Ouro Fino Saúde Animal Participações S.A. and Subsidiaries

Individual and Consolidated Interim Financial Information for the Quarter ended March 31, 2023 and Report on Review of Interim Financial Information

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ourofino
saúde animal

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

REPORT ON THE REVIEW OF INDIVIDUAL AND
CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial statements of Ouro Fino Saúde Animal Participações S.A. (the "Company"), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form (ITR) for the quarter ended March 31, 2023, which comprises the individual and consolidated balance sheet as of March 31, 2023 and the related individual and consolidated statements of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for the three-month period then ended, including the explanatory notes.

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

Scope of review

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

Conclusion on the individual and consolidated interim financial statements

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

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Other matters

Statements of value added

The interim financial statements referred to above include the individual and consolidated statements of value added (DVA) for the three-month period ended March 31, 2023, prepared under the responsibility of the Company's Executive Board and disclosed as supplemental information for purposes of the international standard IAS 34. These statements have been subject to review procedures performed together with the ITR to reach a conclusion on whether they were reconciled with the individual and consolidated interim financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not appropriately prepared, in all material respects, in relation to the criteria defined in this standard and consistently with the individual and consolidated interim financial statements taken as a whole.

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

Campinas, May 9, 2023

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

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Engagement Partner

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Ouro Fino Saúde Animal Participações S.A.

Balance Sheet as of March 31 2023 and December 31, 2022

In thousands of Brazilian reais

Assets	Note	Parent company 2023	Parent company 2022	Consolidated 2023	Consolidated 2022
Current assets					
Cash and cash equivalents	8	8,992	12,440	234,581	165,036
Derivative financial instruments				959	
Trade accounts receivable	9			184,424	301,008
Inventories	10			338,640	324,971
Taxes recoverable	11	1,465	2,621	28,432	31,368
Income tax and social contribution recoverable				12,413	11,438
Related parties	26	13,733	13,683	519	414
Other assets		24		9,651	8,669
Total current assets		**24,214**	**28,744**	**809,619**	**842,904**
Non-current					
Taxes recoverable	11			10,121	18,983
Deferred income tax and social contribution	12			40,210	34,069
Inventories	10			137	276
Other assets		250	250	1,865	1,839
		250	**250**	**52,333**	**55,167**
Investments in subsidiaries	5	724,083	723,467		
Property, plant and equipment	13			344,049	342,358
Intangible assets	14			106,785	106,076
Total non-current assets		**724,333**	**723,717**	**503,167**	**503,601**
Total assets		**748,547**	**752,461**	**1,312,786**	**1,346,505**

Liabilities and Equity	Note	Parent company 2023	Parent company 2022	Consolidated 2023	Consolidated 2022
Current					
Trade account payables	15	210	90	65,691	85,566
Derivative financial instruments					64
Loans and financing	16			97,551	88,229
Salaries and payroll charges		676	1,624	35,669	47,875
Taxes payable		539	2,533	5,119	7,993
Income tax and social contribution payable					
Dividends and interest on equity	26	10,576	10,576	10,576	10,576
Related parties	26	50	59	146	414
Commissions on sales				6,274	6,614
Other liabilities		39	35	14,705	12,094
Total current liabilities		**12,090**	**14,917**	**235,731**	**259,425**
Non-current					
Loans and financing	16			314,064	324,140
Provision for contingencies	17			5,878	5,675
Obligations on investment acquisition	5			8,153	8,153
Other liabilities		2,224	1,594	14,708	13,143
Total non-current liabilities		2,224	1,594	342,803	351,111
Total liabilities		**14,314**	**16,511**	**578,534**	**610,536**
Equity	18				
Share capital		458,102	458,102	458,102	458,102
Treasury shares		(5,125)	(5,125)	(5,125)	(5,125)
Options granted		7,340	7,083	7,340	7,083
Profit reserve		261,404	261,404	261,404	261,404
Retained eanings		(3,403)		(3,403)	
Equity valuation adjustments		15,915	14,486	15,915	14,486
Total equity of the controlling shareholders		**734,233**	**735,950**	**734,233**	**735,950**
Non-controlling interest				19	19
Total equity		**734,233**	**735,950**	**734,252**	**735,969**
Total liabilities and equity		**748,547**	**752,461**	**1,312,786**	**1,346,505**

Management's notes are an integral part of these interim individual and consolidated financial statements.

Ouro Fino Saúde Animal Participações S.A.

Statement of Profit or Loss

Quarters ended March 31 2023 and 2022

In thousands of Brazilian reais unless otherwise stated indicated

	Note	Parent company		Consolidated	
		2023	2022	2023	2022
Net sales revenue	19			167,172	202,315
Cost of sales	20			(92,114)	(104,522)
Gross profit				**75,058**	**97,793**
Selling Expenses	20			(49,585)	(48,072)
Expenses on research and innovation	20			(15,814)	(15,840)
General and administrative expenses	20	(2,775)	(1,731)	(15,119)	(13,115)
Equity in the results of investees	5	(984)	16,480		
Other income (expenses), net	21	30	44	(35)	2,854
Operating profit (loss)		**(3,729)**	**14,793**	**(5,495)**	**23,620**
Financial revenues		361	1,228	5,919	3,962
Financial expenses		(35)	(26)	(10,845)	(8,847)
Derivative financial instruments, net				1,097	
Foreign exchange variation, net				(197)	(1,791)
Finance Result	22	**326**	**1,202**	**(4,026)**	**(6,676)**
Income (loss) before income tax and social contribution		**(3,403)**	**15,995**	**(9,521)**	**16,944**
Income tax and social contribution	23				
Current				(8)	(27)
Deferred				6,125	(923)
Net income (loss) for the quarter		**(3,403)**	**15,995**	**(3,404)**	**15,994**
Attributable to:					
the Company's shareholders				(3,403)	15,995
Non-controlling interest				(1)	(1)
				(3,404)	**15,994**
Earnings (losses) per share attributable to the company's shareholders during the quarter (in Brazilian Reais)	24				
Basic earnings (losses) per share				(0.06329)	0.29748
Diluted earnings (losses) per share				(0.06329)	0.29748

Management's notes are an integral part of these interim individual and consolidated financial statements.

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

	Note	Parent company		Consolidated	
		2023	2022	2023	2022
Net income (loss) for the quarter		**(3,403)**	**15,995**	**(3,404)**	**15,994**
Other comprehensive income (loss)					
Items that will be reclassified to profit or loss					
Exchange variation on investment	5	1,429	(4,561)	1,430	(4,570)
Total comprehensive income for the quarter		**(1,974)**	**11,434**	**(1,974)**	**11,424**
Attributable to:					
the Company's shareholders				(1,974)	11,434
Non-controlling interest					(10)
				(1,974)	**11,424**

Management's notes are an integral part of these interim individual and consolidated financial statements.

Ouro Fino Saúde Animal Participações S.A.

Statement of Changes in Equity

In thousands of Brazilian reais

	Note	Attributable to the shareholders of the Parent Company								Non-controlling interest	Total equity líquido
					Profit reserves						
		Share capital	Treasury shares	Long-term incentives granted	Legal reserve	Profit retention reserve	Equity valuation adjustments	Retained eanings	Total		
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 quarter											
Loss for the quarter								(3,403)	(3,403)	(1)	(3,404)
Exchange variation on investment	5						1,429		1,429	1	1,430
Total comprehensive income							1,429	(3,403)	(1,974)		(1,974)
Contributions and distributions to shareholders:											
Long-term incentive granted	18 (d) and (e)			257					257		257
Total shareholder contributions				257					257		257
As of March 31, 2023		**458,102**	**(5,125)**	**7,340**	**29,724**	**231,680**	**15,915**	**(3,403)**	**734,233**	**19**	**734,252**
As of January 1, 2022		**458,102**	**(5,125)**	**6,008**	**23,191**	**141,721**	**17,548**		**641,445**	**27**	**641,472**
Comprehensive income for the quarter											
Net income for the quarter								15,995	15,995	(1)	15,994
Exchange variation on investment	5						(4,561)		(4,561)	(6)	(4,567)
Total comprehensive income							(4,561)	15,995	11,434	(7)	11,427
Contributions and distributions to shareholders:											
Change in equity interest	5						3		3		3
Long-term incentive granted	18 (d) and (e)			244					244		244
Total shareholder contributions				244			3		247		247
As of March 31, 2022		**458,102**	**(5,125)**	**6,252**	**23,191**	**141,721**	**12,990**	**15,995**	**653,126**	**20**	**653,146**

Management's notes are an integral part of these interim individual and consolidated financial statements.

Ouro Fino Saúde Animal Participações S.A.

Statement of Cash Flows

Quarters ended March 31 2023 and 2022

In thousands of Brazilian reais unless otherwise stated indicated

	Note	Parent company 2023	Parent company 2022	Consolidated 2023	Consolidated 2022
Cash flows from operating activities					
Profit (loss) before income tax and social contribution		**(3,403)**	**15,995**	**(9,521)**	**16,944**
Adjustments for:					
Expected credit gains (losses)	9 and 17			2	(10)
Provision for inventory losses and write-offs				3,106	752
Provision for customer bonuses	17			(178)	(236)
Equity in the results of investees	5	984	(16,480)		
Depreciation and amortization	13 and 14			8,469	7,523
Gain (loss) on disposal of property, plant and equipment	21			(207)	(591)
Gain (loss) on disposal of intangible assets	22			14	
Interest and monetary/foreign exchange variations, net				10,272	6,882
Derivative financial instruments				(1,097)	
Provision (reversal) for contingencies	17			183	(867)
Long-term incentives	18 (e) and 25 (c)	714	103	3,020	307
Fair value adjustment				401	207
Changes in working capital:					
Trade accounts receivable				116,341	43,636
Inventories				(15,521)	(44,651)
Taxes recoverable		1,156	2,145	11,663	2,530
Other assets		(75)	(84)	(1,045)	525
Trade accounts payable		111	(20)	(20,073)	4,345
Taxes payable		(1,994)	(3,224)	(1,703)	(9,439)
Other liabilities		(941)	(705)	(12,997)	(10,873)
Cash provided by (used in) operations		**(3,448)**	**(2,270)**	**91,129**	**16,984**
Interest paid				(7,815)	(6,572)
Income tax and social contribution paid				(1,752)	(4,944)
Net cash from (used in) operating activities		**(3,448)**	**(2,270)**	**81,562**	**5,468**
Cash flows from investing activities:					
Advances for future capital increase in subsidiaries			(40,000)		
Companies' acquisition, net of acquired cash	5 (f)				(14,241)
Investment in intangible assets	14			(2,618)	(2,863)
Purchase of property, plant and equipment	13			(5,861)	(15,157)
Distribution of dividends and interest on equity (i)			15,000		
Proceeds from sale of property, plant and equipment				241	1,108
Net cash from (used in) investing activities			**(25,000)**	**(8,238)**	**(31,153)**
Cash flows from financing activities:					
New loans and financing	28			4,681	20,000
Repayments of loan and financing	28			(8,029)	(8,053)
Lease payments				(725)	(390)
Realized derivative financial instruments	29			74	
Net cash used in financing activities				**(3,999)**	**11,557**
Increase (decrease) in cash and cash equivalents, net		**(3,448)**	**(27,270)**	**69,325**	**(14,128)**
Cash and cash equivalents at the beginning of the quarter		12,440	51,274	165,036	161,254
Foreign exchange gains on cash and cash equivalents				220	247
Cash and cash equivalents at the end of the quarter	8	**8,992**	**24,004**	**234,581**	**147,373**

(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 28.

Management's notes are an integral part of these interim individual and consolidated financial statements.

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

	Note	Parent company		Consolidated	
		2023	2022	2023	2022
Revenues:					
Gross revenues from sales and services				184,119	224,110
Other revenues, net				446	2,689
Income from construction of own assets				2,435	1,713
Expected credit gains	9 and 17			(2)	10
				186,998	**228,522**
Inputs acquired from third parties:					
Cost of sales and services				(63,121)	(79,423)
Materials, electricity, third-party services and other		(256)	(147)	(52,859)	(34,876)
Losses on assets, net				(3,041)	(719)
Gross value added (distributed)		**(256)**	**(147)**	**67,977**	**113,504**
Depreciation and amortization	13 and 14			(8,469)	(7,523)
Net value added (distributed) produced by the entity		**(256)**	**(147)**	**59,508**	**105,981**
Value added received through transfer:					
Equity in the results of investees	5	(984)	16,480		
Financial revenues		361	1,292	8,858	6,356
Royalties		50	50	51	51
Other		2		192	677
Total value added distributed		**(827)**	**17,675**	**68,609**	**113,065**
Distribution of value added					
Personnel:					
Direct compensation		1,867	1,130	42,420	52,363
Benefits		53	52	7,674	10,587
FGTS		30	29	3,214	3,811
Taxes, charges and contributions:					
Federal		587	446	3,326	14,482
State		4	2	1,237	1,550
Municipal				129	104
Remuneration of third parties' capital:					
Interest, foreign exchange variation, losses on derivatives etc.		35	21	12,882	12,914
Rentals				1,126	1,258
Other				5	2
Equity remuneration					
Retained income (loss)		(3,403)	15,995	(3,403)	15,995
Non-controlling interest				(1)	(1)
Value added distributed		**(827)**	**17,675**	**68,609**	**113,065**

Management’s notes are an integral part of these interim individual and consolidated financial statements.

1. GENERAL INFORMATION

1.1. Operations

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

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

The issue of this individual and consolidated interim financial statements was authorized for disclosure by the Board of Directors on May 9, 2023.

(i) Merger of subsidiary

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

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

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

1.2. Impact of the Russia-Ukraine conflict on the preparation of interim individual and consolidated financial statements

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

1.3. Basis of preparation and statement of compliance

The interim individual and consolidated 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 information (ITR).

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

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

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

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. International Financial Reporting Standards (IFRS) do not require the presentation of this statement. Therefore, under IFRS, the presentation of such statement is considered supplementary information, without prejudice to the set of interim financial statements.

1.4. Consolidation

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

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

a) Fair value of derivative financial instruments

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

b) Expected credit losses

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

c) Deferred income tax and social contribution

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

d) Impairment of property, plant and equipment

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

e) Provision for contingencies

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

f) Fair value of the Share-based Compensation Plan

(i) Long-term Incentive Plan – “ILP”

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

(ii) Long-term Incentive Plan – “Phantom Units”

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

g) Impairment of intangible assets

(i) Product development and registration

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

- Assumptions of future revenue generation based on market size (current and estimated) and on the Group's expected market share.
- Estimates of direct and indirect manufacturing costs.
- Trading expenditures, such as marketing, commission, freight and storage expenses.

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

(ii) Goodwill on company acquisition

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

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

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

h) Provision for inventory losses

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

i) Taxes recoverable

Subsidiary Ouro Fino Saúde Animal Ltda. has accumulated ICMS credits on tax-exempt shipments in operations within the State of São Paulo, exports, and the 60% reduction in the ICMS tax base in interstate operations, with full/partial maintenance of credits on purchases, pursuant to ICMS Agreement 100/97.

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

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Group companies' activities expose them to financial risks, mainly related to foreign exchange variations, fluctuations in interest rates, credit and liquidity risks. The objective of risk management is to reduce potential unexpected variations in the results arising from the aforementioned risks. The Executive Board manages its financial risks as the basis for its growth strategy and satisfactory cash flows. The 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.

In thousands of Brazilian reais unless otherwise stated indicated

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 denominated in U.S. dollars:

	03/31/23	12/31/22
Assets in foreign currency		
Cash and cash equivalents (Note 8)	7,079	11,319
Trade accounts receivable (Note 9)	16,126	16,953
	23,205	28,272
Liabilities in foreign currency		
Trade accounts payable (Note 15)	(21,114)	(30,277)
	(21,114)	(30,277)
Net exposure - assets (liabilities)	**2,091**	**(2,005)**

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

In thousands of Brazilian reais unless otherwise stated indicated

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

			Impact		
Assets/liabilities	Risk	Balance as of 03/31/2023	Likely scenario (US$ 1 = R$ 5.20)	Scenario 2 (US$ variation - 25%)	Scenario 2 (US$ variation - 50%)
Cash and cash equivalents	US$ depreciation	7,079	167	(1,811)	(3,623)
Trade accounts receivable	US$ depreciation	16,126	380	(4,126)	(8,253)
Trade accounts payable	US$ appreciation	(21,114)	(497)	(5,403)	(10,806)

			Impact		
Assets/liabilities	Risk	Balance as of 12/31/2022	Likely scenariol (US$ 1 = R$ 5.32)	Scenario 2 (US$ variation - 25%)	Scenario 2 (US$ variation - 50%)
Cash and cash equivalents	US$ depreciation	11,319	226	(2,886)	(5,772)
Trade accounts receivable	US$ depreciation	16,953	338	(4,323)	(8,646)
Trade accounts payable	US$ appreciation	(30,277)	(604)	(7,720)	(15,441)

(ii) Interest rate risk

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

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

Currently, 96.0% of the Group's financing transactions (95.0% as of December 31, 2022) are carried out at floating interest rates, and 4.0% of transactions at fixed interest rates (5.0% as of December 31, 2022). The higher value of floating rate transactions may cause volatility in the average cost of transactions due to the hike, mainly, of TJLP, SELIC and its impact on CDI, and IPC-A, whereby the latter is secured by contracting an interest rate hedge transaction, where the result for the Company is a cost in % of CDI. The risk of fluctuations in the indexes of these transactions is partially mitigated by the volume of funds held in cash.

b) Credit risks

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

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

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

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

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

c) Liquidity risk

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

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

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

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

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

In thousands of Brazilian reais unless otherwise stated indicated

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
As of march 31, 2023				
Trade accounts payable	65,691			
Loans and financing (i)	124,118	109,532	149,876	154,787
Dividends and interest on equity	10,576			
Related parties	146			
Obligations on investment acquisition			5,000	3,153
Provision for contingencies		1,451	3,387	1,040
Other liabilities (ii)	61,767	4,072	738	9,898
	262,298	**115,055**	**159,001**	**168,878**
As of December 31, 2022:				
Trade accounts payable	85,566			
Loans and financing (i)	120,919	107,734	145,114	159,250
Derivative financial instruments, net	64			
Dividends and interest on equity	10,576			
Related parties	414			
Obligations on investment acquisition			5,000	3,153
Provision for contingencies		1,391	3,245	1,040
Other liabilities (ii)	74,576	3,556	2,206	7,381
	292,115	**112,681**	**155,565**	**170,824**

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

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

3.2. Capital Management

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

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

In thousands of Brazilian reais unless otherwise stated indicated

On March 31, 2023 and December 31, 2022, the gearing ratios were as follows:

	Note	Consolidated	
		03/31/23	12/31/22
Loans and financing	16	411,615	412,369
Derivative financial instruments		(337)	
Cash and cash equivalents	8	(234,581)	(165,036)
Net debt		**176,697**	**247,333**
Equity	18	734,252	735,969
Total capital		**910,949**	**983,302**
Leverage ratio %		**19.40**	**25.15**

3.3. Fair value estimate

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

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

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

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

4. SEGMENT REPORTING

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

- Production animals – sale, in the domestic market, of veterinary drugs, vaccines and other products for cattle, pigs, poultry, sheep, horses and goats.

In thousands of Brazilian reais unless otherwise stated indicated

- 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:

	03/31/23				
	Business segments				
	Production Animals	Companion animals	International operations	Unallocated costs	Total
Revenues	111,414	29,140	26,618		167,172
Cost of sales	(70,471)	(10,072)	(11,571)		(92,114)
Gross profit	40,943	19,068	15,047		75,058
Selling Expenses	(32,419)	(7,994)	(9,172)		(49,585)
Results by segment	**8,524**	**11,074**	**5,875**		**25,473**
Expenses on research and innovation				(15,814)	(15,814)
General and administrative expenses and other expenses				(15,154)	(15,154)
Financial results				(4,026)	(4,026)
Income tax and social contribution				6,117	6,117
Unallocated results				**(28,877)**	**(28,877)**
Loss for the quarter					**(3,404)**

	03/31/22				
	Business segments				
	Production Animals	Companion animals	International operations	Unallocated costs	Total
Revenues	140,555	33,351	28,409		202,315
Cost of sales	(82,680)	(10,539)	(11,303)		(104,522)
Gross profit	57,875	22,812	17,106		97,793
Selling Expenses	(31,826)	(7,300)	(8,946)		(48,072)
Results by segment	**26,049**	**15,512**	**8,160**		**49,721**
Expenses on research and innovation				(15,840)	(15,840)
General and administrative expenses and other expenses				(10,261)	(10,261)
Financial results				(6,676)	(6,676)
Income tax and social contribution				(950)	(950)
Unallocated results				**(33,727)**	**(33,727)**
Net income for the quarter					**15,994**

In thousands of Brazilian reais unless otherwise stated indicated

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

	03/31/23	03/31/22
Colombia	9,727	9,506
Mexico	7,270	8,426
Uruguay	4,975	5,834
Bolivia	3,275	501
Spain	553	2,099
Ecuador		1,062
Others	818	981
	26,618	28,409

5. INVESTMENTS (PARENT COMPANY)

a) Information on investments as of March 31, 2023 and December 31, 2022

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

In thousands of Brazilian reais unless otherwise stated indicated

b) Changes in investments

	Parent company	
	03/31/23	03/31/22
Opening balance	723,467	603,789
Equity in the results of investees	(984)	16,480
Long-term incentive	171	155
Dividends received (i)		(15,000)
Exchange variation on foreign investment	1,429	(4,561)
Change in relative equity interest in subsidiaries		3
Closing balance	**724,083**	**600,866**

(i) For the quarter ended March 31, 2022, the partners of subsidiary Ouro Fino Agronegócio Ltda. approved and paid dividends to the parent company Ouro Fino Saúde Animal Participações S.A. in the amounts of R$ 15,000.

c) Summarized financial information

The tables below present summarized financial information of the subsidiaries.

(i) Summarized balance sheet

	03/31/23				
	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	443,833	431,554	866	25,237	21,416
Liabilities	(176,688)	(115,996)	(199)	(4,845)	(18,562)
Current assets, net	267,145	315,558	667	20,392	2,854
Non-current					
Assets	475,323	33,067	25,575	3,138	3,553
Liabilities	(334,117)	(3,292)	(2,720)	(1,025)	(1,179)
Non-current assets, net	141,206	29,775	22,855	2,113	2,374
Equity	**408,351**	**345,333**	**23,522**	**22,505**	**5,228**

In thousands of Brazilian reais unless otherwise stated indicated

	12/31/22				
	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	478,726	422,272	1,150	27,523	20,058
Liabilities	(195,545)	(125,726)	(109)	(7,321)	(15,593)
Current assets, net	283,181	296,546	1,041	20,202	4,465
Non-current					
Assets	476,931	36,763	26,289	3,323	2,429
Liabilities	(343,501)	(3,140)	(2,720)	(1,328)	(1,158)
Non-current assets, net	133,430	33,623	23,569	1,995	1,271
Equity	**416,611**	**330,169**	**24,610**	**22,197**	**5,736**

(ii) Summarized statement of profit or loss

	03/31/23				
	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
Net sales revenue	119,171	142,244	251	7,270	9,727
Income (loss) before income tax and social contribution	(13,709)	16,127	(450)	(955)	(678)
Income tax and social contribution	3,885	(999)	(8)		
Net income (loss) for the quarter	**(9,824)**	**15,128**	**(458)**	**(955)**	**(678)**

	03/31/22				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Regenera Medicina Avançada Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	140,054	162,910	848	8,426	9,506
Income (loss) before income tax and social contribution	(6,261)	15,169	2,394	(771)	(16)
Income tax and social contribution	2,536	(391)	(27)	(272)	
Net income (loss) for the quarter	**(3,725)**	**14,778**	**2,367**	**(1,043)**	**(16)**

In thousands of Brazilian reais unless otherwise stated indicated

(iii) Statement of comprehensive income (loss)

	03/31/23	03/31/22
Ouro Fino Saúde Animal Ltda. (direct subsidiary)		
Loss for the quarter	(9,824)	(3,725)
Other comprehensive income	1,429	(4,558)
Total comprehensive income	**(8,395)**	**(8,283)**

(iv) Summarized statement of cash flows

	03/31/23				
	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
Cash flows from operating activities					
Cash from operating activities	2,645	94,834	(176)	95	(2,821)
Interest paid	(7,317)	(92)		(79)	(327)
Income tax and social contribution paid		(1,746)	(6)		
Net cash from (used in) operating activities	**(4,672)**	**92,996**	**(182)**	**16**	**(3,148)**
Net cash from (used in) investing activities	**(5,931)**	**(1,175)**		**45**	**(1,176)**
Net cash from (used in) financing activities	**(8,174)**	**(253)**		**(254)**	**4,681**
Increase (decrease) in cash and cash equivalents, net	**(18,777)**	**91,568**	**(182)**	**(193)**	**357**
Cash and cash equivalents at the beginning of the quarter	84,025	59,363	668	7,834	706
Foreign exchange gains on cash and cash equivalents	220				
Cash and cash equivalents at the end of the quarter	**65,468**	**150,931**	**486**	**7,641**	**1,063**

	03/31/22				
	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
Cash flows from operating activities					
Cash from operating activities	119	52,446	203	(22,386)	(11,128)
Interest paid	(6,438)	(27)			(107)
Income tax and social contribution paid		(4,941)	(3)		
Net cash from (used in) operating activities	**(6,319)**	**47,478**	**200**	**(22,386)**	**(11,235)**
Net cash from (used in) investing activities	**(63,480)**	**16,728**	**4**		**(55)**
Net cash from (used in) financing activities	**51,844**	**(15,109)**	**1,681**	**21,248**	**10,548**
Increase (decrease) in cash and cash equivalents, net	**(17,955)**	**49,097**	**1,885**	**(1,138)**	**(742)**
Cash and cash equivalents at the beginning of the quarter	68,644	18,798		2,732	1,801
Foreign exchange gains on cash and cash equivalents	247				
Cash and cash equivalents at the end of the quarter	**50,936**	**67,895**	**1,885**	**1,594**	**1,059**

In thousands of Brazilian reais unless otherwise stated indicated

d) Reconciliation of the financial information on investments

	Subsidiaries					
	Ouro Fino Saúde Animal Ltda.		Ouro Fino Agronegócio Ltda.		Total	
	03/31/23	03/31/22	03/31/23	03/31/22	03/31/23	03/31/22
Equity as of January 1	416,611	370,246	330,169	198,469	746,780	568,715
Net income for the quarter	(9,824)	(3,725)	15,128	14,778	5,304	11,053
Stock options granted	135	114	36	41	171	155
Dividends paid				(15,000)		(15,000)
Change in relative equity interest in subsidiaries		3				3
Exchange variation on foreign investment	1,429	(4,561)			1,429	(4,561)
Capital increase through merger				60,921		60,921
Equity as of March 31	**408,351**	**362,077**	**345,333**	**259,209**	**753,684**	**621,286**
Percentage equity interest - %	99.99%	99.99%	99.99%	99.99%		
Share of investments	408,351	362,077	345,333	259,209	753,684	621,286
Unrealized profit on inventories	(29,601)	(20,420)			(29,601)	(20,420)
Carrying amount of the investment in Parent Company	**378,750**	**341,657**	**345,333**	**259,209**	**724,083**	**600,866**

e) Business combination

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

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

The transaction involved the initial amount of R$ 14,536 in cash and a retained portion of R$ 5,000 to be paid in two installments, one of R$ 3,000 and the other of R$ 2,000, subject to the result of goals previously agreed between the parties. The acquisition price may be increased by contingent consideration of R$ 3,153, in 2027 and 2028, subject to the achievement of goals to be measured between 2022 and 2026 (Note 1.1 (i)).

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 amounts to a total of R$ 18,094, which comprises the amount of the difference paid by the Company versus the fair value of the assets of the acquired company.

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

(i) Total consideration

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

In thousands of Brazilian reais unless otherwise stated indicated

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

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

(iii) Goodwill produced in acquisition

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

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

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

In thousands of Brazilian reais unless otherwise stated indicated

6. FINANCIAL INSTRUMENTS BY CATEGORY

	Parent company		Consolidated		
	03/31/23	12/31/22	03/31/23		12/31/22
	Amortized cost	Amortized cost	Assets measured at fair value through profit or loss	Amortized cost	Amortized cost
Assets as per balance sheet					
Cash and cash equivalents	8,992	12,440		234,581	165,036
Derivative financial instruments			959		
Trade receivables				184,424	301,008
Related parties	13,733	13,683		519	414
Other assets, except prepaid expenses	274	250		4,619	5,793
	22,999	**26,373**	**959**	**424,143**	**472,251**

	Parent company		Consolidated			
	03/31/23	12/31/22	03/31/23		12/31/22	
	Amortized cost	Amortized cost	Liabilities measured at fair value through profit or loss	Amortized cost	Liabilities measured at fair value through profit or loss	Amortized cost
Liabilities as per balance sheet						
Trade account payables	210	90		65,691		85,566
Derivative financial instruments					64	
Loans and financing				411,615		412,369
Related parties	50	59		146		414
Commissions on sales				6,274		6,614
Obligations on investment acquisition			8,153		8,153	
Other liabilities	2,263	1,629		29,413		25,237
	2,523	**1,778**	**8,153**	**513,139**	**8,217**	**530,200**

7. CREDIT QUALITY OF FINANCIAL ASSETS

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

The balances of bank accounts and financial investments amounting to R$ 234,476 (December 31, 2022 - R$ 164,946) are held in prime financial institutions, most of them rated *(BB-) Standard & Poor's*.

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

	Consolidated	
	03/31/23	12/31/22
AA	42,066	119,068
A	106,305	119,841
B	18,843	29,302
C	15,437	18,271
D	3,828	16,410
E	143	311
	186,622	**303,203**

In thousands of Brazilian reais unless otherwise stated indicated

8. CASH AND CASH EQUIVALENTS

These comprise cash on hand and at banks, as well as financial investments consisting of Repurchase Agreements (Repos) and CDBs, yielding on average 103.0% of the Interbank Deposit Certificate (CDI) rate variation (December 31, 2022- average of 103.4% of CDI rate).

	Parent company		Consolidated	
	03/31/23	12/31/22	03/31/23	12/31/22
Cash:				
In local currency			19	5
In foreign currency			86	85
			105	90
Banks				
In local currency	186	58	3,668	2,788
In foreign currency			6,993	11,234
	186	58	10,661	14,022
Financial investments - cash and cash equivalents				
In local currency				
Bank Deposit Certificate (CDB)	8,792	12,374	216,534	121,689
Repo and others	14	8	7,281	29,235
	8,806	12,382	223,815	150,924
Total cash and cash equivalents	**8,992**	**12,440**	**234,581**	**165,036**

(i) Financial investments as cash equivalents in the amount of R$ 223,815 (R$ 150,924 as of December 31, 2022) are mainly aimed at maintaining the Group's liquidity to cover investments in R&D and working capital. Such investments include the feature of immediate redemption with no loss of profitability.

9. TRADE ACCOUNTS RECEIVABLE (CONSOLIDATED)

	03/31/23	12/31/22
In local currency		
Accounts receivable	170,496	286,250
Expected credit losses	(2,198)	(2,195)
	168,298	284,055
In foreign currency		
Accounts receivable	16,126	16,953
	16,126	16,953
Current	**184,424**	**301,008**

In thousands of Brazilian reais unless otherwise stated indicated

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

	03/31/23	12/31/22
Not yet due:		
Up to three months	157,731	245,898
From three to six months	24,631	49,905
Over six months	321	4,485
	182,683	300,288
Past due:		
Up to three months	1,685	669
From three to six months	58	63
Over six months	2,196	2,183
	3,939	2,915
	186,622	**303,203**

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

Changes in allowance for expected losses were as follows:

	03/31/23	12/31/22
Opening balance	2,195	2,408
Reversals, net	2	(10)
Foreign exchange variation	1	(2)
Closing balance	**2,198**	**2,396**

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

In thousands of Brazilian reais unless otherwise stated indicated

10. INVENTORIES (CONSOLIDATED)

	03/31/23	12/31/22
Finished goods	169,407	143,694
Raw materials	101,756	94,519
Packaging materials	20,918	21,617
Products in process	14,893	14,712
Imports in transit	12,228	29,886
Advances to suppliers	3,252	5,195
Others	25,522	23,082
Provision for inventory losses (Note 17)	(9,199)	(7,458)
Total	**338,777**	**325,247**
Current	338,640	324,971
Non-current	137	276

11. TAXES RECOVERABLE

	Parent company		Consolidated	
	03/31/23	12/31/22	03/31/23	12/31/22
Value-Added Tax on Sales and Services (ICMS)			22,013	28,860
PIS and COFINS			7,826	11,717
IRRF	1,392	2,548	2,352	3,102
ICMS, PIS and COFINS on purchase of PPE			971	1,126
Excise Tax (IPI)			588	713
Others	73	73	4,803	4,833
Total	**1,465**	**2,621**	**38,553**	**50,351**
Current	1,465	2,621	28,432	31,368
Non-current	-		10,121	18,983

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

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

In thousands of Brazilian reais unless otherwise stated indicated

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

The credits related to the period from 2010 to 2013 in the amount of R$ 5,707 were released on January 18, 2021 and the residual credits related to the period from 2014 to 2018 in the amount of R$ 39,780 were released on June 22, 2022. Such releases were made through the filing of a writ of mandamus.

Of the credits released on June 22, 2022, the amount of R$ 30,000 was transferred to subsidiary Ouro Fino Agronegócio Ltda. Such transfer was made in two points of time, the first in the amount of R$ 25,000, on June 27, 2022 and the second in the amount of R$ 5,000 on January 27, 2023, through interdependence, and the residual amount of R$ 9,780 is being consumed in the own operation of subsidiary Ouro Fino Saúde Animal Ltda. For the quarter ended March 31, 2023, the residual balances in the subsidiaries amounted to R$ 14,433 and R$ 1,605, respectively.

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

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

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

a) Composition, nature and realization of deferred taxes

(i) Deferred income tax and social contribution

	03/31/23	12/31/22
Tax credits on:		
Accumulated income tax and social contribution loss	17,585	1,404
Temporary differences		
Provisions	15,078	28,272
Unrealized profit on inventories	15,249	12,010
Revaluation surplus - business combination	717	702
	48,629	**42,388**
Tax debits on:		
Temporary differences		
Deemed cost of lands	(7,878)	(7,878)
Derivative financial instruments	(114)	
Provisions	(195)	(188)
Accelerated depreciation	(232)	(253)
	(8,419)	**(8,319)**
Total assets, net	**40,210**	**34,069**

In thousands of Brazilian reais unless otherwise stated indicated

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

The amounts by estimated offset period are as follows:

	03/31/23	12/31/22
Tax credits recoverable		
In 2023	41,123	36,787
In 2024	4,121	2,689
After 2025 (*)	3,385	2,912
	48,629	**42,388**
Tax debits to be settled		
In 2023	(321)	(239)
In 2024	(36)	(36)
After 2025 (*)	(8,062)	(8,044)
	(8,419)	**(8,319)**

(*) The tax debt to be settled beyond 2025 mainly reflects the adoption of the deemed cost method for lands in subsidiaries occurred on January 1, 2009 in the amount of R$ 7,878 (R$ 7,878 as of December 31, 2022).

Net changes in the deferred tax account were as follows:

	03/31/23	03/31/22
Opening balance	34,069	35,350
Accumulated income tax and social contribution losses	16,181	7,678
Derivative financial instruments	(114)	
Provisions	(13,201)	(6,308)
Unrealized profit on inventories	3,239	(2,796)
Revaluation surplus - business combination	15	(69)
Accelerated depreciation	21	10
Closing balance	**40,210**	**33,865**

In thousands of Brazilian reais unless otherwise stated indicated

13. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

Change:	As of January 1st, 2023	Additions	Foreign exchange variation	Transfers	Write-Offs	Depreciation	As of March 31, 2023
Right of Use - Leases	5,383	2,229				(717)	6,895
Land	24,985						24,985
Buildings and improvements	168,070	4	2			(1,214)	166,862
Machinery, equipment and industrial facilities	99,360	1,352	2	311	(1)	(2,446)	98,578
Vehicles and tractors	16,841	1,968	142		(49)	(1,132)	17,770
Furniture and fixtures	3,707	14	6			(163)	3,564
IT equipment	7,265	1,227	13	38	(10)	(795)	7,738
Construction in progress (i)	15,486	1,217		(216)			16,487
Others	1,261	79		(133)		(37)	1,170
	342,358	**8,090**	**165**		**(60)**	**(6,504)**	**344,049**

Change:	As of January 1st, 2022	Additions	Additions due to company acquisition	Transfers	Foreign exchange variation	Write-Offs	Depreciation	As of March 31, 2022
Right of Use - Leases	4,343	91					(400)	4,034
Land	24,985							24,985
Buildings and improvements	147,231	474		13,959			(1,088)	160,576
Machinery, equipment and industrial facilities	91,263	4,212	251	1,917	(2)		(2,293)	95,348
Vehicles and tractors	16,408	2,124			(316)	(507)	(1,043)	16,666
Furniture and fixtures	3,325	416	21		94	(11)	(267)	3,578
IT equipment	5,356	338	27		(46)	(3)	(584)	5,088
Construction in progress (i)	20,533	7,618		(15,876)				12,275
Others	601	(25)					(22)	554
	314,045	**15,248**	**299**		**(270)**	**(521)**	**(5,697)**	**323,104**

Balance breakdown:	03/31/23			12/31/22			Average annual depreciation rates
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net	
Right of Use - Leases	10,687	(3,792)	6,895	8,458	(3,075)	5,383	33.33%
Land	24,985		24,985	24,985		24,985	
Buildings and improvements	205,918	(39,056)	166,862	205,913	(37,843)	168,070	2.39%
Machinery, equipment and industrial facilities	180,758	(82,180)	98,578	179,475	(80,115)	99,360	5.24%
Vehicles, tractors and aircraft	25,315	(7,545)	17,770	22,489	(5,648)	16,841	19.49%
Furniture and fixtures	10,688	(7,124)	3,564	11,849	(8,142)	3,707	6.35%
IT equipment	21,568	(13,830)	7,738	19,949	(12,684)	7,265	14.54%
Construction in progress (i)	16,487		16,487	15,486		15,486	
Others	3,604	(2,434)	1,170	3,659	(2,398)	1,261	4.04%
	500,010	**(155,961)**	**344,049**	**492,263**	**(149,905)**	**342,358**	

(i) In the quarter ended March 31, 2023, the balance of works in progress refers, substantially, to the construction of a new CAG building (Cold Water Center) in the amount of R$ 7,245 (December 31, 2022 - R$ 7,035), expansion of the Biological unit building in the amount of R$ 2,375 (December 31, 2022 - R$ 2,294), and the unification of the Sewage Treatment Plant in the amount of R$ 1,705 (December 31, 2022 - R$ 1,700).

In the quarter ended March 31, 2023, loan costs related to construction in progress balances of R$ 199 (R$ 285 as of March 31, 2022) were capitalized at an average annual rate of 8.00% (6.48% as of March 31, 2023).

Land, buildings, and machinery and equipment amounting to R$ 75,127 (R$ 75,512 as of December 31, 2022) were pledged as collateral for loans and financing (Note 16).

In thousands of Brazilian reais unless otherwise stated indicated

14. INTANGIBLE ASSETS (CONSOLIDATED)

Change:	As of January 1st, 2023	Additions	Foreign exchange variation	Provision for impairment	Write-Offs	Amortization	As of March 31, 2023
Goodwill on company acquisition	18,712						18,712
Trademarks and licenses purchased	5						5
Development and registration of products	75,492	1,415	65	27,191	(27,205)	(1,505)	75,453
Computer software	11,867	1,203	5			(460)	12,615
	106,076	**2,618**	**70**	**27,191**	**(27,205)**	**(1,965)**	**106,785**

Change:	As of January 1st, 2022	Additions	Additions due to company acquisition	Foreign exchange variation	Amortization	As of March 31, 2022
Goodwill on company acquisition	618		17,634			18,252
Trademarks and licenses purchased	1,078					1,078
Development and registration of products	64,237	2,325	8,244	(170)	(1,426)	73,210
Computer software	5,708	538		(17)	(399)	5,830
	71,641	**2,863**	**25,878**	**(187)**	**(1,825)**	**98,370**

Balance breakdown:	03/31/2023			
	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on company acquisition	18,712			18,712
Trademarks and licenses purchased	2,205		(2,200)	5
Product development and registration	125,157	(43)	(49,661)	75,453
Computer software	49,273		(36,658)	12,615
Others	1,333		(1,333)	
	196,680	**(43)**	**(89,852)**	**106,785**

Balance breakdown:	12/31/2022			
	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on company acquisition	18,712			18,712
Trademarks and licenses purchased	2,205		(2,200)	5
Product development and registration	150,946	(27,234)	(48,220)	75,492
Computer software	48,064		(36,197)	11,867
Others	1,333		(1,333)	
	221,260	**(27,234)**	**(87,950)**	**106,076**

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

Goodwill in the company's acquisition, in the amount of R$ 18,094 was the result of a business combination, which comprises the amount of the difference paid for the Company as compared to the fair value of the acquired company's equity (Notes 1.1 and 5 (f)).

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

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15. TRADE ACCOUNTS PAYABLE (CONSOLIDATED)

	03/31/23	12/31/22
In local currency	44,577	55,289
In foreign currency	21,114	30,277
	65,691	**85,566**

16. LOANS AND FINANCING (CONSOLIDATED)

	Financial charges incurred	Final maturity	03/31/23	12/31/22
In local currency				
FINEP	Weighted average rate of 8.00% p.a. (December 31, 2022 - 7.78% p.a.)	2032	250,022	255,630
NCE (Export Credit Note)	Average rate of 15.88% p.a. (December 31, 2022 - 15.88% p.a.)	2024	56,751	56,345
Working capital	Average rate of 15.80% p.a. (December 31, 2022 - 15.84% p.a.)	2024	31,582	31,398
BNDES - FINEM	Weighted average rate of 13.89% p.a. (December 31, 2022 - 12.40% p.a.)	2032	60,122	60,551
BNDES - FINEM	Weighted average rate of 9.50% p.a. (December 31, 2022 - 9.50% p.a.)	2023	16	25
Working capital (i)	Average rate of 20.17% p.a. (December 31, 2022 - 16.74% p.a.)	2023	10,384	5,445
Working capital (i)	Average rate of 14.93% p.a. (December 31, 2022 - 14.26% p.a.)	2025	2,050	2,182
Drawee risk	Average rate of 19.30% p.a. (December 31, 2022 - 19.17% p.a.)		688	793
			411,615	**412,369**
Current			97,551	88,229
Non-current			314,064	324,140
			411,615	**412,369**

(i) Loans and financing obtained by the subsidiaries Ouro Fino Colômbia 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$ 199,658; (ii) performance bond, in the amount of R$ 95,681; (iii) security interest constituted by its industrial plant located in the municipality of Cravinhos-SP; and (iv) guarantee from the parent company Ouro Fino Saúde Animal Participações S.A., under which no charges are levied.

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

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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 March 31, 2023 and December 31, 2022, the Group has complied with these ratios.
The carrying amounts of loans and financing are close to their fair values.

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

	03/31/23
From 1 to 2 years	82,559
From 2 to 3 years	35,863
From 3 to 4 years	33,479
From 4 to 5 years	33,479
Over five years	128,684
	314,064

17. PROVISIONS (CONSOLIDATED)

	03/31/2023				
Balances recognized in Assets:	**Opening balance**	**Additions and reversals, net**	**Final write-offs**	**Foreign exchange variation**	**Closing balance**
Bonuses on sales	1,986	1,714	(1,892)		1,808
Provision for impairment of intangible assets	27,234		(27,191)		43
Expected credit losses	2,195	2		1	2,198
Provision for inventory losses	7,458	2,402	(665)	4	9,199
	38,873	**4,118**	**(29,748)**	**5**	**13,248**

Balances recognized in Liabilities:	**Opening balance**	**Additions and reversals, net**	**Foreign exchange variation**	**Closing balance**
Provision for contingencies	5,675	183	20	5,878
	5,675	**183**	**20**	**5,878**

	03/31/22				
Balances recognized in Assets:	**Opening balance**	**Additions and reversals, net**	**Final write-offs**	**Foreign exchange variation**	**Closing balance**
Bonuses on sales	345	617	(853)		109
Provision for impairment of intangible assets	26,756				26,756
Expected credit losses	2,408	(10)		(2)	2,396
Provision for inventory losses	3,735	214	(325)	(5)	3,619
	33,244	**821**	**(1,178)**	**(7)**	**32,880**

Balances recognized in Liabilities:	**Opening balance**	**Additions and reversals, net**	**Final write-offs**	**Additions due to company acquisition**	**Foreign exchange variation**	**Closing balance**
Provision for contingencies	4,779	36	(903)	1,040	(110)	4,842
	4,779	**36**	**(903)**		**(110)**	**4,842**

In thousands of Brazilian reais unless otherwise stated indicated

a) Bonuses on sales

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

b) Provision for impairment of intangible assets

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

c) Expected credit losses

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

d) Provision for inventory losses

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

e) Provision for contingencies

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

Provisions are as follows:

	03/31/23	12/31/22
Labor	2,913	2,735
Tax	1,911	1,911
Civil	1,054	1,029
	5,878	**5,675**

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

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

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

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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 March 31, 2023.

Possible contingencies are as follows:

	03/31/2023			12/31/2022		
	Administrative	Judicial	Total	Administrative	Judicial	Total
Tax	81,365	6,917	88,282	79,477	5,079	84,556
Labor		4,255	4,255		6,202	6,202
Civil	1	2,121	2,122	1	2,545	2,545
	81,366	**13,293**	**94,659**	**79,478**	**13,825**	**93,303**

Tax risks refer mainly to tax assessment notices related to PIS, COFINS, and ICMS. The tax assessment notice related to PIS/COFINS, amounting to R$ 57,623 (December 31, 2022 - R$ 56,358), was issued by tax authorities against the subsidiary Ouro Fino Saúde Animal Ltda. in May 2019, regarding taxable events that took place in calendar year 2014, and requiring the payment of PIS and COFINS differences calculated under the one-time tax treatment, for not including transactions of Ouro Fino Agronegócio Ltda. and Ouro Fino PET Ltda.

In the scope of ICMS, the discussion involves questions related to alleged ICMS debts arising from a different understanding of the inspection, related to the undue application of exemption and reduction of the calculation base provided for in Agreement 100/97, of germicidal products considered by the inspection as cleaning material, in the amount of R$ 8,140 (December 31, 2022 – R$ 5,589).

In addition, the Group is involved in other proceedings of a tax nature amounting to R$ 23,639 (December 31, 2022 - R$ 20,442). The most relevant proceedings are as follows: (i) R$ 6,717 (2022 - R$ 6,247) related to ICMS credits on electric energy; (ii) R$ 8,089 (2022 - R$ 7,756) related to ICMS levy on technical products import transactions; (iii) R$ 3,306 (2022 - R$ 3,338) related to transfers of ICMS credit balances; (iv) R$ 3,731 (2022 - R$ 3,502) related to the acquisition of goods from a supplier with improper registration and (v) R$ 1,796 (2022 - R$ 1,732) related to divergences in the application of the ICMS rate (FCI).

18. EQUITY

a) Share capital

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

b) Allocation of profit

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

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

c) Equity valuation adjustments

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

d) Stock option plan

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

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

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

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

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

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 Board of Directors.

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

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

In thousands of Brazilian reais unless otherwise stated indicated

For the quarter ended March 31, 2023, the Group recognized the expense, including INSS and FGTS charges, of the ILP Plan in the amount of R$ 252 (March 31, 2022 - R$ 307).

f) Restricted Share-Based Compensation Plan

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

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

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

19. REVENUES (CONSOLIDATED)

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

	03/31/23	03/31/22
In Brazil		
Gross sales and services	159,151	196,715
Taxes and deductions on sales	(18,597)	(22,809)
	140,554	173,906
Abroad		
Gross sales	26,903	28,593
Taxes and deductions on sales	(285)	(184)
	26,618	28,409
	167,172	**202,315**

In thousands of Brazilian reais unless otherwise stated indicated

20. COSTS AND EXPENSES BY NATURE

	Parent company		Consolidated	
	03/31/23	03/31/22	03/31/23	03/31/22
Cost of sales (i)				
Variable costs (materiais and supplies)			49,019	61,105
Personnel expenses			20,278	22,998
Outsourced services			7,802	7,648
Depreciation and amortization			5,494	4,577
Electricity			4,037	4,528
Provision (reversal) for inventory losses			1,737	(111)
Others			3,747	3,777
			92,114	**104,522**
Selling expenses				
Personnel expenses			22,697	22,538
Sales team expenses			11,291	9,953
Freight expenses			6,784	7,255
Outsourced services			5,579	5,043
Depreciation and amortization			1,513	1,431
Telecommunication and energy			108	116
Others			1,613	1,736
			49,585	**48,072**
Expenses on research and innovation				
Personnel expenses			6,975	6,178
Outsourced services			5,372	7,490
Depreciation and amortization			726	608
Telecommunication and energy			143	210
Others			2,598	1,354
			15,814	**15,840**
General and administrative expenses				
Personnel expenses	2,520	1,583	10,877	8,679
Outsourced services	165	66	1,888	2,137
Depreciation and amortization			736	907
Travel expenses	5	2	292	165
Telecommunication and energy			260	345
Expenses with vehicles			59	64
Donations and sponsorships			16	10
Other	85	80	991	808
	2,775	**1,731**	**15,119**	**13,115**
	2,775	**1,731**	**172,632**	**181,549**

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

In thousands of Brazilian reais unless otherwise stated indicated

21. OTHER REVENUES (EXPENSES), NET

	Parent company		Consolidated	
	03/31/23	03/31/22	03/31/23	03/31/22
Gain on disposal and write-off of PP&E			207	591
Expense recovry (i)				1,669
Gains on sales of scrap, rentals and other	34	45	74	1,032
Federal, state, municipal taxes and fees	(4)	(1)	(269)	(291)
Gain (loss) on write-off of intangible assets (ii)			(14)	
Other losses			(33)	(147)
	30	**44**	**(35)**	**2,854**

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

(ii) (ii) Refers to the provision for impairment and write-offs of projects that were under development in intangible assets (Note 14).

22. FINANCIAL RESULT

	Parent company		Consolidated	
	03/31/23	03/31/22	03/31/23	03/31/22
Financial revenues:				
Revenue from financial investments	349	1,224	5,507	3,658
Interest received			288	104
Inflation adjustment	12	4	220	7
Other			(96)	193
	361	1,228	5,919	3,962
Financial expenses:				
Interest paid			(9,912)	(7,982)
Financial charges		(5)	(726)	(778)
Other	(35)	(21)	(207)	(87)
	(35)	(26)	(10,845)	(8,847)
Derivative financial instruments, net:				
Gains on derivatives (foreign exchange variation)			760	
Losses on derivatives (interest)			337	
			1,097	
Foreign exchange variation, net			(197)	(1,791)
Finance Result	**326**	**1,202**	**(4,026)**	**(6,676)**

23. INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

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

	Parent company		Consolidated	
	03/31/23	03/31/22	03/31/23	03/31/22
Earnings before income tax and social contribution	(3,403)	15,995	(9,521)	16,944
Statutory tax rates	34%	34%	34%	34%
	1,157	**(5,438)**	**3,237**	**(5,761)**
<u>Reconciliation for effective tax:</u>				
Permanent differences:				
RD&I Benefit				
Equity in the results of investees	(335)	5,603		
Calculation adjustments on subsidiary taxed under presumptive income regime			(161)	787
Investment Subsidies (i)			4,507	4,812
Calculation adjustments on subsidiaries abroad taxed at the rate in effect in their respective countries			(555)	(540)
Unrecognized deferred taxes	(822)	(165)	(822)	(165)
Other			(89)	(83)
Income tax and social contribution			**6,117**	**(950)**
Reconciliation with the statement of profit or loss				
Current			(8)	(27)
Deferred			6,125	(923)
			6,117	**(950)**

(i) The Group's Executive Board recognized the tax deductibility of the amounts of tax incentives related to exits with exemption from ICMS in transactions within the state of São Paulo and exits with a 60% reduction in the ICMS calculation basis in interstate operations (ICMS Agreement 100/97), according to the law case established by the Superior Court of Justice.

24. BASIC AND DILUTED EARNINGS (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.

	03/31/23	03/31/22
Net income (loss) for the quarter attributable to the Company's shareholders	(3,403)	15,995
Weighted average number of common shares outstanding in the quarter (in thousands of shares)	53,768	53,768
Basic and diluted earnings (losses) per share	**(0.06329)**	**0.29748**

25. EMPLOYEE BENEFITS

a) Private pension plan - defined contribution

The Group companies sponsor a defined contribution pension plan for their employees. The plan is managed by Brasilprev Seguros e Previdência S.A. Company contributions to the plan in the quarter ended March 31, 2023 amounted to R$ 349 (March 31, 2022 R$ 349).

In thousands of Brazilian reais unless otherwise stated indicated

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 quarter ended March 31, 2023, the impact of the short-term incentive was R$ 3,131 (March 31, 2022 - R$ 4,684).

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"), (Nota 18 (f)).

The purpose of *Phantom Units* is to incentivize Eligible Person, 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 quarter ended March 31, 2023, the plan was calculated based on EBITDA multiples and, therefore, the Group recognized expenses, including INSS and FGTS charges, in the amount of R$ 2,768.

26. RELATED-PARTY BALANCES AND TRANSACTIONS

a) Balances and main transactions

	Parent company							
	03/31/2023				12/31/2022			
	Assets		Liabilities		Assets		Liabilities	
	Interest on Equity	Other assets (i)	Dividends and interest on equity	Other liabilities (i)	Interest on Equity	Other assets (i)	Dividends and interest on equity	Other liabilities (i)
Subsidiaries:								
Ouro Fino Saúde Animal Ltda.				50				58
Ouro Fino Agronegócio Ltda.	13,600				13,600			1
Other related parties:								
Ouro Fino Química Ltda.		133				83		
Shareholders			10,576				10,576	
	13,600	**133**	**10,576**	**50**	**13,600**	**83**	**10,576**	**59**

In thousands of Brazilian reais unless otherwise stated indicated

	Parent company			
	03/31/23		03/31/22	
	Subsidiaries:	Other related parties:	Subsidiaries:	Other related parties:
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Química Ltda.	Ouro Fino Saúde Animal Ltda.	Ouro Fino Química Ltda.
Main transactions:				
Shared Services Center (CSC) reimbursement (i)	(16)		(34)	
Royalties		50		50
Other expenses, net	(62)		(49)	
	(78)	**50**	**(83)**	**50**

	Consolidated					
	03/31/23			12/31/22		
	Assets	Liabilities		Assets	Liabilities	
	Other assets (i)	Dividends and interest on equity	Other liabilities (i)	Other assets (i)	Dividends and interest on equity	Other liabilities (i)
Other related parties:						
Ouro Fino Química Ltda.	369		86	269		315
Condomínio Rural Ouro Fino	150			145		66
Shareholders		10,576			10,576	
Neotech Soluções Ambientais Ltda.			60			33
	519	**10,576**	**146**	**414**	**10,576**	**414**

	Consolidated						
	03/31/23			03/31/22			
		Other related parties:			Other related parties:		Shareholders:
	Ouro Fino Química Ltda.	Condomínio Rural Ouro Fino	Neotech Soluções Ambientais Ltda.	Ouro Fino Química Ltda.	Condomínio Rural Ouro Fino	Neotech Soluções Ambientais Ltda.	BNDES Participações S.A.
Main transactions:							
Gross profit on sales of godds		105			1		
Shared Services Center (CSC) reimbursement (i)	549			401			
Royalties	50	1		50	1		
Purchase of inputs							
Expenses with rents and condominia		(770)			(755)		
Inceneration services			(208)			(233)	
Other expenses, net	(141)			(436)			
Financial result							(845)
	458	(664)	(208)	15	(753)	(233)	(845)

(*) As of March 31, 2023, BNDESPar financialç result is not being disclosed as a Company's related party due to the transaction between shareholders, whereby BNDESPar sold all of its shares to Mitsui & Co., Ltd (Note 26 (ii)).

(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.

In thousands of Brazilian reais unless otherwise stated indicated

(ii) Transactions between shareholders

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

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

b) Management compensation

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

	03/31/23	03/31/22
Share-based payments	1,008	103
Wages and salaries	969	841
Variable compensation	542	548
Labor charges	514	409
Direct and indirect benefits	59	58
	3,092	**1,959**

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.

27. INSURANCE

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

Insured assets	Risks covered	03/31/23	12/31/22
Property, plant and equipment and inventories	Fire, lightning, explosion, electrical damage, windstorm, loss of profits	634,077	459,552
General civil liability	Damage to third parties caused during operations	10,000	10,000
Civil risks - Management	Damage to third parties arising from acts by members of management in the performance of their duties	40,000	40,000

In thousands of Brazilian reais unless otherwise stated indicated

28. OTHER DISCLOSURES ON CASH FLOWS

	Loans and financing	Derivative financial instruments, net	Cash and cash equivalents	Net debt
Balance as of January 1st, 2023	**412.369**		**(165.036)**	**247.333**
Funding	4.681			4.681
Repayment of principal	(8.029)			(8.029)
Payment of interest	(7.501)			(7.501)
Drawee risk	(105)			(105)
Increase (decrease) in cash and cash equivalents and financial investments			(69.325)	(69.325)
Non-cash changes	(10.954)		(69.325)	(80.279)
Foreign exchange variations and interest	10.200	(337)	(220)	9.643
Non-cash changes	10.200	(337)	(220)	9.643
Balance as of March 31, 2023	**411.615**	**(337)**	**(234.581)**	**176.697**
Balance as of January 1st, 2022	**382.375**		**(161.254)**	**221.121**
Funding	20.000			20.000
Repayment of principal	(8.053)			(8.053)
Payment of interest	(6.324)			(6.324)
Drawee risk	281			281
Increase (decrease) in cash and cash equivalents			14.128	14.128
Non-cash changes	5.904		14.128	20.032
Foreign exchange variations and interest	7.537		(247)	7.290
Non-cash changes	7.537		(247)	7.290
Balance as of March 31, 2022	**395.816**		**(147.373)**	**248.443**

29. SUMMARY OF 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.

29.1 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.

29.2 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 Colômbia S.A.S (subsidiaries of Ouro Fino Saúde Animal Ltda.), whose functional currency is different from the reporting currency are translated into the reporting currency as follows:

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

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

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

29.3 Financial assets

29.3.1 Classification

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

a) Amortized cost

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

b) Financial assets at fair value through profit or loss

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

29.3.2 Recognition and measurement

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

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

29.3.3 Impairment of financial assets

Assets carried at amortized cost

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

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

29.4 Trade accounts receivable

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

29.5 Inventories

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

29.6 Current and deferred income tax and social contribution

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

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

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

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

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

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

In this context, the Group's Executive Board recognized the tax deductibility of the amounts of tax incentives related to exits with exemption from ICMS in transactions within the state of São Paulo and exports and exits with a 60% reduction in the ICMS calculation basis in interstate operations (ICMS Agreement 100/97), according to the law case established by the Superior Court of Justice.

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

29.7 Intangible assets

a) Product research and development

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

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

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

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

b) Trademarks and licenses purchased

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

c) Computer software

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

Costs associated with maintaining computer software are expensed as incurred.

d) Goodwill on the acquisition of subsidiaries

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

29.8 Property, plant and equipment

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

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

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

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

29.9 Impairment of non-financial assets

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

29.10 Trade accounts payable

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

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

29.11 Loans and financing

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

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

29.12 Employee benefits

a) Private pension plan

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

b) Profit sharing

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

c) Share-based compensation

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

29.13 Revenue recognition

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

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

29.14 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.

29.15 Leases

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

The Group's Executive Board assesses periodically all lease agreements and for all those identified as leases (under IFRS16/CPC 06 criteria), applied the exemption and application criteria provided for in the standard.

29.16 Business combination

Business 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.

In thousands of Brazilian reais unless otherwise stated indicated

29.17 New standards that are not yet effective

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

30. SUBSEQUENT EVENTS

(i) Approval of capital increase

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.

(ii) Investment Subsidy

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

Subsidiary Ouro Fino Agronegócio Ltda. has a favorable court decision recognizing its right to exclude the amounts referring to ICMS tax benefits provided for in ICMS Agreement 100/97 from the calculation of IRPJ and CSLL, irrespective of the classification as investment subsidy or funding and compliance with the requirements of art. 30 of Law No. 12.973/14.

In this context, and considering the terms of the technical interpretation “ICPC 22 - Uncertainty about the treatment of Taxes on Income”, for this quarter, the Company, supported by the technical opinion of its legal advisors, maintains its understanding on the accounting treatment it has been adopting for the following reasons:

(a) The judgments handed down in STJ judgment the have not yet been published; and
(b) Subsidiary Ouro Fino Agronegócio Ltda. grounds its discussion on ICMS tax benefits exclusion on the thesis of the Federative Pact, a matter of a constitutional nature that has not yet been considered by STF.

The principal amounts of tax benefits under agreement 100/97, excluded from the calculation base for IRPJ and CSLL, were disclosed in the notes for each of the periods of use, and are summarized below:

	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	Total
Calculation basis	28.000	66.122	67.841	70.196	13.255	245.414
IRPJ/CSLL	**9.520**	**22.478**	**23.066**	**23.867**	**4.507**	**83.438**

The Company's Management maintains its understanding that the taxation by the Federal Government on the tax waivers of the States, granted to taxpayers through tax benefits aimed at stimulating economic development, encouraging investments to generate employment and income and make the state's economy more competitive, violates the Federative Pact.

In this sense, despite understanding that the Federative Pact thesis should be discussed in the supreme court, in the event of an unfavorable decision, the Company's Management ensures that it has a robust financial structure to honor its commitments, thus assuring the business continuity.