</u>
Selling Expenses				
Personnel expenses	20,970	43,508	19,438	38,677
Sales team expenses	15,030	24,983	10,809	18,944
Freight expenses	8,979	16,234	7,772	13,977
Outsourced services	4,951	9,994	4,181	8,386
Depreciation and amortization	1,445	2,876	1,063	2,143
Telecommunication and energy	152	268	151	295
Other	1,571	3,307	666	2,403
	<u>53,098</u>	<u>101,170</u>	<u>44,080</u>	<u>84,825</u>
Expenses on research and innovation				
Personnel expenses	6,510	12,688	5,411	10,472
Outsourced services	5,466	12,956	6,540	11,782
Depreciation and amortization	621	1,229	549	1,083
Telecommunication and energy	90	300	140	274
Other	2,420	3,774	1,074	1,754
	<u>15,107</u>	<u>30,947</u>	<u>13,714</u>	<u>25,365</u>
General and administrative expenses				
Personnel expenses	9,651	18,330	7,995	16,077
Outsourced services	3,171	5,308	2,207	4,278
Depreciation and amortization	945	1,852	724	1,409
Travel expenses	207	372	69	139
Telecommunication and energy	178	523	268	533
Expenses with vehicles	18	82	20	96
Donations and sponsorships	13	23	11	22
Other	1,067	1,875	1,129	2,102
	<u>15,250</u>	<u>28,365</u>	<u>12,423</u>	<u>24,656</u>
	<u>200,115</u>	<u>381,664</u>	<u>185,403</u>	<u>335,554</u>

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

21. OTHER INCOME (EXPENSES), NET

	Parent company			
	2022		2021	
	Quarter	6 months	Quarter	6 months
Gains on sales of scrap, rentals and other	46	91	46	91
Federal, state, municipal taxes and fees		(1)	(1)	(4)
Other losses			(49)	(90)
	<u>46</u>	<u>90</u>	<u>(4)</u>	<u>(3)</u>

	Consolidated			
	2022		2021	
	Quarter	6 months	Quarter	6 months
Expense recovery (i)		1,669		
Gain on disposal and write-off of PP&E	1,096	1,687	61	72
Gains on sales of scrap, rentals and other	98	1,130	55	236
Federal, state, municipal taxes and fees	(289)	(580)	4,123	3,903
Provision for impairment of intangible assets (ii)			(6,050)	(6,050)
Other losses	(576)	(723)	(585)	(732)
	<u>329</u>	<u>3,183</u>	<u>(2,396)</u>	<u>(2,571)</u>

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

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

22. FINANCIAL RESULTS

	Parent company			
	2022		2021	
	Quarter	6 months	Quarter	6 months
Financial income				
Revenue from financial investments	406	1,630	405	602
Inflation adjustment		4		
	<u>406</u>	<u>1,634</u>	<u>405</u>	<u>602</u>
Financial expenses				
Interest paid				(6)
Finance charges	(1)	(6)	(1)	(1)
Other	(49)	(70)	(58)	(67)
	<u>(50)</u>	<u>(76)</u>	<u>(59)</u>	<u>(74)</u>
Financial result	<u>356</u>	<u>1,558</u>	<u>346</u>	<u>528</u>

	Consolidated			
	2022		2021	
	Quarter	6 months	Quarter	6 months
Financial income				
Revenue from financial investments	3,842	7,500	1,463	2,522
Interest received	116	220	36	74
Inflation adjustment		7	10	53
Other	210	403	13	42
	<u>4,168</u>	<u>8,130</u>	<u>1,522</u>	<u>2,691</u>
Financial expenses				
Interest paid	(9,637)	(17,619)	(4,453)	(8,562)
Finance charges	(554)	(1,332)	(384)	(841)
Other	(251)	(338)	(207)	(392)
	<u>(10,442)</u>	<u>(19,289)</u>	<u>(5,044)</u>	<u>(9,795)</u>
Derivative financial instruments, net:				
Gains on derivatives (foreign exchange variation)			687	2,187
Losses on derivatives (interest)				(225)
			<u>687</u>	<u>1,962</u>
Foreign exchange variation, net	<u>(1,307)</u>	<u>(3,098)</u>	<u>(872)</u>	<u>(3,043)</u>
Financial result	<u>(7,581)</u>	<u>(14,257)</u>	<u>(3,707)</u>	<u>(8,185)</u>

23. INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

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

	Parent company			
	2022		2021	
	Quarter	6 months	Quarter	6 months
Earnings before Income tax and social contribution	23,547	39,542	31,983	41,474
Statutory tax rates	34%	34%	34%	34%
	(8,006)	(13,444)	(10,874)	(14,101)
Reconciliation for effective tax:				
Permanent differences:				
Equity in the results of investees	8,653	14,256	11,311	15,063
Unrecognized deferred taxes	(647)	(812)	(437)	(962)
Income tax and social contribution	-	-	-	-
	Consolidated			
	2022		2021	
	Quarter	6 months	Quarter	6 months
Earnings before income tax and social contribution	27,941	44,885	39,475	53,455
Statutory tax rates	34%	34%	34%	34%
	(9,500)	(15,261)	(13,421)	(18,174)
Reconciliation for effective tax:				
Permanent differences:				
RD&I Benefit	77	77	1,146	2,172
Calculation adjustments on subsidiary taxed under presumptive income regime	(126)	661		
Investment Subsidies (i)	5,973	10,785	6,019	6,383
Calculation adjustments on subsidiaries abroad taxed at the rate in effect in their respective countries	(765)	(1,305)	(742)	(1,311)
Use of tax loss from previous periods	639	639		
Unrecognized deferred taxes	(647)	(812)	(437)	(962)
Other	(46)	(129)	(62)	(95)
Income tax and social contribution	(4,395)	(5,345)	(7,497)	(11,987)
Reconciliation with the statement of profit or loss				
Current	(1,950)	(1,977)	(9,080)	(12,880)
Deferred	(2,445)	(3,368)	1,583	893
	(4,395)	(5,345)	(7,497)	(11,987)

- (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 100/97), according to the law case established by the Superior Court of Justice.

24. BASIC AND DILUTED EARNINGS PER SHARE

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

	2022		2021	
	Quarter	6 months	Quarter	6 months
Net income for the period attributable to the Company's shareholders	23,547	39,542	31,983	41,474
Weighted average number of common shares outstanding in the period (in thousands of shares)	53,768	53,768	53,949	53,949
Basic and diluted earnings per share	0.43794	0.73542	0.59284	0.76876

25. EMPLOYEE BENEFITS

a) Private pension plan - defined contribution

The Group companies sponsor a defined contribution pension plan for their employees. The plan is managed by Brasilprev Seguros e Previdência S.A. Contributions from the companies to the plan in the six-month period ended June 30, 2022 amounted to R\$695 (R\$640 as of June 30, 2021).

b) Short-term incentives

The Group offers a short-term incentive program ("ICP") to its employees, calculated based on quantitative and qualitative goals established by the Executive Board. For the six-month period ended June 30, 2022, the impact of the short-term incentive was R\$8,512 (R\$7,041 as of June 30, 2021).

26. RELATED-PARTY BALANCES AND TRANSACTIONS

a) Balances and main transactions

	Consolidated					
	06/30/2022			12/31/2021		
	Assets	Liabilities		Assets	Liabilities	
AFAC	Other assets (i)	Other liabilities (i)	Other assets (i)	Dividends and interest on equity	Other liabilities (i)	
Subsidiaries:						
Ouro Fino Saúde Animal Ltda.	40,000		45			52
Other related parties:						
Ouro Fino Química Ltda.		183		83		
Shareholders					12,768	
	40,000	183	45	83	12,768	52

	Parent company			
	06/30/2022		06/30/2021	
	Subsidiaries:	Other related parties:	Subsidiaries:	Other related parties:
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Química Ltda.	Ouro Fino Saúde Animal Ltda.	Ouro Fino Química Ltda.
Main transactions:				
Shared Services Center (CSC) reimbursement (i)		(84)		(49)
Royalties			100	
Other expenses, net		(83)		(145)
		(167)	100	(194)

	Consolidated						
	Balances:						
	06/30/2022			12/31/2021			
Assets		Liabilities		Assets		Liabilities	
Other assets (i)	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.	354	91		388		175	
Condomínio Rural Ouro Fino	297	77		338			
BNDES Participações S.A.			40,754				22,432
Shareholders					12,768		
Other							
	<u>651</u>	<u>168</u>	<u>40,754</u>	<u>726</u>	<u>12,768</u>	<u>175</u>	<u>22,432</u>

	Consolidated							
	06/30/2022				06/30/2021			
	Other related parties:		Shareholders:		Other related parties:		Shareholders:	
Ouro Fino Química Ltda.	Condomínio Rural Ouro Fino	Neotech Soluções Ambientais Ltda.	BNDES Participações S.A.	Ouro Fino Química Ltda.	Condomínio Rural Ouro Fino	Neotech Soluções Ambientais Ltda.	BNDES Participações S.A.	
Main transactions:								
Gross profit on sales of goods		1						
Shared Services Center (CSC) reimbursement (i)	873			662				
Royalties	100	3		100	3			
Expenses with rents and condominium		(1,546)			(1,293)			
Inceneration services			(315)			(252)		
Other expenses, net	(638)			(596)				
Financial result				(2,484)			(865)	
	<u>335</u>	<u>(1,542)</u>	<u>(315)</u>	<u>(2,484)</u>	<u>166</u>	<u>(1,290)</u>	<u>(865)</u>	

(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 16).

(iii) Advances for future capital increase

For the six-month period ended June 30, 2022, the Company performed advances for future capital increase to Ouro Fino Saúde Animal Ltda. in the amount of R\$40,000. These amounts will be capitalized upon the corporate resolution of this subsidiary.

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:

	06/30/2022	06/30/2021
Wages and salaries	1,716	1,590
Variable compensation	979	782
Labor charges	628	554
Direct and indirect benefits	116	103
Share-based payments	525	168
	<u>3,964</u>	<u>3,197</u>

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

27. INSURANCE

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

Insured assets	Risks covered	2022	2021
Property, plant and equipment and	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	10,000	30,000

28. OTHER DISCLOSURES ON CASH FLOWS

	Loans and financing	Derivative financial instruments, net	Cash and cash equivalents	Financial investments	Net debt
Balance as of January 1, 2022	382,375		(161,254)		221,121
Funding	81,104				81,104
Repayment of principal	(17,768)				(17,768)
Payment of interest	(14,369)				(6,324)
Drawee risk	127				127
Increase (decrease) in cash and cash equivalents and financial investments			(55,228)		(55,228)
Changes that affected cash flow	49,094		(55,228)		1,911
Foreign exchange variations and interest	17,285		(473)		8,767
Non-cash changes	17,285		(473)		8,767
Balance as of June 30, 2022	448,754		(216,955)		231,799
Balance as of January 1, 2021	394,339	(2,298)	(225,575)	(18,039)	148,427
Funding	9,000				9,000
Repayment of principal	(64,765)	4,260			(60,505)
Payment of interest	(7,944)				(7,944)
Drawee risk	(339)				(339)
Increase (decrease) in cash and cash equivalents			73,713		73,713
Changes that affected cash flow	(64,048)		73,713		13,925
Foreign exchange variations and interest	9,524	(1,962)	(1)	(273)	7,288
Non-cash changes	9,524	(1,962)	(1)	(273)	7,288
Balance as of June 30, 2021	339,815		(151,863)	(18,312)	169,640

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

29.1 Consolidation

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

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

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

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

29.2 Foreign currency translation

- a) Functional and reporting currency

Items included in the interim accounting information of each of the Group companies are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"), which is substantially the Brazilian real, except as mentioned in item (c) below. Therefore, the individual and consolidated interim accounting information is 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 profit or loss are translated at average foreign exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- (iii) All the resulting exchange variations are recognized as a separate component of equity in the "Equity valuation adjustments" account.

29.3 Financial assets

29.3.1 Classification

The Group 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".

29.3.2 Recognition and measurement

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

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

29.3.3 Impairment of financial assets

Assets carried at amortized cost

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

The standard CPC 48/IFRS 9 "Financial Instruments" 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.

29.4 Trade accounts receivable

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

29.5 Inventories

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

29.6 Current and deferred income tax and social contribution

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

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

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

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

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

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

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 100/97), according to the law case established by the Superior Court of Justice.

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

29.7 Intangible assets

a) Product research and development

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

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

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

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

b) Trademarks and licenses purchased

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

c) Computer software

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

Costs associated with maintaining computer software are expensed as incurred.

d) Goodwill on the acquisition of subsidiaries

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

29.8 Property, plant and equipment

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

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

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

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

29.9 Impairment of non-financial assets

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

29.10 Trade accounts payable

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

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

29.11 Loans and financing

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

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

29.12 Employee benefits

a) Private pension plan

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

b) Profit sharing

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

c) Share-based compensation

The Company has share-based compensation plans ("Stock Options", "ILP" and "RSU"), duly approved by the Board of Directors, Note 18(d) and (f). Plan expenses are recognized in equity and charges are recognized in other non-current liabilities during the vesting period.

29.13 Revenue recognition

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

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

29.14 Distribution of dividends and interest on capital

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

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

29.15 Leases

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

For the six-month period ended June 30, 2022, the Group's Executive Board analyzed all lease agreements and for all those identified as leases (under IFRS16/CPC 06 criteria), applied the exemption and application criteria provided for in the standard.

29.16 Business combination

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

29.17 New standards that are not yet effective

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