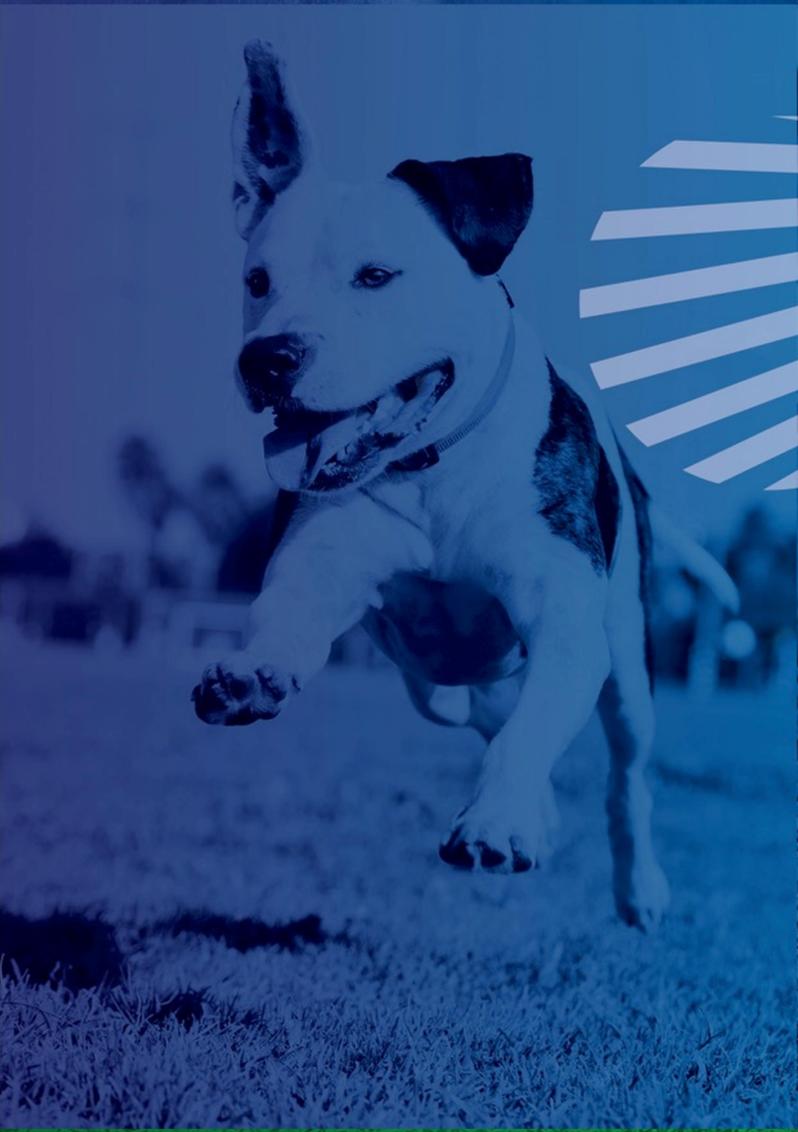
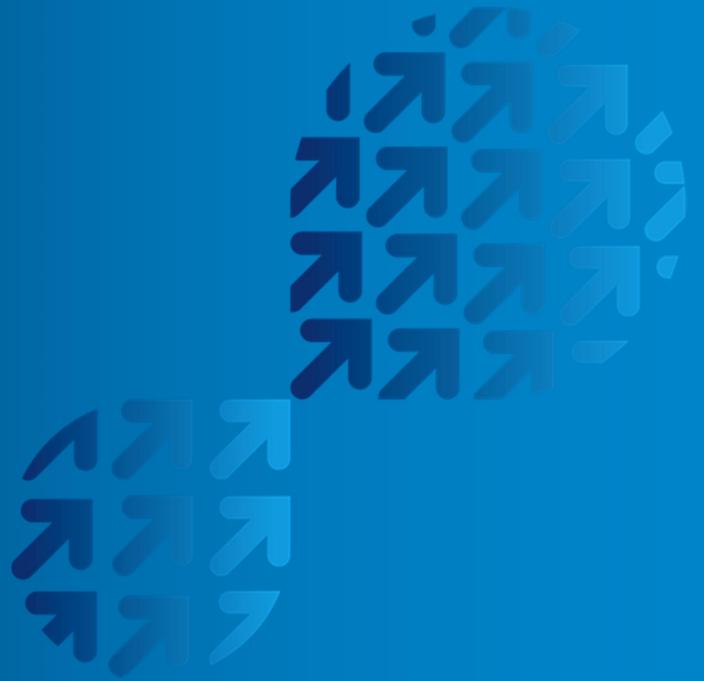




# Results - 2Q19 and 1H19





# Our Purpose

Reimagining  
animal health

- The Company's revenues increased by 10% in the quarter;
- Revenues from the companion animals segment increased by 22% and reached R\$ 24 million, the highest historical quarterly revenue for the segment;
- Revenues from the production animals segment reached R\$ 139 million in the quarter, the highest historical quarterly revenue for the segment;
- Generation of cash from operations in 2Q19 totaled R\$ 26 million, that is, six times over 2Q18.

## **Conference Call**

### **In Portuguese with simultaneous translation into English**

August 8, 2019

3:00 p.m. (BRT) / 2:00 p.m. (ECT)

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Cravinhos, August 7, 2019 – Ouro Fino Saúde Animal Participações S.A. (the “Company” or “Ourofino”) (B3: OFSA3), which is mainly engaged in the research, development, production and sale of veterinary drugs, vaccines and other products for production and companion animals, announces its financial results for the period ended June 30, 2019 (2Q19 and 1H19).

## Message from Management

We understand that the scenario of cattle breeding in Brazil is beginning a new and more constructive phase, driven even more recently by the opportunity to increase its protein exports to Asia considering the sharp reduction in China's swine breeding stock as a result of the African swine fever outbreak in that region, and the macroeconomic fundamentals that are expected to continue to evolve progressively considering the likelihood that the required structural reforms that Brazil requires will be passed. Therefore, Brazilian producers may benefit from higher volumes and better profitability, increasing investments and enhancing the adoption of technology, including medicines, vaccines and other veterinary products. In this respect, the Company expects a very positive cycle for its production and companion animals business, since it is ready to continue supporting producers in their continuous and necessary improvement of productivity, and also pet owners to provide the necessary care for their dogs and cats and, therefore, continue to capture better results.

However, it should be noted that the first half of the year fell short of our expectations in the production animals segment, which increased by 7% in the quarter and 2% in the six-month period, showing a less buyer's market, in our view, due to the fact that the definitions of the important matters described above, especially the macroeconomic ones, have been waited for. We would also highlight that part of this increase was due to higher sales of foot-and-mouth disease vaccines in the first campaign of the year, which, combined with a higher idleness of the plants, including the start-up of the new vaccine plant, showing only initial sales volumes, affected the segment's gross margin, which was 45%.

In spite of this, in consolidated terms, the second quarter presented a considerable increase in net revenues, which were 10% higher than those for the same period in the previous year, due to volume increases in the companion animals and international operations segments, which increased by 22% and 20%, respectively. These segments also had their margins more affected because of the lower volumes produced, thus reducing their historical profitability. The reduction in the consolidated gross margin, coupled with the recognition of more R&D expenditures as expenses, already foreseen in the project phase, led to a 6 p.p. reduction in the Company's adjusted EBITDA, which reached R\$35 million. Also, the generation of cash from operations increased approximately six times in the second quarter of 2019.

As the usual market seasonality always presents a stronger second half due to the higher concentration of trade fairs, the peak of the cattle breeding period and the more favorable weather conditions for the appearance of parasites, combined with the excellent prospects of the cattle breeding scenario in Brazil, as mentioned above, we believe that the potential increase in the volume of operations will result in further dilution of costs and expenses and consequently a year-end closing in line with our initial expectations.

With the purpose of always continue Reimagining Animal Health, in the second quarter of 2019 we entered into a partnership with AgTech Garage, a startup hub focused on agribusiness development, which was chosen as the only innovation partner in our industry, allowing us to have access to innovations aimed at increasing productivity and facilitate man's life in the countryside.

Jardel Massari  
CEO

Kleber Gomes  
CFO and IRO

# Financial Performance

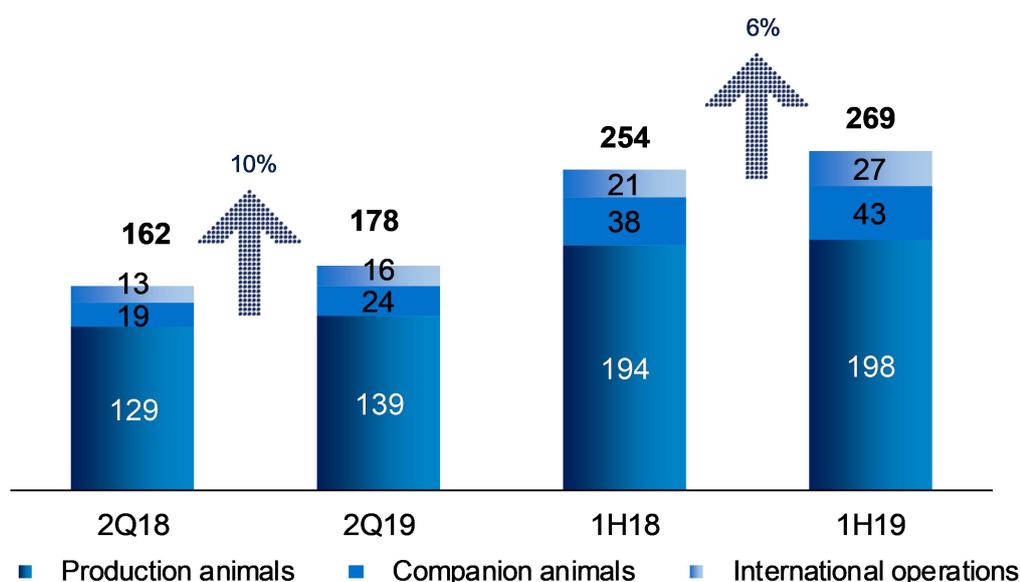
R\$ million	2Q18	2Q19	Variation %	1H18	1H19	Variation %
Net revenue	161.6	177.7	10.0%	253.5	268.7	6.0%
Cost of sales	(75.3)	(89.4)	18.7%	(114.6)	(136.4)	19.0%
Gross profit	86.3	88.3	2.3%	138.9	132.3	-4.8%
(gross margin)	53.4%	49.7%	-3.7 p.p.	54.8%	49.2%	-5.6 p.p.
Net expenses*	(52.4)	(60.3)	15.1%	(98.1)	(109.8)	11.9%
Operating profit	33.9	28.0	-17.4%	40.8	22.5	-44.9%
(operating margin)	21.0%	15.8%	-5.2 p.p.	16.1%	8.4%	-7.7 p.p.
Finance result, net	(3.8)	(3.4)	-10.5%	(7.3)	(7.0)	-4.1%
Income tax and social contribution	(9.0)	(9.3)	3.3%	(8.8)	(6.6)	-25.0%
Adjusted profit	21.1	15.3	-27.5%	24.7	8.9	-64.0%
(adjusted profit margin)	13.1%	8.6%	-4.5 p.p.	9.7%	3.3%	-6.4 p.p.
Adjusted EBITDA	40.7	34.6	-15.0%	53.1	34.6	-34.8%
(adjusted EBITDA margin)	25.2%	19.5%	-5.7 p.p.	20.9%	12.9%	-8.0 p.p.

(\*) In 6M18, does not include extemporaneous tax credits related to prior years. In 1H19 does not include non-recurring expenses related to consulting services by EY, expenses related to defense filed in respect of the tax assessment notice issued in 2014, and extemporaneous tax credits related to prior years. These events gave rise to their related tax effects.



## Net revenue

R\$ million	2Q18	2Q19	Variation %	1H18	1H19	Variation %
Net sales revenue	161.6	177.7	10.0%	253.5	268.7	6.0%
Production animals	129.4	138.7	7.2%	194.4	198.4	2.1%
Companion animals	19.3	23.5	21.8%	38.3	43.1	12.5%
International operations	12.9	15.5	20.2%	20.8	27.2	30.8%



In 2Q19, the Company recorded net revenues of R\$ 177.7 million, an increase of 10.0% in comparison with 2Q18. In 1H19, net revenues totaled R\$ 268.7 million, an increase of 6% in comparison with 1H18.

- The production animals segment reported net revenues of R\$ 138.7 million in 2Q19, an increase of 7.2% in comparison with 2Q18, with an increase in volume. In 1H19, net revenues were R\$ 198.4 million, an increase of 2.1%, substantially arising from increases in volume and prices.
- The companion animals segment reported net revenues of R\$ 23.5 million in 2Q19, an

increase of 21.8% in comparison with 2Q18. In 1H19, net revenues totaled R\$ 43.1 million, an increase of 12.5% in comparison with 1H18. These results reflect higher increases in volumes and price gains in the segment.

- The international operations segment reported net revenues of R\$ 15.5 million in 2Q19, an increase of 20.2% in comparison with 2Q18. In 1H19, net revenues totaled R\$ 27.2 million, an increase of 30.8%. These increases reflect higher increases in volume in the segment.

## Gross profit and gross margin

R\$ million	2Q18	2Q19	Variation %	1H18	1H19	Variation %
Gross profit	86.3	88.3	2.3%	138.9	132.3	-4.8%
(gross margin)	53.4%	49.7%	-3.7 p.p.	54.8%	49.2%	-5.6 p.p.
Gross profit - production animals	63.2	62.7	-0.8%	97.4	86.6	-11.1%
(gross margin - production animals)	48.8%	45.2%	-3.6 p.p.	50.1%	43.6%	-6.5 p.p.
Gross profit - companion animals	14.3	16.6	16.1%	27.8	30.1	8.3%
(gross margin - companion animals)	74.1%	70.6%	-3.5 p.p.	72.6%	69.8%	-2.8 p.p.
Gross profit - international operations	8.7	9.0	3.4%	13.6	15.6	14.7%
(gross margin - international operations)	67.4%	58.1%	-9.3 p.p.	65.4%	57.4%	-8.0 p.p.

In 2Q19, gross margin was 49.7%, a decrease of 3.7 p.p. in comparison with 2Q18. In 1H19, gross margin was 49.2%, a decrease of 5.6 p.p. in comparison with 1H18.

- The production animals segment presented a gross margin of 45.2% in 2Q19, a decrease of 3.6 p.p. in comparison with 2Q18. In 1H19, gross margin was 43.6%, a decrease of 6.5 p.p. These results reflect the impacts of costs incurred in the refurbishment of the plant in the first quarter combined with a less favorable mix in 2Q19, with a higher share of vaccines against foot-and-mouth disease and fewer volumes produced inside our production plant, as mentioned before.
- The companion animals segment presented a gross margin of 70.6% in 2Q19, a

decrease of 3.5 p.p. in comparison with 2Q18. In 1H19, the gross margin was 69.8%, a decrease of 2.8 p.p. These results show a higher production cost that impacted 2Q19 and 1H19, due to a higher idleness level of the plant for cost dilution.

- The international operations segment presented a gross margin of 58.1% in 2Q19, a decrease of 9.3 percentage points in comparison with 2Q18 and reflects a worse mix in the periods and foreign exchange losses in Colombia. In 1H19, gross margin was 57.4%, a decrease of 8.0 p.p. reflecting the less favorable mix, as well as fewer volumes produced inside our production that affected the cost dilution.



## Selling, general and administrative expenses

R\$ million	2Q18	2Q19	Variation %	1H18	1H19	Variation %
Selling, general and administrative and other expenses	(52.4)	(60.3)	15.1%	(98.1)	(109.8)	11.9%
Percentage of net revenue	32.4%	33.9%	1.5 p.p.	38.7%	40.9%	2.2 p.p.

In 2Q19, selling, general and administrative expenses totaled R\$ 60.3 million, an increase of 1.5 p.p. in comparison with 2Q18. In 1H19, these expenses totaled R\$ 109.8 million, an increase of 2.2 p.p. in comparison with 1H18. These results reflect a greater share of R&D

expenses, which totaled R\$ 13 million in 1H19, in comparison with R\$ 6 million from 1H18. This inversion of the R&D mix follows the set of projects that are about to be launched versus the new lines of research and was included in our plan.

## EBITDA and EBITDA Margin

R\$ million	2Q18	2Q19	Variation %	1H18	1H19	Variation %
Adjusted profit	21.1	15.3	-27.5%	24.7	8.9	-64.0%
(+) Non-recurring results*	3.2	(1.4)	-143.8%	3.2	(0.4)	-112.5%
Profit for the period	24.3	13.9	-42.8%	27.9	8.5	-69.5%
(+) Finance result, net	3.8	3.4	-10.5%	7.3	7.0	-4.1%
(+) Income tax and social contribution	10.6	8.6	-18.9%	10.4	5.9	-43.3%
(+) Depreciation and amortization	6.8	6.6	-2.9%	12.3	12.1	-1.6%
EBITDA	45.5	32.5	-28.6%	57.9	33.5	-42.1%
(+) Non-recurring effects*	(4.8)	2.1	-143.8%	(4.8)	1.1	-122.9%
Adjusted EBITDA	40.7	34.6	-15.0%	53.1	34.6	-34.8%
Net sales revenue	161.6	177.7	10.0%	253.5	268.7	6.0%
EBITDA margin	28.2%	18.3%	-9.9 p.p.	22.8%	12.5%	-10.3 p.p.
Adjusted EBITDA margin	25.2%	19.5%	-5.7 p.p.	20.9%	12.9%	-8.0 p.p.

(\*) In 6M18, does not include extemporaneous tax credits related to prior years. In 1H19 does not include non-recurring expenses related to consulting services by EY, expenses related to defense filed in respect of the tax assessment notice issued in 2014, and extemporaneous tax credits related to prior years. These events gave rise to their related tax effects.

In 2Q19, adjusted EBITDA totaled R\$ 34.6 million, with a margin of 19.5%, a decrease of 5.7 p.p. in comparison with 2Q18. In 1H19, adjusted EBITDA was R\$ 34.6 million, with a margin of 12.9%, a decrease of 8.0 p.p. in

comparison with 1H18. These results reflect declines in gross margins as explained above, as well as loss of dilution due to the change in the mix of R&D expenses.

## Finance result

R\$ million	2Q18	2Q19	Variation %	1H18	1H19	Variation %
Finance result, net	(3.8)	(3.4)	-10.5%	(7.3)	(7.0)	-4.1%

In 2Q19, net finance costs totaled R\$ 3.4 million, a decrease of 10.5% in comparison with 2Q18. In 1H19, net finance costs totaled R\$ 7.0 million,

a decrease of 4.1% in comparison with 1H18. The net average cost was 7.1% p.a. in 2Q18 and 7.0% p.a. in 2Q19.

## Income tax and social contribution

R\$ million	2Q18	2Q19	Variation %	1H18	1H19	Variation %
Income tax and social contribution	(9.0)	(9.3)	3.3%	(8.8)	(6.6)	-25.0%
Percentage of profit before IRPJ and CSLL	-29.9%	-37.8%	-7.9 p.p.	-26.3%	-42.6%	-16.3 p.p.

In 2Q19, income tax and social contribution amounted to R\$ 9.3 million in comparison with R\$ 9.0 million in 2Q18. In 1H19, income tax and social contribution was R\$ 6.6 million against

R\$ 8.8 million in 1H18. It should be noted that the calculation of IRPJ and CSLL is carried out on tax bases that differ from the accounting result.

## Profit

R\$ million	2Q18	2Q19	Variation %	1H18	1H19	Variation %
Adjusted profit	21.1	15.3	-27.5%	24.7	8.9	-64.0%
profit margin	13.1%	8.6%	-4.5 p.p.	9.7%	3.3%	-6.4 p.p.

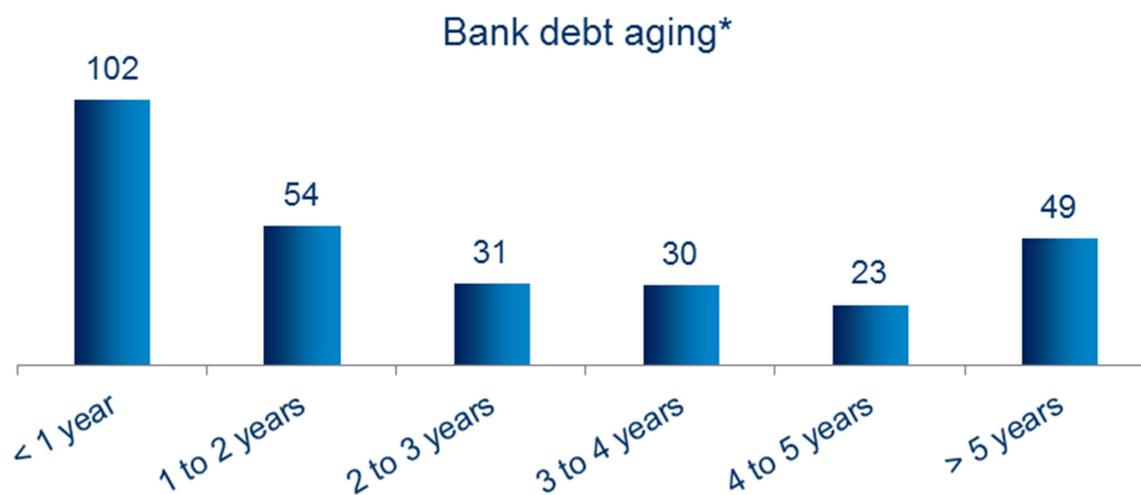
In 2Q19, adjusted profit totaled R\$ 15.3 million, with a net margin of 8.6%, a decrease of 4.5 p.p. in comparison with 2Q18. In 1H19, adjusted profit was R\$ 8.9 million, with a net margin of 3.3%, a decrease of 6.4 p.p. in comparison with

1H18. These results reflect a drop in EBITDA due to the previously mentioned factors, the higher rates of income tax and social contribution, and were partially reversed by the reduction in net finance costs in the periods.

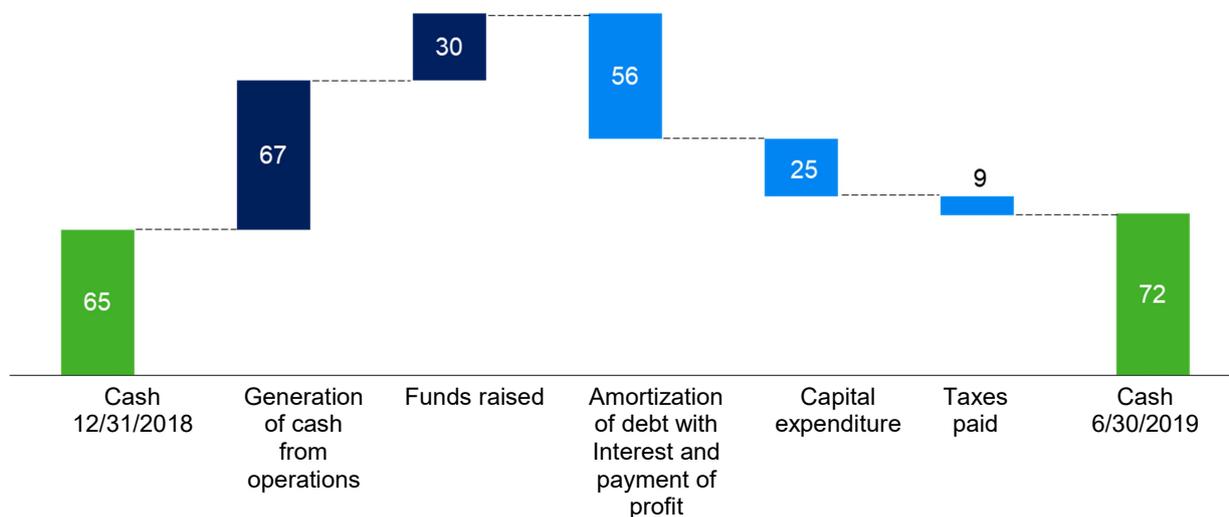
## Indebtedness

In R\$ million	June 30, 2018	June 30, 2019
Current	164.5	102.4
Non-current	200.8	185.7
Gross debt	365.3	288.1
Related derivative financial instruments	(1.8)	0.8
Gross debt considering related derivatives	363.5	288.9
(-) Cash and cash equivalents	135.5	72.4
Net debt	228.0	216.5
Average cost of debt (year) <sup>1</sup>	7.14%	7.02%
Net debt/Adjusted annual EBITDA (LTM)	1.84	1.91

<sup>1</sup> Net bank debt considering related derivatives and bank guarantee costs.



## Cash position



In 1H19, there was a generation of cash from operations of R\$ 67 million (R\$ 26 million in 2Q19), with amortization of debt, payment of interest and profit totaling R\$ 56 million. Funds raised totaled R\$ 30 million and the debt profile

is 2/3 of total gross debt. The average cost of debt at June 30, 2019 was 7.02% p.a., including the costs of derivatives and associated guarantees.



## Launches in 2019

The definition of the circovirus was updated.

Segment:

Swine

Therapeutic Class:

Biologic



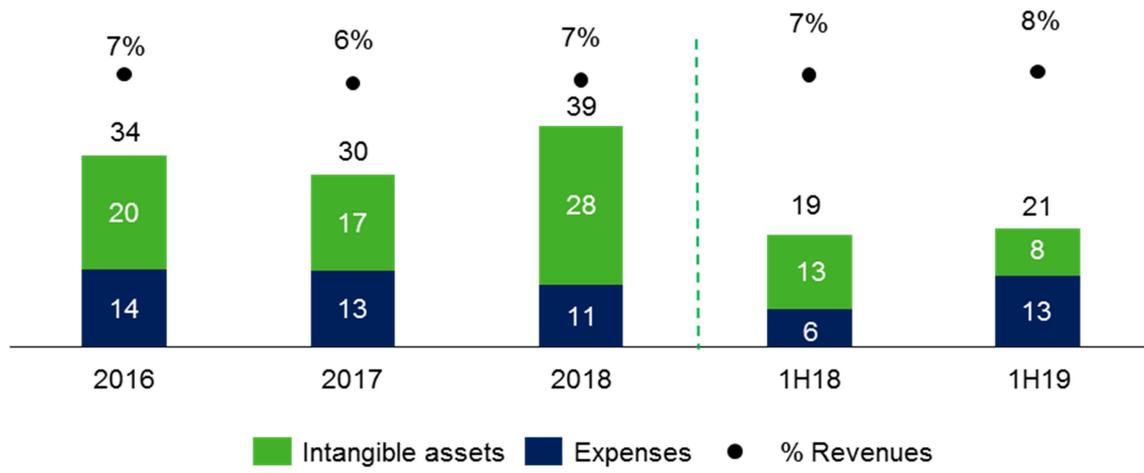
Innovation is also one of our pillars.

To be part of what is the most innovative in the segment, in April we became partners of AgTech Garage, located in Piracicaba (SP), considered the largest center of agribusiness innovation in Latin America. The purpose is to foster the connection between companies, startups and producers, with solutions that can be applied within the company.

AgTechGarage

## Investments in Research & Development

In 1H19, 8% of net revenues were invested in R&D, totaling R\$ 21 million. The chart below shows the Company's total investments in R&D from 2016 to 2018.



Adjusted statement of income (R\$ thousands)	2Q18	1H18	2Q19	1H19
Revenue	161,603	253,541	177,726	268,704
Cost of sales*	(75,231)	(114,616)	(89,370)	(136,384)
Gross profit	86,372	138,925	88,356	132,320
Selling expenses*	(42,151)	(77,593)	(50,034)	(90,678)
General and administrative expenses*	(9,862)	(20,020)	(10,548)	(19,365)
Other income (expenses), net*	(394)	(460)	417	321
Operating profit	33,965	40,852	28,191	22,598
Finance income	1,364	3,500	1,145	2,238
Finance costs	(5,220)	(10,451)	(4,008)	(8,184)
Derivative financial instruments, net	6,329	5,014	(948)	(1,353)
Foreign exchange variations, net	(6,307)	(5,403)	381	272
Finance result	(3,834)	(7,340)	(3,430)	(7,027)
Profit before income tax and social contribution	30,131	33,512	24,761	15,571
Current and deferred income tax and social contribution*	(9,052)	(8,809)	(9,378)	(6,644)
Adjusted profit for the period	21,079	24,703	15,383	8,927

(\*) Does not consider non-recurring expenses and their related tax effects.

Corporate statement of income (R\$ thousands)	2Q18	1H18	2Q19	1H19
Revenue	161,603	253,541	177,726	268,704
Cost of sales	(75,231)	(114,616)	(89,370)	(136,384)
Gross profit	86,372	138,925	88,356	132,320
Selling expenses	(42,151)	(77,593)	(50,034)	(90,678)
General and administrative expenses	(9,862)	(20,020)	(12,655)	(21,472)
Other income, net	4,416	4,350	417	1,361
Operating profit	38,775	45,662	26,084	21,531
Finance income	1,364	3,500	1,145	2,238
Finance costs	(5,220)	(10,451)	(4,008)	(8,184)
Derivative financial instruments, net	6,329	5,014	(948)	(1,353)
Foreign exchange variations, net	(6,307)	(5,403)	381	272
Finance result	(3,834)	(7,340)	(3,430)	(7,027)
Profit before income tax and social contribution	34,941	38,322	22,654	14,504
Current and deferred income tax and social contribution	(10,687)	(10,444)	(8,662)	(5,928)
Profit for the period	24,254	27,878	13,992	8,576

Statement of cash flows (R\$ thousands)	1H18	1H19
<b>Cash flows from operating activities</b>		
Profit before income tax and social contribution	38,322	14,504
Adjustments for:		
Provision for impairment of trade receivables	125	255
Provision for inventory losses and write-offs	5,166	2,052
Changes in the provision for sales returns	167	(124)
Reversal of the provision for bonuses to customers	(967)	(808)
Depreciation and amortization	12,109	11,997
Provision for impairment and write-off of intangible assets		140
Result on disposal of property, plant and equipment	110	(143)
Result on disposal of intangible assets	170	
Interest and monetary and foreign exchange variations, net	16,189	7,658
Derivative financial instruments	(5,014)	1,353
Provision for contingencies	(206)	138
Stock options granted	361	325
Changes in working capital		
Trade receivables	18,106	27,954
Inventories	(57,510)	(5,073)
Taxes recoverable	(10,626)	(1,049)
Other assets	(805)	(991)
Trade payables	14,570	14,187
Taxes payable	(1,993)	(1,667)
Other liabilities	1,017	(4,036)
<b>Cash from operations</b>	<b>29,291</b>	<b>66,672</b>
Interest paid	(9,149)	(8,127)
Income tax and social contribution paid	(7,247)	(8,532)
<b>Net cash provided by operating activities</b>	<b>12,895</b>	<b>50,013</b>
<b>Cash flows from investing activities</b>		
Investments in intangible assets	(13,132)	(9,095)
Purchases of property, plant and equipment	(9,764)	(16,370)
Proceeds from sale of property, plant and equipment	969	888
Proceeds from sale of intangible assets	220	
<b>Net cash used in investing activities</b>	<b>(21,707)</b>	<b>(24,577)</b>
<b>Cash flows from financing activities</b>		
New borrowings	105,353	30,000
Repayment of borrowings	(66,487)	(31,234)
Distribution of dividends and interest on capital	(10,847)	(16,351)
Realized derivative financial instruments	(7,282)	(581)
<b>Net cash provided by (used in) financing activities</b>	<b>20,737</b>	<b>(18,166)</b>
<b>Increase in cash and cash equivalents, net</b>	<b>11,925</b>	<b>7,270</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>123,360</b>	<b>65,183</b>
<b>Exchange losses on cash and cash equivalents</b>	<b>166</b>	<b>(43)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>135,451</b>	<b>72,410</b>

Balance sheet (R\$ thousands)	12/31/2018	6/30/2019
<b>Assets</b>		
<b>Current assets</b>	<b>413,107</b>	<b>399,489</b>
Cash and cash equivalents	65,183	72,410
Trade receivables	174,694	146,570
Inventories	153,159	156,983
Taxes recoverable	5,840	8,944
Income tax and social contribution recoverable	8,295	7,566
Related parties	636	638
Other assets	5,300	6,378
<b>Non-current assets</b>	<b>432,900</b>	<b>446,395</b>
<b>Long-term receivables</b>	<b>78,469</b>	<b>77,496</b>
Taxes recoverable	56,368	53,858
Deferred income tax and social contribution	15,963	17,782
Inventories	5,422	5,290
Other assets	716	566
<b>Permanent assets</b>	<b>354,431</b>	<b>368,899</b>
Intangible assets	93,799	98,788
Property, plant and equipment	260,632	270,111
<b>Total assets</b>	<b>846,007</b>	<b>845,884</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>	<b>170,836</b>	<b>185,612</b>
Trade payables	27,100	40,777
Derivative financial instruments	28	800
Borrowings	76,439	101,071
Salaries and social charges	32,890	28,175
Taxes payable	5,097	3,101
Income tax and social contribution payable	763	773
Dividends and interest on capital	16,351	
Related parties	145	326
Commissions on sales	5,446	3,428
Other liabilities	6,577	7,161
<b>Non-current liabilities</b>	<b>219,204</b>	<b>195,231</b>
Borrowings	211,090	186,978
Provision for contingencies	8,114	8,253
<b>Total liabilities</b>	<b>390,040</b>	<b>380,843</b>
<b>Total equity</b>	<b>455,936</b>	<b>465,011</b>
Non-controlling interests	31	30
<b>Total liabilities and equity</b>	<b>846,007</b>	<b>845,884</b>

