Ouro Fino Saúde Animal Participações S.A. and Subsidiaries

Individual and Consolidated Interim Financial Information for the Quarter ended September 30, 2020 and Report on Review of Interim Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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 information of Ouro Fino Saúde Animal Participações S.A. (the "Company") included in the Interim Financial Information Form (ITR), for the quarter ended September 30, 2020, which comprises the balance sheet as of September 30, 2020 and the related statements of operations and of comprehensive income for the three and nine-month period then ended and the statements of changes in equity and of cash flows for the three and nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information 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 such information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review 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 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 information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the ITR referred to above was 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 CVM.

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Other matters

Statements of value added

The interim financial information previously mentioned includes the individual and consolidated statements of value added ("DVA") for the three and nine-month period ended September 30, 2020, prepared under the responsibility of the Company's Management, and presented as additional information for IAS 34 proposes. These statements have been subject to review procedures performed in connection with the interim financial information (ITR) to conclude whether they were reconciled with the interim financial information and accounting records, as applicable, and if its form and content are in accordance with the criteria defined in the Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe the statements of value added were not prepared, in all material aspects, in accordance to the criteria defined in this standard and consistently with the individual and consolidated interim financial information taken as a whole.

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

Campinas, November 05, 2020

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
CRC No. 2 SP 011609/O-8

Renato Foganholi Asam
Partner
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OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

BALANCE SHEET AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019
In thousands of Brazilian reais

		Parent company		Consolidated	
ASSETS	Note	2020	2019	2020	2019
Current assets					
Cash and cash equivalents	8	30,636	1,289	168,731	45,009
Derivative financial instruments	9			3,651	
Trade account receivables	10			196,781	189,076
Inventories	11			176,539	165,294
Taxes recoverable	12	37	355	9,557	12,478
Income tax and social contribution recoverable				4,847	6,657
Related parties	27	1,137	968	512	393
Other assets		10	250	5,938	6,128
		31,820	2,862	566,556	425,035
Non-current assets					
Long-term receivables					
Taxes recoverable	12			50,119	51,277
Related parties	27	23,000			
Deferred income tax and social contribution	13			26,051	15,441
Inventories	11			4,299	4,342
Other assets		250		748	507
		23,250		81,217	71,567
Investments in subsidiaries	5	507,982	501,209		
Property, plant and equipment	14			279,583	279,639
Intangible assets	15			73,479	93,295
Total non-current assets		531,232	501,209	434,279	444,501
Total assets		563,052	504,071	1,000,835	869,536

		Parent company		Consolidated	
LIABILITIES AND EQUITY	Note	2020	2019	2020	2019
CURRENT LIABILITIES					
Trade account payables	16			51,975	40,381
Derivative financial instruments	9				2,252
Loans and financing	17			102,293	118,230
Salaries and payroll charges		776	258	38,315	20,151
Taxes payable		112	308	4,832	4,993
Payable income tax and social contribution				952	87
Dividends and interest on equity	27	10,155	10,991	10,155	10,991
Related parties	27	49	67	150	172
Commissions on sales				5,410	4,816
Other liabilities		6		8,864	8,446
Total current liabilities		11,098	11,624	222,946	210,519
Non-current liabilities					
Loans and financing	17			219,078	162,852
Provision for contingencies	18			6,826	3,684
Total non-current liabilities				225,904	166,536
Total liabilities		11,098	11,624	448,850	377,055
EQUITY	19				
Share capital		425,237	377,065	425,237	377,065
Options granted		5,491	5,382	5,491	5,382
Profit reserves		45,871	94,043	45,871	94,043
Equity valuation adjustments		17,275	15,957	17,275	15,957
Net Income		58,080		58,080	
Total equity of the controlling shareholders		551,954	492,447	551,954	492,447
Non-controlling interest				31	34
Total equity		551,954	492,447	551,985	492,481
Total liabilities and equity		563,052	504,071	1,000,835	869,536

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF PROFIT OR LOSS
PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
In thousands of Brazilian reais unless otherwise stated indicated

		Parent company			
		2020		2019	
	Note	Quarter	9 months	Quarter	9 months
General and administrative expenses	21	(1,555)	(4,680)	(950)	(3,013)
Equity in the results of investees	5	46,928	62,383	13,528	24,150
Other income (expenses), net	22	(3)	(18)	45	93
Operating profit (loss)		45,370	57,685	12,623	21,230
Finance revenues		156	468	19	19
Finance expenses		(25)	(73)	(16)	(45)
Finance income (costs)	23	131	395	3	(26)
Net income for the period		45,501	58,080	12,626	21,204

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF PROFIT OR LOSS
PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
In thousands of Brazilian reais unless otherwise stated indicated

		Consolidated			
		2020		2019	
	Note	Quarter	9 months	Quarter	9 months
Net sales revenue	20	225,194	509,608	154,408	423,112
Cost of sales	21	(104,989)	(247,749)	(74,042)	(210,426)
Gross profit		120,205	261,859	80,366	212,686
Selling Expenses	21	(56,077)	(145,834)	(48,413)	(139,091)
General and administrative expenses	21	(11,127)	(33,477)	(10,887)	(32,359)
Other income (expenses), net	22	(3,750)	(20,881)	(296)	1,065
Operating profit (loss)		49,251	61,667	20,770	42,301
Finance revenues		1,006	2,476	1,106	3,344
Finance expenses		(3,806)	(10,308)	(3,664)	(11,848)
Derivative financial instruments, net		1,960	16,950	103	(1,250)
Foreign exchange variation, net		(1,803)	(13,836)	(941)	(669)
Finance income (costs)	23	(2,643)	(4,718)	(3,396)	(10,423)
Income before income tax and social contribution		46,608	56,949	17,374	31,878
Income tax and social contribution	24				
Current		(3,746)	(8,754)	(3,761)	(11,173)
Deferred		2,638	9,877	(990)	494
Net income for the period		45,500	58,072	12,623	21,199
Attributable to:					
the Company's shareholders		45,501	58,080	12,626	21,204
Non-controlling interest		(1)	(8)	(3)	(5)
		45,500	58,072	12,623	21,199
Earnings per share attributable to the Company’s shareholders during the period (in Brazilian reais)	25				
Basic earnings per share		0.84341	1.07657	0.23404	0.39304
Diluted earnings per share		0.84341	1.07657	0.23404	0.39304

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

STATEMENT OF COMPREHENSIVE INCOME (LOSS)
PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
In thousands of Brazilian reais

		Parent company			
		2020		2019	
	Note	Quarter	9 months	Quarter	9 months
Net income for the period		45,501	58,080	12,626	21,204
Other comprehensive income (loss)					
Items that will be reclassified to profit or loss					
Exchange variation on investment	5	620	1,318	480	652
Total comprehensive income (loss) for the period		46,121	59,398	13,106	21,856

		Consolidated			
		2020		2019	
		Trimestre	9 meses	Trimestre	9 meses
Net income for the period		45,500	58,072	12,623	21,199
Other comprehensive income (loss)					
Items that will be reclassified to profit or loss					
Exchange variation on investment	5	623	1,323	481	654
Total comprehensive income (loss) for the period		46,123	59,395	13,104	21,853
Attributable to:					
the Company's shareholders		46,121	59,398	13,106	21,856
Non-controlling interest		2	(3)	(2)	(3)
		46,123	59,395	13,104	21,853

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

STATEMENT OF CHANGES IN EQUITY
In thousands of Brazilian reais

		Attributable to the shareholders of the Parent Company									
					Profit reserve						
	Note	Share Capital	Capital reserve	Options granted	Legal reserve	Profit retention reserve	Equity valuation adjustments	Retained earnings	Total	Non-controlling interest	Total equity líquido
AS OF JANUARY 1st, 2020		377,065		5,382	13,007	81,036	15,957		492,447	34	492,481
Comprehensive income (loss) for the period											
Net income for the period								58,080	58,080	(8)	58,072
Exchange variation on investment	5						1,318		1,318	5	1,323
Total comprehensive income (loss) for the period							1,318	58,080	59,398	(3)	59,395
Contributions and distributions to shareholders:											
Capital increase with profit reserves	19 (a)	48,172				(48,172)					
Stock options granted	19 (e)			109					109		109
Total shareholder contributions		48,172		109		(48,172)			109		109
As OF SEPTEMBER 30 2020		425,237	-	5,491	13,007	32,864	17,275	58,080	551,954	31	551,985
AS OF JANUARY 1st, 2019		358,796	(6,392)	4,791	10,693	72,832	15,216		455,936	31	455,967
Comprehensive income (loss) for the period											
Net income for the period								21,204	21,204	(5)	21,199
Exchange variation on investment	5						652		652	2	654
Total comprehensive income (loss) for the period							652	21,204	21,856	(3)	21,853
Contributions and distributions to shareholders:											
Capital increase with profit reserves	19 (a)	18,269	6,392			(24,661)					
Stock options granted	19 (e)			469					469		469
Total shareholder contributions		18,269	6,392	469		(24,661)			469		469
As OF SEPTEMBER 30 2019		377,065		5,260	10,693	48,171	15,868	21,204	478,261	28	478,289

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

STATEMENT OF CASH FLOW
PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
In thousands of Brazilian reais

		Parent company		Consolidated	
	Note	2020	2019	2020	2019
Cash flows from operating activities					
Earnings before Income tax and social contribution		58,080	21,204	56,949	31,877
Adjustments for					
Provision for expected credit loss	10 and 18			144	1,245
Provision for inventory losses and write-offs				5,603	3,986
Provision of returns on sales	18			207	23
Reversal of provision for customer bonuses	18			(817)	(619)
Equity in the results of investees	5	(62,383)	(24,150)		
Depreciation and amortization	14 and 15			19,800	18,115
Provision for impairment of intangible assets	14			17,499	140
Gain (loss) on disposal of property, plant and equipment	22			(140)	(219)
Gain (loss) on disposal of intangible assets	22			2,901	
Interest and monetary/foreign exchange variations, net				28,351	13,569
Derivative financial instruments				(16,950)	1,250
Provision for contingencies	18			2,902	(757)
Stock options granted	19 (e)	37	48	109	469
Changes in working capital:					
Trade account receivables				(5,925)	28,374
Inventories				(13,092)	(30,298)
Taxes recoverable		318	121	2,394	1,731
Other assets		(178)	7	(324)	(1,099)
Trade account payables		(20)		8,691	18,153
Taxes payable		(197)	(772)	2,246	(442)
Other liabilities		526	(20)	19,093	(4,931)
Cash provided by (used in) operations		(3,817)	(3,562)	129,641	80,567
Interest paid				(9,284)	(11,234)
Income tax and social contribution paid				(6,462)	(11,271)
Net cash provided by (used in) operating activities		(3,817)	(3,562)	113,895	58,062
Cash flows from investment activities:					
Advances for future capital increase in subsidiaries		(23,000)	(17,000)		
Investment in intangible assets	14			(6,512)	(13,010)
Purchase of property, plant and equipment	15			(13,269)	(22,581)
Distribution of dividends and interest on equity		57,000	37,241		
Proceeds from sale of property, plant and equipment				715	1,292
Net cash provided by (used in) investing activities		34,000	20,241	(19,066)	(34,299)
Cash flows from financing activities:					
New loans and financing	29			120,000	60,000
Repayments of loan and financing	29			(102,091)	(49,524)
Payment of dividends and interest on equity	29	(836)	(16,351)	(836)	(16,351)
Realized derivative financial instruments	29			11,047	(582)
Net cash provided by (used in) financing activities		(836)	(16,351)	28,120	(6,457)
Increase in cash and cash equivalents, net		29,347	328	122,949	17,306
Cash and cash equivalents at the beginning of the period		1,289	20	45,009	65,183
Foreign exchange gains on cash and cash equivalents				773	288
Cash and cash equivalents at the end of the period	8	30,636	348	168,731	82,777

Non-cash transactions in financing activities are presented in Note 29.

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

STATEMENT OF VALUE ADDED
PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
In thousands of Brazilian reais

		Parent company		Consolidated	
	Note	2020	2019	2020	2019
Revenues					
Gross sales and services				554,330	459,311
Other income (expenses), net				(292)	(548)
Income from construction of own assets				5,898	11,278
Provision for expected credit loss	10 and 18			(144)	(1,245)
				559,792	468,796
Inputs acquired from third parties:					
Cost of sales and services				(182,490)	(177,470)
Materials, electricity, third-party services and other		(1,335)	(609)	(115,189)	(103,082)
Losses on assets, net				(25,730)	(4,081)
Gross value added (distributed)		(1,335)	(609)	236,383	184,163
Depreciation and amortization	14 and 15			(19,800)	(18,115)
Net value added (distributed) generated by the entity		(1,335)	(609)	216,583	166,048
Value added received through transfer:					
Equity in the results of investees	5	62,383	24,150		
Finance income		476	20	35,204	9,323
Royalties		169	112	169	112
Other				97	316
Total value added distributed		61,693	23,673	252,053	175,799
DISTRIBUTION OF VALUE ADDED					
Personnel:					
Direct compensation		2,854	2,007	93,211	73,123
Benefits		92	9	18,713	13,689
FGTS		70		7,848	5,524
Taxes, charges and contributions:					
Federal		516	405	19,650	28,159
State		8	3	10,309	9,456
Municipal				378	307
Remuneration of third parties' capital:					
Interest, foreign exchange variation, losses on derivatives etc.		73	45	41,051	21,881
Rentals				2,692	2,303
Other				129	158
Equity remuneration					
Retained earnings		58,080	21,204	58,080	21,204
Non-controlling interest				(8)	(5)
Value added distributed		61,693	23,673	252,053	175,799

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

OURO FINO SAÚDE ANIMAL PARTICIPAÇÕES S.A.

NOTES TO THE INDIVIDUAL AND CONSOLIDATED ACCOUNTING INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2020
(All amounts in thousands of Brazilian reais (R$) unless otherwise stated)

1. GENERAL INFORMATION

1.1. Operations

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

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

The issue of this individual and consolidated interim accounting information was approved for disclosure by the Board of Directors on November 5, 2020.

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

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

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

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

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

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

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

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

Main risks and uncertainties arising from COVID-19

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

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

In order to mitigate any liquidity risk, the Company carried out, in the nine-month period ended September 30, 2020, financial funding in the amount of R$120,000 on favorable terms, which helped to meet financial obligations and strengthen the cash position. In the quarter, R$90,000 of these amounts, which were raised as short-term debt, were extended to a four-year final term and under even more favorable cost. In addition, non-strategic expenses and investments were restricted, which, combined with the generation of operating cash, allowed the reduction of net debt by R$50,500 in the period.

As a result, the Board of Directors decided to pay the minimum mandatory dividends that were retained in a special reserve account, showing an improvement in the Company's condition (Note 31).

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

1.3. Basis of preparation and statement of compliance

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

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

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

a) Individual accounting information

The individual interim accounting information has been prepared in accordance with the Brazilian technical pronouncement CPC 21 - Interim Financial Reporting, and with international accounting standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). This individual interim accounting information is disclosed together with the consolidated accounting information.

b) Consolidated interim accounting information

The consolidated interim accounting information has been prepared in accordance with Brazilian technical pronouncement CPC 21 - Interim Financial Reporting, and with international accounting standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

c) Statement of value added

The presentation of the individual and consolidated statements of value added ("SVA"), which is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, 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.

1.4. Consolidation

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

The subsidiaries included in the consolidation are described in Note 5(a) and the accounting policies applied in the preparation of the consolidated interim accounting information are described in Note 30.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

For the nine period ended September 30, 2020, management has carefully assessed the impacts of the COVID19 outbreak on its business, and complied with the requirements of accounting practices adopted in Brazil, including the Brazilian technical pronouncement CPC 21 - Interim Financial Reporting, and with international accounting standard IAS 34 - "Interim Financial Reporting", issued by the International Accounting Standards Board - (IASB), in addition to the CVM/SNS/SEP Circular Letter 02/2020.

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

a) Fair value of derivative financial instruments

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

b) Expected credit loss

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 calculated on tax losses and negative tax bases, were recognized on the basis of the expectation of future realization, supported by earnings forecast made by the management, which consider the typical development of business and markets, according to the currently known scenarios.

d) Impairment of property, plant and equipment

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

e) Provision for contingencies

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

f) Fair value of the stock option plan

The fair value attributed to the options granted was determined using the Black-Scholes-Merton pricing model, which takes into consideration the value of the share, the strike price, the time to elapse up to the exercise of the option, the likelihood of the option being exercised, the historical volatility, the dividend rate and the risk-free interest rate.

g) Impairment of intangible assets

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

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

(ii) Estimates of direct and indirect manufacturing costs.

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

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

h) Provision for inventory losses

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

i) Taxes recoverable

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

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

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

a) Market risks

(i) Foreign exchange risk

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

Where necessary, in order to hedge against foreign exchange risks, the Group uses derivative transactions, mainly exchange rate swaps.

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

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

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

	09/30/20	12/31/19
Assets in foreign currency		
Cash and cash equivalents	3,055	653
Trade account receivables	13,711	10,963
	16,766	11,616
Liabilities in foreign currency		
Trade account payables	(20,624)	(22,602)
	(20,624)	(22,602)
Net exposure - liabilities	(3,858)	(10,986)

(*) The table above does not include balances of working capital loans and financing denominated in foreign currency of R$34,677 (R$58,720 as of December 31, 2019) (Note 17), as they are hedged by a foreign exchange swap.

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

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

		Impact of the appreciation / depreciation of the U.S Dollar			
		5.64	5.05	3.79	2.53
Assets/liabilities	Risk	09/30/2020	Scenario 1	Scenario 2	Scenario 3
			(probable)	(US$ depreciation - 25%)	(US$ depreciation - 50%)
Cash and cash equivalents	(US$ depreciation)	3,055	(320)	(684)	(1,368)
Trade account receivables	(US$ depreciation)	13,711	(1,435)	(3,069)	(6,138)
Trade account payables	(US$ appreciation)	(20,624)	2,158	4,617	9,233

(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 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, 71.0% of the Group's financing transactions (73.8% as of December 31, 2019) are carried out at floating interest rates, and 29.0% of transactions at fixed interest rates (26.2% as of December 31, 2019). However, this increase in the share of floating-rate transactions does not lead to higher volatility in the average cost of the transactions due to a decrease in the rates of the main market indexes (Special System for Settlement and Custody (SELIC), Interbank Deposit Certificate (CDI), Long-term Interest Rate (TJLP), etc.).

b) Credit Risks

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

Credit risk is mitigated through a broad customer base and careful selection of customers by business segment (production animals, companion animals, and international operations), in addition to the utilization of guarantees, establishment of individual exposure limits and a well-defined credit policy that utilizes credit risk modeling, through which a credit rating is assigned to each customer, based on the Group's experience in the market, of more than 32 years.

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

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

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

c) Liquidity risk

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

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

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

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

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

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

	Consolidated			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Above 5 years
As of September 30, 2020				
Trade account payables	51,975			
Loans and financing (*)	115,038	76,849	133,340	37,476
Derivative financial instruments, net	(3,651)			
Dividends and interest on equity	10,155			
Other liabilities	60,571	4,778		
	234,088	81,627	133,340	37,476
As of December 31, 2019				
Trade account payables	40,381			
Loans and financing (*)	129,762	52,765	90,099	42,235
Derivative financial instruments, net	2,252			
Dividends and interest on equity	10,991			
Other liabilities	39,770	2,579		
	223,156	55,344	90,099	42,235

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

3.2. Capital management

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

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

As of September 30, 2020 and December 31, 2019, the leverage ratios were as follows:

		Consolidated	
	Note	09/30/20	12/31/19
Loans and financing	17	321,371	281,082
Derivative financial instruments, net	9	(3,651)	2,252
Cash and cash equivalents	8	(168,731)	(45,009)
Net debt		148,989	238,325
Equity	19	551,985	492,481
Total capital		700,974	730,806
Leverage ratio %		21.25	32.61

3.3. Fair value estimation

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

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

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

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

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

4. SEGMENT REPORTING

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

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

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

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

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

The results by segment were as follows:

	Quarter ended September 30, 2020				
	Business segment				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenues	174,243	28,765	22,186		225,194
Cost of sales	(88,662)	(8,495)	(7,832)		(104,989)
Gross profit	85,581	20,270	14,354		120,205
Selling Expenses	(33,030)	(6,615)	(6,227)		(45,872)
Results by segment	52,551	13,655	8,127		74,333
General and administrative expenses and other expenses				(15,240)	(15,240)
Expenses on research, development and innovation				(9,842)	(9,842)
Finance income (costs)				(2,643)	(2,643)
Income tax and social contribution				(1,108)	(1,108)
Unallocated results				(28,833)	(28,833)
Net income for the period					45,500

	Nine-month period ended September 30, 2020				
	Business segment				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenues	381,406	67,984	60,218		509,608
Cost of sales	(204,976)	(21,243)	(21,530)		(247,749)
Gross profit	176,430	46,741	38,688		261,859
Selling Expenses	(82,967)	(17,140)	(17,271)		(117,378)
Results by segment	93,463	29,601	21,417		144,481
General and administrative expenses and other expenses				(54,721)	(54,721)
Expenses on research, development and innovation				(28,093)	(28,093)
Finance income (costs)				(4,718)	(4,718)
Income tax and social contribution				1,123	1,123
Unallocated results				(86,409)	(86,409)
Net income for the period					58,072

	Quarter ended September 30, 2019				
	Business segment				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenues	119,957	19,525	14,926		154,408
Cost of sales	(61,753)	(5,899)	(6,390)		(74,042)
Gross profit	58,204	13,626	8,536		80,366
Selling Expenses	(30,382)	(4,571)	(6,548)		(41,501)
Results by segment	27,822	9,055	1,988		38,865
General and administrative expenses and other expenses				(11,183)	(11,183)
Expenses on research, development and innovation				(6,912)	(6,912)
Finance income (costs)				(3,396)	(3,396)
Income tax and social contribution				(4,751)	(4,751)
Unallocated results				(26,242)	(26,242)
Net income for the period					12,623

	Nine-month period ended September 30, 2019				
	Business segment				
	Production animals	Companion animals	International operations	Unallocated costs	Total
Revenues	318,317	62,672	42,123		423,112
Cost of sales	(173,444)	(18,995)	(17,987)		(210,426)
Gross profit	144,873	43,677	24,136		212,686
Selling Expenses	(84,173)	(17,235)	(18,228)		(119,636)
Results by segment	60,700	26,442	5,908		93,050
General and administrative expenses and other expenses				(31,294)	(31,294)
Expenses on research, development and innovation				(19,455)	(19,455)
Finance income (costs)				(10,423)	(10,423)
Income tax and social contribution				(10,679)	(10,679)
Unallocated results				(71,851)	(71,851)
Net income for the period					21,199

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

	2020		2019	
	Quarter	9 months	Quarter	9 months
Colombia	7,813	18,670	5,539	15,453
Mexico	6,105	14,954	4,788	15,499
Uruguay		5,449		
Ecuador	2,192	4,941	1,036	3,561
Paraguay	2,098	3,033	1,519	1,825
Arab Emirates		2,588		
Spain	136	2,271	364	841
Honduras	911	2,012		1,249
Panama	366	1,466	488	863
Bolivia	1,227	1,417	281	518
Peru		1,009		212
Others	1,338	2,408	911	2,102
	22,186	60,218	14,926	42,123

5. INVESTMENTS (INDIVIDUAL)

a) Information on investments as of September 30, 2020 and December 31, 2019

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

b) Changes in investments

	Parent company	
	09/30/20	09/30/19
Opening balance	501,209	465,692
Equity in the results of investees	62,383	24,150
Stock options granted	72	421
Dividends received (i)	(57,000)	(30,053)
Exchange variation on foreign investment	1,318	652
Final balance	507,982	460,862

(i) For the nine - month period ended September 30, 2020, the quotaholders of the subsidiaries Ouro Fino Pet Ltda. and Ouro Fino Agronegócio Ltda. approved the payment of dividends to the parent company Ouro Fino Saúde Animal Participações S.A. in the amounts of R$12,000 (R$4,516 as of September 30, 2019) and R$45,000 (R$25,537 as of June 30, 2019), respectively.

c) Summarized financial information

The tables below present summarized financial information of the subsidiaries.

(i) Summarized balance sheet

	09/30/2020				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current					
Assets	340,669	201,434	43,415	12,168	19,059
Liabilities	(176,957)	(59,512)	(12,995)	(9,261)	(22,845)
Current assets (liabilities), net	163,712	141,922	30,420	2,907	(3,786)
Non-current					
Assets	408,560	13,539	1,949	5,681	4,041
Liabilities	(235,901)	(3,094)	(172)		(2,397)
Non-current assets, net	172,659	10,445	1,777	5,681	1,644
Equity deficiency	336,371	152,367	32,197	8,588	(2,142)

	12/31/2019				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current					
Assets	220,837	190,371	37,341	12,532	11,648
Liabilities	(169,826)	(39,496)	(7,765)	(8,040)	(13,092)
Current assets (liabilities), net	51,011	150,875	29,576	4,492	(1,444)
Non-current					
Assets	425,636	14,357	2,103	4,851	3,411
Liabilities	(162,433)	(1,587)	(213)		(1,238)
Non-current assets, net	263,203	12,770	1,890	4,851	2,173
Equity	314,214	163,645	31,466	9,343	729

(ii) Summarized statement of operations

	Quarter ended September 30, 2020				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	149,028	161,880	30,287	6,105	7,813
Income (loss) before income tax and social contribution	19,976	19,710	8,506	(154)	(1,462)
Income tax and social contribution	(247)	1,958	(2,874)		
Net income (loss) for the period	19,729	21,668	5,632	(154)	(1,462)

	Nine-month period ended September 30, 2020				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	346,753	352,589	71,208	14,954	18,670
Income (loss) before income tax and social contribution	17,051	32,336	19,219	(2,247)	(2,716)
Income tax and social contribution	3,716	1,386	(6,488)	16	
Net income (loss) for the period	20,767	33,722	12,731	(2,231)	(2,716)

	Quarter ended September 30, 2019				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	107,921	117,898	20,751	4,788	5,539
Income (loss) before income tax and social contribution	6,393	13,255	6,390	(1,024)	(763)
Income tax and social contribution	(2,772)	(2,503)	(2,114)		
Net income (loss) for the period	3,621	10,752	4,276	(1,024)	(763)

	Nine-month period ended September 30, 2019				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	270,534	296,653	65,374	15,499	15,453
Income (loss) before income tax and social contribution	(5,543)	26,855	20,317	(1,564)	(2,348)
Income tax and social contribution	921	(7,024)	(6,917)	43	
Net income (loss) for the period	(4,622)	19,831	13,400	(1,521)	(2,348)

(iii) Statement of comprehensive income (loss)

	2020		2019	
	Quarter	9 months	Quarter	9 months
Ouro Fino Saúde Animal Ltda. (direct subsidiary)				
Net income (loss) for the period	19,729	20,767	3,621	(4,622)
Other comprehensive income (loss)	620	1,318	480	652
Total comprehensive income (loss)	20,349	22,085	4,101	(3,970)

(iv) Summarized statement of cash flows

	Nine-month period ended September 30, 2020				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Cash flows from operating activities					
Cash from operating activities	56,124	49,467	22,771	1,985	3,109
Interest paid	(8,738)	(49)	(22)		(475)
Income tax and social contribution paid	(543)	(124)	(5,795)		
Net cash from operating activities	46,843	49,294	16,954	1,985	2,634
Net cash used in investing activities	(18,600)	(178)	(50)	(141)	(93)
Net cash provided by (used in) financing activities	53,340	(45,647)	(12,262)		(476)
Increase in cash and cash equivalents, net	81,583	3,469	4,642	1,844	2,065
Cash and cash equivalents at the beginning of the period	14,586	17,740	8,237	1,847	1,310
Foreign exchange gains on cash and cash equivalents	746	25	1		
Cash and cash equivalents at the end of the period	96,915	21,234	12,880	3,691	3,375

	Nine-month period ended September 30, 2019				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Cash flows from operating activities					
Cash from operating activities	26,962	39,004	17,697	158	353
Interest paid	(10,774)	(120)	(48)		(292)
Income tax and social contribution paid		(3,904)	(7,367)		
Net cash from operating activities	16,188	34,980	10,282	158	61
Net cash used in investing activities	(29,480)	(3,463)	(727)	(612)	(66)
Net cash provided by (used in) financing activities	28,219	(33,532)	(4,750)		(280)
Increase (decrease) in cash and cash equivalents, net	14,927	(2,015)	4,805	(454)	(285)
Cash and cash equivalents at the beginning of the period	37,620	20,869	4,054	1,242	1,378
Foreign exchange gains on cash and cash equivalents	288				
Cash and cash equivalents at the end of the period	52,835	18,854	8,859	788	1,093

d) Reconciliation of the financial information on investments

	Subsidiaries							
	Ouro Fino Saúde Animal Ltda.		Ouro Fino Agronegócio Ltda.		Ouro Fino Pet Ltda.		Total	
	09/30/20	09/30/19	09/30/20	09/30/19	09/30/20	09/30/19	09/30/20	09/30/19
Equity as of January 1	314,214	300,903	163,645	153,995	31,466	20,098	509,325	474,996
Net income (loss) for the period	20,767	(4,622)	33,722	19,831	12,731	13,400	67,220	28,609
Stock options granted	72	251		89		81	72	421
Dividends paid			(45,000)	(25,537)	(12,000)	(4,516)	(57,000)	(30,053)
Exchange variation on foreign investment	1,318	652					1,318	652
Equity as of September 30	336,371	297,184	152,367	148,378	32,197	29,063	520,935	474,625
Percentage holding	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%		
Share of investments	336,371	297,184	152,367	148,378	32,197	29,063	520,935	474,625
Unrealized profit on inventories	(12,953)	(13,763)					(12,953)	(13,763)
Carrying amount of the investment in Parent Company	323,418	283,421	152,367	148,378	32,197	29,063	507,982	460,862

6. FINANCIAL INSTRUMENTS BY CATEGORY

	Parent company		Consolidated		
	09/30/20	12/31/19	09/30/20		12/31/19
	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	30,636	1,289		168,731	45,009
Derivative financial instruments			3,651		
Trade receivables				196,781	189,076
Related parties	24,137	968		512	393
Other assets, except prepaid expenses	251	250		2,827	3,467
	55,024	2,507	3,651	368,851	237,945

	Parent company		Consolidated		
	09/30/20	12/31/19	09/30/20	12/31/19	
	Amortized cost	Amortized cost	Amortized cost	Liabilities measured at fair value through profit or loss	Amortized cost
Liabilities as per balance sheet					
Trade account payables			51,975		40,381
Derivative financial instruments				2,252	
Loans and financing			321,371		281,082
Related parties	49	67	150		172
Commissions on sales			5,410		4,816
Other liabilities	6		8,864		8,446
	55	67	387,770	2,252	334,897

7. CREDIT QUALITY OF FINANCIAL ASSETS

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

The balances of bank accounts and financial investments amounting to R$168,627 (R$44,926 as of December 31, 2019) are held in prime financial institutions rated BB by Standard & Poor’s.

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

	Consolidated	
	09/30/20	12/31/19
AA	66,958	65,257
A	78,840	73,770
B	26,785	19,102
C	16,031	19,975
D	9,982	13,020
E	5,461	4,669
	204,057	195,793

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and at banks, as well as investments consisting of repurchase agreements and CDBs, earning on average 100.55% of the Interbank Deposit Certificate (CDI) rate variation (up to 95.6% of the CDI rate as of December 31, 2019).

	Parent company		Consolidated	
	09/30/20	12/31/19	09/30/20	12/31/19
Cash:				
In local currency			8	11
In foreign currency			96	72
			104	83
Banks:				
In local currency	15	104	5,942	6,187
In foreign currency			2,959	581
	15	104	8,901	6,768
Financial investments (i):				
In local currency				
Repurchase agreements			1,574	6,069
Bank Deposit Certificate (CDI	30,621	1,185	155,935	32,089
Other			2,217	
	30,621	1,185	159,726	38,158
	30,636	1,289	168,731	45,009

(i) Financial investments, in the total amount of R$159,726 (R$38,158 as of December 31, 2019) is mainly aimed to ensure the Company’s daily liquidity and can be redeemed at any time without significant loss of profitability.

9. DERIVATIVE FINANCIAL INSTRUMENTS (CONSOLIDATED)

	09/30/20	12/31/19
	Assets	Liabilities
Exchange rate swap	3,651	(2,252)
Current	3,651	(2,252)

The notional amounts of exchange rate swap contracts as of September 30, 2020 correspond to EUR 5,217 thousand (EUR 12,945 thousand as of December 31, 2019) and were not classified as “hedge”.

10. TRADE ACCOUNTS RECEIVABLE (CONSOLIDATED)

	09/30/20	12/31/19
In local currency:		
Trade account receivables	189,246	184,044
Expected credit loss	(6,176)	(5,931)
	183,070	178,113
In foreign currency:		
Trade account receivables	14,811	11,749
Expected credit loss	(1,100)	(786)
	13,711	10,963
Current	196,781	189,076

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

	09/30/20	12/31/19
Not yet due:		
Up to three months	146,802	137,229
From three to six months	39,368	43,476
Over six months	7,549	3,857
	193,719	184,562
Past due:		
Up to three months	1,483	3,132
From three to six months	379	809
Over six months	8,476	7,290
	10,338	11,231
	204,057	195,793

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

Changes in the provision were as follows:

	09/30/20	09/30/19
Opening balance	6,717	6,414
Additions, net	144	1,245
Foreing exchange variation	435	80
Final write-offs	(20)	
Final balance	7,276	7,739

The constitution and the reversal of the estimated losses of receivables were recorded in the income statement within “Sale expenses” (Note 21). Annually, the Company's Management analyzes the balance provided and the amounts are written off from the provision account when there is no expectation on recovery of funds.

11. INVENTORIES (CONSOLIDATED)

	09/30/20	12/31/19
Finished products	73,623	66,118
Raw materials	56,564	51,250
Packaging materials	15,701	13,494
Work in process	9,350	12,398
Imports in transit	16,789	11,162
Advances to suppliers	8,799	11,251
Other	10,093	10,046
Provision for inventory losses (Note 18)	(10,081)	(6,083)
Total	180,838	169,636
Current	176,539	165,294
Non-current (*)	4,299	4,342

(*) The amount of R$4,299 (R$4,342 as of December 31, 2019) relates to a loan agreement between the subsidiary Ouro Fino Saúde Animal Ltda. and the supplier Laboratório Biomega S.A. ("Biomega"), which has been settled as the goods are delivered.

12. TAXES RECOVERABLE

	Parent company		Consolidated	
	9/30/2020	12/31/2019	9/30/2020	12/31/2019
Value-Added Tax on Sales and Services (ICMS)			50,070	51,402
PIS and COFINS			4,253	7,791
IRRF	37	355	321	849
ICMS, PIS and COFINS on purchase of PP&E			1,282	736
Excise Tax (IPI)			129	220
Other			3,621	2,757
Total	37	355	59,676	63,755
Current	37	355	9,557	12,478
Non-current			50,119	51,277

ICMS credits, amounting to R$49,239 as of September 30, 2020 (R$50,853 as of December 31, 2019), were mostly generated by Ouro Fino Saúde Animal Ltda., and are not subject to monetary restatement. Up to April 30, 2019, the subsidiary Ouro Fino Saúde Animal Ltda. accumulated ICMS credits on tax-exempt shipments in transactions within the State of São Paulo, exports, and the 60% reduction in the ICMS tax base in interstate transactions, with full/partial credits on purchases, pursuant to ICMS Agreement 100/97. As from May 1, 2019, upon the enactment of Decree 64,213 of 2019, the subsidiary Ouro Fino Saúde Animal Ltda. was no longer entitled to maintain full credits on transactions within the State of São Paulo, and started to reverse them in the monthly calculations.

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

Currently, Ouro Fino Saúde Animal Ltda. is working on the upload of the retroactive costing files (CAT Ordinance 83/2009), which must be submitted in a chronological order, with a view to enabling the conversion of the credit balance into accumulated credits to be used as previously described.

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

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

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

	09/30/20	12/31/19
Tax credits on:		
Accumulated income tax and social contribution loss	6,723	7,149
Temporary differences		
Provisions	21,108	10,792
Unrealized profit on inventories	6,673	4,181
Pre-operating expenses writen-off	48	191
Derivative financial instruments		766
Revaluation surplus - business combination	958	802
	35,510	23,881
Tax debts on:		
Temporary differences		
Deemed cost of lands	(7,878)	(7,878)
Derivative financial instruments	(1,241)	
Provisions	(84)	(171)
Accelerated depreciation	(256)	(391)
	(9,459)	(8,440)
Total assets, net	26,051	15,441

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

Net changes in the deferred tax account were as follows:

	9/30/2020	9/30/2019
Opening balance	15,441	15,963
Pre-operating costs written off	(143)	(143)
Accumulated income tax and social contribution losses	(426)	4,067
Derivative financial instruments	(766)	130
Provisions	10,316	(5,529)
Unrealized profit on inventories	2,492	2,434
Revaluation surplus - business combination	156	
Accelerated depreciation	(1,019)	3
Final balance	26,051	16,925

The amounts by estimated offset period are as follows:

	9/30/2020	12/31/2019
Deferred tax assets to be recovered		
In 2020	13,000	20,509
In 2021	15,031	2,570
In 2022	6,521	
After 2023	958	802
	35,510	23,881
Deferred tax liabilities to be settled		
In 2020	84	252
In 2021	1,241	34
In 2022		74
After 2023	8,134	8,080
	9,459	8,440

14. PROPERTY, PLANT AND EQUIPMENT (CONSOLIDATED)

Movement:	As of January 1st, 2020	Additions	Foreing exchange variation	Transfers	Write-Offs	Depreciation	As of 30 September 30, 2020
Land	24,985						24,985
Buildings and improvements	138,770	392		4,741		(2,854)	141,049
Machinery, equipment and industrial facilities	83,586	7,139	1	863	(19)	(6,005)	85,565
Vehicles and tractors	14,527	1,209	550		(520)	(2,848)	12,918
Furniture and fixtures	3,022	680	(56)			(770)	2,876
IT equipment	3,609	1,479	76		(35)	(941)	4,188
Construction in progress (i)	9,742	2,415		(5,376)			6,781
Other	1,398	234		(228)		(183)	1,221
	279,639	13,548	571		(574)	(13,601)	279,583

Movement:	As of January 1st, 2019	Additions	Foreing exchange variation	Transfers	Write-Offs	Depreciation	As of 30 September 30, 2019
Land	24,985						24,985
Buildings and improvements	134,339			1,123		(2,658)	132,804
Machinery, equipment and industrial facilities	77,214	5,547	1	2,078	(208)	(5,326)	79,306
Vehicles and tractors	11,038	7,846	112	(20)	(836)	(2,781)	15,359
Furniture and fixtures	2,990	493	1		(6)	(466)	3,012
IT equipment	2,995	1,470	6	18	(22)	(898)	3,569
Construction in progress (i)	5,402	9,036		(3,194)			11,244
Other	1,669	12		(5)		(216)	1,460
	260,632	24,404	120		(1,072)	(12,345)	271,739

	09/30/2020			12/31/2019			
Balance composition:	Cost	Accrued depreciation	Net	Cost	Accrued depreciation	Net	Average annual depreciation rates
Land	24,985		24,985	24,985		24,985	
Buildings and improvements	168,909	(27,860)	141,049	163,776	(25,006)	138,770	2.38%
Machinery, equipment and industrial facilities	146,618	(61,053)	85,565	138,765	(55,179)	83,586	6.16%
Vehicles, tractors and aircraft	21,246	(8,328)	12,918	20,137	(5,610)	14,527	19.36%
Furniture and fixtures	9,301	(6,425)	2,876	8,664	(5,642)	3,022	6.07%
IT equipment	12,895	(8,707)	4,188	11,758	(8,149)	3,609	9.63%
Construction in progress (i)	6,781		6,781	9,742		9,742	
Other	4,080	(2,859)	1,221	4,071	(2,673)	1,398	6.06%
	394,815	(115,232)	279,583	381,898	(102,259)	279,639	

(ii) As of September 30, 2020, the balance of construction in progress relates, substantially, to the expansion of the area dedicated to hormonal implants in the amount of R$891 (R$891 as of December 31, 2019), substation building in the amount of R$2,889 (R$1,910 as of December 31, 2019) and new plant for animal health products in the amount of R$767.

As of September 30, 2020, costs of capitalized loans and financing amounted to R$2,085 (R$1,775 s oft December 31, 2019), at an annual average rate of 5.72% (5.52% as of December 31, 2019).

Land, buildings, and machinery and equipment amounting to R$81,637 (R$84,317 as of December 31, 2019) were pledged as collateral for loans and financing (Note 17).

15. INTANGIBLE (CONSOLIDATED)

Movement:	As of January 1st, 2020	Additions	Provision for impairment	Foreing exchange variation	Write-Offs	Amortization	As of 30 September 30, 2020
Goodwill on acquisition of subsidiary	618						618
Product development and registration	86,475	5,421	(17,499)	244	(2,901)	(4,785)	66,955
Computer software	6,024	1,091		27		(1,236)	5,906
Other	178					(178)	
	93,295	6,512	(17,499)	271	(2,901)	(6,199)	73,479

Movement:	As of January 1st, 2020	Additions	Provision for impairment	Foreing exchange variation	Amortization	As of 30 September 30, 2019
Goodwill on acquisition of subsidiary	618					618
Trademarks and licenses purchased	4				(4)	
Product development and registration	87,665	11,491	(140)	78	(4,300)	94,794
Computer software	5,063	1,519		9	(1,263)	5,328
Other	449				(203)	246
	93,799	13,010	(140)	87	(5,770)	100,986

	09/30/20			
Balance composition:	Cost	Provision for impairment	Accrued amortization	Net
Goodwill on acquisition of subsidiary	618			618
Trademarks and licenses purchased	2,200		(2,200)	
Product development and registration	123,083	(20,673)	(35,455)	66,955
Computer software	38,197		(32,291)	5,906
Other	1,335		(1,335)	
	165,433	(20,673)	(71,281)	73,479

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

Product development and registration relates to expenses incurred in new drugs totaling R$66,955 (R$86,475 as of December 31, 2019). The amortization of intangible assets related to product development and registration was recognized within "Cost of sales" (Note 21).

Provisions and write-offs amounting to R$20,400 are related to projects that were discontinued or postponed due to management's decision. After a reassessment, the company identified the need for technical adjustment of some projects and the postponement of others. However, the Company emphasizes that this decision does not change the growth plan for the coming years, based on the portfolio expansion, mainly in biological products, as outlined in the strategic planning.

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

16. TRADE ACCOUNT PAYABLES (CONSOLIDATED)

	09/30/20	12/31/19
In local currency	20,878	12,664
In foreign currency	31,097	27,717
	51,975	40,381

17. LOANS AND FINANCING (CONSOLIDATED)

	Financial charges incurred	Final Maturity	09/30/20	12/31/19
In foreign currency				
Working capital	:xchange variation and weighted average rate of 4.85% p.a. (2019 - 4.76% p.a)	2021	34,677	58,720
In local currency				
FINEP (Technological Innovation)	Weighted average rate of 5.72% p.a. (2019 - 5.52% p.a)	2029	129,327	142,572
BNDES - FINEM	Weighted average rate of 6.64% p.a. (2019 - 8.26% p.a)	2025	29,249	29,419
BNDES - FINAME	Weighted average rate of 9.33% p.a. (2019 - 7.73% p.a)	2023	112	239
NCE (Export Credit Note)	Average rate of 3.79% p.a. (2019 - 5.30% p.a)	2024	117,118	40,041
Working capital (i)	Average rate of 5.25% p.a. (2019 - 7.75% p.a)	2021	7,335	6,149
Financial lease	Weighted average rate of 7.81% p.a. (2019 - 10.22% p.a)	2023	2,252	3,522
Drawee risk	Not applicable		1,301	420
			321,371	281,082
Non-current			(219,078)	(162,852)
Current			102,293	118,230

(i) Loans and financing obtained by the subsidiary Ouro Fino Colombia S.A.S

a) Guarantees for loans and financing

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

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

The BNDES-FINEM transaction also requires compliance with ratios previously defined in the contract: Net Debt/EBITDA ratio equal to or lower than 3.0, and General Indebtedness equal to or lower than 0.70. For the periods ended September 30, 2020 and December 31, 2019, the Company 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:

	30/09/2020
From 1 to 2 years	66,968
From 2 to 3 years	58,895
From 3 to 4 years	47,053
From 4 to 5 years	13,197
Over five years	32,965
	219,078

b) Working capital loans denominated in foreign currency

Exchange rate swap transactions were contracted for working capital loans and financing denominated in foreign currency (EUR), amounting to R$34,677 (R$58,720 as of December 31, 2019), and exchange the borrowing contractual charges for charges based on the CDI rate variation (Note 9).

18. PROVISIONS (CONSOLIDATED)

	Quarter ended September 30, 2020				
Balances recognized in assets:	Opening balance	Additions and reversals, net	Final write-offs	Foreing exchange variation	Final balance
Sales returns	187	275	(187)		275
Bonuses on sales	57	342	(259)		140
Provision for impairment of intangible assets	19,923	1,300	(550)		20,673
Expected credit loss	7,174	41		61	7,276
Provision for inventory losses	9,142	1,190	(261)	10	10,081
	36,483	3,148	(1,257)	71	38,445
Balances recognized in liabilities:	Opening balance	Net additions and reversals	Final write-offs	Foreing exchange variation	Final balance
Provision for contingencies	3,710	3,176	(64)	4	6,826
	3,710	3,176	(64)	4	6,826

	Nine-month period ended September 30, 2020				
Balances recognized in assets:	Opening balance	Additions and reversals, net	Final write-offs	Foreing exchange variation	Final balance
Sales returns	68	526	(319)		275
Bonuses on sales	957	719	(1,536)		140
Provision for impairment of intangible assets	3,174	18,070	(571)		20,673
Expected credit loss	6,717	144	(20)	435	7,276
Provision for inventory losses	6,083	5,081	(1,118)	35	10,081
	16,999	24,540	(3,564)	470	38,445
Balances recognized in liabilities:	Opening balance	Net additions and reversals	Final write-offs	Foreing exchange variation	Final balance
Provision for contingencies	3,684	3,671	(769)	240	6,826
	3,684	3,671	(769)	240	6,826

	Quarter ended September 30, 2019				
Balances recognized in assets:	Opening balance	Additions and reversals, net	Final write-offs	Foreing exchange variation	Final balance
Sales returns	38	147			185
Bonuses on sales	148	189			337
Provision for impairment of intangible assets	9,449				9,449
Expected credit loss	6,665	990		84	7,739
Provision for inventory losses	4,878	907	(553)	45	5,277
	21,178	2,233	(553)	129	22,987
Balances recognized in liabilities:	Opening balance	Additions and reversals, net	Inflation Adjustment:	Foreing exchange variation	Final balance
Provision for contingencies	8,253	(895)		2	7,360
	8,253	(895)		2	7,360

	Nine-month period ended September 30, 2019				
Balances recognized in assets:	Opening balance	Additions and reversals, net	Final write-offs	Foreing exchange variation	Final balance
Sales returns	162	439	(416)		185
Bonuses on sales	954	189	(808)	2	337
Provision for impairment of intangible assets	9,309	140			9,449
Expected credit loss	6,414	1,245		80	7,739
Provision for inventory losses	7,087	2,842	(4,696)	44	5,277
	23,926	4,855	(5,920)	126	22,987
Balances recognized in liabilities:	Opening balance	Additions and reversals, net	Inflation Adjustment:	Foreing exchange variation	Final balance
Provision for contingencies	8,114	(859)	102	3	7,360
	8,114	(859)	102	3	7,360

a) Product returns

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

b) Bonuses on sales

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

c) Provision for contingencies

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

The provisions are as follows:

	30/09/2020	31/12/2019
Labor	4,476	2,529
Civil	915	1,150
Tax	1,435	5
	6,826	3,684

d) Expected credit loss

The expected credit loss ("*impairment*") 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 10).

e) Provision for inventory losses

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

f) Provision for impairment of intangible assets

The Group tests for impairment product development balances in intangible assets, whenever possible, through the discounted cash flow method (Notes 2 (g) and 15).

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

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

Possible contingencies are as follows:

	09/30/20			12/31/19		
	Administrative	Judicial	Total	Administrative	Judicial	Total
Tax (*)	91,279	467	91,746	95,106	1,924	97,030
Labor		2,029	2,029		2,278	2,278
Civil	3	2,269	2,272	3	2,364	2,367
	91,282	4,765	96,047	95,109	6,566	101,675

(*) They refer to PIS [Social Integration Program], COFINS [Contribution for Social Security Financing] and ICMS [State Goods and Services Tax] deficiency notices. The PIS/COFINS deficiency notice, amounting to R$ 50,057 (R$ 49,072 as of December 31, 2019), was issued by the tax authorities against the subsidiary Ouro Fino Saúde Animal Ltda. in May 2019, in reference to taxable events that took place in the calendar year 2014, requiring the payment of PIS and COFINS differences calculated under the one-time tax treatment for the failure to include the transactions of Ouro Fino Agronegócio Ltda. and Ouro Fino PET Ltda. In relation to ICMS, the discussion involves issues related to alleged ICMS debts as a result of a different interpretation of the tax authorities about the enforcement of the exemption provided for in ICMS Agreement 100/97 on imports of technical inputs to be used in products for the livestock sector, in the amount of R$ 17,065 (R$ 22,636 as of December 31, 2019).

In addition, the Company is involved in other less relevant tax proceedings amounting to R$ 24,624 (R$ 25,322 as of December 31, 2019), which discuss issues involving the ICMS, at the State level, such as alleged credits and undue debts of the said tax, due to the divergent interpretation by the tax authorities, as well as the enforcement of fines for undue offsets of taxes, at the Federal level.

h) Contingent assets

The subsidiaries Ouro Fino Saúde Animal Ltda. and Ouro Fino Agronegócio Ltda. obtained favorable, final and unappealable decisions regarding the right to offset tax credits arising from the exclusion of ICMS from the calculation bases of PIS/COFINS contributions. On October 18, 2018, the Brazilian Federal Revenue Secretariat issued Internal Ruling 13 of the General Coordination of the Taxation System (COSIT), which provides for the criteria and procedures to be followed for calculating the amount to be excluded from the monthly calculation bases of these contributions. Considering that said Internal Ruling brings legal uncertainty to the taxpayers that exclude from the calculation basis the ICMS amounts separately disclosed in the related invoices, the recognition of such credits, in the amount of R$4,654 (R$3,800 as of December 31, 2019), is considered by management as probable, but not virtually certain, and, therefore, they have not been recorded and are being disclosed as contingent assets.

19. EQUITY

a) Share capital

At the Annual and Extraordinary Shareholders' Meeting held on May 8, 2020, the shareholders approved an increase in the Company's capital of R$48,172 (R$ 18,269 as of December 31, 2019), without the issue of registered common shares with no par value, through the use of profit reserves.

As of September 30, 2020, fully subscribed and paid-up capital comprised 53,949,006 common shares with no par value.

b) Capital reserve

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

c) Allocation of profit

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

- 5% to the legal reserve, limited to 20% of share capital.
- Minimum dividend of 25% of profit adjusted according to Article 202 of Law 6,404.
- The remaining balance will be distributed as approved at a Shareholders' Meeting by shareholders representing at least 2/3 (two thirds) of the voting shares, in compliance with the applicable legal provisions.

d) 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.

e) Stock option plan

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

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

	12/31/16	12/31/17	12/31/18	12/31/19
Qty. of Options	161,827	161,827	161,827	161,827
Strike price	28.22	28.22	28.22	28.22
Fair value of options granted	11.16	12.48	13.74	14.90
Maximum exercise date	12/31/20	12/31/21	12/31/22	12/31/23

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

	End of the vesting period				
	09/28/17	09/28/18	09/28/19	09/28/20	09/28/21
Qty. of Options	8,000	8,000	8,000	8,000	8,000
Strike price	39.38	39.38	39.38	39.38	39.38
Fair value of options granted	12.89	14.87	16.62	18.23	19.66
Maximum exercise date	09/28/21	09/28/22	09/28/23	09/28/24	09/28/25

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

Grant on December 31, 2014	General assumptions and information on the valuation			
End of the vesting period	12/31/16	12/31/17	12/31/18	12/31/19
Share price on the grant date	30.61	30.61	30.61	30.61
Estimated strike price for the period	35.41	37.46	39.35	41.38
Expected lifetime (in years)	4.00	5.00	6.00	7.00
Expected volatility	26.20%	26.20%	26.20%	26.20%
Risk-free interest rate	12.60%	12.40%	12.30%	12.20%

Grant on 28 September 2016	General assumptions and information on the valuation			
End of the vesting period	09/28/18	09/28/19	09/28/20	09/28/21
Share price on the grant date	39.00	39.00	39.00	39.00
Estimated strike price for the period	43.91	46.40	49.07	51.91
Expected lifetime (in years)	4.00	5.00	6.00	7.00
Expected volatility	30.40%	30.40%	30.40%	30.40%
Risk-free interest rate	11.60%	11.70%	11.70%	11.80%

For the nine-month period ended September 30, 2020, expenses of R$109 (R$469 as of December 31, 2019) incurred in connection with stock options were recognized. The number of shares totaled 143,813 (176,549 as of September 30, 2019).

20. REVENUES (CONSOLIDATED)

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

	2020		2019	
	Quarter	9 months	Quarter	9 months
In Brazil:				
Gross sales and services	224,265	497,917	154,767	423,033
Taxes and deductions on sales	(21,257)	(48,527)	(15,285)	(42,044)
	203,008	449,390	139,482	380,989
Abroad:				
Gross sales	22,255	60,647	15,206	42,784
Taxes and deductions on sales	(69)	(429)	(280)	(661)
	22,186	60,218	14,926	42,123
	225,194	509,608	154,408	423,112

21. COSTS AND EXPENSES BY NATURE

	Parent company			
	2020		2019	
	Quarter	9 months	Quarter	9 months
General and administrative expenses				
Personnel expenses	1,275	3,506	771	2,410
Outsourced services	215	719	99	249
Travel expenses		7	11	27
Other	65	448	69	327
	1,555	4,680	950	3,013

	Consolidated			
	2020		2019	
	Quarter	9 months	Quarter	9 months
Cost of sales (*)				
Variable costs (raw materials and consumables)	144,388	144,388	42,319	120,574
Personnel expenses	52,114	52,114	18,156	51,514
Depreciation and amortization	12,941	12,941	3,870	11,868
Outsourced services	17,595	17,595	5,305	14,567
Provision (reversal) for inventory losses	3,963	3,963	354	(1,854)
Electricity	6,833	6,833	1,950	5,193
Other	9,915	9,915	2,088	8,564
	247,749	247,749	74,042	210,426
Selling Expenses				
Personnel expenses	23,455	65,437	17,315	56,593
Sales team expenses	11,344	26,024	14,141	34,520
Outsourced services	7,894	22,180	6,998	20,654
Freight expenses	7,185	17,682	5,708	15,595
Depreciation and amortization	1,618	4,812	1,689	4,546
Telecommunications and energy	217	848	317	881
Other	4,364	8,851	2,245	6,302
	56,077	145,834	48,413	139,091
General and administrative expenses				
Personnel expenses	7,738	22,638	6,351	19,953
Outsourced services	1,370	4,927	2,283	6,675
Depreciation and amortization	666	2,047	559	1,701
Travel expenses	47	210	282	691
Telecommunications and energy	204	605	234	629
Vehicle expenses	14	134	52	195
Donations and sponsorships	25	53	25	72
Other	1,063	2,863	1,101	2,443
	11,127	33,477	10,887	32,359
	172,193	427,060	133,342	381,876

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

22. OTHER INCOME (EXPENSES), NET

	Parent company			
	2020		2019	
	Quarter	9 months	Quarter	9 months
Gains on sales of scrap, rentals and other	62	153	47	102
Federal, state, municipal taxes and fees	(3)	(8)	(2)	(9)
Other losses	(62)	(163)		
	(3)	(18)	45	93

	Consolidated			
	2020		2019	
	Quarter	9 months	Quarter	9 months
Federal, state, municipal taxes and fees (i)	(213)	1,590	(157)	617
Gain (loss) on disposal and write-off of PP&E	(190)	140	76	219
Gains on sales of scrap, rentals and other	(307)	(196)	(265)	(469)
Final write-off of intangible assets (ii)	(571)	(2,901)		
Provision for impairment of intangible assets (ii)	(750)	(17,499)		
Other gains (losses)	(1,719)	(2,015)	50	698
	(3,750)	(20,881)	(296)	1,065

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

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

23. FINANCE INCOME AND COSTS

	Parent company			
	2020		2019	
	Quarter	9 months	Quarter	9 months
Finance income				
Income from financial investments	155	466		
Inflation adjustment	1	2	19	19
	156	468	19	19
Finance costs				
Interest paid	(1)	(3)		
Finance charges		(1)		
Other	(24)	(69)	(16)	(45)
	(25)	(73)	(16)	(45)
Finance income (costs)	131	395	3	(26)

	Consolidated			
	2020		2019	
	Quarter	9 months	Quarter	9 months
Finance income				
Income from financial investments	605	1,754	737	2,401
Interest received	19	268	197	597
Inflation adjustment	369	421	149	255
Other	13	33	23	91
	1,006	2,476	1,106	3,344
Finance costs				
Interest paid	(3,367)	(8,912)	(3,139)	(10,226)
Finance charges	(275)	(775)	(346)	(1,130)
Other	(164)	(621)	(179)	(492)
	(3,806)	(10,308)	(3,664)	(11,848)
Derivative financial instruments, net:				
Gains (losses) on derivatives (foreign exchange variation)	3,793	18,097	589	(396)
Gains (losses) on derivatives (interest)	(1,833)	(1,147)	(486)	(854)
	1,960	16,950	103	(1,250)
Foreign exchange variation, net	(1,803)	(13,836)	(941)	(669)
Finance income (costs)	(2,643)	(4,718)	(3,396)	(10,423)

24. INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

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

	Parent company			
	2020		2019	
	Quarter	9 months	Quarter	9 months
Earnings before Income tax and social contribution	45,501	58,080	12,626	21,204
Statutory tax rates	34%	34%	34%	34%
	(15,470)	(19,747)	(4,293)	(7,209)
Reconciliation to the effective tax:				
Permanent differences:				
Equity in the results of investees	15,955	21,210	4,600	8,211
Unrecognized deferred taxes	(485)	(1,463)	(307)	(1,002)
Income tax and social contribution				

	Consolidated			
	2020		2019	
	Quarter	9 months	Quarter	9 months
Earnings before income tax and social contribution	46,608	56,949	17,374	31,878
Statutory tax rates	34%	34%	34%	34%
	(15,847)	(19,363)	(5,907)	(10,838)
Reconciliation to the effective tax:				
Permanent differences:				
PD&I Benefit	(1,557)	2,523		
Investment Subsidies (i)	17,297	20,972	1,967	1,967
Adjustment of the calculation of foreign subsidiaries taxed at the rate in effect in their respective countrie	(550)	(1,672)	(608)	(1,287)
Unrecognized deferred taxes	(486)	(1,464)	(307)	(1,002)
Other	35	127	104	481
Income tax and social contribution	(1,108)	1,123	(4,751)	(10,679)
Reconciliation with the statement of profit or loss				
Current	(3,746)	(8,754)	(3,761)	(11,173)
Deferred	2,638	9,877	(990)	494
	(1,108)	1,123	(4,751)	(10,679)

(i) The Group recognized the tax deductibility of the amounts of tax incentives related to shipments with exemption from ICMS in transactions within the state of São Paulo and exports and shipments with a 60% reduction in the ICMS calculation basis in interstate operations, considered as investment grants by force of meeting the requirements set by ICMS Agreement 100/1997 derived from Complementary Law nº 160/2017.

25. EARNINGS PER SHARE

a) Basic

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

	2020		2019	
	Quarter	9 months	Quarter	9 months
Net income for the period attributable to the Company's shareholders	45,501	58,080	12,626	21,204
Weighted average number of common shares in the period (in thousands of shares)	53,949	53,949	53,949	53,949
Basic earnings per share	0.84341	1.07657	0.23404	0.39304

b) Diluted

Diluted earnings per share is calculated by dividing the earnings attributable to the Company's shareholders by the weighted average number of common shares during the period, adjusted by the weighted average number of instruments with dilutive effects.

	2020		2019	
	Quarter	9 months	Quarter	9 months
Net income for the period attributable to the Company's shareholders	45,501	58,080	12,626	21,204
Weighted average number of common shares in the period, considering instruments with dilutive effects (in thousands of shares)	53,949	53,949	53,949	53,949
Diluted earnings per share	0.84341	1.07657	0.23404	0.39304

26. EMPLOYEE BENEFITS

a) Private pension plan - defined contribution

The Group companies sponsor a defined contribution pension plan for their employees. The plan started in August 2008 and, up to September 30, 2020 it was managed by Itaú Vida e Previdência S.A. As from October 2020, the plan started to be managed by Brasilprev Seguros e Previdência S.A. Contributions from the companies for the plan as of September 30, 2020 amounted to R$741 (R$847 as of September 30, 2019).

b) Profit sharing

The Group companies offer a variable compensation program to their employees, calculated based on quantitative and qualitative goals established by management. In the nine-month period ended September 30, 2020, the impact of profit sharing was R$7,543 (R$2,176 as of September 30, 2019).

27. RELATED-PARTY BALANCES AND TRANSACTIONS

a) Balances and main transactions

	Parent company								
	09/30/20					12/31/19			
	Assets			Liabilities		Assets		Liabilities	
	Interest on Equity	AFAC	Other assets (i)	Dividends and interest on equity	Other liabilities	Interest on Equity	Other assets (i)	Dividends and interest on equity	Other liabilities
Subsidiaries:									
Ouro Fino Saúde Animal Ltda.		23,000			49				67
Ouro Fino Pet Ltda.	885					885			
Other related parties:									
Ouro Fino Química Ltda.			252				83		
BNDES Participações S.A.									
Shareholders				10,155				10,991	
	885	23,000	252	10,155	49	885	83	10,991	67

	Parent company				
	Main transactions:				
	09/30/20			09/30/19	
	Royalties	Shared Services Center (CSC) reimbursement (i)	Other income (expenses), net	Royalties	Shared Services Center (CSC) reimbursement (i)
Subsidiaries:					
Ouro Fino Saúde Animal Ltda.		(114)	(292)		(197)
Ouro Fino Agronegócio Ltda.		125			47
Ouro Fino Pet Ltda.		26	(5)		12
Other related parties:					
Ouro Fino Química Ltda.	169			112	
	169	37	(297)	112	(138)

	Consolidated							
	Balances:							
	09/30/20				12/31/19			
	Assets	Liabilities			Assets	Liabilities		
	Other assets (i)	Dividends and interest on equity	Other liabilities	Loans and financing (ii)	Other assets (i)	Dividends and interest on equity	Other liabilities	Loans and financing (ii)
Other related parties:								
Ouro Fino Química Ltda.	397		150		239		150	
Condomínio Rural Ouro Fino	115				154			
BNDES Participações S.A.				29,361				29,658
Shareholders		10,155				10,991		
Other							22	
	512	10,155	150	29,361	393	10,991	172	29,658

	Consolidated									
	Main transactions:									
	09/30/20					09/30/19				
	Gross profit on sales of goods	Services Center (CSC) reimburseme	Royalties	Other expenses, net	Finance income (costs)	Gross profit on sales of goods	Services Center (CSC) reimburseme	Royalties	Other expenses, net	Finance income (costs)
Other related parties:										
Ouro Fino Química Ltda.		951	169	(554)			1,048	112	(623)	
Condomínio Rural Ouro Fino	4		32	(1,767)		3			(1,491)	
Neotech Soluções Ambientais Ltda.				(167)					(237)	
Shareholders										
BNDES Participações S.A.					(1,537)					(2,261)
	4	951	201	(2,488)	(1,537)	3	1,048	112	(2,351)	(2,261)

(i) Other assets and liabilities

Other assets and liabilities are represented by the reimbursement of expenses, especially those incurred with the Shared Services Center (“CSC”), under the expense sharing agreement entered into on September 30, 2014.

(ii) Loans and financing

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

b) Management compensation

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

	30/09/2020	30/09/2019
Wages and salaries	2,272	2,175
Labor charges	528	492
Variable compensation	455	61
Direct and indirect benefits	125	182
Share-based payments	109	113
	3,489	3,023

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

28. INSURANCE

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

Insured goods	Risks covered	2020	2019
Property, plant and equipment ar	Fire, lightning, explosion, electrical damage, windstorm, loss of profits	403,980	407,000
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	30,000	30,000

29. OTHER DISCLOSURES ON CASH FLOWS

	Loans and financing	Derivative financial instruments, net	Cash and cash equivalents	Net debt
Balance as of January 1st, 2020	281,082	2,252	(45,009)	238,325
Funding	120,000			120,000
Repayment of principal	(102,091)	11,047		(91,044)
Payment of interest	(9,284)			(9,284)
Drawee risk	881			881
Increase (decrease) in cash and cash equivalents			(122,949)	(122,949)
Changes that affected cash flow	9,506	11,047	(122,949)	(102,396)
Purchase of property, plant and equipment	279			279
Foreign exchange variations and interest	30,504	(16,950)	(773)	12,781
Changes not affecting cash flow	30,783	(16,950)	(773)	13,060
Balance as of September 30, 2020	321,371	(3,651)	(168,731)	148,989
Balance as of January 1st, 2019	287,529	28	(65,183)	222,374
Funding	60,000			60,000
Repayment of principal	(49,524)	(582)		(50,106)
Payment of interest	(11,234)			(11,234)
Increase (decrease) in cash and cash equivalents			(17,306)	(17,306)
Changes that affected cash flow	(758)	(582)	(17,306)	(18,646)
Purchase of property, plant and equipment	1,823			1,823
Foreign exchange variations and interest	13,151	1,250	(288)	14,113
Changes not affecting cash flow	14,974	1,250	(288)	15,936
Balance as of September 30, 2019	301,745	696	(82,777)	219,664

30. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

30.1 Consolidation

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

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

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

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

30.2 Foreign currency translation

a) Functional and reporting currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss as "Finance income (costs)".

c) Group companies with a different functional currency

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

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

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

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

30.3 Financial assets

30.3.1 Classification

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

a) Amortized cost

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

b) Financial assets at fair value through profit or loss

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

30.3.2 Recognition and measurement

Normal purchases and sales of financial assets are recognized on the trade date. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of 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.

30.3.3 Impairment of financial assets

Assets carried at amortized cost

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

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

30.4 Derivative financial instruments

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

The new standard CPC 48/IFRS 9 "Financial Instruments" has been effective since January 1, 2018. Its major amendment was the establishment of new criteria for the classification of financial assets and relaxation of the requirements for adoption of hedge accounting. Management believes that there will be no significant changes in the classification and measurement of its financial assets, particularly considering that the there were no transactions classified as “hedge”.

30.5 Trade Receivables

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

30.6 Inventories

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

30.7 Current and deferred income tax and social contribution

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

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

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

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

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

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

30.8 Intangible assets

a) Product research and development

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

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

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

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

b) Trademarks and licenses purchased

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

c) Computer software

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

Costs associated with maintaining computer software are expensed as incurred.

d) Goodwill on the acquisition of subsidiaries

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

30.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation. This cost was adjusted in subsidiaries to reflect the deemed cost of land on the date of transition to IFRS, and depreciation is calculated using the straight-line method, considering the estimated useful lives of the respective assets. The annual depreciation rates are disclosed in Note 14. 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 construct and prepare the asset for its intended use.

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

30.10 Impairment of non-financial assets

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

30.11 Trade account payables

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

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

30.12 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.

30.13 Employee benefits

a) Private pension plan

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

b) Profit sharing

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

c) Share-based compensation

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

30.14 Revenue recognition

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

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

30.15 Distribution of dividends and interest on equity

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

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

30.16 Leases

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

For the period ended September 30, 2020, the Company's management reviewed all leasing contracts and concluded that the exemption criteria apply for all contracts identified as leases (pursuant to IFRS16/CPC06). Therefore, there were no material impacts on the balance sheet or statement of profit or loss.

30.17 New standards that are not yet effective

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

31. SUBSEQUENT EVENTS

(i) Payment of the mandatory minimum dividend

At a meeting of the Board of Directors held on October 8, 2020, the payment of the remaining balance of the minimum mandatory dividend in the amount of R$10,155 was approved, a balance that was retained in a special reserve as approved by the Annual and Extraordinary Shareholders' Meeting held on May 8 2020 due to the uncertainties caused by the COVID-19 pandemic.

(ii) Loan agreement

On October 2, 2020, the subsidiary Ouro Fino Saúde Animal Ltda. contracted a new loan as a Bank Credit Note in the amount of R$40,000 at an average CDI rate plus an effective surcharge of 2.2% per year with final term in four years. The new funding is a strategy of the Company to extend the debt.

A contract with FINEP of a credit line in the amount of R$ 180,000 directed to the financing of Research and Development projects was also completed, with the first release of approximately R$ 54,000 estimated for this year. Since this project is targeted to Strategic Innovation Plans and presented a high degree of innovation and relevance to the benefited economic sector, it allowed the financing to be classified under the LTIR rate plus 0.71% per year with a twelve-year term.