Ourofino S.A. (previously called Ouro Fino Saúde Animal Participações S.A.) and Subsidiaries

Individual and consolidated interim financial statements for the three- and six-month periods ended June 30, 2024 and report on the review of individual and consolidated interim financial statements

(A free translation of the original report in Portuguese containing financial information)

ourofino
saúde animal

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Independent auditor's review report on quarterly information

To the Shareholders, Board of Directors and Management of
Ourofino S.A. (previously called Ouro Fino Saúde Animal Participações S.A.)
Cravinhos – São Paulo

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Ourofino S.A. (the "Company"), for the quarter ended June 30, 2024, comprising the statement of financial position as of September 30, 2023 and the related statements of income and of comprehensive income for the three and six-months periods then ended and statements of changes in equity and of cash flows for the six-month periods then ended, including the explanatory notes.

Management is responsible for preparation of the individual and consolidated interim financial information in accordance with the Technical Pronouncement CPC 21 (R1) - Interim Financial Reporting and the international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters - Statements of value added

The abovementioned quarterly information include the individual and consolidated statement of value added (SVA) for the six-month period ended June 30, 2024, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Other matters - Financial statements and interim financial information for prior periods audited and reviewed by another independent auditor

The corresponding amounts related to the individual and consolidated balance sheets as of December 31, 2023 were previously audited by other independent auditors who issued a report dated March 5, 2024, without modification. The corresponding amounts related to the individual and consolidated statements of results and comprehensive income for the three and six-months periods then ended and changes in equity and cash flows for the sixmonth period of the quarter ended June 30, 2023, were previously reviewed by other auditor's independents who issued a report dated August 8, 2023, without modification. The corresponding amounts related to the individual and consolidated statements of value added (DVA), referring to the six-month period ended June 30, 2023, were submitted to the same review procedures by those independent auditors and, based on their review, those auditors issued a report reporting that they were not aware of any facts that would lead them to believe that the DVA was not prepared, in all material aspects, in a manner consistent with the individual and consolidated interim financial information taken as a whole.

Ribeirão Preto, August 6, 2024

KPMG Auditores Independentes Ltda.
CRC 2SP-027666/O-5 F SP
(Original report in Portuguese signed by)
Daniel Marino de Toledo
Accountant CRC 1SP249851/O-8

of the Company's Executive Board and disclosed as supplemental information for purposes of the international standard IAS 34. These statements have been subject to review procedures performed together with the ITR to reach a conclusion on whether they were reconciled with the individual and consolidated interim financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not appropriately prepared, in all material respects, in relation to the criteria defined in this standard and consistently with the individual and consolidated interim financial statements taken as a whole.

Corresponding figures

The corresponding figures for the individual and consolidated balance sheets as of December 31, 2023 were previously audited by other independent auditors who issued an unmodified report dated March 5, 2024, and for the individual and consolidated statements of income, comprehensive income for the six and three month periods, changes in shareholders' equity and cash flows for the six-month period ended June 30, 2023 were previously reviewed by other independent auditors who issued an unmodified report dated August 8, 2023. The corresponding figures for the individual and consolidated statements of value added (DVA) for the six-month period ended June 30, 2023 were subjected to the same review procedures by those independent auditors and, based on their review, those auditors issued a report stating that they were not aware of any facts that led them to believe that the DVA was not prepared, in all material respects, in a manner consistent with the individual and consolidated interim financial statements taken as a whole.

Ribeirão Preto, August 6, 2024

KPMG Auditores Independentes Ltda.
CRC 2SP-027666/O-5 F SP
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Daniel Marino de Toledo
Accountant CRC 1SP249851/O-8

Ourofino S.A. (previously called Ouro Fino Saúde Animal Participações S.A.)

Balance Sheet as of June 30, 2024 and December 31, 2023

(In thousands of Brazilian reais)

		Parent company		Consolidated	
Assets	**Note**	**06/30/24**	**12/31/23**	**06/30/24**	**12/31/23**
Current					
Cash and cash equivalents	6	3,308	6,447	343,246	304,029
Derivative financial instruments				136	546
Trade accounts receivable	7			198,093	263,035
Inventories	8			249,752	207,888
Taxes recoverable	9	5,658	4,658	22,227	16,306
Income tax and social contribution recoverable				15,440	15,215
Related parties	25	183	22,590	313	15,120
Other assets		17		8,384	6,750
Total current assets		**9,166**	**33,695**	**837,591**	**828,889**
Non-current					
Taxes recoverable	9			339	462
Deferred income tax and social contribution	10			30,138	21,888
Other assets		250	250	2,167	1,963
Total long-term receivables		**250**	**250**	**32,644**	**24,313**
Investments in subsidiaries	11	688,877	664,281		
Property, plant and equipment	12		32	336,262	333,146
Intangible assets	13			100,184	92,661
Total non-current assets		**689,127**	**664,563**	**469,090**	**450,120**
Total assets		**698,293**	**698,258**	**1,306,681**	**1,279,009**

		Parent company		Consolidated	
Liabilities and Equity	**Note**	**06/30/24**	**12/31/23**	**06/30/24**	**12/31/23**
Current					
Trade account payables	14	153	43	104,517	74,558
Derivative financial instruments					181
Loans and financing	15			96,511	98,852
Salaries and payroll charges		608	301	38,749	30,212
Taxes payable		2,118	4,159	6,717	10,825
Income tax and social contribution payable				7,224	
Related parties	25	51	52	334	338
Commissions on sales				3,859	5,335
Leases			25	5,355	2,553
Other liabilities		26	32	8,472	9,802
Total current liabilities		**2,956**	**4,612**	**271,738**	**232,656**
Non-current					
Loans and financing	15			314,281	333,122
Provision for legal proceedings	16			7,389	5,022
Leases				9,817	2,968
Other liabilities		5,872	4,272	13,972	15,846
Total non-current liabilities		**5,872**	**4,272**	**345,459**	**356,958**
Total liabilities		**8,828**	**8,884**	**617,197**	**589,614**
Equity	17				
Capital		599,823	599,823	599,823	599,823
Treasury shares		(5,125)	(5,125)	(5,125)	(5,125)
Options granted		7,419	8,013	7,419	8,013
Profit reserve		38,708	69,708	38,708	69,708
Net income for the period		29,748		29,748	
Equity valuation adjustments		18,892	16,955	18,892	16,955
Total equity of the controlling shareholders		**689,465**	**689,374**	**689,465**	**689,374**
Non-controlling interest				19	21
Total equity		**689,465**	**689,374**	**689,484**	**689,395**
Total liabilities and equity		**698,293**	**698,258**	**1,306,681**	**1,279,009**

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

Ourofino S.A.
(previously called Ouro Fino Saúde Animal Participações S.A.)
Statement of Profit or Loss
Three- and six-month periods ended June 30, 2024 and 2023
In thousands of Brazilian reais unless otherwise stated

	Note	Parent company			
		2024		2023	
		Quarter	6 months	Quarter	6 months
General and administrative expenses	19	(2,733)	(5,068)	(1,890)	(4,665)
Equity in the results of investees	11	19,356	34,424	(68,793)	(69,777)
Other income (expenses), net	20	(12)	(17)	(44)	(14)
Operating profit (loss)		**16,611**	**29,339**	**(70,727)**	**(74,456)**
Financial revenues		321	480	361	722
Financial expenses		(36)	(71)	(33)	(68)
Financial result	21	**285**	**409**	**328**	**654**
Net income (loss) for the period		**16,896**	**29,748**	**(70,399)**	**(73,802)**

	Note	Consolidated			
		2024		2023	
		Quarter	6 months	Quarter	6 months
Net sales revenue	18	217,214	395,604	231,843	399,015
Cost of sales	19	(112,605)	(205,401)	(124,065)	(216,179)
Gross profit		**104,609**	**190,203**	**107,778**	**182,836**
Selling expenses	19	(53,745)	(99,912)	(54,480)	(104,065)
Expenses on research and innovation	19	(11,162)	(22,065)	(13,607)	(29,421)
General and administrative expenses	19	(13,869)	(27,093)	(14,373)	(29,492)
Other income (expenses), net	20	427	5,977	34	(1)
Operating profit		**26,260**	**47,110**	**25,352**	**19,857**
Financial revenues		8,108	16,285	7,258	13,177
Financial expenses		(9,095)	(18,535)	(23,881)	(34,726)
Derivative financial instruments, net		96	(328)	520	1,617
Foreign exchange variation, net		(386)	65	148	(49)
Finance Result	21	**(1,277)**	**(2,513)**	**(15,955)**	**(19,981)**
Income (loss) before income tax and social contribution		**24,983**	**44,597**	**9,397**	**(124)**
Income tax and social contribution	22				
Current		(17,060)	(23,023)	(80,287)	(80,295)
Deferred		8,973	8,171	490	6,615
Net income (loss) for the period		**16,896**	**29,745**	**(70,400)**	**(73,804)**
Attributable to:					
the Company's shareholders		16,896	29,748	(70,399)	(73,802)
Non-controlling interest		-	(3)	(1)	(2)
		16,896	**29,745**	**(70,400)**	**(73,804)**
Basic and diluted earnings (losses) per share attributable to the Company’s shareholders during the period (in Brazilian reais)	23	**0.31424**	**0.55327**	**(1.30931)**	**(1.37260)**

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

In thousands of Brazilian reais unless otherwise stated

	Note	Parent company			
		2024		2023	
		Quarter	6 months	Quarter	6 months
Net income (loss) for the period		**16,896**	**29,748**	**(70,399)**	**(73,802)**
Other comprehensive income					
Items that will be reclassified to profit or loss					
Exchange variation on investment	11	479	1,937	343	1,772
Total comprehensive income for the period		**17,375**	**31,685**	**(70,056)**	**(72,030)**

	Note	Consolidated			
		2024		2023	
		Quarter	6 months	Quarter	6 months
Net income (loss) for the period		**16,896**	**29,745**	**(70,400)**	**(73,804)**
Other comprehensive income					
Items that will be reclassified to profit or loss					
Exchange variation on investment	11	478	1,938	343	1,773
Total comprehensive income for the period		**17,374**	**31,683**	**(70,057)**	**(72,031)**
Attributable to:					
the Company's shareholders		17,375	31,685	(70,056)	(72,030)
Non-controlling interest		(1)	(2)	(1)	(1)
		17,374	**31,683**	**(70,057)**	**(72,031)**

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

Ourofino S.A. (previously called Ouro Fino Saúde Animal Participações S.A.)
Statements of Changes in Equity
Six-month period ended June 30, 2024 and 2023
In thousands of Brazilian reais

		Attributable to the shareholders of the Parent Company									
					Profit reserve						
	Note	Share capital	Treasury shares	Long-term incentives granted	Legal reserve	Profit retention reserve	Equity valuation adjustments	Retained earnings/ Accumulated losses	Total	Non-controlling interest	Total patrimônio equity
As of January 1st, 2024		**599,823**	**(5,125)**	**8,013**	**29,724**	**39,984**	**16,955**		**689,374**	**21**	**689,395**
Comprehensive income (loss) for the period											
Net income for the period								29,748	29,748	(3)	29,745
Exchange variation on investment	11						1,937		1,937	1	1,938
Total comprehensive income for the period							1,937	29,748	31,685	(2)	31,683
Contributions and distributions to shareholders:											
Interest on equity and dividends paid	17 (b)					(31,000)			(31,000)		(31,000)
Long-term incentive granted				(594)					(594)		(594)
Total shareholder contributions				(594)		(31,000)			(31,594)		(31,594)
As of June 30, 2024		**599,823**	**(5,125)**	**7,419**	**29,724**	**8,984**	**18,892**	**29,748**	**689,465**	**19**	**689,484**
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 period											
Loss for the period								(73,802)	(73,802)	(2)	(73,804)
Exchange variation on investment	11						1,772		1,772	1	1,773
Total comprehensive income for the period							1,772	(73,802)	(72,030)	(1)	(72,031)
Contributions and distributions to shareholders:											
Capital increase with profit reserves	17 (a)	141,721				(141,721)			-		-
Long-term incentive granted				479					479		479
Total shareholder contributions		141,721		479		(141,721)			479		479
Balance as of June 30, 2023		**599,823**	**(5,125)**	**7,562**	**29,724**	**89,959**	**16,258**	**(73,802)**	**664,399**	**18**	**664,417**

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

Ourofino S.A.
(previously called Ouro Fino Saúde Animal Participações S.A.)
Statement of Cash Flows
Six-month period ended June 30, 2024 and 2023
In thousands of Brazilian reais unless otherwise stated

	Note	Parent company		Consolidated	
		2024	2023	2024	2023
Cash flows from operating activities					
Profit (loss) before income tax and social contribution		**29,748**	**(73,802)**	**44,597**	**(124)**
Adjustments for:					
Expected credit losses	7			(32)	(84)
Provision for inventory losses and write-offs				17,361	7,275
Equity in the results of investees	11	(34,424)	69,777		
Depreciation and amortization	12 and 13	32		18,467	17,597
Gain (loss) on disposal of property, plant and equipment	20			(132)	(938)
Gain (loss) on disposal of intangible assets	20			(375)	14
Interest and monetary/foreign exchange variations, net		2		16,764	33,815
Derivative financial instruments				328	(1,617)
Provision (reversal) for legal proceedings	16			2,274	(108)
Long-term incentives		1,470	1,425	(2,469)	4,972
Fair value adjustment				2,317	771
Changes in working capital:					
Trade accounts receivable				67,779	113,589
Inventories				(58,169)	6,912
Taxes recoverable		975	1,103	(6,142)	25,421
Other assets		(116)	(117)	(1,727)	10
Trade accounts payable		109	(18)	26,917	(24,442)
Taxes payable		(2,041)	(2,382)	(4,111)	(1,114)
Other liabilities		295	(1,303)	5,597	(17,705)
Interest paid on loans and financing				(14,848)	(16,344)
Interest paid on leases		(5)		(918)	(625)
Income tax and social contribution paid				(13,506)	(9,588)
Net cash from (used in) operating activities		**(3,955)**	**(5,317)**	**99,972**	**137,687**
Cash flows from investing activities:					
Investment in intangible assets	13			(12,360)	(6,356)
Purchase of property, plant and equipment	12			(6,017)	(11,611)
Distribution of dividends and interest on equity (i)		19,000	13,600		
Proceeds from sale of property, plant and equipment				392	1,276
Amount received from the sale of intangible assets				375	
Net cash from (used in) investing activities		**19,000**	**13,600**	**(17,610)**	**(16,691)**
Cash flows from financing activities:					
New loans and financing	27			11,875	4,681
Repayments of loan and financing	27			(34,837)	(17,597)
Lease payments		(16)		(2,605)	(1,450)
Payment of dividends and interest on equity		(18,168)	(10,576)	(18,168)	(10,576)
Realized derivative financial instruments				(94)	1,044
Net cash used in financing activities		**(18,184)**	**(10,576)**	**(43,829)**	**(23,898)**
Increase (decrease) in cash and cash equivalents, net		**(3,139)**	**(2,293)**	**38,533**	**97,098**
Cash and cash equivalents at the beginning of the period		6,447	12,440	304,029	165,036
Foreign exchange gains (losses) on cash and cash equivalents				684	(12)
Cash and cash equivalents at the end of the period	6	**3,308**	**10,147**	**343,246**	**262,122**

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

Non-cash transactions in financing activities are presented in Note 27.

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

Ourofino S.A.
(previously called Ouro Fino Saúde Animal Participações S.A.)
Statements of Value Added
Six-month period ended June 30, 2024 and 2023
In thousands of Brazilian reais unless otherwise stated

	Note	Parent company		Consolidated	
		2024	2023	2024	2023
Revenues:					
Gross revenues from sales and services				437,535	436,716
Other revenues, net				1,011	1,280
Income from construction of own assets				9,548	5,160
Expected credit gains (losses)	7			32	84
				448,126	**443,240**
Inputs acquired from third parties:					
Cost of sales and services		(1,054)	(574)	(138,017)	(143,910)
Materials, electricity, third-party services and other				(108,588)	(119,879)
Losses on assets, net				(17,019)	(7,064)
Gross value added (distributed)		**(1,054)**	**(574)**	**184,502**	**172,387**
Depreciation and amortization	12 and 13	(32)		(18,467)	(17,597)
Net value added (distributed) produced by the entity		**(1,086)**	**(574)**	**166,035**	**154,790**
Value added received through transfer:					
Equity in the results of investees	11	34,424	(69,777)		
Financial revenues		480	722	22,855	19,043
Royalties		100	100	103	103
Other		4	4	320	375
Total value added distributed		**33,922**	**(69,525)**	**189,313**	**174,311**
Distribution of value added					
Personnel:					
Direct compensation		3,131	3,131	73,255	82,283
Benefits		96	105	14,526	16,768
FGTS		62	61	6,030	7,502
Taxes, charges and contributions:					
Federal		802	905	29,455	97,569
State		5	7	9,020	2,734
Municipal				308	270
Remuneration of third parties' capital:					
Interest, foreign exchange variation, losses on derivatives etc.		70	68	25,154	38,860
Rentals		8		1,812	2,115
Other				8	13
Equity remuneration					
Retained income (loss)		29,748	(73,802)	29,748	(73,802)
Non-controlling interest				(3)	(1)
Value added distributed		**33,922**	**(69,525)**	**189,313**	**174,311**

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

1. GENERAL INFORMATION

1.1. Operations

Ourofino S.A. (previously called 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.

At the Extraordinary General Meeting held on July 17, 2024, the Company's shareholders approved, among other topics, the change of the corporate name from "Ouro Fino Saúde Animal Participações S.A." to "Ourofino S.A." and the complementation of the existing activities in the Company's corporate purpose.

At the same Meeting, the "Protocol and Justification for the Merger" of the subsidiary Ouro Fino Agronegócio Ltda. by the Company was approved, subject to the fulfillment of certain conditions precedent (Note 29).

The issue of this individual and consolidated interim financial statements was authorized for disclosing by the Board of Directors on August 6, 2024.

(i) 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 CSLL 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.

(ii) Impact of the climate tragedy in Rio Grande do Sul on the preparation of individual and consolidated interim financial statements

At the beginning of May 2024, the State of Rio Grande do Sul was hit by heavy rains that resulted in significant impacts on the population, drawing attention from across the country.

In view of this, on June 20, 2024, the CVM published Circular Letter No. 1/2024/CVM/SNC/GNC, which guides companies on the relevant aspects to be considered in their financial statements. In this context, the Group's Board of Directors informs that until the date of approval of these individual and consolidated interim financial statements, no significant impacts on its operations were identified.

It is important to reinforce that the Company has been constantly monitoring the development of the situation and providing the necessary support to its employees and customers.

1.2. Basis of preparation and statement of compliance

The individual and consolidated interim financial statements were prepared in accordance with the Brazilian technical pronouncement CPC 21 - Interim Financial Reporting, and with international accounting standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and are presented in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Statements (ITR).

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

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

The main accounting policies applied in the preparation of these interim individual and consolidated financial statements are set out in Note 5.

The preparation of interim 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, as well as areas where assumptions and estimates are significant to the individual and consolidated interim 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 interim financial statements.

1.3. Consolidation

The consolidated interim financial statements include the interim financial statements of the Company and its subsidiaries prepared for each period. Control is obtained when the Company: (i) holds the power on the investee; (ii) is exposed to or has rights to variable returns as a result of its involvement with the investee and (iii) has the ability to provide direction to the significant activities of the investee. The subsidiaries included in the consolidation are described in Note 11(a).

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) 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.

b) 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.

c) 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.

d) Provision for legal proceedings

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.

e) 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 or EBITDA multiples and will be remeasured at the end of each period.

f) 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 Group's accounting policy presented in Note 5.9. 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*.

g) 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. FAIR VALUE ESTIMATE

The fair value of the financial instruments contracted by the Group is measured based on information statements 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".

In thousands of Brazilian reais unless otherwise stated

4. SEGMENT REPORTING

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

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

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

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

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

The results by segment were as follows:

	Quarter ended June 30, 2024				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Net sales revenue	153,935	35,755	27,524		217,214
Cost of sales	(90,242)	(11,456)	(10,907)		(112,605)
Gross profit	**63,693**	**24,299**	**16,617**		**104,609**
Selling expenses	(34,860)	(8,734)	(10,151)		(53,745)
Results by segment	**28,833**	**15,565**	**6,466**		**50,864**
Expenses on research and innovation				(11,162)	(11,162)
General and administrative expenses and other expenses				(13,442)	(13,442)
Financial results				(1,277)	(1,277)
Income tax and social contribution				(8,087)	(8,087)
Unallocated results				**(33,968)**	**(33,968)**
Net income for the period					**16,896**

In thousands of Brazilian reais unless otherwise stated

	Quarter ended June 30, 2023				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Net sales revenue	168,569	30,752	32,522		231,843
Cost of sales	(99,707)	(10,541)	(13,817)		(124,065)
Gross profit	**68,862**	**20,211**	**18,705**		**107,778**
Selling expenses	(33,714)	(9,941)	(10,825)		(54,480)
Results by segment	**35,148**	**10,270**	**7,880**		**53,298**
Expenses on research and innovation				(13,607)	(13,607)
General and administrative expenses and other expenses				(14,339)	(14,339)
Financial results				(15,955)	(15,955)
Income tax and social contribution				(79,797)	(79,797)
Unallocated results				**(123,698)**	**(123,698)**
Loss for the period					**(70,400)**

	Six-month period ended June 30, 2024				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenues	279,470	69,645	46,489		395,604
Cost of sales	(161,367)	(24,194)	(19,840)		(205,401)
Gross profit	**118,103**	**45,451**	**26,649**		**190,203**
Selling expenses	(65,434)	(16,169)	(18,309)		(99,912)
Results by segment	**52,669**	**29,282**	**8,340**		**90,291**
Expenses on research and innovation				(22,065)	(22,065)
General and administrative expenses and other expenses				(21,116)	(21,116)
Financial results				(2,513)	(2,513)
Income tax and social contribution				(14,852)	(14,852)
Unallocated results				**(60,546)**	**(60,546)**
Net income for the period					**29,745**

	Six-month period ended June 30, 2023				
	Business segments				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenues	279,983	59,892	59,140		399,015
Cost of sales	(170,178)	(20,613)	(25,388)		(216,179)
Gross profit	**109,805**	**39,279**	**33,752**		**182,836**
Selling expenses	(66,133)	(17,935)	(19,997)		(104,065)
Results by segment	**43,672**	**21,344**	**13,755**		**78,771**
Expenses on research and innovation				(29,421)	(29,421)
General and administrative expenses and other expenses				(29,493)	(29,493)
Financial results				(19,981)	(19,981)
Income tax and social contribution				(73,680)	(73,680)
Unallocated results				**(152,575)**	**(152,575)**
Loss for the period					**(73,804)**

In thousands of Brazilian reais unless otherwise stated

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

	2024		2023	
	Quarter	6 months	Quarter	6 months
Colombia	10,865	20,681	10,370	20,097
Mexico	8,047	13,948	8,272	15,542
Paraguay	1,084	2,207	688	688
Bolivia	1,286	2,203	1,527	4,802
Honduras	2,096	2,096	1,678	1,678
Ecuador		1,038	1,410	1,410
Guatemala	885	885	1,433	1,433
Spain			4,601	5,154
Uruguay				4,975
Others	3,261	3,431	2,543	3,361
	27,524	46,489	32,522	59,140

5. SUMMARY OF THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Consolidation

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

5.2 Foreign currency translation

a) Functional and reporting currency

Items included in the interim 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. Therefore, the individual and consolidated interim financial statements are presented in this currency.

b) Transactions and balances

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

c) Group companies with a different functional currency

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

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

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

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

5.3 Financial assets

5.3.1 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.

5.3.2 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.

5.3.3 Impairment of financial assets

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

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.

5.4 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.

5.5 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.

5.6 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 interim 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 interim 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)).

5.7 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 included in "Intangible assets" in the consolidated interim 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.

5.8 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 12. 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.

5.9 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.

5.10 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.

5.11 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.

5.12 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 17 ((d) and (e)) and 24 (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.

5.13 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.

5.14 Payment of dividends and interest on capital

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

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

5.15 Lease Transactions

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.

5.16 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.

5.17 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.

In thousands of Brazilian reais unless otherwise stated

6. 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 (December 31, 2023- average of 102.0% of CDI rate).

	Parent company		Consolidated	
	06/30/24	12/31/23	06/30/24	12/31/23
Cash:				
In local currency			11	10
In foreign currency			78	75
			89	85
Banks				
In local currency	29	40	3,627	4,468
In foreign currency			3,414	9,345
	29	40	7,041	13,813
Financial investments - cash and cash equivalents				
In local currency				
Bank Deposit Certificate (CDB)	3,262	6,396	321,104	278,240
Repo and others	17	11	15,012	11,891
	3,279	6,407	336,116	290,131
Total cash and cash equivalents	**3,308**	**6,447**	**343,246**	**304,029**

(i) Financial investments as cash equivalents in the amount of R$ 336,116 (R$ 290,131 as of December 31, 2023) are mainly aimed at maintaining the Group's liquidity to cover the needs of operating activities. Such investments include the feature of immediate redemption with no loss of profitability.

7. TRADE ACCOUNTS RECEIVABLE (CONSOLIDATED)

In thousands of Brazilian reais unless otherwise stated

	06/30/24	12/31/23
In local currency		
Accounts receivable	185,454	246,744
Expected credit losses	(2,413)	(2,445)
	183,041	244,299
In foreign currency		
Accounts receivable	15,052	18,736
	15,052	18,736
Current	**198,093**	**263,035**

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

	06/30/24	12/31/23
To be due:		
Up to three months	164,920	211,074
From three to six months	28,138	43,831
Over six months	2,109	6,300
	195,167	261,205
Past due:		
Up to three months	2,835	1,740
From three to six months	99	101
Over six months	2,405	2,434
	5,339	4,275
	200,506	**265,480**

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:

In thousands of Brazilian reais unless otherwise stated

	06/30/24	06/30/23
Opening balance	2,445	2,195
Additions (reversals), net	(32)	(84)
Foreign exchange variation		2
Closing balance	**2,413**	**2,113**

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 19). 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.

8. INVENTORIES (CONSOLIDATED)

	06/30/24	12/31/23
Finished goods	125,450	104,907
Raw materials	66,010	55,349
Packaging materials	20,546	18,975
Products in process	15,255	13,788
Imports in transit	29,599	11,350
Advances to suppliers	3,104	1,671
Others	22,285	24,167
Provision for inventory losses	(32,497)	(22,319)
Total	**249,752**	**207,888**

The change in provisions for inventory losses is presented below:

In thousands of Brazilian reais unless otherwise stated

	06/30/24	06/30/23
Opening balance	22,319	7,458
Additions, net	14,715	6,417
Write-Offs	(4,600)	(1,434)
Foreign exchange variation	63	10
Closing balance	**32,497**	**12,451**

(i) In the six-month period ended June 30, 2024, residual batches of the vaccine against Foot and Mouth Disease were provisioned, considering the letter published by the Ministry of Agriculture and Livestock (MAPA) on April 30,2024, prohibiting its sales throughout Brazilian territory.

9. TAXES RECOVERABLE

	Parent company		Consolidated	
	06/30/24	12/31/23	06/30/24	12/31/23
PIS and COFINS			6,793	2,998
IRRF	5,585	4,585	7,693	6,925
Value-Added Tax on Sales and Services (ICMS)			2,524	1,876
ICMS, PIS and COFINS on purchase of PPE			674	832
Excise Tax (IPI)			406	176
Others	73	73	4,476	3,961
Total	**5,658**	**4,658**	**22,566**	**16,768**
Current	5,658	4,658	22,227	16,306
Non-current			339	462

In the period ended June 30, 2024, PIS and COFINS balance is substantially represented by extemporaneous credits recognized in the last five years, in the amount of R$ 6,186.

These credits relate mainly to inputs used in the Research and Development area, which after assessing the Federal Revenue's understanding, according to COSIT Normative Opinion No. 05/18, the Group's Executive Board discussed with its legal advisors and concluded that Research and Development activities are extremely relevant and related to the Group's core activity and thus enabling the monthly use of credit, in addition to the recovery of amounts relating to the last five years. Extemporaneous credits were recognized during the period in the "Other income, net" account in the statement of profit or loss (Note 20).

10. 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.

In thousands of Brazilian reais unless otherwise stated

a) Composition, nature and realization of deferred taxes

(i) Deferred income tax and social contribution

	06/30/24	12/31/23
Tax credits on:		
Accumulated income tax and social contribution loss		1,941
Temporary differences		
Provisions	24,217	18,564
Unrealized profit on inventories	13,167	8,550
Derivative financial instruments		62
Revaluation surplus - business combination	875	816
	38,259	**29,933**
Tax debits on:		
Temporary differences		
Deemed cost of lands	(7,878)	(7,878)
Provisions	(243)	(167)
	(8,121)	**(8,045)**
Total assets, net	**30,138**	**21,888**

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

Net changes in the deferred tax account were as follows:

	06/30/24	06/30/23
Opening balance	21,888	34,069
Accumulated income tax and social contribution losses	(1,941)	11,057
Derivative financial instruments	(62)	93
Provisions	5,577	(8,431)
Unrealized profit on inventories	4,617	3,659
Revaluation surplus - business combination	59	50
Accelerated depreciation		253
Closing balance	**30,138**	**40,750**

At the parent company, deferred tax assets are not recognized because it is not probable that there will be future taxable profits available for the Company to use their benefits. In the period ended June 30, 2024, the total income tax and social contribution accumulated on unrecognized income and social contribution tax losses is R$ 49,598 (December 31, 2023 - R$ 49,596).

In thousands of Brazilian reais unless otherwise stated

11. INVESTMENTS (PARENT COMPANY)

a) Information on investments

	Name	Country	Business	06/30/24		12/31/23	
				Direct interest	Indirect interest	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 company mentioned in item (ii). Sales in the foreign market are carried out directly with third parties and through the companies mentioned in items (iii) and (iv). This company also manufactures to third parties upon order.	99.99%		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 (v) and from third parties.	100.00%		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%		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%		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%		100.00%

In thousands of Brazilian reais unless otherwise stated

b) Changes in investments

	Parent company	
	06/30/24	06/30/23
Opening balance	664,281	723,467
Equity in the results of investees	34,424	(69,777)
Long-term incentive	(465)	307
Dividends received (i)	(11,300)	
Exchange variation on foreign investment	1,937	1,772
Closing balance	**688,877**	**655,769**

(i) For the six-month period ended June 30, 2024, the partners of subsidiary Ouro Fino Agronegócio Ltda. approved and paid dividends to the parent company Ourofino S.A. (previously called Ouro Fino Saúde Animal Participações S.A.) in the amounts of R$ 11,300.

c) Summarized financial information

The tables below present summarized financial information of the subsidiaries.

	06/30/24				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Regenera Medicina Avançada Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current					
Assets	511,445	389,334	1,096	32,611	23,579
Liabilities	(204,359)	(125,821)	(29)	(12,208)	(18,000)
Current assets, net	307,086	263,513	1,067	20,403	5,579
Non-current					
Assets	455,318	24,993	44	2,131	3,460
Liabilities	(328,113)	(8,361)	(1,040)		(1,397)
Non-current assets (liabilities), net	127,205	16,632	(996)	2,131	2,063
Equity	**434,291**	**280,145**	**71**	**22,534**	**7,642**

In thousands of Brazilian reais unless otherwise stated

	12/31/23				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Regenera Medicina Avançada Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current					
Assets	471,902	383,096	1,620	29,423	20,072
Liabilities	(173,122)	(117,056)	(217)	(6,602)	(16,817)
Current assets, net	298,780	266,040	1,403	22,821	3,255
Non-current					
Assets	454,047	12,139	305	2,506	3,440
Liabilities	(347,850)	(2,278)	(1,040)	(260)	(1,301)
Non-current assets (liabilities), net	106,197	9,861	(735)	2,246	2,139
Equity	**404,977**	**275,901**	**668**	**25,067**	**5,394**

d) Reconciliation of the financial statements on investments

	Subsidiaries					
	Ouro Fino Saúde Animal Ltda.		Ouro Fino Agronegócio Ltda.		Total	
	06/30/24	06/30/23	06/30/24	06/30/23	06/30/24	06/30/23
Equity as of January 1	404,978	416,611	275,901	330,169	680,879	746,780
Net income (loss) for the period	27,732	(9,061)	15,653	(53,613)	43,385	(62,674)
Long-term incentive	(356)	226	(109)	81	(465)	307
Dividends paid			(11,300)		(11,300)	
Exchange variation on foreign investment	1,937	1,772			1,937	1,772
Equity as of June 30	**434,291**	**409,548**	**280,145**	**276,637**	**714,436**	**686,185**
Percentage equity interest - %	99.99%	99.99%	100.00%	99.99%		
Share of investments	434,291	409,548	280,145	276,637	714,436	686,185
Unrealized profit on inventories	(25,559)	(30,416)			(25,559)	(30,416)
Carrying amount of the investment in Parent Company	**408,732**	**379,132**	**280,145**	**276,637**	**688,877**	**655,769**

e) Business combination

On February 25, 2022, through its subsidiary Ouro Fino Saúde Animal Ltda. ("OF Saúde Animal"), completed the acquisition of 100% of the share capital of Regenera Medicina Veterinária Ltda., a biotechnology company, founded in Campinas, SP, in 2012.

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.

In thousands of Brazilian reais unless otherwise stated

Below is a breakdown of the valuation of the fair values of the net assets acquired and liabilities assumed that were identified at the time:

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**

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.

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 and the valuation 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, at the end of the year ended December 31, 2023, it was necessary to recognize in the statement of profit or loss 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 the 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 the acquired company:

Assets	Equity position before impairment test	Impairment test (*)	Equity position after impairment test
Current			
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 period.

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 for the year ended December 31, 2023, and 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 fiscal year 2023, 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.

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

12. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

Change:	As of January 1st, 2024	Additions	Foreign exchange variation	Transfers	Write-Offs	Depreciation	Balance as of June 30, 2024
Right of Use - Leases (i)	4,627	11,231			(369)	(2,582)	12,907
Land	24,985						24,985
Buildings and improvements	177,023		2			(2,627)	174,398
Machinery, equipment and industrial facilities	107,551	1,292	4	4,896	(267)	(5,408)	108,068
Vehicles and tractors	4,646	133	194		(130)	(871)	3,972
Furniture and fixtures	4,401	349	7		(6)	(386)	4,365
IT equipment	6,809	246	23		(39)	(1,598)	5,441
Construction in progress	1,883	3,980		(4,896)			967
Others	1,221	17				(79)	1,159
	333,146	**17,248**	**230**	**-**	**(811)**	**(13,551)**	**336,262**

(i) The right-of-use balance refers to lease contracts, mainly fleets and forklifts.

Change:	As of January 1st, 2023	Additions	Transfers	Foreign exchange variation	Write-Offs	Depreciation	Balance as of June 30, 2023
Right of Use - Leases	5,383	2,229				(1,441)	6,171
Land	24,985						24,985
Buildings and improvements	168,070	4	307	2	(9)	(2,441)	165,933
Machinery, equipment and industrial facilities	99,360	3,798	1,444	4	11	(4,916)	99,701
Vehicles and tractors	16,841	2,509		280	(353)	(2,345)	16,932
Furniture and fixtures	3,707	237		7	(4)	(328)	3,619
IT equipment	7,265	1,693	38	20	(13)	(1,645)	7,358
Construction in progress	15,486	3,345	(1,656)				17,175
Others	1,261	25	(133)	(22)		(73)	1,058
	342,358	**13,840**	**-**	**291**	**(368)**	**(13,189)**	**342,932**

Balance breakdown:	06/30/24			12/31/23			Average annual depreciation rates
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net	
Right of Use - Leases	20,847	(7,940)	12,907	10,609	(5,982)	4,627	31.10%
Land	24,985		24,985	24,985		24,985	
Buildings and improvements	218,975	(44,577)	174,398	218,973	(41,950)	177,023	2.43%
Machinery, equipment and industrial facilities	202,872	(94,804)	108,068	196,979	(89,428)	107,551	6.27%
Vehicles, tractors and aircraft	8,707	(4,735)	3,972	8,636	(3,990)	4,646	19.73%
Furniture and fixtures	12,450	(8,085)	4,365	12,101	(7,700)	4,401	9.44%
IT equipment	22,775	(17,334)	5,441	22,905	(16,096)	6,809	20.50%
Construction in progress	967		967	1,883		1,883	
Others	3,785	(2,626)	1,159	3,769	(2,548)	1,221	8.44%
	516,363	**(180,101)**	**336,262**	**500,840**	**(167,694)**	**333,146**	

In the period ended June 30, 2024, loan costs were capitalized in the amount of R$ 230 (June 30, 2023 - R$ 410) referring to construction in progress balances, at an average annual rate of 6.61% (June 30, 2023 - 7.35%).

Land, buildings, and machinery and equipment amounting to R$ 73,204 (R$ 73,962 as of December 31, 2023) were pledged as collateral for loans and financing (Note 15).

During the three- and six-month period ended June 30, 2024, no element was identified that its assets may be recorded at a value exceeding their recoverable amount.

In thousands of Brazilian reais unless otherwise stated

13. INTANGIBLE (CONSOLIDATED)

Change:	As of January 1st, 2024	Additions	Foreign exchange variation	Amortization	Balance as of June 30, 2024
Goodwill on company acquisition	618				618
Trademarks and licenses purchased	5				5
Development and registration of products	79,358	12,173	75	(3,141)	88,465
Computer software	12,680	187	4	(1,775)	11,096
	92,661	**12,360**	**79**	**(4,916)**	**100,184**

Change:	As of January 1st, 2023	Additions	Foreign exchange variation	Reversal of impairment provision	Write-Offs	Amortization	Balance as of June 30, 2023
Goodwill on company acquisition	18,712						18,712
Trademarks and licenses purchased	5						5
Development and registration of products	75,492	3,337	77	27,191	(27,205)	(3,051)	75,841
Computer software	11,867	3,019	8			(1,357)	13,537
	106,076	**6,356**	**85**	**27,191**	**(27,205)**	**(4,408)**	**108,095**

Balance breakdown:	06/30/24			
	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on company acquisition	618			618
Trademarks and licenses purchased	2,205		(2,200)	5
Product development and registration	154,899	(8,914)	(57,520)	88,465
Computer software	52,096		(41,000)	11,096
Others	1,333		(1,333)	
	211,151	**(8,914)**	**(102,053)**	**100,184**

Balance breakdown:	12/31/23			
	Cost	Provision for impairment	Accumulated amortization	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**

Product development and registration refers to expenses incurred in new veterinary drugs and its amortization is recognized under “Selling costs” (Note 19).

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

In thousands of Brazilian reais unless otherwise stated

14. TRADE ACCOUNTS PAYABLE (CONSOLIDATED)

	06/30/24	12/31/23
In local currency	58,785	53,251
In foreign currency	45,732	21,307
	104,517	**74,558**

15. LOANS AND FINANCING (CONSOLIDATED)

	Financial charges incurred	Final maturity	06/30/24	12/31/23
In local currency				
FINEP	Weighted average rate of 6.61% p.a. (December 31, 2023 - 6.49% p.a.)	2032	304,197	319,223
NCE (Export Credit Note)	Average rate of 12.68% p.a. (December 31, 2023 - 13.93% p.a.)	2024	28,487	27,986
Working capital	Average rate of 12.58% p.a. (December 31, 2023 - 13.67% p.a.)	2024	13,397	14,914
BNDES - FINEM	Weighted average rate of 10.55% p.a. (December 31, 2023 - 11.63% p.a.)	2032	50,127	55,905
Working capital (i)	Average rate of 14.24% p.a. (December 31, 2023 - 20.15% p.a.)	2024	12,695	11,836
Working capital (i)	Average rate of 14.75% p.a. (December 31, 2023 - 15.00% p.a.)	2025	935	1,404
Drawee risk	Average rate of 13.95% p.a. (December 31, 2023 - 20.85% p.a.)		954	706
			410,792	**431,974**
Current			96,511	98,852
Non-current			314,281	333,122
			410,792	**431,974**

(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$ 319,882; (ii) security interest constituted by its industrial plant located in the municipality of Cravinhos-SP; and (iii) guarantee from the parent company Ourofino S.A. (previously called 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.

In thousands of Brazilian reais unless otherwise stated

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. As of June 30, 2024 and December 31, 2023, the Group has complied with these ratios.

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

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

	06/30/24	12/31/23
From 1 to 2 years	35,510	37,959
From 2 to 3 years	38,248	33,668
From 3 to 4 years	42,748	42,668
From 4 to 5 years	42,748	42,668
Over five years	155,027	176,159
	313,559	**333,122**

16. PROVISION FOR LEGAL PROCEEDINGS

16.1 Probable losses

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:

	06/30/24	12/31/23
Tax	4,351	1,494
Labor	1,616	2,194
Civil	1,422	1,334
	7,389	**5,022**

The net change in the provision for legal proceedings for the period is as follows:

	06/30/24	06/30/23
Opening balance	5,022	5,675
Additions, net	3,192	859
Final write-offs	(918)	(967)
Foreign exchange variation	93	80
	7,389	**5,647**

In thousands of Brazilian reais unless otherwise stated

16.2 Possible losses

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 assessment 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 interim 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 interim financial statements.

In this context, the Group’s Executive Board assessed the matter, together with its legal advisor, and concluded that STF’s decision produces no impact in the set of the interim individual and consolidated financial statements ended June 30, 2024.

Possible contingencies are as follows:

	06/30/24			12/31/23		
	Administrative	Judicial	Total	Administrative	Judicial	Total
Tax	66,845	15,137	81,982	70,809	13,173	83,982
Labor		2,418	2,418		4,344	4,344
Civil	2	3,369	3,371	1	2,639	2,640
	66,847	**20,924**	**87,771**	**70,810**	**20,156**	**90,966**

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$ 63,205 (December 31, 2023 - R$ 61,008), 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$ 8,151 (December 31, 2023 - R$ 7,864). Furthermore, the Group is involved in other tax proceedings totaling the amount of R$ 10,626 (December 31, 2023 - R$ 15,110).

17. EQUITY

a) Share capital

As of June 30, 2024, the share capital comprises 53,949,006 common shares (53,949.006 common shares as of December 31, 2023) all fully subscribed and paid-up and with no par value.

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$ 141,722, 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 Annual and Extraordinary Shareholders' Meeting held on April 29, 2024, the Company's shareholders approved the allocation of retained earnings recorded on December 31, 2023, in the amount of R$ 39,984, comprising: (i) payment of dividends in the net amount of R$ 31,000, of which R$ 14,862 was paid as interest on equity, on which income tax was withheld in the amount of R$ 1,975, resulting in a net amount of R$ 12,887 and R$ 18,113 paid as dividends and (ii) the remaining balance in the amount of R$ 8,984 will be allocated to the profit retention reserve based on the capital budget proposal of December 31, 2023.

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.

In thousands of Brazilian reais unless otherwise stated

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

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

For the six-month period ended June 30, 2024, the Group's Executive Board recognized the expense, including INSS and FGTS charges, of the ILP Plan in the amount of R$ 295 (R$ 539 as of June 30, 2023).

18. NET SALES REVENUE (CONSOLIDATED)

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

	2024		2023	
	Quarter	6 months	Quarter	6 months
In Brazil				
Gross sales and services	213,447	393,486	221,869	381,020
Taxes and deductions on sales	(23,757)	(44,371)	(22,548)	(41,145)
	189,690	349,115	199,321	339,875
Abroad				
Gross sales	27,860	47,022	33,106	60,009
Taxes and deductions on sales	(336)	(533)	(584)	(869)
	27,524	46,489	32,522	59,140
	217,214	**395,604**	**231,843**	**399,015**

19. COSTS AND EXPENSES BY NATURE

	Parent company			
	2024		2023	
	Quarter	6 months	Quarter	6 months
General and administrative expenses				
Personnel expenses	1,984	4,046	1,648	4,168
Outsourced services	325	502	206	371
Travel expenses	406	504	3	8
Depreciation and amortization	16	32		
Other	2	(16)	33	118
	2,733	**5,068**	**1,890**	**4,665**

In thousands of Brazilian reais unless otherwise stated

	Consolidated			
	2024		2023	
	Quarter	6 months	Quarter	6 months
Cost of sales (i)				
Variable costs (materiais and supplies)	59,299	112,228	65,560	114,579
Personnel expenses	20,660	40,450	27,542	47,820
Outsourced services	8,273	16,467	11,366	19,168
Depreciation and amortization	5,504	11,558	5,742	11,236
Electricity	4,493	9,083	5,833	9,870
Provision for inventory losses	11,575	10,115	3,246	4,983
Others	2,801	5,500	4,776	8,523
	112,605	**205,401**	**124,065**	**216,179**
Selling expenses				
Personnel expenses	22,107	43,443	19,470	42,167
Sales team expenses	17,302	28,522	14,653	25,944
Freight expenses	8,592	15,397	10,021	16,805
Outsourced services	4,184	8,959	6,776	12,355
Depreciation and amortization	1,757	3,478	1,729	3,242
Telecommunication and energy	183	351	159	267
Others	(380)	(238)	1,672	3,285
	53,745	**99,912**	**54,480**	**104,065**
Expenses on research and innovation				
Personnel expenses	4,014	7,786	5,772	12,747
Outsourced services	7,432	11,624	5,409	10,781
Depreciation and amortization	728	1,487	766	1,492
Telecommunication and energy	44	107	138	281
Others	(1,056)	1,061	1,522	4,120
	11,162	**22,065**	**13,607**	**29,421**
General and administrative expenses				
Personnel expenses	8,694	17,313	9,237	20,114
Outsourced services	2,730	5,305	2,912	4,800
Depreciation and amortization	958	1,944	891	1,627
Travel expenses	688	1,062	255	547
Telecommunication and energy	80	233	258	518
Expenses with vehicles	5	32	20	79
Donations and sponsorships	13	27	37	53
Others	701	1,177	763	1,754
	13,869	**27,093**	**14,373**	**29,492**
	191,381	**354,471**	**206,525**	**379,157**

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

In thousands of Brazilian reais unless otherwise stated

20. OTHER REVENUES (EXPENSES), NET

	Parent company			
	2024		2023	
	Quarter	6 months	Quarter	6 months
Gains on sales of scrap, rentals and other	28	62	37	71
Federal, state, municipal taxes and fees	(3)	(6)	(3)	(7)
Other losses	(37)	(73)	(78)	(78)
	(12)	**(17)**	**(44)**	**(14)**

	Consolidated			
	2024		2023	
	Quarter	6 months	Quarter	6 months
Federal, state, municipal taxes and fees (i)	3,235	9,161	(329)	(598)
Gain (loss) on disposal of intangible assets	264	375	-	(14)
Gain on disposal and write-off of PP&E	122	132	731	938
Gains on sales of scrap, rentals and other	(92)	313	(535)	(461)
Other losses (ii)	(3,102)	(4,004)	167	134
	427	**5,977**	**34**	**(1)**

(i) Refers substantially to extemporaneous PIS and COFINS credits, in the amount of R$ 6,186 (Note 9) and ICMS, in the amount of R$ 2,378.

(ii) Refers to the recognition of the provision for legal proceedings related to ICMS, which discusses the exemption from ICMS on the import of technical products, in the amount of R$ 2,900.

21. FINANCIAL RESULT

	Parent company			
	2024		2023	
	Quarter	6 months	Quarter	6 months
Financial revenues:				
Revenue from financial investments	321	469	361	710
Inflation adjustment		9		12
Other		2		
	321	480	361	722
Financial expenses:				
Interest paid	(9)	(9)		
Financial charges	(1)	(1)		
Other	(26)	(61)	(33)	(68)
	(36)	(71)	(33)	(68)
Financial result	**285**	**409**	**328**	**654**

In thousands of Brazilian reais unless otherwise stated

	Consolidated			
	2024		2023	
	Quarter	6 months	Quarter	6 months
Financial revenues:				
Revenue from financial investments	7,683	15,489	6,827	12,334
Interest received	392	726	327	615
Inflation adjustment	16	43		220
Other	17	27	104	8
	8,108	16,285	7,258	13,177
Financial expenses:				
Interest paid	(8,179)	(16,828)	(10,453)	(20,365)
Inflation adjustment (*)			(12,514)	(12,514)
Financial charges	(791)	(1,411)	(724)	(1,450)
Other	(125)	(296)	(190)	(397)
	(9,095)	(18,535)	(23,881)	(34,726)
Derivative financial instruments, net:				
Gains on derivatives (foreign exchange variation)	97	(327)	957	1,717
Losses on derivatives (interest)	(1)	(1)	(437)	(100)
	96	(328)	520	1,617
Foreign exchange variation, net	(386)	65	148	(49)
Finance Result	**(1,277)**	**(2,513)**	**(15,955)**	**(19,981)**

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

22. INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

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

	Parent company			
	2024		2023	
	Quarter	6 months	Quarter	6 months
Income (loss) before income tax and social contribution	16,896	29,748	(70,399)	(73,802)
Statutory tax rates	34%	34%	34%	34%
	(5,744)	**(10,114)**	**23,936**	**25,093**
<u>Reconciliation for effective tax:</u>				
Permanent differences:				
Equity in the results of investees	6,581	11,704	(23,389)	(23,724)
Unrecognized deferred taxes	(832)	(1,589)	(547)	(1,369)
Other	(5)	(1)		
Income tax and social contribution	-	-	-	-

	Consolidated			
	2024		2023	
	Quarter	6 months	Quarter	6 months
Income (loss) before income tax and social contribution	24,983	44,597	9,397	(124)
Statutory tax rates	34%	34%	34%	34%
	(8,494)	**(15,163)**	**(3,195)**	**42**
Reconciliation for effective tax:				
Permanent differences:				
RD&I Benefit	1,423	2,995		
Calculation adjustments on subsidiary taxed under presumptive income regime	(70)	(210)	(112)	(273)
Investment Subsidies (i)			(74,252)	(69,745)
Calculation adjustments on subsidiaries abroad taxed at the rate in effect in their respective countries	(31)	(798)	(230)	(785)
Incentivized accelerated depreciation			(1,458)	(1,458)
Use of tax loss from previous periods		405		
Unrecognized deferred taxes	(832)	(1,589)	(547)	(1,369)
Other	(83)	(492)	(3)	(92)
Income tax and social contribution	**(8,087)**	**(14,852)**	**(79,797)**	**(73,680)**
Reconciliation with the statement of profit or loss				
Current	(17,060)	(23,023)	(80,287)	(80,295)
Deferred	8,973	8,171	490	6,615
	(8,087)	**(14,852)**	**(79,797)**	**(73,680)**

(i) Until March 31, 2023, the Group's Executive Board 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 April 2023, the Group's Executive Board stopped using this tax incentive in its IRPJ and CSLL calculations and in the second half, it decided to pay the full amount and, therefore 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)).

23. 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.

	2024		2023	
	Quarter	6 months	Quarter	6 months
Profit (loss) for the period attributable to the Company's shareholders	16,896	29,748	(70,399)	(73,802)
Weighted average number of common shares outstanding in the period (in thousands of shares)	53,768	53,768	53,768	53,768
Basic and diluted earnings (losses) per share	**0.31424**	**0.55327**	**(1.30931)**	**(1.37260)**

24. EMPLOYEE BENEFITS

a) Private pension plan - defined contribution

The Group companies sponsor a defined contribution pension plan for their employees. The plan is managed by Brasilprev Seguros e Previdência S.A. Contributions from the companies to the plan in the period ended June 30, 2024 amounted to R$ 557 (R$ 679 as of June 30, 2023).

b) Short-term incentives

The Group offers a short-term incentive program ("ICP") to its employees, calculated based on quantitative and qualitative goals established by the Executive Board. For the period ended June 30, 2024, the impact of the short-term incentive was R$ 4,597 (R$ 628 as of June 30, 2023).

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").

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 period ended June 30, 2024, the plan was calculated based on EBITDA multiples and, therefore, the Group recognized expenses, including INSS charges, in the amount of R$ 3,780 (June 30, 2023 - R$ 4,433).

In thousands of Brazilian reais unless otherwise stated

25. RELATED-PARTY BALANCES AND TRANSACTIONS

a) Balances and main transactions

	Parent company		Consolidated	
	06/30/2024	12/31/2023	06/30/2024	12/31/2023
Current assets:				
Interest on equity receivable				
Ouro Fino Agronegócio Ltda.		7,700		
Advance of interest on equity				
Shareholders		14,807		14,807
Other assets (i)				
Ouro Fino Saúde Animal Ltda.				
Condomínio Rural Ouro Fino			130	136
Ouro Fino Química Ltda.	183	83	183	177
	183	**22,590**	**313**	**15,120**
Current liabilities				
Other liabilities (i)				
Ouro Fino Saúde Animal Ltda.	51	51		
Ouro Fino Agronegócio Ltda.				
Condomínio Rural Ouro Fino			98	
Neotech Soluções Ambientais Ltda.			60	91
Ouro Fino Química Ltda.		1	176	247
	51	**52**	**334**	**338**

(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.

	Parent company		Consolidated	
	06/30/24	06/30/23	06/30/24	06/30/23
Main transactions:				
Product sales revenue				
Condomínio Rural Ouro Fino			46	119
Shared Services Center (CSC) reimbursement (i)				
Ouro Fino Saúde Animal Ltda.	(90)	(80)		
Ouro Fino Agronegócio Ltda.	(1)			
Ouro Fino Química Ltda.				888
Royalties				
Condomínio Rural Ouro Fino			3	3
Ouro Fino Química Ltda.	100	100	100	100
Expenses on rentals and condominia				
Condomínio Rural Ouro Fino			(1,462)	(1,463)
Other expenses, net				
Ouro Fino Saúde Animal Ltda.	(106)	(139)		
Ouro Fino Química Ltda.			(550)	(255)
Incineration services				
Neotech Soluções Ambientais Ltda.			(395)	(281)
	(97)	**(119)**	**(2,258)**	**(889)**

In thousands of Brazilian reais unless otherwise stated

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:

	06/30/24	06/30/23
Share-based payments	1,705	2,015
Wages and salaries	1,793	1,974
Labor charges	438	764
Variable compensation	359	202
Direct and indirect benefits	88	88
	4,383	**5,043**

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.

26. 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	2024
Property, plant and equipment and	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

In thousands of Brazilian reais unless otherwise stated

27. OTHER DISCLOSURES ON CASH FLOWS

	Loans and financing	Derivative financial instruments, net	Cash and cash equivalents	Net debt
Balance as of January 1st, 2024	**431,974**		**(304,029)**	**127,945**
Raising of funds	11,875			11,875
Repayment of principal	(34,837)			(34,837)
Payment of interest	(14,848)			(14,848)
Reverse factoring	248			248
Increase (decrease) in cash and cash equivalents and financial investments			(38,533)	(38,533)
Non-cash changes	(37,562)		(38,533)	(76,095)
Foreign exchange variations and interest	16,380		(684)	15,696
Non-cash changes	16,380		(684)	15,696
Balance as of June 30, 2024	**410,792**		**(343,246)**	**67,546**
Balance as of January 1st, 2023	**412,369**		**(165,036)**	**247,333**
Funding	4,681			4,681
Repayment of principal	(17,597)			(17,597)
Payment of interest	(16,344)			(16,344)
Drawee risk	(393)			(393)
Increase (decrease) in cash and cash equivalents			(97,098)	(97,098)
Non-cash changes	(29,653)		(97,098)	(126,751)
Foreign exchange variations and interest	20,846	273	12	21,131
Non-cash changes	20,846	273	12	21,131
Balance as of June 30, 2023	**403,562**	**273**	**(262,122)**	**141,713**

28. FINANCIAL RISK MANAGEMENT

28.1 Financial instruments by category

	Parent company		Consolidated			
	06/30/24	12/31/23	06/30/24		12/31/23	
	Amortized cost	Amortized cost	Assets measured at fair value through profit or loss	Amortized cost	Assets measured at fair value through profit or loss	Amortized cost
Assets as per balance sheet						
Cash and cash equivalents	3,308	6,447		343,246		304,029
Derivative financial instruments			136		546	
Trade receivables				198,093		263,035
Related parties	183	22,590		313		15,120
Other assets, except prepaid expenses	251	250		6,077		5,479
	3,742	**29,287**	**136**	**547,729**	**546**	**587,663**

In thousands of Brazilian reais unless otherwise stated

	Parent company		Consolidado		
	06/30/24	12/31/23	06/30/24	12/31/23	
	Amortized cost	Amortized cost	Amortized cost	Liabilities measured at fair value through profit or loss	Amortized cost
Liabilities as per balance sheet					
Trade account payables	153	43	104,517		74,558
Derivative financial instruments				181	
Loans and financing			410,792		431,974
Related parties	51	52	334		247
Commissions on sales			3,859		5,335
Leases		25	5,355		2,553
Other liabilities	5,898	4,304	22,444		28,707
	6,102	**4,424**	**547,301**	**181**	**543,374**

28.2 Financial risk factors

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

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

a) Market risks

(i) Foreign exchange risk

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

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

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

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

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

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

In thousands of Brazilian reais unless otherwise stated

	06/30/24	12/31/23
Assets in foreign currency		
Cash and cash equivalents (Note 6)	3,492	9,420
Trade accounts receivable (Note 7)	15,052	18,736
	18,544	28,156
Liabilities in foreign currency		
Trade accounts payable (Note 14)	(45,216)	(20,982)
	(45,216)	(20,982)
Net exposure - assets (liabilities)	**(26,672)**	**7,174**

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

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

Assets/liabilities	Risk	Balance as of 06/30/24	Impact: Likely scenario (*) (US$ 1 = R$ 4.95)	Impact: Scenario 2 (US$ variation - 25%)	Impact: Scenario 3 (US$ variation - 50%)
Cash and cash equivalents	US$ depreciation	3,492	(382)	(777)	(1,555)
Trade accounts receivable	US$ depreciation	15,052	(1,647)	(3,351)	(6,702)
Trade accounts payable	US$ appreciation	(45,216)	4,948	(10,067)	(20,134)
		(26,672)	**2,919**	**(14,196)**	**(28,391)**

Assets/liabilities	Risk	Balance as of 12/31/23	Impact: Likely scenario (*) (US$ 1 = R$ 4.93)	Impact: Scenario 2 (US$ variation - 25%)	Impact: Scenario 3 (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)
		7,174	**132**	**(12,511)**	**(25,022)**

(*) The expected rate for the US Dollar is US$1=4.95 (December 31, 2023 – US$1=4.93)
(Source: https://www3.bcb.gov.br/expectativas2/#/consultaSeriesEstatisticas)

(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, 100% of the Group's financing transactions are carried out at floating interest rates (December 31, 2023 - 99.7% at floating rates and

In thousands of Brazilian reais unless otherwise stated

0.3% at fixed rates). The 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 contracts, as necessary, an interest rate hedge transaction, whereby 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 opts for first-class financial institutions, and therefore, current account balances and financial investments in the amount of R$ 343,157 (December 31, 2023 – R$ 303,944) are maintained in financial institutions considered "tier-1", with the majority of banks classified as (BB) by Standard & Poor's.

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'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).

The balances of trade accounts receivable are classified as shown in the table below.

	Consolidated	
	06/30/24	12/31/23
AA	68,169	97,122
A	75,261	108,638
B	18,646	20,091
C	18,403	18,686
D	18,791	19,709
E	1,236	1,234
	200,506	**265,480**

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.

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

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.

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.

	Consolidated			
	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years old
As of June 30, 2024:				
Trade accounts payable	104,517			
Loans and financing (i)	109,406	54,110	168,341	178,373
Related parties	334			
Leases	5,355	9,817		
Other liabilities (ii)	67,238	5,172	13,972	
	286,850	**69,099**	**182,313**	**178,373**
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			
Leases	2,553	2,968		
Other liabilities (ii)	57,681	4,144	14,449	768
	260,969	**63,294**	**176,846**	**200,819**

(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.

In thousands of Brazilian reais unless otherwise stated

28.3 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.

As of June 30, 2024 and December 31, 2023, gearing ratios were as follows:

		Consolidated	
	Note	06/30/24	12/31/23
Loans and financing	15	410,792	431,974
Derivative financial instruments		-	181
Cash and cash equivalents	6	(343,246)	(304,029)
Net debt		**67,546**	**128,126**
Equity	17	689,484	689,395
Total capital		**757,030**	**817,521**
Leverage ratio %		**8.92**	**15.67**

29. SUBSEQUENT EVENTS

At the Extraordinary General Meeting held on July 17, 2024, the Company's shareholders approved, among the relevant topics, the change of the corporate name from "Ouro Fino Saúde Animal Participações S.A." to "Ourofino S.A." together with the complementation of the existing activities in the Company's corporate purpose, the "Protocol and Justification of the Merger" of the subsidiary Ouro Fino Agronegócio Ltda. by the Company, subject to the fulfillment of certain conditions precedent and the Accounting Appraisal Report of the subsidiary Ouro Fino Agronegócio Ltda..