(A free translation of the original in Portuguese)

Ouro Fino Saúde Animal Participações S.A. and Subsidiaries

Individual and Consolidated

Interim Financial Information for the
Quarter ended March 31, 2020 and
Report on Review of Interim Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

São Paulo, May 7, 2020

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
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OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

BALANCE SHEET AT MARCH 31
All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Parent company		Consolidated	
ASSETS	Note	2020	2019	2020	2019
CURRENT ASSETS					
Cash and cash equivalents	8	33,835	1,289	125,686	45,009
Derivative financial instruments	9			6,259	
Trade receivables	10			140,038	189,076
Inventories	11			175,367	165,294
Taxes recoverable	12	63	355	15,053	12,478
Deferred income tax and social contribution recoverable				5,400	6,657
Related parties	27	1,586	968	912	393
Other assets		29	250	8,030	6,128
		35,513	2,862	476,745	425,035
NON-CURRENT ASSETS					
Long-term receivables					
Taxes recoverable	12			51,048	51,277
Related parties	27	23,000			
Deferred income tax and social contribution	13			16,507	15,441
Inventories	11			5,020	4,342
Other assets		250		859	507
		23,250		73,434	71,567
Investments in subsidiaries	5	443,559	501,209		
Property, plant and equipment	15			283,364	279,639
Intangible assets	14			93,994	93,295
Total non-current assets		466,809	501,209	450,792	444,501
Total assets		502,322	504,071	927,537	869,536

		Parent company		Consolidated	
LIABILITIES AND EQUITY	Note	2020	2019	2020	2019
CURRENT LIABILITIES					
Trade payables	16	223		41,851	40,381
Derivative financial instruments	9				2,252
Borrowings	17			188,797	118,230
Salaries and payroll charges		311	258	22,115	20,151
Taxes payable		113	308	4,267	4,993
Deferred income tax and social contribution payable				653	87
Dividends and interest on capital	27	10,991	10,991	10,991	10,991
Related parties	27	9	67	143	172
Commissions on sales				3,435	4,816
Other liabilities				5,640	8,446
Total current liabilities		11,647	11,624	277,892	210,519
NON-CURRENT LIABILITIES					
Borrowings	17			155,051	162,852
Provision for contingencies	18			3,891	3,684
Total non-current liabilities				158,942	166,536
Total liabilities		11,647	11,624	436,834	377,055
EQUITY	19				
Share capital		377,065	377,065	377,065	377,065
Options granted		5,419	5,382	5,419	5,382
Revenue reserves		94,043	94,043	94,043	94,043
Carrying value adjustments		16,303	15,957	16,303	15,957
Accumulated deficit		(2,155)		(2,155)	
Total equity attributable to owners of the parent		490,675	492,447	490,675	492,447
Non-controlling interests				28	34
Total equity		490,675	492,447	490,703	492,481
Total liabilities and equity		502,322	504,071	927,537	869,536

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF OPERATIONS
QUARTERS ENDED MARCH 31
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	2020	2019	2020	2019
Net sales revenue	20			111,879	90,978
Cost of sales	21			(60,576)	(47,014)
Gross profit				51,303	43,964
Selling expenses	21			(42,274)	(40,644)
General, administrative, and	21	(1,208)	(1,015)	(10,537)	(8,817)
Equity in the results of investees	5	(1,019)	(4,414)		
Other income (expenses), net	22	3	26	1,854	944
Operating profit (loss)		(2,224)	(5,403)	346	(4,553)
Finance income		95		310	1,093
Finance costs		(26)	(14)	(2,746)	(4,176)
Derivative financial instruments, net				13,681	(405)
Foreign exchange variations, net				(12,730)	(109)
Finance result	23	69	(14)	(1,485)	(3,597)
Loss before income tax and social contribution		(2,155)	(5,417)	(1,139)	(8,150)
Income tax and social contribution	24				
Current				(1,937)	(2,636)
Deferred				914	5,370
Loss for the quarter		(2,155)	(5,417)	(2,162)	(5,416)
Attributable to:					
Owners of the parent				(2,155)	(5,417)
Non-controlling interests				(7)	1
				(2,162)	(5,416)
Loss per share attributable to owners of the parent during the quarter (in reais)	25				
Basic loss per share				(0.03995)	(0.10041)
Diluted loss per share				(0.03995)	(0.10041)

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)
QUARTERS ENDED MARCH 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

		Parent company		Consolidated	
		2020	2019	2020	2019
Loss for the quarter		(2,155)	(5,417)	(2,162)	(5,416)
Other comprehensive income (loss)					
Items that will be reclassified to profit or loss					
Exchange variation on investment	5	346	242	347	243
Total comprehensive income (loss) for the quarter		(1,809)	(5,175)	(1,815)	(5,173)
Attributable to:					
Owners of the parent				(1,809)	(5,175)
Non-controlling interests				(6)	2
				(1,815)	(5,173)

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF CHANGES IN EQUITY
All amounts in thousands of reais (A free translation of the original in Portuguese)

		Attributable to owners of the parent									
					Revenue reserves						
	Note	Share capital	Capital reserve	Options granted	Legal reserve	Profit retention reserve	Carrying value adjustments	Retained earnings/ Accumulated deficit	Total	Non-controlling interests	Total equity
AT JANUARY 1, 2020		377,065		5,382	13,007	81,036	15,957		492,447	34	492,481
Comprehensive income (loss) for the quarter:											
Loss for the quarter								(2,155)	(2,155)	(7)	(2,162)
Exchange variation on foreign subsidiary	5						346		346	1	347
Total comprehensive income (loss) for the quarter							346	(2,155)	(1,809)	(6)	(1,815)
Contributions by and distributions to owners of the parent:											
Stock options granted	19 (e)			37					37		37
Total contributions by owners				37					37		37
AT March 31, 2020		377,065		5,419	13,007	81,036	16,303	(2,155)	490,675	28	490,703
AT JANUARY 1, 2019		358,796	(6,392)	4,791	10,693	72,832	15,216		455,936	31	455,967
Comprehensive income (loss) for the quarter:											
Loss for the quarter								(5,417)	(5,417)	1	(5,416)
Exchange variation on foreign subsidiary	5						242		242	1	243
Total comprehensive income (loss) for the quarter							242	(5,417)	(5,175)	2	(5,173)
Contributions by and distributions to owners of the parent:											
Capital increase by incorporation of revenue reserves	19 (a)	18,269	6,392			(24,661)					
Stock options granted	19 (e)			162					162		162
Total contributions by owners		18,269	6,392	162		(24,661)			162		162
AT MARCH 31, 2019		377,065		4,953	10,693	48,171	15,458	(5,417)	450,923	33	450,956

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

STATEMENT OF CASH FLOWS
QUARTERS ENDED MARCH 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	2020	2019	2020	2019
Cash flows from operating activities:					
Loss before income tax and social contribution		(2,155)	(5,417)	(1,139)	(8,150)
Adjustments for:					
Provision for impairment of trade receivables	10 and 18			9	125
Provision for inventory losses and write-offs				1,821	1,119
Provision for returns on sales	18			13	292
Reversal of provision for customer bonuses	18			(367)	(355)
Equity in the results of investees	5	1,019	4,414		
Depreciation and amortization	14 and 15			6,416	5,597
Reversal of provision for impairment	14			(21)	
Gain (loss) on disposal of property, plant and equipment	22			(63)	(62)
Gain (loss) on disposal of intangible assets	22			21	
Interest and monetary/foreign exchange variations, net				16,061	4,655
Derivative financial instruments				(13,681)	405
Provision for contingencies	18			152	188
Stock options granted	19 (e)	14	5	37	162
Changes in working capital:					
Trade receivables				52,536	59,079
Inventories				(11,572)	(23,495)
Taxes recoverable		292	86	(2,335)	(4,963)
Other assets		(647)	(59)	(2,839)	(1,397)
Trade payables		(41)		(2,055)	13,739
Taxes payable		(195)	(784)	672	(1,066)
Other liabilities		259	210	(2,005)	(5,252)
Cash flows from operations		(1,454)	(1,545)	41,661	40,621
Interest paid				(2,478)	(3,379)
Income tax and social contribution paid				(1,481)	(2,974)
Net cash provided by (used in) operating activities		(1,454)	(1,545)	37,702	34,268
Cash flows from investing activities:					
Advances for future capital increase in subsidiaries		(23,000)	(16,000)		
Investments in intangible assets	14			(2,596)	(5,013)
Purchases of property, plant and equipment	15			(8,188)	(10,376)
Dividends and interest on capital received		57,000	17,560		
Proceeds from sale of property, plant and equipment				184	162
Net cash provided by (used in) investing activities		34,000	1,560	(10,600)	(15,227)
Cash flows from financing activities:					
New borrowings	29			90,000	
Repayments of borrowings	29			(42,185)	(12,519)
Realized derivative financial instruments	29			5,170	(581)
Net cash provided by (used in) financing activities				52,985	(13,100)
Increase in cash and cash equivalents, net		32,546	15	80,087	5,941
Cash and cash equivalents at the beginning of the period		1,289	20	45,009	65,183
Foreign exchange gains on cash and cash equivalents				590	97
Cash and cash equivalents at the end of the period	8	33,835	35	125,686	71,221

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF VALUE ADDED
QUARTERS ENDED MARCH 31
All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	2020	2019	2020	2019
Revenues:					
Gross sales and services				123,316	99,863
Other income (expenses), net				213	(86)
Income from construction of own assets				2,449	3,929
Provision for impairment of trade receivables	10 and 18			(9)	(125)
				125,969	103,581
Inputs acquired from third parties:					
Cost of sales and services				(38,035)	(33,105)
Materials, electricity, third-party services and other		(286)	(298)	(32,228)	(26,952)
Losses on assets, net				(1,821)	(1,071)
Gross value added (distributed)		(286)	(298)	53,885	42,453
Depreciation and amortization	14 and 15			(6,416)	(5,597)
Net value added (distributed) generated by the entity		(286)	(298)	47,469	36,856
Value added received through transfer:					
Equity in the results of investees	5	(1,019)	(4,414)		
Finance income		98		20,436	2,920
Royalties		50	30	50	30
Other				30	241
Total value added distributed		(1,157)	(4,682)	67,985	40,047
DISTRIBUTION OF VALUE ADDED					
Personnel:					
Direct compensation		788	599	27,616	24,528
Benefits		11	1	5,494	4,122
Government Severance Indemnity Fund for Employees (FGTS)		7		2,135	1,784
Taxes, charges and contributions:					
Federal		165	121	7,375	2,365
State		2		4,212	4,433
Municipal				135	96
Remuneration of third parties' capital:					
Interest, foreign exchange variation, losses on derivatives etc.		25	14	22,259	7,264
Rentals				875	841
Other				46	30
Remuneration of own capital:					
Accumulated deficit		(2,155)	(5,417)	(2,155)	(5,417)
Non-controlling interests				(7)	1
Value added distributed		(1,157)	(4,682)	67,985	40,047

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

EXPLANATORY NOTES TO THE INDIVIDUAL AND CONSOLIDATED ACCOUNTING INFORMATION FOR THE QUARTER ENDED March 31, 2020
(All amounts in thousands of 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 on the Brazilian stock exchange, B3 S.A. - Brasil, Bolsa, Balcão.

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

The issue of this individual and consolidated interim accounting information was authorized by the Board of Directors on May 7, 2020.

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

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

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

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

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

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

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

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

Main risks and uncertainties arising from COVID-19

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

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

In order to strengthen its cash position, thus mitigating a possible liquidity risk, the Company has raised borrowings of R$ 90,000 in the form of Export Credit Notes (NCE), with a cost of 6.1% and maturity in March 2021.

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

1.3. Basis of preparation and statement of compliance

The main accounting policies applied in the preparation of this interim accounting information are set out in Note 30.

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 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.

a) Individual accounting information

The individual interim accounting information has been 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). This individual interim accounting information is disclosed together with the consolidated accounting information.

b) Consolidated interim accounting information

The consolidated interim accounting information has been prepared is are being presented in accordance with 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).

c) Statement of value added

The presentation of the individual and consolidated statements of value added, which is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, has been prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 - Statement of Value Added. The 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.

1.4. Consolidation

The Company consolidates all entities which it controls, that is, when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to direct 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 30.

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.

For the quarter ended March 31, 2020, management evaluated carefully the impacts of the COVID19 outbreak on its business, and complied with the requirements of accounting practices adopted in Brazil, including 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), in addition to the CVM/SNS/SEP Circular Letter 02/2020.

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

a) Fair value of derivative financial instruments

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

b) Estimated impairment loss on trade receivables

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

d) Impairment of property, plant and equipment

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

e) Provision for contingencies

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

f) Fair value of the stock option plan

The fair value attributed to the options granted was determined using the Black-Scholes-Merton pricing model, which takes into consideration the value of the share, the exercise 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.

g) Impairment of intangible assets

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

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

(ii) Estimates of direct and indirect manufacturing costs.

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

The projection period covers five or more years, beginning on the estimated launch date, and considers the estimated life cycle, market development, and level of associated technological innovation of the products. The provision is recorded when the recoverable amount (net present value of cash flow) is below the amount of the recorded asset, pursuant to the Company's accounting policy presented in Note 30.8.

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 and/or about to expire are recognized in this provision.

i) Taxes recoverable

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

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

As the Company's management believes that there is no material risk of not realizing these credits, no provision for impairment was recorded.

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

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

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

a) Market risks

(i) Foreign exchange risk

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

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

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

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

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

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

	3/31/2020	12/31/2019
Assets in foreign currency		
Cash and cash equivalents	305	653
Trade receivables	16,504	10,963
	16,809	11,616
Liabilities in foreign currency		
Trade payables	(20,515)	(22,602)
	(20,515)	(22,602)
Net exposure - liabilities	(3,706)	(10,986)

(*) The table above does not include balances of working capital borrowings denominated in foreign currency of R$36,763 (R$58,720 at December 31, 2019) (Note 17), as they are hedged by a foreign exchange swap.

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

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

		Impact of appreciation/ depreciation of the U.S. dollar on the portfolio balance			
		5.20	4.47	3.35	2.24
Assets/liabilities	Risk	3/31/2020	Scenario 1	Scenario 2	Scenario 3
			(probable)	(US$ depreciation - 25%)	(US$ depreciation - 50%)
Cash and cash equivalents	US$	305	43	(66)	(131)
Trade receivables	US$	16,504	2,313	(3,548)	(7,095)
Trade payables	US$	(20,515)	(2,876)	4,410	8,820

(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 borrowings, the Group seeks to maintain a stable relation between short- and long-term debts. Financial investments are linked to the CDI rate.

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

Currently, 79.5% of the Group’s transactions (73.8% in 2019) are carried out at floating interest rates, and 20.5% of transactions at fixed interest rates (26.2% in 2019). However, this increase in the share of floating-rate transactions does not lead to higher volatility in the average cost of the transactions due to a decrease in the rates of the main market indexes (Special System for Settlement and Custody (SELIC), Interbank Deposit Certificate (CDI), Long-term Interest Rate (TJLP), etc.).

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.

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 32 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 classification is defined according to ratings that rage from "AA" (the lowest risk) to "E" (the highest risk) (Note 7).

c) Liquidity risk

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

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 gearing ratio so that it does not jeopardize its payment capacity and investments.

The table below breaks down the 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
At March 31, 2020:				
Trade payables	41,851			
Borrowings (*)	204,444	51,908	83,933	39,007
Derivative financial instruments, net	(6,259)			
Dividends and interest on capital	10,991			
Other liabilities	37,420	2,724		
	288,447	54,632	83,933	39,007
At December 31, 2019:				
Trade payables	40,381			
Borrowings (*)	129,762	52,765	90,099	42,235
Derivative financial instruments, net	2,252			
Dividends and interest on capital	10,991			
Other liabilities	39,770	2,579		
	223,156	55,344	90,099	42,235

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

3.2. Capital management

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

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

At March 31, 2020 and December 31, 2019, the gearing ratios were as follows:

		Consolidated	
	Note	3/31/2020	12/31/2019
Borrowings	17	343,848	281,082
Derivative financial instruments, net	9	(6,259)	2,252
Cash and cash equivalents	8	(125,686)	(45,009)
Net debt		211,903	238,325
Equity	19	490,703	492,481
Total capital		702,606	730,806
Gearing ratio - %		30.16	32.61

3.3. Fair value estimation

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

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

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

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

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

4. SEGMENT REPORTING

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

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

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

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

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

The results by segment were as follows:

	Quarter ended March 31, 2020				
	Business segment				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenue	71,475	21,040	19,364		111,879
Cost of sales	(45,656)	(7,216)	(7,704)		(60,576)
Gross profit	25,819	13,824	11,660		51,303
Selling expenses	(27,895)	(7,970)	(5,693)		(41,558)
Profit (loss) by segments	(2,076)	5,854	5,967		9,745
Selling expenses					
General, administrative, and				(716)	(716)
other expenses				(8,683)	(8,683)
Finance result				(1,485)	(1,485)
Income tax and social contribution				(1,023)	(1,023)
Unallocated results				(11,907)	(11,907)
Loss for the quarter					(2,162)

	Quarter ended March 31, 2019				
	Business segment				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenue	59,696	19,625	11,657		90,978
Cost of sales	(35,879)	(6,107)	(5,028)		(47,014)
Gross profit	23,817	13,518	6,629		43,964
Selling expenses	(26,980)	(7,804)	(5,860)		(40,644)
Profit (loss) by segments	(3,163)	5,714	769		3,320
General, administrative, and other expenses				(7,873)	(7,873)
Finance result				(3,597)	(3,597)
Income tax and social contribution				2,734	2,734
Unallocated results				(8,736)	(8,736)
Loss for the quarter					(5,416)

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

	3/31/2020	3/31/2019
Uruguay	5,449	
Colombia	5,404	4,941
Mexico	4,043	5,588
Arab Emirates	2,588	
Ecuador	1,358	1,042
Other	522	86
	19,364	11,657

5. INVESTMENTS (PARENT COMPANY)

a) Information on investments as of March 31, 2020 and December 31, 2019

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

b) Changes in investments

	Parent company	
	3/31/2020	3/31/2019
Opening balance	501,209	465,692
Equity in the results of investees	(1,019)	(4,414)
Stock options granted	23	157
Dividends distributed (i)	(57,000)	(10,371)
Exchange variation on foreign investment	346	242
Closing balance	443,559	451,306

(i) At March 31, 2020, the quotaholders of the subsidiaries Ouro Fino Pet Ltda. and Ouro Fino Agronegócio Ltda. approved the distribution of profits to the parent company Ouro Fino Saúde Animal Participações S.A. in the amounts of R$ 12,000 (R$ 2,560 at March 31, 2019) and R$ 45,000 (R$ 7,811 at March 31, 2019), respectively.

c) Summarized financial information

The tables below present summarized financial information of the subsidiaries.

(i) Summarized balance sheet

	March 31, 2020				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current					
Assets	306,119	147,196	31,411	11,391	16,217
Liabilities	(237,547)	(42,170)	(10,095)	(8,848)	(18,287)
Current assets (liabilities), net	68,572	105,026	21,316	2,543	(2,070)
Non-current					
Assets	425,481	14,311	2,009	5,165	3,433
Liabilities	(177,836)	(1,683)	(172)		(2,249)
Non-current assets, net	247,645	12,628	1,837	5,165	1,184
Equity	316,217	117,654	23,153	7,708	(886)

	December 31, 2019				
	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	220,837	190,371	37,341	12,532	11,648
Liabilities	(169,826)	(39,496)	(7,765)	(8,040)	(13,092)
Current assets (liabilities), net	51,011	150,875	29,576	4,492	(1,444)
Non-current					
Assets	425,636	14,357	2,103	4,851	3,411
Liabilities	(162,433)	(1,587)	(213)		(1,238)
Non-current assets, net	263,203	12,770	1,890	4,851	2,173
Equity	314,214	163,645	31,466	9,343	729

(ii) Summarized statement of operations

	March 31, 2020				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	88,165	61,332	21,900	4,043	5,404
Profit (loss) before income tax and social contribution	4,080	(1,527)	5,571	(2,013)	(1,598)
Income tax and social contribution	(2,446)	536	(1,884)	16	
Profit (loss) for the quarter	1,634	(991)	3,687	(1,997)	(1,598)

	March 31, 2019				
	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	71,138	54,729	20,177	5,588	4,941
Profit (loss) before income tax and social contribution	(8,913)	(2,306)	6,531	203	(696)
Income tax and social contribution	3,237	836	(2,206)	43	
Profit (loss) for the quarter	(5,676)	(1,470)	4,325	246	(696)

(iii) Statement of comprehensive income (loss)

	3/31/2020	3/31/2019
Ouro Fino Saúde Animal Ltda. (direct subsidiary)		
Profit (loss) for the period	1,634	(5,676)
Other comprehensive income	346	242
Total comprehensive income (loss)	1,980	(5,434)

(iv) Summarized statement of cash flows

	March 31, 2020				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Cash flows from operating activities:					
Cash provided by (used in) operating activities	(10,846)	41,093	10,983	(215)	2,100
Interest paid	(2,286)	(22)	(9)		(161)
Income tax and social contribution paid		(124)	(1,357)		
Net cash provided by (used in) operating activities	(13,132)	40,947	9,617	(215)	1,939
Net cash used in investing activities	(10,185)	(291)	(3)	(122)	
Net cash provided by (used in) financing activities	76,403	(45,195)	(12,084)		(136)
Net increase (decrease) in cash and cash equivalents	53,086	(4,539)	(2,470)	(337)	1,803
Cash and cash equivalents at the beginning of the period	14,586	17,740	8,237	1,847	1,310
Foreign exchange gains on cash and cash equivalents	571	17			
Cash and cash equivalents at the end of the period	68,243	13,218	5,767	1,510	3,113

	March 31, 2019				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Cash flows from operating activities:					
Cash provided by (used in) operating activities	(9,033)	41,009	10,470	(15)	(128)
Interest paid	(3,195)	(46)	(18)		(120)
Income tax and social contribution paid			(2,974)		
Net cash provided by (used in) operating activities	(12,228)	40,963	7,478	(15)	(248)
Net cash used in investing activities	(11,164)	(3,442)	(547)	(24)	(50)
Net cash provided by (used in) financing activities	3,239	(15,399)	(2,637)		
Net increase (decrease) in cash and cash equivalents	(20,153)	22,122	4,294	(39)	(298)
Cash and cash equivalents at the beginning of the period	37,620	20,869	4,054	1,242	1,378
Foreign exchange gains on cash and cash equivalents	97				
Cash and cash equivalents at the end of the period	17,564	42,991	8,348	1,203	1,080

d) Reconciliation of the financial information on investments

	Subsidiaries							
	Ouro Fino Saúde Animal Ltda.		Ouro Fino Agronegócio Ltda.		Ouro Fino Pet Ltda.		Total	
	3/31/2020	3/31/2019	3/31/2020	3/31/2019	3/31/2020	3/31/2019	3/31/2020	3/31/2019
Equity at January 1	314,214	300,903	163,645	153,995	31,466	20,098	509,325	474,996
Profit (loss) for the period	1,634	(5,676)	(991)	(1,470)	3,687	4,325	4,330	(2,821)
Stock options granted	23	91		40		26	23	157
Dividends distributed			(45,000)	(7,811)	(12,000)	(2,560)	(57,000)	(10,371)
Exchange variation on foreign investment	346	242					346	242
Equity at March 31	316,217	295,560	117,654	144,754	23,153	21,889	457,024	462,203
Percentage holding	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%		
Share of investments	316,217	295,560	117,654	144,754	23,153	21,889	457,024	462,203
Unrealized profit on inventories	(13,465)	(10,897)					(13,465)	(10,897)
Carrying amount of the investment in the parent	302,752	284,663	117,654	144,754	23,153	21,889	443,559	451,306

6. FINANCIAL INSTRUMENTS BY CATEGORY

	Parent company		Consolidated		
	3/31/2020	12/31/2019	3/31/2020		12/31/2019
	Amortized cost	Amortized cost	Assets measured at fair value through profit or loss	Amortized cost	Amortized cost
Assets as per balance sheet					
Cash and cash equivalents	33,835	1,289		125,686	45,009
Derivative financial instruments			6,259		
Trade receivables				140,038	189,076
Related parties	24,586	968		912	393
Other assets, except prepaid expenses	250	250		6,177	3,467
	58,671	2,507	6,259	272,813	237,945

	Parent company		Consolidated		
	3/31/2020	12/31/2019	3/31/2020	12/31/2019	
	Amortized cost	Amortized cost	Amortized cost	Liabilities measured at fair value through profit or loss	Amortized cost
Liabilities as per balance sheet:					
Trade payables	223		41,851		40,381
Derivative financial instruments				2,252	
Borrowings			343,848		281,082
Related parties	9	67	143		172
Commissions on sales			3,435		4,816
Other liabilities			5,640		8,446
	232	67	394,917	2,252	334,897

7. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The balances of bank accounts and financial investments amounting to R$125,644 (R$44,926 at December 31, 2019) are held in prime financial institutions rated BB by Standard & Poor's.

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

	Consolidated	
	3/31/2020	12/31/2019
AA	41,097	65,257
A	52,888	73,770
B	17,372	19,102
C	15,211	19,975
D	15,252	13,020
E	5,196	4,669
	147,016	195,793

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and at banks, as well as investments consisting of repurchase agreements and CDBs, earning on average 90.0% of the Interbank Deposit Certificate (CDI) rate variation (up to 95.6% of the CDI rate December 31, 2019).

	Parent company		Consolidated	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Cash:				
In local currency			11	11
In foreign currency			31	72
			42	83
Banks:				
In local currency	94	104	65,791	6,187
In foreign currency			274	581
	94	104	66,065	6,768
Financial investments (i):				
In local currency				
Repurchase agreements	15,119		31,133	6,069
Bank Deposit Certificate (CDB)	18,622	1,185	28,255	32,089
Other			191	
	33,741	1,185	59,579	38,158
	33,835	1,289	125,686	45,009

(i) Financial investments amounting to R$59,579 (R$38,158 at December 31, 2019) can be redeemed at any time without significant losing profitability.

9. DERIVATIVE FINANCIAL INSTRUMENTS (CONSOLIDATED)

	3/31/2020	12/31/2019
	Assets	Liabilities
Exchange rate swap	6,259	2,252
Current	6,259	2,252

The notional amounts of exchange rate swap contracts at March 31, 2020 corresponded to EUR6,416 thousand (EUR12,945 thousand at December 31, 2019).

10. TRADE RECEIVABLES (CONSOLIDATED)

	3/31/2020	12/31/2019
In local currency:		
Trade receivables	129,499	184,044
Provision for impairment of trade receivables	(5,965)	(5,931)
	123,534	178,113
In foreign currency:		
Trade receivables	17,517	11,749
Provision for impairment of trade receivables	(1,013)	(786)
	16,504	10,963
Current	140,038	189,076

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

	3/31/2020	12/31/2019
Not yet due:		
Up to 3 months	123,311	137,229
From 3 to 6 months	11,366	43,476
Over 6 months	50	3,857
	134,727	184,562
Past due:		
Up to 3 months	3,965	3,132
From 3 to 6 months	359	809
Over 6 months	7,965	7,290
	12,289	11,231
	147,016	195,793

The Company has adopted the measurement of estimated losses on trade receivables during the lifetime of the instruments, using the simplified approach, and considering the history of changes and losses. As a general rule, notes overdue for more than 180 days (365 days for the subsidiary Ouro Fino de México, S.A. de CV) represent a significant indication of expected loss, and are assessed individually, considering existing guarantees.

Changes in the provision were as follows:

	3/31/2020	12/31/2019
Opening balance	6,717	6,414
Additions, net	9	125
Foreign exchange variation	252	16
Closing balance	6,978	6,555

Additions to and reversals of the provision for impairment of trade receivables were recorded in the statement of operations within "Selling expenses"(Note 21). The amounts are generally written off from the provision account when there is no expectation of recovering the funds.

11. INVENTORIES (CONSOLIDATED)

	3/31/2020	12/31/2019
Finished products	76,517	66,118
Raw materials	55,335	51,250
Packaging materials	13,112	13,494
Work in process	11,678	12,398
Imports in transit	11,442	11,162
Advances to suppliers	9,950	11,251
Other	10,214	10,046
Provision for inventory losses (Note 18)	(7,861)	(6,083)
	180,387	169,636
Non-current (*)	(5,020)	(4,342)
Current	175,367	165,294

(*) The amount of R$5,020 (R$4,342 at December 31, 2019) relates to a loan agreement between the subsidiary Ouro Fino Saúde Animal Ltda. and the supplier Laboratório Biomega S.A. ("Biomega"), which has been settled as the goods are delivered.

12. TAXES RECOVERABLE

	Parent company		Consolidated	
	3/31/2020	12/31/2019	3/31/2020	12/31/2019
Value-Added Tax on Sales and Services (ICMS)			50,602	51,402
Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)			9,588	7,791
Withholding Income Tax (IRRF)	63	355	1,612	849
ICMS, PIS and COFINS on acquisitions of PP&E			1,393	736
Excise Tax (IPI)			69	220
Other			2,837	2,757
	63	355	66,101	63,755
Non-current			(51,048)	(51,277)
Current	63	355	15,053	12,478

ICMS credits, amounting to R$50,106 at December 31, 2020 (R$50,853 in 2019), were mostly generated by Ouro Fino Saúde Animal Ltda., and are not subject to monetary restatement. Up to April 30, 2019, the subsidiary Ouro Fino Saúde Animal Ltda. accumulated ICMS credits on tax-exempt shipments in transactions within the State of São Paulo, 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, the subsidiary Ouro Fino Saúde Animal Ltda. was no longer entitled to maintain full credits on transactions within the State of São Paulo, and started to reverse them in the monthly calculations.

Upon the submission of the file addressed by Ordinance 83/2009 of the Coordinating Committee of Tax Administration Board (CAT) and the approval by the tax authorities, the credit balances are converted into accumulated credits pursuant to the applicable tax legislation, and may be used in purchases of inputs and machinery and equipment and/or transferred to other Group companies which have an interdependence relationship, and calculate ICMS payable on a regular basis. In both cases, the credits are recovered at historical values. Currently, Ouro Fino Saúde Animal Ltda. is working on the upload of the retroactive costing files (CAT Ordinance 83/2009), which must be submitted in a chronological order, with a view to enabling the conversion of the credit balance into accumulated credits to be used as previously described. Management, with the support of tax advisory and IT system firms, is working diligently on the submission of the files.

ICMS credits related to the period from 2010 to 2013, amounting to R$18,846, were approved by the tax authorities, and R$11,048 was released for immediate use during the audit conducted by tax authorities in 2013 and 2014.

Subsequently, amounts which had been previously withheld in connection with tax assessment notices, totaling R$3,795, were released through the filing of a writ of mandamus and supported by guarantee insurance, as follows: R$3,123 in June 2018 and R$672 in February 2019.

Finally, the residual balance of R$4,003 remains withheld due to the obligations related to the submission of electronic files pursuant to CAT Ordinance 83/2009.

The credit balance accounted for includes all the credits computed for the period from 2014 to March 31, 2020; the requests for accumulated credits will be made by submitting the related files through the Electronic System for Management of Accumulated Credit (e-CredAc), pursuant to CAT Ordinance 83/2009. These files are being consistently prepared by management and will be submitted within the time limits prescribed by law.

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

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

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

a) Composition, nature and realization of deferred taxes

(i) Deferred income tax and social contribution

	3/31/2020	12/31/2019
Tax credits on:		
Accumulated income tax and social contribution loss	7,840	7,149
Temporary differences		
Provisions	11,077	10,792
Unrealized profit on inventories	6,936	4,181
Pre-operating costs written off	144	191
Derivative financial instruments		766
Revaluation surplus - business combination	838	802
	26,835	23,881
Tax debts on:		
Temporary differences		
Deemed cost of land	(7,878)	(7,878)
Derivative financial instruments	(2,127)	
Provisions	(59)	(171)
Accelerated depreciation	(264)	(391)
	(10,328)	(8,440)
Total assets, net	16,507	15,441

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

Net changes in the deferred tax account were as follows:

	3/31/2020	3/31/2019
Opening balance	15,441	15,963
Pre-operating costs written off	(47)	(47)
Accumulated income tax and social contribution losses	691	6,712
Derivative financial instruments	(766)	(106)
Provisions	285	(1,790)
Unrealized profit on inventories	2,755	958
RD&I benefit - Accelerated depreciation		5
Revaluation surplus - business combination	36	19
Accelerated depreciation	(1,888)	
Closing balance	16,507	21,714

The amounts by estimated offset period are as follows:

	3/31/2020	12/31/2019
Deferred tax assets to be recovered		
In 2020	17,150	20,509
In 2021	2,166	2,570
In 2022	6,681	
After 2023	838	802
	26,835	23,881
Deferred tax liabilities to be settled		
In 2020	2,186	252
In 2021		34
In 2022		74
After 2023	8,142	8,080
	10,328	8,440

14. INTANGIBLE ASSETS (CONSOLIDATED)

	At January 1, 2020	Additions	Reversal of provision for impairment	Foreign exchange variation	Reductions	Amortization	At March 31, 2020
Goodwill on acquisition of subsidiary	618						618
Product development and registration	86,475	2,135	21	51	(21)	(1,474)	87,187
Computer software	6,024	461		3		(409)	6,079
Other	178					(68)	110
	93,295	2,596	21	54	(21)	(1,951)	93,994

	At January 1, 2019	Additions	Foreign exchange variation	Amortization	At March 31, 2019
Goodwill on acquisition of subsidiary	618				618
Trademarks and licenses purchased	4			(4)	
Product development and registration	87,665	4,805	24	(1,153)	91,341
Computer software	5,063	208	2	(469)	4,804
Other	449			(67)	382
	93,799	5,013	26	(1,693)	97,145

	3/31/2020			
	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on acquisition of subsidiary	618			618
Trademarks and licenses purchased	2,200		(2,200)	
Product development and registration	122,483	(3,153)	(32,143)	87,187
Computer software	37,543		(31,464)	6,079
Other	1,331		(1,221)	110
	164,175	(3,153)	(67,028)	93,994

	12/31/2019			
	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on acquisition of subsidiary	618			618
Trademarks and licenses purchased	3,139		(3,139)	
Product development and registration	120,326	(3,174)	(30,677)	86,475
Computer software	37,079		(31,055)	6,024
Other	1,333		(1,155)	178
	162,495	(3,174)	(66,026)	93,295

Product development and registration relates to expenses incurred in new drugs totaling R$87,187 (R$86,475 at December 31, 2019). The amortization of intangible assets related to product development and registration was recognized within "Cost of sales" (Note 21).

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

15. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

	At 1 January 2020	Additions	Foreign exchange variation	Transfers	Write-offs	Depreciation	At March 31, 2020
Land	24,985						24,985
Buildings and improvements	138,770	222		2,395		(933)	140,454
Machinery, equipment and industrial facilities	83,586	4,574	(1)	646	(19)	(1,981)	86,805
Vehicles and tractors	14,527	784	112		(86)	(1,016)	14,321
Furniture and fittings	3,022	595	2			(138)	3,481
IT equipment	3,609	93	9		(15)	(334)	3,362
Construction in progress (i)	9,742	1,906		(3,030)			8,618
Other	1,398	14		(11)		(63)	1,338
	279,639	8,188	122		(120)	(4,465)	283,364

	At January 1, 2019	Additions	Foreign exchange variation	Transfers	Write-offs	Depreciation	At March 31, 2019
Land	24,985						24,985
Buildings and improvements	134,339					(867)	133,472
Machinery, equipment and industrial facilities	77,214	942			(7)	(1,765)	76,384
Vehicles and tractors	11,038	4,473	18		(92)	(798)	14,639
Furniture and fittings	2,990	90	1	15		(142)	2,954
IT equipment	2,995	144	5	81	(1)	(259)	2,965
Construction in progress (i)	5,402	4,724		(3)			10,123
Other	1,669	3		(93)		(73)	1,506
	260,632	10,376	24		(100)	(3,904)	267,028

	3/31/2020			12/31/2019			
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net	Average annual depreciation rates
Land	24,985		24,985	24,985		24,985	
Buildings and improvements	166,393	(25,939)	140,454	163,776	(25,006)	138,770	2.39%
Machinery, equipment and industrial facilities	143,833	(57,028)	86,805	138,765	(55,179)	83,586	6.19%
Vehicles, tractors and aircraft	20,977	(6,656)	14,321	20,137	(5,610)	14,527	19.58%
Furniture and fittings	9,214	(5,733)	3,481	8,664	(5,642)	3,022	6.16%
IT equipment	11,607	(8,245)	3,362	11,758	(8,149)	3,609	9.10%
Construction in progress (i)	8,618		8,618	9,742		9,742	
Other	4,075	(2,737)	1,338	4,071	(2,673)	1,398	6.36%
	389,702	(106,338)	283,364	381,898	(102,259)	279,639	

(ii) At March 31, 2020, the balance of construction in progress relates, substantially, to the expansion of the area dedicated to hormonal implants in the amount of R$891 (R$891 at December 31, 2019), expansion of Biotério Guatapará in the amount of R$1,956 (R$1,590 at December 31, 2019), substation building in the amount of R$2,699 (R$1,910 at December 31, 2019) and new plant for animal health products in the amount of R$627..

At March 31, 2020, costs of capitalized borrowings totaled R$1,912 (R$ 1,775 at December 31, 2019), at an annual average rate of 5.32% (5.52% at December 31, 2019).

Land, buildings, and machinery and equipment amounting to R$83,341 (R$84,317 at December 31, 2019) were pledged as collateral for borrowings (Note 17).

16. TRADE PAYABLES (CONSOLIDATED)

	3/31/2020	12/31/2019
In local currency	16,352	12,664
In foreign currency	25,499	27,717
	41,851	40,381

17. BORROWINGS (CONSOLIDATED)

	Financial charges incurred	Maturity final	3/31/2020	12/31/2019
In foreign currency				
Working capital	Exchange variation and weighted average rate of 4.08% p.a. (2019 - 4.76% p.a.)	2020	36,763	58,720
In local currency				
FINEP (Technological Innovation)	Weighted average rate of 5.32% p.a. (2019 - 5.52% p.a.)	2029	138,156	142,572
BNDES - FINEM	Weighted average rate of 7.64% p.a. (2019 - 8.26% p.a.)	2025	28,271	29,419
BNDES - FINAME	Weighted average rate of 8.4% p.a. (2019 - 7.73% p.a.)	2023	169	239
Export Credit Note (NCE)	Average rate of 5.59% p.a. (2019 - 5.30% p.a.)	2021	130,560	40,041
Working capital (i)	Average rate of 7.14% p.a. (2019 - 7.75% p.a.)	2020	6,422	6,149
Finance lease	Weighted average rate of 9.82% p.a. (2019 - 10.22% p.a.)	2022	3,042	3,522
Drawee risk	N/A	2020	465	420
			343,848	281,082
Non-current			(155,051)	(162,852)
Current			188,797	118,230

(i) Borrowings obtained by the subsidiary Ouro Fino Colombia S.A.S.

a) Guarantees for borrowings

Borrowings for product research, innovation and development obtained from the Fund for Financing of Studies and Projects (FINEP) are guaranteed by a surety of the related party Ouro Fino Saúde Animal Participações S.A. and bank guarantees totaling R$105,174, as well as by collaterals consisting of the industrial facilities of animal health products located in the city of Cravinhos, State of São Paulo. No amounts are charged for the guarantees provided.

Working capital borrowings are collateralized by sureties of the parent company and/or controlling stockholders. Leases are collateralized by sureties of the parent company and/or controlling stockholders, and financing transactions under the Government Agency for Machinery and Equipment Financing (Finame) program are backed by a statutory lien on the assets financed, in addition to sureties of the parent company and/or controlling stockholders.

The BNDES-FINEM transaction also requires compliance with ratios previously defined in the contract: Net Debt/EBITDA ratio equal to or lower than 3.0, and General Indebtedness equal to or lower than 0.70. For the periods ended March 31, 2020 and 2019, the Company complied with these ratios.

The carrying amounts of borrowings approximate their fair values.

The composition of non-current borrowings is as follows:

	3/31/2020
From 1 to 2 years	44,565
From 2 to 3 years	30,886
From 3 to 4 years	27,629
From 4 to 5 years	12,964
Over 5 years	39,007
	155,051

b) Working capital borrowings denominated in foreign currency

Exchange rate swap transactions were contracted for working capital borrowings denominated in foreign currency (EUR), which amounted to R$36,763 (R$58,720 at December 31, 2019), and exchange the borrowing contractual charges for charges based on the CDI rate variation (Note 9).

18. PROVISIONS (CONSOLIDATED)

	3/31/2020				
Balances recognized in assets:	Opening balance	Additions and reversals, net	Final write-offs	Foreign exchange variation	Closing balance
Sales returns	68	64	(51)		81
Bonuses on sales	957	86	(453)		590
Provision for impairment of intangible assets	3,174		(21)		3,153
Provision for impairment of trade receivables	6,717	9		252	6,978
Provision for inventory losses	6,083	1,784	(12)	6	7,861
	16,999	1,943	(537)	258	18,663
Balances recognized in liabilities:	Opening balance	Additions and reversals, net	Final write-offs	Foreign exchange variation	Closing balance
Provision for contingencies	3,684	206	(54)	55	3,891
	3,684	206	(54)	55	3,891

	3/31/2019				
Balances recognized in assets:	Opening balance	Additions and reversals, net	Final write-offs	Foreign exchange variation	Closing balance
Sales returns	162	292			454
Bonuses on sales	954		(355)		599
Provision for impairment of intangible assets	9,309				9,309
Provision for impairment of trade receivables	6,414	125		16	6,555
Provision for inventory losses	7,087	1,050	(32)	5	8,110
	23,926	1,467	(387)	21	25,027
Balances recognized in liabilities:	Opening balance	Additions and reversals, net	Monetary restatement	Foreign exchange variation	Closing balance
Provision for contingencies	8,114	188	102	30	8,434
	8,114	188	102	30	8,434

a) Product returns

The Group recognizes a provision for cases in which the customers are entitled to return the product within a given period. Revenue is adjusted for the expected value of the returns, and cost of sales is adjusted for the value of the corresponding goods to be returned.

b) 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 operations under "Cost of sales".

c) Provision for contingencies

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

The provisions are as follows:

	3/31/2020	12/31/2019
Labor	2,671	2,529
Civil	1,215	1,150
Tax	5	5
	3,891	3,684

d) Provision for impairment of trade receivables

The provision for impairment of trade receivables is calculated based on the criterion of expected losses. In view of all the Group's controls to mitigate credit risk, and the consequent low historical delinquency level, there were no significant effects from the quarter (Note 10).

e) Provision for inventory losses

The Group recognizes a provision for inventory losses when there is uncertainty regarding the realization of these balances (products whose expiration dates are approaching and/or damaged products) (Note 11).

f) Provision for impairment of intangible assets

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

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

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

Possible contingencies are as follows:

	3/31/2020			12/31/2019		
	Administrative	Litigation	Total	Administrative	Litigation	Total
Tax (*)	90,134	1,729	91,863	95,106	1,924	97,030
Labor		2,765	2,765		2,278	2,278
Civil	3	2,293	2,296	3	2,364	2,367
	90,137	6,787	96,924	95,109	6,566	101,675

(*) These relate mainly to tax assessment notices in respect of PIS, COFINS, and ICMS. The tax assessment notice related to PIS/COFINS, amounting to R$49,372, was issued against the subsidiary Ouro Fino Saúde Animal Ltda. in May 2019, regarding taxable events that took place in 2014, and requiring the payment of PIS and COFINS differences calculated under the one-time tax treatment, for not including the transactions of Ouro Fino Agronegócio Ltda. and Ouro Fino Pet Ltda. In relation to ICMS, the dispute involves issues related to alleged debts, in the amount of R$16,784, arising from a different interpretation of 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.

h) 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 that exclude from the calculation basis the ICMS amounts separately disclosed in the related invoices, the recognition of such credits, in the amount of R$3,800, is considered by management as probable, but not virtually certain, and, therefore, they have not been recorded and are being disclosed as contingent assets.

19. EQUITY

a) Share capital

At the Annual and Extraordinary General Meeting held on March 29, 2019, the stockholders approved an increase in the Company's capital of R$18,269, without the issue of registered common shares with no par value, through the use of revenue reserves net of the capital reserve.

For the quarter ended March 31, 2020, fully subscribed and paid-up capital comprised 53,949,006 common shares with no par value.

b) Capital reserve

The amounts considered as "Capital reserve" has related to expenditures incurred with the Initial Public Offering (IPO). This amount was included in the capital increase approved at the Annual and Extraordinary General Meeting held on March 29, 2019.

c) 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 General Meeting by stockholders representing at least 2/3 (two thirds) of the voting shares, in compliance with the applicable legal provisions.

- As communicated to the market on March 30, 2020, due to the uncertainties arising from the COVID-19 pandemic and the potential impacts on the Brazilian and global economies, and aiming at preserving liquidity for future investments projected by the Company, management will submit to the approval of the Annual and Extraordinary General Meeting to be held on May 8, 2020, the proposal for partial distribution of the minimum mandatory dividends for the year ended December 31, 2019, paying interest on capital in the net amount of R$ 836 (gross amount of R$ 945) and retaining the remaining balance of the minimum mandatory dividends in the amount of R$ 10,155. The amounts not distributed as dividends shall be retained in a special reserve, pursuant to Article 202, paragraphs 4 and 5 of the Brazilian Corporate Law.

d) Carrying value 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.

e) Stock option plan

The Group has a Stock Option Plan (the "Plan") in place, aiming at: (i) stimulating the Company's growth, success and achievement of objectives; (ii) aligning the interests of the Company's stockholders with those of the eligible individuals; (iii) enabling the attraction and retention of professionals and service providers, thus stimulating the generation of value for the Company, and (iv) sharing risks and gains equally among stockholders, 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 exercise price will be set based on the average quoted price of the Company's shares on the Brazilian stock exchange (B3), weighted by the trading volume, within the 60 (sixty) trading sessions prior to the grant, monetarily restated by the General Market Price Index (IGP-M).

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

On December 30, 2014, the Board of Directors defined those that were eligible for the first grant, totaling 809,135 stock options, distributed among 17 beneficiaries, as follows:

	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Number of options	161,827	161,827	161,827	161,827
Strike price	28.22	28.22	28.22	28.22
Fair value of options granted	11.16	12.48	13.74	14.90
Maximum exercise date	12/31/2020	12/31/2021	12/31/2022	12/31/2023

On September 28, 2016, the Board of Directors approved an additional grant of 40,000 stock options, as detailed below.

	End of the grace period				
	9/28/2017	9/28/2018	9/28/2019	9/28/2020	9/28/2021
Number of options	8,000	8,000	8,000	8,000	8,000
Strike price	39.38	39.38	39.38	39.38	39.38
Fair value of options granted	12.89	14.87	16.62	18.23	19.66
Maximum exercise date	9/28/2021	9/28/2022	9/28/2023	9/28/2024	9/28/2025

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

Grant on December 30, 2014	General assumptions and information on the valuation			
End of the grace period	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Price of the share on the grant date	30.61	30.61	30.61	30.61
Estimated strike price for the period	35.41	37.46	39.35	41.38
Estimated lifetime (in years)	4.00	5.00	6.00	7.00
Expected volatility	26.20%	26.20%	26.20%	26.20%
Risk-free interest rate	12.60%	12.40%	12.30%	12.20%

Grant on September 28, 2016	General assumptions and information on the valuation			
End of the grace period	9/28/2018	9/28/2019	9/28/2020	9/28/2021
Price of the share on the grant date	39.00	39.00	39.00	39.00
Estimated strike price for the period	43.91	46.40	49.07	51.91
Estimated lifetime (in years)	4.00	5.00	6.00	7.00
Expected volatility	30.40%	30.40%	30.40%	30.40%
Risk-free interest rate	11.60%	11.70%	11.70%	11.80%

Expenses of R$37 incurred in connection with stock options were recognized at March 31, 2020 (R$162 at March 31, 2019). The number of shares totaled 143,813 at March 31, 2020 (213,076 at March 31, 2019).

20. REVENUE (CONSOLIDATED)

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

	3/31/2020	3/31/2019
In Brazil:		
Gross sales and services	105,143	89,530
Taxes and deductions on sales	(12,628)	(10,209)
	92,515	79,321
Abroad:		
Gross sales	19,541	11,812
Taxes and deductions on sales	(177)	(155)
	19,364	11,657
	111,879	90,978

21. COSTS AND EXPENSES BY NATURE

	Parent company		Consolidated	
	3/31/2020	3/31/2019	3/31/2020	3/31/2019
Cost of sales (*)				
Variable costs (raw and consumption materials)			33,206	25,401
Personnel expenses			12,680	10,569
Depreciation and amortization			4,184	3,699
Outsourced services			4,070	3,004
Provision for inventory losses			1,772	1,018
Electricity			1,662	972
Other			3,002	2,351
			60,576	47,014
Selling expenses				
Personnel expenses			19,947	18,781
Sales team expenses			7,016	8,656
Outsourced services			6,517	6,579
Freight charges			4,149	3,558
Depreciation and amortization			1,588	1,350
Telecommunications and electricity			251	267
Other			2,806	1,453
			42,274	40,644
General, administrative, and				
Personnel expenses	964	718	7,101	6,418
Outsourced services	(6)	69	1,470	715
Depreciation and amortization			644	548
Travel expenses	4	7	109	131
Telecommunications and electricity			117	191
Vehicle expenses			113	96
Donations and sponsorships			13	19
Other	246	221	970	699
	1,208	1,015	10,537	8,817
	1,208	1,015	113,387	96,475

(*) The breakdown of costs of sales is estimated based on the percentage of the production cost over the last 12 months.

22. OTHER INCOME (EXPENSES), NET

	Parent company		Consolidated	
	3/31/2020	3/31/2019	3/31/2020	3/31/2019
Gain on disposal and write-off of PP&E			63	62
Gain on disposal and write-off of intangible assets			(21)	
Gains on sales of scrap, rentals and other	45	28	70	45
Federal, state and municipal taxes and fees (i)	(2)		1,759	922
Reversal of provision for impairment			21	
Other gains (losses)	(40)	(2)	(38)	(85)
	3	26	1,854	944

(i) Relates to extemporaneous credits of PIS/COFINS contributions, in the amount of R$1,994, referring to inputs that are essential and relevant to the production process.

23. FINANCE INCOME AND COSTS

	Parent company		Consolidated	
	3/31/2020	3/31/2019	3/31/2020	3/31/2019
Finance income:				
Income from financial investments	95		106	817
Interest received			151	145
Monetary variation gains			41	99
Other			12	32
	95	-	310	1,093
Finance costs:				
Interest paid	(2)		(2,087)	(3,658)
Finance charges			(202)	(367)
Other	(24)	(14)	(457)	(151)
	(26)	(14)	(2,746)	(4,176)
Derivative financial instruments, net:				
Gains (losses) on derivatives (foreign exchange variation)			13,352	(373)
Gains (losses) on derivatives (interest)			329	(32)
			13,681	(405)
Foreign exchange variations, net			(12,730)	(109)
Finance result	69	(14)	(1,485)	(3,597)

24. INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

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

	Parent company		Consolidated	
	3/31/2020	3/31/2019	3/31/2020	3/31/2019
Loss before income tax and social contribution	(2,155)	(5,417)	(1,139)	(8,150)
Statutory tax rates	34%	34%	34%	34%
	733	1,842	387	2,771
Reconciliation to the effective rate				
Permanent differences:				
RD&I Benefit			169	
Equity in the results of investees	(347)	(1,501)		
Adjustment related to the calculation of foreign Subsidiaries taxed at the rate in effect in their respective countries			(1,212)	(124)
Unrecognized deferred taxes	(386)	(341)	(386)	(341)
Other			19	428
Income tax and social contribution			(1,023)	2,734
Reconciliation to the statement of operations:				
Current			(1,937)	(2,636)
Deferred			914	5,370
			(1,023)	2,734

25. LOSS PER SHARE

a) Basic

Basic loss per share is calculated by dividing the loss attributable to the owners of the parent by the weighted average number of common shares during the period.

	3/31/2020	3/31/2019
Loss for the quarter attributable to owners of the parent company	(2,155)	(5,417)
Weighted average number of common shares in the period (in thousands of shares)	53,949	53,949
Basic loss per share	(0.03995)	(0.10041)

b) Diluted

Diluted loss per share is calculated by dividing the loss attributable to the owners of the parent by the weighted average number of common shares during the period, adjusted by the weighted average number of instruments with dilutive effects.

	3/31/2020	3/31/2019
Loss for the quarter attributable to owners of the parent company	(2,155)	(5,417)
Weighted average number of common shares in the period, considering instruments with dilutive effects (in thousands of shares)	53,949	53,949
Diluted loss per share	(0.03995)	(0.10041)

26. EMPLOYEE BENEFITS

a) Private pension plan - defined contribution

The Group companies sponsor a defined contribution pension plan for their employees. The plan was implemented in August 2008 and is managed by Itaú Vida e Previdência S.A. The companies' contributions to the plan at March 31, 2020 totaled R$ 2020 (R$ 272 at March 31, 2019).

b) Profit sharing

The Group companies offer a variable compensation program to their employees, calculated based on quantitative and qualitative goals established by management. For the quarter ended March 31, 2020, the provision for profit sharing amounted to R$1,022 (R$2,251 at March 31, 2019).

27. RELATED-PARTY BALANCES AND TRANSACTIONS

a) Balances and main transactions

	Parent company								
	3/31/2020					12/31/2019			
	Assets			Liabilities		Assets		Liabilities	
	Interest on capital	Advances for future capital increase	Other assets (i)	Dividends and interest on capital	Other liabilities (ii)	Interest on capital	Other assets (i)	Dividends and interest on capital	Other liabilities (ii)
Subsidiaries:									
Ouro Fino Saúde Animal Ltda.		23,000			9				67
Ouro Fino Agronegócio Ltda.			37						
Ouro Fino Pet Ltda.	885		7			885			
Other related parties:									
Ouro Fino Química Ltda.			133				83		
Shareholders			524	10,991				10,991	
	885	23,000	701	10,991	9	885	83	10,991	67

	Parent company				
	Main transactions:				
	3/31/2020			3/31/2019	
	Royalties	Shared Services Center (CSC) reimbursement (i)	Other expenses, net	Royalties	Shared Services Center (CSC) reimbursement (i)
Subsidiaries:					
Ouro Fino Saúde Animal Ltda.		(26)	(46)		(66)
Ouro Fino Agronegócio Ltda.		119			
Ouro Fino Pet Ltda.		23			
Other related parties:					
Ouro Fino Química Ltda.	50			30	
Shareholders			524		
	50	116	(46)	30	(66)

	Consolidated							
	Balances							
	3/31/2020				12/31/2019			
	Assets	Liabilities			Assets	Liabilities		
	Other assets (i)	Dividends and interest on capital	Other liabilities (ii)	Borrowings (*)	Other assets (i)	Dividends and interest on capital	Other liabilities (ii)	Borrowings (*)
Other related parties:								
Ouro Fino Química Ltda.	256		143		239		150	
Condomínio Rural Ouro Fino	132				154			
BNDES Participações S.A.	220			28,440				29,658
Shareholders	304	10,991				10,991		
Other							22	
	912	10,991	143	28,440	393	10,991	172	29,658

	Consolidated									
	Main transactions:									
	3/31/2020					3/31/2019				
	Gross profit on sales of goods	Services Center (CSC) reimbursement	Royalties	Other expenses, net	Finance result	Gross profit on sales of goods	Services Center (CSC) reimbursement	Royalties	Other expenses, net	Finance result
Other related parties:										
Ouro Fino Química Ltda.		305	50	(335)			342	30	(193)	
Condomínio Rural Ouro Fino	2			(588)		2			(490)	
BNDES Participações S.A.				220	(553)					(788)
Other				242					(52)	
	2	305	50	(461)	(553)	2	342	30	(735)	(788)

(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) Borrowings

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

b) Management compensation

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

	3/31/2020	3/31/2019
Salaries	719	663
Labor charges	165	155
Share-based payments	36	61
Direct and indirect benefits	41	37
Variable compensation	70	110
	1,031	1,026

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

28. INSURANCE

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

Insured assets	Risks covered	2020	2019
Property, plant and equipment and inventories	Fire, lightning, explosion, electrical damage, windstorm, loss of profits	403,980	407,000
General civil liability	Damage to third parties 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	30,000	30,000

29. OTHER DISCLOSURES ON CASH FLOWS

	Borrowings	Derivative financial instruments, net	Cash and cash equivalents	Net debt
At January 1, 2020	281,082	2,252	(45,009)	238,325
Funding	90,000			90,000
Repayment of principal	(42,185)	5,170		(37,015)
Interest payments	(2,478)			(2,478)
Drawee risk	465			465
Increase (decrease) in cash and cash equivalents			(80,087)	(80,087)
Changes that affected cash flow	45,802	5,170	(80,087)	(29,115)
Foreign exchange variations and interest	16,964	(13,681)	(590)	2,693
Changes not affecting cash flow	16,964	(13,681)	(590)	2,693
At March 31, 2020	343,848	(6,259)	(125,686)	211,903
At January 1, 2019	287,529	28	(65,183)	222,374
Repayment of principal	(12,519)	(581)		(13,100)
Interest payments	(3,379)			(3,379)
Increase (decrease) in cash and cash equivalents			(5,941)	(5,941)
Changes affecting cash flow	(15,898)	(581)	(5,941)	(22,420)
Foreign exchange variations and interest	4,451	553	(97)	4,907
Changes not affecting cash flow	4,451	553	(97)	4,907
At March 31, 2019	276,082		(71,221)	204,861

30 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

30.1 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.

30.2 Foreign currency translation

a) Functional and presentation 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations 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 presentation currency are translated into the presentation currency as follows:

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

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

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

30.3 Financial assets

30.3.1 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".

30.3.2 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 operations. 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.

30.3.3 Impairment of financial assets

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

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

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

30.4 Derivative financial instruments

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

The new standard IFRS 9 “Financial instruments” has been effective since January 1, 2018. Its major amendment was the establishment of new criteria for the classification of financial assets and relaxation of the requirements for adoption of hedge accounting. Management believes that there will be no significant changes in the classification and measurement of its financial assets, especially considering that the Group has not entered into hedging transactions.

30.5 Trade receivables

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

30.6 Inventories

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

30.7 Current and deferred income tax and social contribution

The income tax and social contribution expenses for the period comprise current and deferred taxes. Taxes on profit are recognized in the statement of operations, 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 Treatme 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. The Group assessed and did not identify any relevant impacts on its interim financial information.

30.8 Intangible assets

a) Product research and development

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

The Group evaluates its projects based on in-house methodology, which considers a number of analysis milestones. The projects rely on the development of product pilots, carried out in accordance with the requirements of the regulatory agencies, accompanied by financial feasibility analyses.

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

Finance charges on borrowings to finance a project are capitalized during the year 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.

30.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation. This cost was adjusted in subsidiaries to reflect the deemed cost of land on the date of transition to IFRS, and depreciation is calculated using the straight-line method, considering the estimated useful lives of the respective assets. The annual depreciation rates are disclosed in Note 15. 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 operations 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 borrowings used to finance the construction of property, plant and equipment are capitalized during the period necessary to construct and prepare the asset for its intended use.

Gains and losses on 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 operations.

30.10 Impairment of non-financial assets

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

30.11 Trade payables

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

30.12 Borrowings

Borrowings 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.

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

30.13 Employee benefits

a) Private pension plan

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

c) Share-based compensation

The Company has a share-based compensation plan (stock option plan), duly approved by the Board of Directors, under which it receives services from its executives and third parties as consideration for the stock options granted. The cost of these options, calculated on the grant date, is recognized as an expense against equity during the vesting period.

30.14 Revenue recognition

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

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

30.15 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to stockholders 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 stockholders at the Annual General Meeting.

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

30.16 Leases

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

For the quarter ended March 31, 2020, the Company's management reviewed all the contracts and concluded that the exemption criteria apply for all contracts identified as leases (according to IFRS16/CPC06). Therefore, there were no material impacts on the balance sheet or statement of operations.

30.17 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.

31 SUBSQUENT EVENTS

(i) Taxes Recoverable

In order to contain COVID-19, as well as the severe financial repercussions of the pandemic, the Administration formulated an official letter to the São Paulo State Finance Secretariat requesting the analysis of the costing files (CAT 83/2009) with subsequent release of the accumulated credits so that the Company continues to operate normally, since it develops an activity considered essential, with the preservation of jobs and cash liquidity.

Therefore, on April 17, 2020, the Company was notified that the credits for the periods from 2010 to 2013 have already been inspected and, accordingly, the amount of R $ 5,814 has been released for use.