Ouro Fino Saúde Animal Participações S.A. and Subsidiaries

Individual and consolidated
financial statements for the year ended
December 31, 2023 and independent
auditor's report

Deloitte Touche Tohmatsu Auditores Independentes Ltda.

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

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

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

Opinion

We have audited the accompanying individual and consolidated financial statements of Ouro Fino Saúde Animal Participações S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2023, and the related statements of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other instructive information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Ouro Fino Saúde Animal Participações S.A. as at December 31, 2023, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB.

Basis for opinion

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

Key audit matters

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

Revenue recognition

Why is it a KAM

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

How the matter was addressed in our audit

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

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

(b) Involvement of our information technology experts to evaluate the systems and the computerized environment used for revenue recognition in order to conclude about the effectiveness of the design and implementation of the computerized environment.

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

(d) Develop an expectation, independently, of sales revenue value based on volume sold and average unit price calculated, and

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

During our audit, were identified deficiencies in internal controls related to the computerized environment used for revenue recognition and immaterial uncorrected adjustment. As a result, we altered our assessment of nature and extent of our initially planned substantive procedures.

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

Deloitte.

Government grant

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

As disclosed in Note 1.1 (ii) and 23 to the individual and consolidated financial statements, prior to March 31, 2023, the subsidiary Ouro Fino Agronegócio Ltda. recognized the tax deductibility of tax incentive amounts related to exits with ICMS exemption in operations within the state of SP and exits with a 60% reduction in the ICMS calculation basis in interstate operations (ICMS Agreement 100/97), according to the jurisprudence of the Superior Court of Justice, but in view of the judgment of the STJ held on April 26, 2023, where it was decided that such incentives could only be excluded if the requirements provided for in article 10 of Complementary Law 160/2017 and article 30 of Law 12,973/2014, in the year ended December 31, 2023, were observed, the Group's Board of Executive Officers failed to exclude subsidy income in its IRPJ and CSLL calculations and recognized in the income statement the amount of income tax expense related to the subsidy used between the years 2019 and 2022 in the amount of R$90,178, of which R$74,625 was principal and R$15,553 was monetary adjustment.

In October 2023, the subsidiary Ouro Fino Agronegócio Ltda. was notified by the Brazilian Federal Revenue Service ("RFB") regarding the tax entry (notice of infraction) of IRPJ and CSLL and the amount was paid in full in November 2023.

This issue was considered as a KAM due to the value involved.

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

To address this KAM, our audit procedures included, but are not limited to: (i) Reading the internal memorandum prepared by the Company with the evaluation of the issue and reading the legal opinions obtained from external legal advisors by the Company; (ii) involvement of our tax specialists, in order to analyze the reasonableness and consistency of the assessment made by the Company and its external legal advisors; (iii) inspection of the tax assessment notice and documentation relevant to the payment made and (iv) assessment of the adequacy of the disclosures in the individual and consolidated financial statements.

Other matters

Statements of value added

The individual and consolidated statements of value added (“DVA”) for the year ended December 31, 2023, prepared under the responsibility of the Company’s Management and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company’s financial statements. In forming our opinion, we evaluated whether these individual and consolidated statements of value added are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the IFRS, issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Campinas, March 5, 2024

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Renato Foganholi Asam
Engagement Partner

2023CA020288

Ouro Fino Saúde Animal Participações S.A.

Balance sheet as of December 31, 2023 and December 31, 2022

In thousands of Brazilian reais

Assets	Note	Parent company 2023	Parent company 2022	Consolidated 2023	Consolidated 2022
Current assets					
Cash and cash equivalents	8	6,447	12,440	304,029	165,036
Derivative financial instruments				546	
Trade accounts receivable	9			263,035	301,008
Inventories	10			207,888	324,971
Taxes recoverable	11	4,658	2,621	16,306	31,368
Income tax and social contribution recoverable				15,215	11,438
Related parties	26	22,590	13,683	15,120	414
Other assets				6,750	8,669
Total current assets		**33,695**	**28,744**	**828,889**	**842,904**
Non-current					
Taxes recoverable	11			462	18,983
Deferred income tax and social contribution	12			21,888	34,069
Inventories	10				276
Other assets		250	250	1,963	1,839
		250	**250**	**24,313**	**55,167**
Investments in subsidiaries	5	664,281	723,467		
Property, plant and equipment	13	32		333,146	342,358
Intangible assets	14			92,661	106,076
Total non-current assets		**664,563**	**723,717**	**450,120**	**503,601**
Total assets		**698,258**	**752,461**	**1,279,009**	**1,346,505**

Liabilities and Equity	Note	Parent company 2023	Parent company 2022	Consolidated 2023	Consolidated 2022
Current					
Trade account payables	15	43	90	74,558	85,566
Derivative financial instruments				181	64
Loans and financing	16			98,852	88,229
Salaries and payroll charges		301	1,624	30,212	47,875
Taxes payable		4,159	2,533	10,825	7,993
Dividends and interest on equity	26		10,576		10,576
Related parties	26	52	59	338	414
Commissions on sales				5,335	6,614
Other liabilities		57	35	12,355	12,094
Total current liabilities		**4,612**	**14,917**	**232,656**	**259,425**
Non-current					
Loans and financing	16			333,122	324,140
Provision for contingencies	17			5,022	5,675
Obligations on investment acquisition	5				8,153
Other liabilities		4,272	1,594	18,814	13,143
Total non-current liabilities		4,272	1,594	356,958	351,111
Total liabilities		**8,884**	**16,511**	**589,614**	**610,536**
Equity	18				
Capital		599,823	458,102	599,823	458,102
Treasury shares		(5,125)	(5,125)	(5,125)	(5,125)
Options granted		8,013	7,083	8,013	7,083
Profit reserves		69,708	261,404	69,708	261,404
Equity valuation adjustments		16,955	14,486	16,955	14,486
Total equity of the controlling shareholders		**689,374**	**735,950**	**689,374**	**735,950**
Non-controlling interest				21	19
Total equity		**689,374**	**735,950**	**689,395**	**735,969**
Total liabilities and equity		**698,258**	**752,461**	**1,279,009**	**1,346,505**

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

Ouro Fino Saúde Animal Participações S.A.
Statement of Profit or Loss
Years ended December 31 2023 and 2022
In thousands of Brazilian reais unless otherwise stated

	Note	Parent company		Consolidated	
		2023	2022	2023	2022
Net sales revenue	19			943,281	1,041,107
Cost of sales	20			(511,548)	(513,032)
Gross profit				**431,733**	**528,075**
Selling Expenses	20			(215,610)	(221,488)
Expenses on research and innovation	20			(59,696)	(69,341)
General and administrative expenses	20	(8,974)	(8,759)	(58,468)	(62,978)
Equity in the results of investees	5	(40,237)	139,481		
Other income (expenses), net	21	(15)	63	(16,948)	3,050
Operating profit (loss)		**(49,226)**	**130,785**	**81,011**	**177,318**
Financial revenues		1,433	2,447	29,289	18,402
Financial expenses		(2,182)	(2,569)	(58,531)	(43,964)
Derivative financial instruments, net				1,785	8
Foreign exchange variation, net				698	(4,701)
Finance Result	22	**(749)**	**(122)**	**(26,759)**	**(30,255)**
Income (loss) before income tax and social contribution		**(49,975)**	**130,663**	**54,252**	**147,063**
Income tax and social contribution	23				
Current				(91,888)	(15,663)
Deferred				(12,340)	(742)
Net income (loss) for the year		**(49,975)**	**130,663**	**(49,976)**	**130,658**
Attributable to:					
the Company's shareholders				(49,975)	130,663
Non-controlling interest				(1)	(5)
				(49,976)	**130,658**
Earnings (losses) per share attributable to the company's shareholders during the year (in Brazilian Reais)	24				
Basic earnings (losses) per share				(0.92946)	2.43014
Diluted earnings (losses) per share				(0.92946)	2.43014

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

Ouro Fino Saúde Animal Participações S.A.
Statement of Comprehensive Income
Years ended December 31 2023 and 2022
In thousands of Brazilian reais unless otherwise stated

	Note	Parent company		Consolidated	
		2023	2022	2023	2022
Net income (loss) for the year		**(49,975)**	**130,663**	**(49,976)**	**130,658**
Other comprehensive income					
Items that will be reclassified to profit or loss					
Exchange variation on investment	5	2,469	(3,065)	2,472	(3,068)
Total comprehensive income for the year		**(47,506)**	**127,598**	**(47,504)**	**127,590**
Attributable to:					
the Company's shareholders				(47,506)	127,598
Non-controlling interest				2	(8)
				(47,504)	**127,590**

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

Ouro Fino Saúde Animal Participações S.A.

Statement of Changes in Equity

In thousands of Brazilian reais

	Note	Attributable to the shareholders of the Parent Company									Non-controlling interest	Total patrimônio equity
					Profit reserve							
	Note	Share capital	Treasury shares	Long-term incentives granted	Legal reserve	Reserve for contingencies	Profit retention reserve	Equity valuation adjustments	tained earnings/ Accumulated losses	Total	Non-controlling interest	Total patrimônio equity
As of January 1st, 2023		**458,102**	**(5,125)**	**7,083**	**29,724**		**231,680**	**14,486**		**735,950**	**19**	**735,969**
Comprehensive income for the year												
Loss for the year									(49,975)	(49,975)	(1)	(49,976)
Exchange variation on investment	5							2,469		2,469	3	2,472
Total comprehensive income for the year								2,469	(49,975)	(47,506)	2	(47,504)
Contributions and distributions to shareholders:												
Capital increase with profit reserves	18 (a)	141,721					(141,721)					
Reratification of the allocation of profits ended December 31, 2022	18 (b)					89,959	(89,959)					
Contingency reserve realization	18 (b)					(89,959)			89,959			
Long-term incentive granted	18 (d) and (e)			930						930		930
Allocation of profits:												
Profits available to the Shareholder's Meeting	18 (b)						39,984		(39,984)			
Total shareholder contributions		141,721		930			(191,696)		49,975	930		930
As of December 31, 2023		**599,823**	**(5,125)**	**8,013**	**29,724**		**39,984**	**16,955**		**689,374**	**21**	**689,395**
As of January 1st, 2022		**458,102**	**(5,125)**	**6,008**	**23,191**		**141,721**	**17,548**		**641,445**	**27**	**641,472**
Comprehensive income for the year												
Net income for the year									130,663	130,663	(5)	130,658
Exchange variation on investment	5							(3,065)		(3,065)	(3)	(3,068)
Total comprehensive income for the year								(3,065)	130,663	127,598	(8)	127,590
Contributions and distributions to shareholders:												
Change in equity interest	5							3		3		3
Long-term incentive granted	18 (d) and (e)			1,075						1,075		1,075
Allocation of profits:												
Legal reserve	18 (b)				6,533				(6,533)	-		-
Interest on equity and dividends	18 (b)								(34,171)	(34,171)		(34,171)
Profits available to the Shareholder's Meeting	18 (b)						89,959		(89,959)	-		-
Total shareholder contributions				1,075	6,533		89,959	3	(130,663)	(33,093)		(33,093)
As of December 31, 2022		**458,102**	**(5,125)**	**7,083**	**29,724**		**231,680**	**14,486**		**735,950**	**19**	**735,969**

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

Ouro Fino Saúde Animal Participações S.A.

Statement of Cash Flows

Years ended December 31 2023 and 2022

In thousands of Brazilian reais unless otherwise stated

	Note	Parent company		Consolidated	
		2023	2022	2023	2022
Cash flows from operating activities					
Profit (loss) before income tax and social contribution		**(49,975)**	**130,663**	**54,252**	**147,063**
Adjustments for:					
Expected credit gains (losses)	9 and 17			369	(101)
Provision for inventory losses and write-offs				29,017	9,953
Provision for customer bonuses	17			424	1,641
Equity in the results of investees	5	40,237	(139,481)		
Depreciation and amortization	13 and 14	26		36,189	31,994
Provision for impairment of intangible assets	14 and 5			1,958	478
Provision for capital gain impairment - business combination				7,044	
Write-off of goodwill	5			18,094	
Reversal of obligations on investment acquisition	5			(5,153)	
Gain (loss) on disposal of property, plant and equipment	21			(307)	(3,227)
Gain (loss) on disposal of intangible assets	22			(486)	252
Interest and monetary/foreign exchange variations, net				53,772	35,975
Derivative financial instruments				(1,785)	(8)
Provision (reversal) for contingencies	17			(826)	154
Long-term incentives	18 (e) and 25 (c)	3,026	1,888	9,642	8,100
Fair value adjustment		14		1,630	910
Changes in working capital:					
Trade accounts receivable				38,640	(57,203)
Inventories				90,656	(68,253)
Taxes recoverable		1,263	1,830	35,194	19,584
Other assets		(2)	2	1,827	2,467
Trade accounts payable		(54)	97	(13,147)	17,113
Taxes payable		(349)	(1,115)	2,128	(5,501)
Other liabilities		(1,324)	506	(20,008)	10,693
Cash from (used in) operations		**(7,138)**	**(5,610)**	**339,124**	**152,084**
Interest paid		(10)		(34,885)	(34,559)
Income tax and social contribution paid				(113,938)	(27,935)
Net cash from (used in) operating activities		**(7,148)**	**(5,610)**	**190,301**	**89,590**
Cash flows from investing activities:					
Advances for future capital increase in subsidiaries			(40,000)		
Companies' acquisition, net of acquired cash	5 (f)				(14,532)
Investment in intangible assets	14			(22,759)	(18,202)
Purchase of property, plant and equipment	13			(24,918)	(51,974)
Distribution of dividends and interest on equity (i)		24,600	40,000		
Proceeds from sale of property, plant and equipment				10,040	5,733
Amount received from the sale of intangible assets				500	826
Net cash from (used in) investing activities		**24,600**		**(37,137)**	**(78,149)**
Cash flows from financing activities:					
New loans and financing	28			94,681	106,104
Repayments of loan and financing	28			(79,427)	(78,905)
Lease payments		(37)		(2,948)	(1,997)
Payment in installments when acquiring a company				(4,610)	
Payment of dividends and interest on equity	29	(23,408)	(33,224)	(23,408)	(33,224)
Realized derivative financial instruments	29			1,356	72
Net cash from (used in) financing activities		**(23,445)**	**(33,224)**	**(14,356)**	**(7,950)**
Increase (decrease) in cash and cash equivalents, net		**(5,993)**	**(38,834)**	**138,808**	**3,491**
Cash and cash equivalents at the beginning of the year		12,440	51,274	165,036	161,254
Foreign exchange gains on cash and cash equivalents				185	291
Cash and cash equivalents at the end of the year	8	**6,447**	**12,440**	**304,029**	**165,036**

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

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

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

Ouro Fino Saúde Animal Participações S.A.
Statement of Value Added
Years ended December 31 2023 and 2022
In thousands of Brazilian reais unless otherwise stated

	Note	Parent company 2023	Parent company 2022	Consolidated 2023	Consolidated 2022
Revenues:					
Gross revenues from sales and services				1,026,696	1,137,912
Other revenues, net				1,043	4,231
Income from construction of own assets				13,491	12,031
Expected credit gains (losses)	9 and 17			(369)	101
				1,040,861	**1,154,275**
Inputs acquired from third parties:					
Cost of sales and services				(344,778)	(379,957)
Materials, electricity, third-party services and other		(1,070)	(1,039)	(255,347)	(266,744)
Losses on assets, net				(51,715)	(10,139)
Gross value added (distributed)		**(1,070)**	**(1,039)**	**389,021**	**497,435**
Depreciation and amortization	13 and 14	(26)		(36,189)	(31,994)
Net value added (distributed) produced by the entity		**(1,096)**	**(1,039)**	**352,832**	**465,441**
Value added received through transfer:					
Equity in the results of investees	5	(40,237)	139,481		
Financial revenues		1,433	2,562	40,214	26,097
Royalties		200	200	205	205
Other		7	4	1,171	1,208
Total value added distributed		**(39,693)**	**141,208**	**394,422**	**492,951**
Distribution of value added					
Personnel:					
Direct compensation		6,269	6,330	164,513	183,092
Benefits		198	217	34,702	34,428
FGTS		123	115	15,506	12,410
Taxes, charges and contributions:					
Federal		3,532	3,717	151,881	69,890
State		12	8	9,083	4,332
Municipal		1		590	537
Remuneration of third parties' capital:					
Interest, foreign exchange variation, losses on derivatives etc.		146	158	64,234	53,017
Rentals		1		3,862	4,567
Other				27	20
Equity remuneration					
Retained earnings (losses)		(49,975)	96,492	(49,975)	96,492
Interest on equity and dividends			34,171		34,171
Non-controlling interest				(1)	(5)
Value added distributed		**(39,693)**	**141,208**	**394,422**	**492,951**

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

1. GENERAL INFORMATION

1.1. Operations

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

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

The issue of these individual and consolidated financial statements was authorized for disclosing by the Board of Directors on March 5, 2024.

(i) Merger of subsidiary

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

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

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

(ii) Investment Subsidy

On April 26, 2023, the judgment by the Superior Court of Justice ("STJ") on Topic 1.182 was concluded. STJ ruled that tax benefits of exemption and reduction of ICMS tax basis may only be excluded from the calculation of IRPJ and CSLL tax basis if the requirements provided in article 10 of Supplementary Law 160/2017 and article 30 of Law 12.973/2014 are met. The decision, with the votes of STJ ministers on the judgment in question was published on June 12, 2023.

At that time, the Company's legal advisors analyzed the judgment and concluded that, since the issue involved a constitutional matter, it would likely that the thesis of the federative pact would be reassessed by the Federal Supreme Court ("STF"). However, considering the latest decision of STJ, which changed the previous caselaw on the matter, the lawyers, from now on, reassessed the loss prognosis from possible (success "more likely than not") to probable loss, resulting in the accounting provisioning and subsequent payment of income tax and social contribution related to the investment subsidy amounts excluded in the calculation between 2019 and 2022, in the adjusted amount of R$ 89,432, of which R$ 74,625 is principal and R$ 15,553 is inflation adjustment. The Company also stopped using the subsidy benefit from the second quarter of 2023.

On October 10, 2023, subsidiary Ouro Fino Agronegócio Ltda. was notified by the Brazilian Federal Revenue Service ("RFB") of an IRPJ and CSLL tax assessment (notice of infraction), on the grounds of an undue exclusion in the calculation of taxable income, arising from investment grants excluded from the calculation between 2019 and 2022. In the constitution, this tax assessment notice had its enforceability stayed due to a favorable court decision that recognized its right to exclude the amounts related to ICMS tax benefits provided for in ICMS Agreement 100/97 from IRPJ and CSLL calculation, irrespective of the classification as an investment or funding subsidy and compliance with the requirements of art. 30 of Law No. 12.973/14.

On October 27, 2023, the ruling on the writ of mandamus mentioned above was published, granting the Federal Government's appeal, adopting the understanding drawn up by the Superior Court of Justice in REsps paradigms No. 1.945.110/RS and No. 1.987.158/SC (theme 1182). Thus, the enforceability of the tax credit discussed in the writ of mandamus (IRPJ and CSL of the taxable events that occurred from January/2019) was reestablished.

In this context, the Group's Executive Board decided to pay the tax assessment notice, which was made on November 14, 2023 in the amount of R$ 90,178, of which R$ 74,625 was principal and R$ 15,553 was inflation adjustment.

1.2. Basis of preparation and statement of compliance

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

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

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

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

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

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

1.3. Consolidation

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

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

a) Fair value of derivative financial instruments

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

b) Expected credit losses

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

c) Deferred income tax and social contribution

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

d) Impairment of property, plant and equipment

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

e) Provision for contingencies

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

f) Fair value of the Share-based Compensation Plan

(i) Long-term Incentive Plan – "ILP"

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

(ii) Long-term Incentive Plan – "Phantom Units"

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

g) Impairment of intangible assets

(i) Product development and registration

The Group's Executive Board annually tests the balance of intangible assets and registration of products for impairment, whenever possible using the discounted cash flow method, and considering, among other aspects:

- Assumptions of future revenue generation based on market size (current and estimated) and on the Group's expected market share.
- Estimates of direct and indirect manufacturing costs.

- Trading expenditures, such as marketing, commission, freight and storage expenses.

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

(ii) Goodwill on company acquisition

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

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

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

h) Provision for inventory losses

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

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

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

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

In thousands of Brazilian reais unless otherwise stated

a) Market risks

(i) Foreign exchange risk

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

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

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

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

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

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

	2023	2022
Assets in foreign currency		
Cash and cash equivalents (Note 8)	9,420	11,319
Trade accounts receivable (Note 9)	18,736	16,953
	28,156	28,272
Liabilities in foreign currency		
Trade accounts payable (Note 15)	(20,982)	(30,277)
	(20,982)	(30,277)
Net exposure - assets (liabilities)	**7,174**	**(2,005)**

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$) against the U.S. dollar (US$).

In thousands of Brazilian reais unless otherwise stated

Assets/liabilities	Risk	Balances in 2023	Impact: Likely scenario (US$ 1 = R$ 4.93)	Impact: Scenario 2 (US$ variation - 25%)	Impact: Scenario 2 (US$ variation - 50%)
Cash and cash equivalents	US$ depreciation	9,420	174	(2,398)	(4,797)
Trade accounts receivable	US$ depreciation	18,736	346	(4,770)	(9,541)
Trade accounts payable	US$ appreciation	(20,982)	(387)	(5,342)	(10,685)

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

(ii) Interest rate risk

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

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

Currently, the Group’s financing transactions are carried out at floating interest rates, 99.7% (2022 – 95.0%) versus 0.3% of transactions at fixed interest rates (2022 - 5.0%). The higher value of floating rate transactions may cause volatility in the average cost of transactions due to the hike, mainly, of TR, TJLP, SELIC and IPC-A and its impact on CDI, and, aiming to minimize this impact, the Group’s Executive Board contracted an interest rate hedge transaction, where the result for the Company is a cost in percentage of CDI. The risk of fluctuations in the indexes of these transactions is partially mitigated by the volume of funds held in cash.

b) Credit risks

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

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

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

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

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

c) Liquidity risk

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

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

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

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

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

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

In thousands of Brazilian reais unless otherwise stated

	Consolidated			
	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
As of December 31, 2023:				
Trade accounts payable	74,558			
Loans and financing (i)	125,658	56,182	162,397	200,051
Derivative financial instruments, net	181			
Related parties	338			
Other liabilities (ii)	60,234	7,112	14,449	768
	260,969	**63,294**	**176,846**	**200,819**
As of December 31, 2022:				
Trade accounts payable	85,566			
Loans and financing (i)	120,919	107,734	145,114	159,250
Derivative financial instruments, net	64			
Dividends and interest on equity	10,576			
Related parties	414			
Obligations on investment acquisition			5,000	3,153
Other liabilities (ii)	74,576	3,556	2,206	7,381
	292,115	**111,290**	**152,320**	**169,784**

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

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

3.2. Capital Management

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

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

The leverage ratios for 2023 and 2022 were as follows:

	Note	Consolidated	
		2023	2022
Loans and financing	16	431,974	412,369
Derivative financial instruments		181	
Cash and cash equivalents	8	(304,029)	(165,036)
Net debt		**128,126**	**247,333**
Equity	18	689,395	735,969
Total capital		**817,521**	**983,302**
Leverage ratio %		**15.67**	**25.15**

3.3. Fair value estimate

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

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

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

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

4. SEGMENT REPORTING

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

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

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

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

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

In thousands of Brazilian reais unless otherwise stated

The results by segment were as follows:

	2023				
	Business segments				
	Production Animals	Companion animals	International operations	Unallocated costs	Total
Revenues	680,805	134,053	128,423		943,281
Cost of sales	(405,193)	(45,657)	(60,698)		(511,548)
Gross profit	275,612	88,396	67,725		431,733
Selling expenses	(141,615)	(32,969)	(41,026)		(215,610)
Results by segment	**133,997**	**55,427**	**26,699**		**216,123**
Expenses on research and innovation				(59,696)	(59,696)
General and administrative expenses and other expenses				(75,416)	(75,416)
Financial results				(26,759)	(26,759)
Income tax and social contribution				(104,228)	(104,228)
Unallocated results				**(266,099)**	**(266,099)**
Loss for the year					**(49,976)**

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

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

	2023	2022
Mexico	40,835	35,919
Colombia	36,774	37,324
Spain	8,172	5,251
Bolivia	7,447	4,882
Ecuador	6,074	8,853
Paraguay	5,972	6,269
Honduras	5,203	5,000
Uruguay	4,975	5,834
Guatemala	2,759	2,151
Arab Emirates	1,850	3,145
indonesien		9,881
Others	8,362	11,268
	128,423	135,777

5. INVESTMENTS (PARENT COMPANY)

a) Information on investments in 2023 and 2022

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

In thousands of Brazilian reais unless otherwise stated

b) Changes in investments

	Parent company	
	2023	**2022**
Opening balance	723,467	603,789
Equity in the results of investees	(40,237)	139,481
Capital payment with AFACs		40,000
Long-term incentive	582	759
Interest on equity (i)	(22,000)	(26,000)
Dividends received (i)		(31,500)
Exchange variation on foreign investment	2,469	(3,065)
Change in relative equity interest in subsidiaries		3
Closing balance	**664,281**	**723,467**

(i) For the year ended December 31, 2023, the partners of subsidiary Ouro Fino Agronegócio Ltda. approved and paid dividends and interest on equity to the parent company Ouro Fino Saúde Animal Participações S.A. in the amount of R$ 22,000 (2022 – R$ 46,000) and for the year ended December 31, 2022, the partners of subsidiary Ouro Saúde Animal Ltda. approved and paid dividends and interest on equity to the parent company Ouro Fino Saúde Animal Participações S.A. in the amount of R$ 11,500.

c) Reconciliation of the financial information on investments

	Subsidiaries					
	Ouro Fino Saúde Animal Ltda.		Ouro Fino Agronegócio Ltda.		Total	
	2023	2022	2023	2022	2023	2022
Equity as of January 1	416,611	370,246	330,169	198,469	746,780	568,715
Net income (loss) for the year	(14,593)	20,351	(32,359)	116,596	(46,952)	136,947
Capital payment with AFACs		40,000				40,000
Long-term incentive	491	576	91	183	582	759
Interest on Equity		(10,000)	(22,000)	(16,000)	(22,000)	(26,000)
Dividends paid		(1,500)		(30,000)		(31,500)
Change in relative equity interest in subsidiaries		3				3
Exchange variation on foreign investment	2,469	(3,065)			2,469	(3,065)
Capital increase through merger				60,921		60,921
Equity as of December 31	**404,978**	**416,611**	**275,901**	**330,169**	**680,879**	**746,780**
Percentage holding - %	99.99%	99.99%	99.99%	99.99%		
Share of investments	404,978	416,611	275,901	330,169	680,879	746,780
Unrealized profit on inventories	(16,598)	(23,313)			(16,598)	(23,313)
Carrying amount of the investment in Parent Company	**388,380**	**393,298**	**275,901**	**330,169**	**664,281**	**723,467**

d) Business combination

On February 25, 2022, through its subsidiary Ouro Fino Saúde Animal Ltda. (“OF Saúde Animal”), concluded the acquisition of a 100% equity interest in Regenera Medicina Veterinária Ltda.

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

In thousands of Brazilian reais unless otherwise stated

The transaction involved the initial amount of R$ 14,536 in cash and a retained portion of R$ 5,000 to be paid in two installments, one of R$ 3,000 and the other of R$ 2,000, subject to the result of goals previously agreed between the parties. The acquisition price might be increased by contingent consideration of R$ 3,153, in 2027 and 2028, subject to the achievement of goals that would be measured between 2022 and 2026.

The Company hired external consultants for an independent assessment of the fair values of the net assets acquired, and according to the report issued on February 24, 2023, the preliminary goodwill generated amounted to R$ 18,094, which comprised the amount of the difference paid by the Company versus the fair value of the assets of the acquired company.

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

(i) Total consideration

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

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

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

(iii) Goodwill produced in acquisition

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

In thousands of Brazilian reais unless otherwise stated

The table below shows the fair value of the intangible assets acquired, as well as their estimated useful lives and the amortization method:

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

(iv)Goodwill Impairment Test

In accordance with CPC 01 – Impairment of Assets, the Company shall test, at least annually, the premium paid due to expected future profitability (goodwill) arising from a business combination.

The Cash Generating Unit (CGU) to which the goodwill has been allocated shall be tested to check the need for impairment and whenever there is an indication that the CGU may be devalued, comparing its book value, the Company shall recognize the impairment loss in the profit or loss for the year.

In this context, for the year ended December 31, 2023, the Group's Executive Board hired external consultants to assess the recoverability of the goodwill and each group of assets of the acquired company Regenera Medicina Veterinária Ltda..

The appraisal report issued on December 15, 2023 was prepared using the concept of value in use through cash flow models. Determining value in use involves using assumptions about cash flows, such as revenue growth rates, costs and expenses, and discount rates.

For the analysis, five-year cash flow projections were considered, with the last period's cash flow perpetuated at a growth rate of 3.5%, and for these calculations revenue and cost projections were used based on financial budgets approved by the Executive Board, considering inflation assumptions (IPCA), discounted to present value (WACC – Weighted Average Cost of Capital), at a rate of 18.4%.

As a result of this analysis, the Group's Executive Board concluded that the recoverable value of this group of assets of this CGU is lower than its book value and, therefore, it was necessary to recognize in the statement of profit or loss for the year the total write-off of goodwill in the amount of R$ 18,094 and a provision for impairment of the fair value (capital gain) of intangible assets in the amount of R$ 7,044.

In thousands of Brazilian reais unless otherwise stated

The table below presents the adjusted balance sheet following the results of the impairment test of this CGU:

Assets	Equity position before impairment test	Impairment test (*)	Equity position after impairment test
Current assets			
Cash and cash equivalents	847		847
Trade accounts receivable	416		416
Inventories	346		346
Other assets	12		12
Total current assets	**1,621**	**-**	**1,621**
Non-current			
Property, plant and equipment	429	(131)	298
Intangible assets	6,918	(6,913)	5
Goodwill	18,094	(18,094)	
Total non-current assets	**25,441**	**(25,138)**	**303**
Total assets	**27,062**	**(25,138)**	**1,924**

Liabilities and Equity	Equity position before impairment test	Impairment test (*)	Equity position after impairment test
Current			
Trade accounts payable	118		118
Salaries and payroll charges	22		22
Taxes payable	67		67
Other liabilities	10		10
Total current liabilities	**217**	**-**	**217**
Non-current			
Related parties			-
Provision for contingencies	1,040		1,040
Total non-current liabilities	**1,040**	**-**	**1,040**
Total liabilities	**1,257**	**-**	**1,257**
Total equity	**25,805**	**(25,138)**	**667**
	27,062	**(25,138)**	**1,924**

(*) Impairment losses recognized in profit or loss for the year.

(v) Review of the obligation due to investment acquisition

Considering the results of the impairment test of the CGU's goodwill disclosed above, the Group's Executive Board reviewed the liabilities recognized at the time of the acquisition (Note 5 (i)) and in this context, for the year ended December 31, 2023, the Group's Executive Board concluded that:

(i) the amounts withheld, in the amount of R$ 5,000, which were conditional on targets agreed between the parties, it was concluded that the amount of R$ 2,000 did not meet the prerequisites set out in the agreement and the reversal of the provisioned liability was therefore recognized in the statement of profit or loss for the year, the residual portion, in the amount of R$ 3,000, met the prerequisites and, as planned, the liability was settled, plus inflation adjustment, in the amount of R$ 3,745 and additionally, at the end of the agreement with the sellers an additional obligation in the amount of R$ 865 was paid.

(ii) the fair value of the contingent consideration measured at the time of acquisition, in the amount of R$ 3,153, was remeasured at the end of the year, and considering the current projections drawn up by management, which foresee that the expected performance will not be achieved, it was concluded that, at this point, there is no amount to be paid, and therefore the Group's Executive Board recognized the adjustment in the statement of profit or loss for the year.

Below is the table showing the restated obligation after review:

		Impact in P&L			
	Liabilities recognized at the time of acquisition	Reversal of liabilities	Inflation adjustment	Additional obligation	Amount paid
Cash payment	14,536				14,536
Payment in installments	5,000	(2,000)	745	865	4,610
Contingent consideration	3,153	(3,153)			-
	22,689	**(5,153)**	**745**	**865**	**19,146**

In thousands of Brazilian reais unless otherwise stated

6. FINANCIAL INSTRUMENTS BY CATEGORY

	Parent company		Consolidated		
	2023	2022	2023		2022
	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	6,447	12,440		304,029	165,036
Derivative financial instruments			546		
Trade receivables				263,035	301,008
Related parties	22,590	13,683		15,120	414
Other assets, except prepaid expenses	250	250		5,479	5,793
	29,287	**26,373**	**546**	**587,663**	**472,251**

	Parent company		Consolidated			
	2023	2022	2023		2022	
	Amortized cost	Amortized cost	Liabilities measured at fair value through profit or loss	Amortized cost	Liabilities measured at fair value through profit or loss	Amortized cost
Liabilities as per balance sheet						
Trade account payables	43	90		74,558		85,566
Derivative financial instruments			181		64	
Loans and financing				431,974		412,369
Related parties	52	59		247		414
Commissions on sales				5,335		6,614
Obligations on investment acquisition					8,153	
Other liabilities	4,329	1,629		31,260		25,237
	4,424	**1,778**	**181**	**543,374**	**8,217**	**530,200**

7. CREDIT QUALITY OF FINANCIAL ASSETS

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

The balances of bank accounts and financial investments amounting to R$ 303,944 (2022 - R$ 164,946) are held in prime financial institutions, most of them rated (*BB) Standard & Poor's*.

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

	Consolidated	
	2023	2022
AA	97,122	119,068
A	108,638	119,841
B	20,091	29,302
C	18,686	18,271
D	19,709	16,410
E	1,234	311
	265,480	**303,203**

In thousands of Brazilian reais unless otherwise stated

8. CASH AND CASH EQUIVALENTS

These comprise cash on hand and at banks, as well as financial investments consisting of Repurchase Agreements (Repos) and CDBs, yielding on average 102.0% of the Interbank Deposit Certificate (CDI) rate variation (2022- average of 103.4% of CDI rate).

	Parent company		Consolidated	
	2023	2022	2023	2022
Cash:				
In local currency			10	5
In foreign currency			75	85
			85	90
Banks				
In local currency	40	58	4,468	2,788
In foreign currency			9,345	11,234
	40	58	13,813	14,022
Financial investments - cash and cash equivalents				
In local currency				
Bank Deposit Certificate (CDB)	6,396	12,374	278,240	121,689
Repo and others	11	8	11,891	29,235
	6,407	12,382	290,131	150,924
Total cash and cash equivalents	**6,447**	**12,440**	**304,029**	**165,036**

(i) Financial investments as cash equivalents in the amount of R$ 290.131 (2022 - R$ 150,924) are mainly aimed at maintaining the Group's liquidity to cover investments in R&D and working capital. Such investments include the feature of immediate redemption with no loss of profitability.

9. TRADE ACCOUNTS RECEIVABLE (CONSOLIDATED)

	2023	2022
In local currency		
Accounts receivable	246,744	286,250
Expected credit losses	(2,445)	(2,195)
	244,299	284,055
In foreign currency		
Accounts receivable	18,736	16,953
	18,736	16,953
Current	**263,035**	**301,008**

In thousands of Brazilian reais unless otherwise stated

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

	2023	2022
To be due:		
Up to three months	211,074	245,898
From three to six months	43,831	49,905
Over six months	6,300	4,485
	261,205	300,288
Past due:		
Up to three months	1,740	669
From three to six months	101	63
Over six months	2,434	2,183
	4,275	2,915
	265,480	**303,203**

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

Changes in allowance for expected losses were as follows:

	2023	2022
Opening balance	2,195	2,408
Additions (reversals), net	369	(101)
Foreign exchange variation	4	(8)
Write-Offs	(123)	(104)
Closing balance	**2,445**	**2,195**

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

In thousands of Brazilian reais unless otherwise stated

10. INVENTORIES (CONSOLIDATED)

	2023	2022
Finished goods	104,907	143,694
Raw materials	55,349	94,519
Packaging materials	18,975	21,617
Products in process	13,788	14,712
Imports in transit	11,350	29,886
Advances to suppliers	1,671	5,195
Others	24,167	23,082
Provision for inventory losses (Note 17)	(22,319)	(7,458)
Total	**207,888**	**325,247**
Current	207,888	324,971
Non-current	-	276

11. TAXES RECOVERABLE

	Parent company		Consolidated	
	2023	2022	2023	2022
Value-Added Tax on Sales and Services (ICMS)			1,876	28,860
PIS and COFINS			2,998	11,717
IRRF	4,585	2,548	6,925	3,102
ICMS, PIS and COFINS on purchase of PPE			832	1,126
Excise Tax (IPI)			176	713
Others	73	73	3,961	4,833
Total	**4,658**	**2,621**	**16,768**	**50,351**
Current	4,658	2,621	16,306	31,368
Non-current			462	18,983

ICMS credits as of December 31, 2022 were mostly generated by subsidiary Ouro Fino Saúde Animal Ltda., and are not subject to inflation adjustment. The generation resulted from the credit accrual due to non-offsetting of debits on tax-exempt shipments in transactions within the State of São Paulo, as well as exports, and the 60% reduction in the ICMS tax base in interstate transactions, with full/partial credits on purchases, pursuant to ICMS Agreement 100/97. However, with the enactment of Decree 64.213 of 2019 and Decree 66.054 of 2021, the subsidiary is no longer entitled to the full maintenance of these credits in transactions within the state of São Paulo and the partial maintenance of these credits in interstate transactions and has therefore reversed these amounts in the monthly calculations. In this context, the subsidiary completed the delivery of all retroactive costing files (Ordinance CAT 83/2009) relating to the period from 2010 to 2018 and such credits have already been released upon filing of a writ of mandamus and have already been consumed in the operation itself.

In thousands of Brazilian reais unless otherwise stated

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

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

a) Composition, nature and realization of deferred taxes

(i) Deferred income tax and social contribution

	2023	2022
Tax credits on:		
Accumulated income tax and social contribution loss	1,941	1,404
Temporary differences		
Provisions	18,564	28,272
Unrealized profit on inventories	8,550	12,010
Derivative financial instruments	62	
Revaluation surplus - business combination	816	702
	29,933	**42,388**
Tax debits on:		
Temporary differences		
Deemed cost of lands	(7,878)	(7,878)
Provisions	(167)	(188)
Accelerated depreciation		(253)
	(8,045)	**(8,319)**
Total assets, net	**21,888**	**34,069**

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

In thousands of Brazilian reais unless otherwise stated

The amounts by estimated offset period are as follows:

	2023	2022
Tax credits recoverable		
In 2023		36,787
In 2024	22,591	2,689
In 2025	3,479	
After 2026	3,863	2,912
	29,933	**42,388**
Tax debits to be settled		
In 2023		(203)
In 2024	(167)	(36)
In 2025		(36)
After 2026 (*)	(7,878)	(8,044)
	(8,045)	**(8,319)**

(*) The tax debt to be settled beyond 2026 mainly reflects the adoption of the deemed cost method for lands in subsidiaries occurred on January 1, 2009 in the amount of R$ 7,878 (2022 - R$ 7,878).

Net changes in the deferred tax account were as follows:

	2023	2022
Opening balance	34,069	35,350
Accumulated income tax and social contribution losses	537	(3,422)
Derivative financial instruments	62	
Provisions	(9,687)	3,521
Unrealized profit on inventories	(3,460)	(1,305)
Revaluation surplus - business combination	114	(191)
Accelerated depreciation	253	116
Closing balance	**21,888**	**34,069**

13. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

Change:	As of January 1st, 2023	Additions	Foreign exchange variation	Transfers	Provision for impairment (*)	Write-Offs	Depreciation	As of December 31, 2023
Right of Use - Leases	5,383	2,317				(135)	(2,938)	4,627
Land	24,985							24,985
Buildings and improvements	168,070	973	2	13,546		(542)	(5,026)	177,023
Machinery, equipment and industrial facilities	99,360	10,271	8	8,139	(118)	13	(10,122)	107,551
Vehicles and tractors	16,841	2,509	418	(1,378)		(9,191)	(4,553)	4,646
Furniture and fixtures	3,707	287	8	1,192		(4)	(789)	4,401
IT equipment	7,265	2,632	42	261	(13)	(35)	(3,343)	6,809
Construction in progress	15,486	6,578		(20,181)				1,883
Others	1,261	1,689		(1,579)			(150)	1,221
	342,358	**27,256**	**478**	**-**	**(131)**	**(9,894)**	**(26,921)**	**333,146**

(*) Refers to the provision for impairment of capital gain (fair value) of subsidiary Regenera Medicina Veterinária Ltda.

In thousands of Brazilian reais unless otherwise stated

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

Balance breakdown:	12/31/23			12/31/2022			Average annual depreciation rates
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net	
Right of Use - Leases	10,609	(5,982)	4,627	8,458	(3,075)	5,383	24.84%
Land	24,985		24,985	24,985		24,985	
Buildings and improvements	218,973	(41,950)	177,023	205,913	(37,843)	168,070	2.39%
Machinery, equipment and industrial facilities	196,979	(89,428)	107,551	179,475	(80,115)	99,360	6.11%
Vehicles, tractors and aircraft	8,636	(3,990)	4,646	22,489	(5,648)	16,841	19.46%
Furniture and fixtures	12,101	(7,700)	4,401	11,849	(8,142)	3,707	9.21%
IT equipment	22,905	(16,096)	6,809	19,949	(12,684)	7,265	21.40%
Construction in progress	1,883		1,883	15,486		15,486	
Others	3,769	(2,548)	1,221	3,659	(2,398)	1,261	8.08%
	500,840	**(167,694)**	**333,146**	**492,263**	**(149,905)**	**342,358**	

For the year ended December 31, 2023, costs of loans related to works in progress were capitalized in the amount of R$ 632 (2022 - R$ 684), at an annual average rate of 6.49% (2022 - 7.78%).

Land, buildings, and machinery and equipment amounting to R$ 73,962 (2022 - R$ 75,512) were pledged as collateral for loans and financing (Note 16).

14. INTANGIBLE ASSETS (CONSOLIDATED)

Change:	As of January 1st, 2023	Additions	Foreign exchange variation	Provision for impairment	Write-Offs	Amortization	As of December 31, 2023
Goodwill on company acquisition	18,712				(18,094)		618
Trademarks and licenses purchased	5						5
Development and registration of products	75,492	18,897	75	18,317	(27,188)	(6,235)	79,358
Computer software	11,867	3,862	7		(23)	(3,033)	12,680
	106,076	**22,759**	**82**	**18,317**	**(45,305)**	**(9,268)**	**92,661**

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

In thousands of Brazilian reais unless otherwise stated

Balance breakdown:	2023 Cost	2023 Provision for impairment	2023 Accumulated amortization	2023 Net
Goodwill on company acquisition	618			618
Trademarks and licenses purchased	2,205		(2,200)	5
Product development and registration	142,667	(8,914)	(54,395)	79,358
Computer software	51,911		(39,231)	12,680
Others	1,333		(1,333)	
	198,734	**(8,914)**	**(97,159)**	**92,661**

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

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

For the year ended December 31, 2023, provisions and write-offs representing R$ 8,871 are related to projects that were discontinued or postponed by the Executive Board's decision in the amount of R$ 1,958 and the capital gain (fair value) of the intangible asset acquired in the business combination dated February 25, 2022, in the amount of R$ 6,913 (Note 5 (d (iv))).

Goodwill generated by a business combination on February 25, 2022, in the amount of R$ 18,094, was fully written-off in the statement of profit or loss, considering the result of the impairment test (Note 5 (d (iv))).

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

15. TRADE ACCOUNTS RECEIVABLE (CONSOLIDATED)

	2023	2022
In local currency	53,251	55,289
In foreign currency	21,307	30,277
	74,558	**85,566**

In thousands of Brazilian reais unless otherwise stated

16. LOANS AND FINANCING (CONSOLIDATED)

	Financial charges incurred	Final maturity	2023	2022
In local currency				
FINEP	Weighted average rate of 6.49% p.a. (2022 - 7.78% p.a.)	2032	319,223	255,630
NCE (Export Credit Note)	Average rate of 13.93% p.a. (2022 - 15.88% p.a.)	2024	27,986	56,345
Working capital	Average rate of 13.67% p.a. (2022 - 15.84% p.a.)	2024	14,914	31,398
BNDES - FINEM	Weighted average rate of 11.63% p.a. (2022 - 12.40% p.a.)	2032	55,905	60,551
BNDES - FINEM	Weighted average rate of 0% p.a. (2022 - 9.50% p.a.)	2023		25
Working capital (i)	Average rate of 20.15% p.a. (2022 - 16.74% p.a.)	2024	11,836	5,445
Working capital (i)	Average rate of 15.00% p.a. (2022 - 14.26% p.a)	2025	1,404	2,182
Drawee risk	Average rate of 20.85% p.a. (2022 - 19.17% p.a.)		706	793
			431,974	**412,369**
Current			98,852	88,229
Non-current			333,122	324,140
			431,974	**412,369**

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

a) Guarantees for loans and financing

Financing for Research, Innovation and Product Development, contracted by subsidiary Ouro Fino Saúde Animal Ltda. with FINEP, is collateralized by: (i) bank-issued guarantees, in the amount of R$ 331,382; (ii) security interest constituted by its industrial plant located in the municipality of Cravinhos-SP; and (iv) guarantee from the parent company Ouro Fino Saúde Animal Participações S.A., under which no charges are levied.

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

BNDES-FINEM transaction requires compliance with ratios previously defined in the agreement: Net Debt/EBITDA ratio equal to or lower than 3.0, and General Indebtedness equal to or lower than 0.70, both on a consolidated basis. For the years ended 2023 and 2022, these ratios were met by the Company.

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

In thousands of Brazilian reais unless otherwise stated

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

	2023
From 1 to 2 years	37,959
From 2 to 3 years	33,668
From 3 to 4 years	42,668
From 4 to 5 years	42,668
Over five years	176,159
	333,122

17. PROVISIONS (CONSOLIDATED)

	2023				
Balances recognized in Assets:	**Opening balance**	**Additions and reversals, net**	**Final write-offs**	**Foreign exchange variation**	**Closing balance**
Bonuses on sales	1,986	6,040	(5,616)		2,410
Provision for impairment of intangible assets	27,234	1,958	(27,191)		2,001
Provision for impairment of fair value (capital gain) - business combination		7,044			7,044
Expected credit losses	2,195	369	(123)	4	2,445
Provision for inventory losses	7,458	17,348	(2,501)	14	22,319
	38,873	**32,759**	**(35,431)**	**18**	**36,219**

Balances recognized in Liabilities:	**Opening balance**	**Additions and reversals, net**	**Final write-offs**	**Foreign exchange variation**	**Closing balance**
Provision for contingencies	5,675	1,079	(1,905)	173	5,022
	5,675	**1,079**	**(1,905)**	**173**	**5,022**

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

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

a) Bonuses on sales

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

In thousands of Brazilian reais unless otherwise stated

b) Provision for impairment of intangible assets

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

c) Expected credit losses

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

d) Provision for inventory losses

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

e) Provision for contingencies

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

The provisions are as follows:

	2023	2022
Tax	1,494	1,911
Labor	2,194	2,735
Civil	1,334	1,029
	5,022	**5,675**

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

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

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

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

In thousands of Brazilian reais unless otherwise stated

In this context, the Group's Executive Board assessed the matter, together with its legal advisor, and concluded that STF's decision produces no impact in the set of the individual and consolidated financial statements ended December 31, 2023.

Possible contingencies are as follows:

	2023			2022		
	Administrative	Judicial	Total	Administrative	Judicial	Total
Tax	70,809	13,173	83,982	79,477	5,079	84,556
Labor		4,344	4,344		6,202	6,202
Civil	1	2,639	2,640	1	2,545	2,545
	70,811	**20,156**	**90,966**	**79,478**	**13,825**	**93,303**

Tax risks refer mainly to tax assessment notices related to PIS, COFINS, and ICMS. The tax assessment notice related to PIS/COFINS, amounting to R$ 61,008 (2022 - R$ 56,358), was issued by tax authorities against the subsidiary Ouro Fino Saúde Animal Ltda. in May 2019, regarding taxable events that took place in calendar year 2014, and requiring the payment of PIS and COFINS differences calculated under the one-time tax treatment, for not including transactions of Ouro Fino Agronegócio Ltda. and Ouro Fino PET Ltda.

For ICMS, the discussion involves questions related to alleged ICMS credits arising from operations for energy acquisition used in the company's industrial process, subject to the tax replacement regime, in the amount of R$ 7,864 (2022 - R$ 6,247).

In addition, the Group is involved in other tax proceedings totaling the amount of R$ 15,110 (2022 – R$ 20,442), the most relevant being: (i) R$ 6,343 (2022 – R$ 5,589) related to the improper application of exemption and reduction of the calculation base provided for in Agreement 100/97, of germicidal products considered by inspection as cleaning materials; (ii) R$ 4,982 (2022 - R$ 7,756) related to ICMS levy on operations involving the import of technical products; (iii) R$ 1,719 (2022 – R$ 3,338) related to ICMS credit balance transfers; (iv) R$ 1,660 (2022 – R$ 1,732) related to differences in the application of ICMS rate (FCI); (v) R$ 404 related to less relevant issues, such as PERD/COMP's offsets and compliance with judgment.

18. EQUITY

a) Capital

As of December 31, 2023, fully subscribed and paid-up capital comprises 53,949,006 common shares (2022 – 53,949,006 common shares) all of them with no par value and fully subscribed and paid-up.

At the Annual and Extraordinary Shareholders' Meeting held on April 14, 2023, the Company's shareholders approved an increase in the Company's capital of R$ 141,721, with no issuance of new registered common shares, through the use of profit reserves.

b) Allocation of profit

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

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

At the Extraordinary Shareholders' Meeting held on July 28, 2023, the Company's shareholders approved the re-ratification of the allocation of net income for the fiscal year ended December 31, 2022, including the allocation, to the reserve for contingencies, in the amount of R$ 89,959, initially retained based on the capital budget approved at the Company's Annual and Extraordinary Shareholders' Meeting held on April 14, 2023 and, and at the end of the fiscal year, this reserve was realized and fully transferred to retained earnings at the disposal of the Shareholders' Meeting.

c) 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.

d) Stock option plan

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

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

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

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

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

The Stock Option Plan has already been 100% recognized in the statement of profit or loss in prior periods.

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

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

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

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

General Characteristics of ILP Plan

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

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

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

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

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

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

For the year ended December 31, 2023, the Group recognized the expense, including INSS and FGTS charges, of the Plan in the amount of R$ 1,088 (2022 - R$ 1,401).

In thousands of Brazilian reais unless otherwise stated

f) Restricted Share-Based Compensation Plan

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

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

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

19. REVENUES (CONSOLIDATED)

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

	2023	2022
In Brazil:		
Gross sales and services	904,563	1,007,144
Taxes and deductions on sales	(89,705)	(101,814)
	814,858	905,330
Abroad:		
Gross sales	130,236	136,920
Taxes and deductions on sales	(1,813)	(1,143)
	128,423	135,777
	943,281	**1,041,107**

In thousands of Brazilian reais unless otherwise stated

20. COSTS AND EXPENSES BY NATURE

	Parent company		Consolidated	
	2023	2022	2023	2022
Cost of sales (i)				
Variable costs (materiais and supplies)			271,076	293,114
Personnel expenses			113,093	114,289
Outsourced services			45,155	40,900
Depreciation and amortization			23,222	19,393
Electricity			23,894	22,874
Provision for inventory losses			14,847	3,740
Provision for impairment of intangible assets			1,075	
Others			19,186	18,722
			511,548	**513,032**
Selling expenses				
Personnel expenses			81,262	88,523
Sales team expenses			58,760	59,406
Freight expenses			36,144	39,559
Outsourced services			26,584	21,423
Depreciation and amortization			6,466	6,205
Telecommunication and energy			576	446
Others			5,818	5,926
			215,610	**221,488**
Expenses on research and innovation				
Personnel expenses			23,646	27,290
Outsourced services			25,055	32,602
Depreciation and amortization			3,032	2,552
Telecommunication and energy			491	619
Others			7,472	6,278
			59,696	**69,341**
General and administrative expenses				
Personnel expenses	8,026	7,829	39,248	40,382
Outsourced services	635	782	10,152	12,303
Depreciation and amortization	26		3,469	3,844
Travel expenses	180	8	1,375	913
Telecommunication and energy			926	1,104
Expenses with vehicles	11		111	113
Donations and sponsorships			86	85
Other	96	140	3,101	4,234
	8,974	**8,759**	**58,468**	**62,978**
	8,974	**8,759**	**845,322**	**866,839**

(i) The change in "cost of sales" in the quarter also refers to the result of the variables of volume sold between the periods.

In thousands of Brazilian reais unless otherwise stated

21. OTHER REVENUES (EXPENSES), NET

	Parent company		Consolidated	
	2023	2022	2023	2022
Federal, state, municipal taxes and fees (i)	(15)	(9)	5,155	81
Review of the obligation due to investment (ii)			3,543	
Gain (loss) on disposal of intangible assets (iii)			486	(252)
Gain on disposal and write-off of PP&E			307	3,262
Gains on sales of scrap, rentals and other	149	181	258	1,247
Provision for impairment of intangible assets (iii)			(883)	(478)
Provision for capital gain impairment - business combination (iv)			(7,044)	
Goodwill write-off due to acquisition of investment (iv)			(18,094)	
Expense recovery (v)				1,669
Other losses	(149)	(109)	(676)	(2,479)
	(15)	**63**	**(16,948)**	**3,050**

(i) Refers to extemporaneous ICMS credits in the amount of R$ 6,382.

(ii) Refers to the fair value adjustment of the liability initially recognized at time of the acquisition of Regenera Medicina Veterinária Ltda. (Note 5 (d (v))).

(iii) Refers to the impairment provision and the result of write-offs due to sale or discontinuation of projects recognized in intangible assets (Note 14).

(iv) Refers to the amounts provisioned and written off relating to the impairment test of Regenera Medicina Veterinária Ltda.'s acquisition (Note 5 (d (iv))).

(v) Refers to reimbursement of expenses of consultants hired for Regenera Medicina Veterinária Ltda.'s acquisition (Note 5 (d)), which were paid by the sellers.

22. FINANCIAL RESULT

	Parent company		Consolidated	
	2023	2022	2023	2022
Financial revenues:				
Revenue from financial investments	1,258	2,281	26,446	16,609
Interest received			1,332	485
Inflation adjustment	175	166	1,471	839
Other			40	469
	1,433	2,447	29,289	18,402
Financial expenses:				
Interest paid	(15)		(37,068)	(37,451)
Inflation adjustment (*)			(15,553)	
Pis and Cofins on interest on equity	(2,035)	(2,405)	(2,035)	(2,405)
Financial charges	(1)	(7)	(3,056)	(3,154)
Other	(131)	(157)	(819)	(954)
	(2,182)	(2,569)	(58,531)	(43,964)
Derivative financial instruments, net:				
Gains on derivatives (foreign exchange variation)			2,306	8
Losses on derivatives (interest)			(521)	
			1,785	8
Foreign exchange variation, net			698	(4,701)
Finance Result	**(749)**	**(122)**	**(26,759)**	**(30,255)**

(*) Refers to the inflation adjustment of IRPJ and CSLL related to investment subsidies (Note 1 (ii)).

23. INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

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

	Parent company		Consolidated	
	2023	2022	2023	2022
Income (loss) before income tax and social contribution	(49,975)	130,663	54,252	147,063
Statutory tax rates	34%	34%	34%	34%
	16,992	**(44,426)**	**(18,446)**	**(50,002)**
Reconciliation for effective tax:				
Permanent differences:				
RD&I Benefit				6,981
Equity in the results of investees	(13,681)	47,424		
Calculation adjustments on subsidiary taxed under presumptive income regime			(2,791)	414
Investment Subsidies (i)			(79,913)	23,867
Obligations on investment acquisition			1,205	
Goodwill write-off			(6,152)	
Calculation adjustments on subsidiaries abroad taxed at the rate in effect in their respective countries			44	(5,222)
Incentivized accelerated depreciation			(1,458)	
Use of tax loss from previous periods				1,936
Interest on Equity	(2,427)		5,053	8,840
Unrecognized deferred taxes	(884)	(2,180)	(884)	(2,180)
Other		(818)	(886)	(1,039)
Income tax and social contribution			**(104,228)**	**(16,405)**
Reconciliation with the statement of profit or loss				
Current			(91,888)	(15,663)
Deferred			(12,340)	(742)
			(104,228)	**(16,405)**

(i) Until March 31, 2023, the Group's Management recognized the tax deductibility of the amounts of tax incentives related to outputs with ICMS exemption in operations within the state of São Paulo and outputs with a 60% reduction in ICMS calculation basis in interstate operations (ICMS Agreement 100/97), according to Superior Court of Justice case law. However, in view of STJ judgment held on April 26, 2023, where it was decided that such incentives could only be excluded if the requirements set forth in article 10 of Supplementary Law 160/2017 and in article 30 of Law 12.973/2014, and in the year ended December 31, 2023, the Group's Executive Board stopped using this tax incentive in its IRPJ and CSLL calculations and recognized in the statement of profit or loss the loss related to the subsidy used from 2019 to 2022 in the amount of R$ 90,178, of which R$ 74,625 relating to principal and R$ 15,553 to inflation adjustment (Note 1.1 (ii)).

24. BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE

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

	2023	2022
Net income (loss) for the year attributable to the Company's shareholders	(49,975)	130,663
Weighted average number of common shares outstanding in the year (in thousands of shares)	53,768	53,768
Basic and diluted earnings (losses) per share	**(0.92946)**	**2.43013**

25. EMPLOYEE BENEFITS

a) Private pension plan - defined contribution

The Group companies sponsor a defined contribution pension plan for their employees. The plan is managed by Brasilprev Seguros e Previdência S.A. Company contributions to the plan for the year ended December 31, 2023 amounted to R$ 1,287 (2022 - R$ 1,382).

b) Short-term incentives

The Group offers a short-term incentive program ("ICP") to its employees, calculated based on quantitative and qualitative goals established by the Executive Board. In the year ended December 31, 2023, the impact of the short-term incentive was R$ 714 (2022 - R$ 20,334).

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

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

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

General Characteristics of the Plan

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

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

The Plan's fair value is measured based on the share price (closing) or EBITDA multiples. For the year ended December 31, 2023, the plan was calculated based on EBITDA multiples and, therefore, the Group recognized expenses, including INSS and FGTS charges, in the amount of R$ 8,553 (2022 - 6,695).

In thousands of Brazilian reais unless otherwise stated

26. RELATED-PARTY BALANCES AND TRANSACTIONS

a) Balances and main transactions

	Parent company							
	2023				2022			
	Assets			Passivo	Assets		Liabilities	
	Interest on equity receivable	Advance of interest on equity	Other assets (i)	Other liabilities (i)	Interest on Equity	Other assets (i)	Dividends and interest on equity	Other liabilities (i)
Subsidiaries:								
Ouro Fino Saúde Animal Ltda.				51				58
Ouro Fino Agronegócio Ltda.	7,700			1	13,600			1
Other related parties:								
Ouro Fino Química Ltda.			83			83		
Shareholders		14,807					10,576	
	7,700	**14,807**	**83**	**52**	**13,600**	**83**	**10,576**	**59**

	Parent company					
	2023			2022		
	Subsidiaries:		Other related parties:	Subsidiaries:		Other related parties:
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Química Ltda.	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Química Ltda.
Main transactions:						
Shared Services Center (CSC) reimbursement (i)	(247)	(4)		(193)		
Royalties			200			200
Other expenses, net	(158)			(263)	(1)	
	(405)	**(4)**	**200**	**(456)**	**(1)**	**200**

	Consolidated					
	2023			2022		
	Assets		Passivo	Assets	Liabilities	
	Advance of interest on equity	Other assets (i)	Other liabilities (i)	Other assets (i)	Dividends and interest on equity	Other liabilities (i)
Other related parties:						
Ouro Fino Química Ltda.		177	247	269		315
Condomínio Rural Ouro Fino		136		145		66
Shareholders	14,807				10,576	
Neotech Soluções Ambientais Ltda.			91			33
	14,807	**313**	**338**	**414**	**10,576**	**414**

	Consolidated						
	2023			2022			
		Other related parties:			Other related parties:		Shareholders:
	Ouro Fino Química Ltda.	Condomínio Rural Ouro Fino	Neotech Soluções Ambientais Ltda.	Ouro Fino Química Ltda.	Condomínio Rural Ouro Fino	Neotech Soluções Ambientais Ltda.	BNDES Participações S.A. (ii)
Main transactions:							
Gross profit on sales of godds		135			1		
Shared Services Center (CSC) reimbursement (i)	1,424			1,754			
Royalties	200	5		200	5		
Purchase of inputs							
Expenses with rents and condominia		(2,704)			(3,374)		
Inceneration services			(696)			(799)	
Other expenses, net	(608)			(770)			
Financial result							(3,685)
	1,015	(2,564)	(696)	1,184	(3,368)	(799)	(3,685)

In thousands of Brazilian reais unless otherwise stated

(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) Transactions between shareholders

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

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

b) Management compensation

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

	2023	2022
Share-based payments	4,288	2,695
Wages and salaries	3,950	3,401
Labor charges	1,196	1,046
Variable compensation	205	1,881
Direct and indirect benefits	246	233
	9,885	**9,256**

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

In thousands of Brazilian reais unless otherwise stated

27. INSURANCE

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

Insured assets	Risks covered	2023
Property, plant and equipment anc	Fire, lightning, explosion, electrical damage, windstorm and loss of profits	978,242
General civil liability	Damage to third parties caused during operations	10,000
Civil risks - Management	Damage to third parties arising from acts by members of management in the performance of their duties	40,000

28. OTHER DISCLOSURES ON CASH FLOWS

	Loans and financing	Derivative financial instruments, net	Cash and cash equivalents	Net debt
Balance as of January 01, 2023	**412,369**		**(165,036)**	**247,333**
Funding	94,681			94,681
Repayment of principal	(79,427)			(79,427)
Payment of interest	(33,569)			(33,569)
Drawee risk	(87)			(87)
Increase (decrease) in cash and cash equivalents and financial investments			(138,808)	(138,808)
Non-cash changes	(18,402)		(138,808)	(157,210)
Foreign exchange variations and interest	38,007	181	(185)	38,003
Non-cash changes	38,007	181	(185)	38,003
Balance as of December 31, 2023	**431,974**	**181**	**(304,029)**	**128,126**
Balance as of January 01, 2022	**382,375**		**(161,254)**	**221,121**
Funding	106,104			106,104
Repayment of principal	(78,905)			(78,905)
Payment of interest	(33,847)			(33,847)
Drawee risk	411			411
Increase (decrease) in cash and cash equivalents			(3,491)	(3,491)
Non-cash changes	(6,237)		(3,491)	(9,728)
Foreign exchange variations and interest	36,231		(291)	35,940
Non-cash changes	36,231		(291)	35,940
Balance as of December 31, 2022	**412,369**		**(165,036)**	**247,333**

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

29.1 Consolidation

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

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

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

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

29.2 Foreign currency translation

a) Functional and reporting currency

Items included in the financial statements of each of the Group companies are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"), which is substantially the Brazilian real, except as mentioned in item (c) below and, therefore, the individual and consolidated financial statements are presented in this currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss as “financial revenue or expense”.

c) Group companies with a different functional currency

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

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

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

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

29.3 Financial assets

29.3.1 Classification

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

a) Amortized cost

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

b) Financial assets at fair value through profit or loss

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

29.3.2 Recognition and measurement

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

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

29.3.3 Impairment of financial assets

Assets carried at amortized cost

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

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

29.4 Trade accounts receivable

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

29.5 Inventories

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

29.6 Current and deferred income tax and social contribution

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

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

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

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

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

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

Until March 31, 2023, the Group's Management recognized the tax deductibility of the amounts of tax incentives related to outputs with ICMS exemption in operations within the state of São Paulo and outputs with a 60% reduction in ICMS calculation basis in interstate operations (ICMS Agreement 100/97), according to Superior Court of Justice case law. However, in view of STJ judgment held on April 26, 2023, where it was decided that such exemptions and reduction of ICMS calculation base incentives could only be excluded in the calculation base for IRPJ and CSLL if the requirements set forth in article 10 of Supplementary Law 160/2017 and in article 30 of Law 12.973/2014, the Group's legal advisors reassessed the prognosis from possible loss (success "more likely than not") to probable loss.

In this context, considering the scope of IFRIC 23, the Group's Executive Board stopped using tax incentives in its IRPJ and CSLL calculations and recognized in the statement of profit or loss the loss of IRPJ and CSLL related to the subsidy used from 2019 to 2022 (Note 1.1 (ii)).

29.7 Intangible assets

a) Product research and development

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

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

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

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

b) Trademarks and licenses purchased

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

c) Computer software

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

Costs associated with maintaining computer software are expensed as incurred.

d) Goodwill on the acquisition of subsidiaries

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

29.8 Property, plant and equipment

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

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

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

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

29.9 Impairment of non-financial assets

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

29.10 Trade accounts payable

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

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

29.11 Loans and financing

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

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

29.12 Employee benefits

a) Private pension plan

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

b) Profit sharing

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

c) Share-based compensation

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

29.13 Revenue recognition

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

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

29.14 Distribution of dividends and interest on equity

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

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

29.15 Leases

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

29.16 Business combination

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

29.17 New standards that are not yet effective

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