International Conference Call
Ourofino
Third Quarter 2016 Results
November 16th, 2016

Operator: Good afternoon ladies and gentlemen. Welcome to the conference call for results of the 3rd quarter 2016 for Ourofino Saúde Animal.

Today we have with us Mr. Jardel Massari, CEO, and Mr. Kleber Gomes, Chief Financial and Investor Relations Officer.

We would like to inform you that this event is being recorded and simultaneously translated, and all participants will be in listen only mode during the company presentation, after which we will have a question and answer session. Should you require any assistance during the call, please, press star 0 to reach the operator.

We have a simultaneous webcast that may be accessed through Ourofino website, at the address: ir.ourofino.com “webcast 3rd quarter 16” banner.

The slide presentation, which will be presented by the management today, is also available for downloading.

Before proceeding, let me mention that forward-looking statements referring to the lease and assumptions of Ourofino's management are based on information currently available to the company. They involve risks, uncertainties, and assumptions as they relate to future events and, therefore, depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Ourofino leading results that differ materially from those expressed in such forward-looking statements.

I would now like to turn the conference over to Mr. Jardel Massari, who will begin the presentation. Mr. Massari, you may proceed.

Mr. Massari: Good afternoon to all of you, and I would like to thank you for your participation in our 3rd quarter 16 and in 9 months of 16 results.

The year of 2016 has proven to be one of the most challenging years for Ourofino, and for most of the companies in Brazil as a whole, and it can be considered as an outlier in our history that I have the knowledge of in these 30 years, I think it has been the most challenging year.

A combination of economic and market factors has led the company to result that are far below its projections and historical basis points.

As regards the production animal segment, the prices in the poultry and pig sector resulting from the cost pressure on grains, especially corn and soybean that is being sold at R$50 a bag, corn at R$80, these prices are going down now significantly, but they will contribute towards an improvement in production costs.

We also have had low prices for foot-and-mouth disease vaccines due to an oversupply and aggressive price policy because companies have practiced a low price policy to be able to honor their commitments, and we see that our clients have less access to credit, impacting their working capital and their purchasing conditions. You all know that the banks have become much more cautious when it comes to granting credit.

In companion animals, there has been a deflection and a significant growth rate that we presented in recent years due to the adverse economic conditions, unemployment rates of 12% and this has affected, of course, the consumption of companion animal products. At the same time, in terms of international operations, we have had the appreciation of the Brazilian real affecting our margins.

In this context and during the 1st half of the year, the company sought to monitor market movement even facing adverse commercial condition and at the same time carried out several actions to optimize costs and expenses seeking to minimize the impact of losses on volume and prices resulting from the factors before mentioned.

Considering that the general conditions were not improving, and seeking to prepare for more appropriate basis to resume growth and profit in 2017, at the end of the 3rd quarter the company initiated a sales rationalization process with adjustments in commercial conditions, mainly sales terms, which has led to an expected reduction in volumes without any impact on its market position as the sales channel are properly supplied.

Other important measures have also been taken, the main one being that on November 10 I once again became the CEO based on the Board of Directors' decision. I'm a founder and partner with 30 years in this animal health company and I believe I can contribute greatly to the performance and profitability.

My return is to lead a restructuring process focused on profits, but always maintaining the company's commitment to quality, high levels of service and innovation.

I think that this is what Ourofino has always done based on these 3 factors, and the focus, of course, is always profitability. Mr. Dolivar [0:06:58 unintelligible] will continue to contribute to the company as a strategic consultant. Thanks to his vast experience in biotechnology including the prospection of technologies and partnership with other companies. In addition, the branding project is presently at its final stage, seeking greater competitive edge in the markets in which we operate so that we can add more value and to have different policies for the company.

The compensation policies for the commercial area, which I think are the DNA of the company, are presently being reviewed so that we can become ever more aggressive allowing the company to have greater profitability. We have restructured our commercial team, our channels and everything else. The entire commercial operation will undergo this restructuring, always with the focus on growth and profitability.

Additionally, we are assessing… contracting a renown consulting firm for performance and processes to seek efficiencies and reduction of costs.

I would like to remind you that this process is under way at the company, which means that we are not waiting for that consultancy. The consultancy will simply guide us to ensure that we are on the right path and to ensure that we can go more in-depth in our cost and expense reduction ideas.

Besides the efforts mentioned above, the following actions will be implemented in poultry and the pig segment, where we faced several problems this year because of prices: We are going to carry out a reduction of products in 2017, especially in commodity products; and a progressive change in the current portfolio, including higher added-value products, especially vaccines, vaccines that will become commercial in 2018.

Alongside with this, we are going to rationalize our bovine portfolio, we have an extensive portfolio, we are going to rationalize it and create priorities for those products with a greater profitability, and progressively establish lower inventory levels improving our working capital and consequently our margins.

We are looking upon 2016 despite our vocation or mission as a year of adjustments and this will set… create the groundwork for a moment of recovery that will happen gradually in 2017.

In this 2nd semester, we have perceived some signs in the recovery of our pig segment and perhaps a greater consumption for larger animals, and we also believe in an enhancement of the macroeconomic condition. Ourselves and all of the Brazilian companies are convinced that the growth in all of our business segments and we will continue to work hard to be able to move forward.

Finally, I would like to thank all of you for the confidence in our history and our work. I hope and I believe that my return to the company will contribute towards new results for the company, all of this based on my 30-year experience in the animal health sector.

Thank you very much and I would now like to give the floor to our IR Officer, Kleber, who will remark on the results for the period.

Mr. Gomes: Thank you Jardel, and a good afternoon to all of you. On the slide number 5 we present the total net revenue of 125.5 million for the 3rd quarter 16; a drop of 16.1% vis-à-vis the same period in 2015. For the 9 months, net revenues were 351.8 million; a drop of 3% for the 9 months compared to 2015.

In slide number 6, we show you the net revenue per business segment. The animal production segment had net revenues of 102.5 million for the 3rd quarter 16, with a retraction of 14.8% vis-à-vis the same quarter in 2015. For the 9 months, revenues were 283.1 million with a drop of 5.8%.

These retractions are due to a loss of price in the foot-and-mouth disease, and for the pig segment we had an increase in the therapeutic area offset by the prices, except for other products that gained in volume and others. The companion animal had a net revenue of 11.2 million in the 3rd quarter with a drop of 36.4% vis-à-vis the 3rd quarter 15.

In the 9 months of 2016, the revenues were up 42.9 million with a reduction of 10.1% vis-à-vis the same period in 2015. This reflects the macroeconomic situation and the loss of prices and volumes in ectoparasitic side because of an increase in sales of ecto tablets of competitors.

In international operations, we had R$11.8 million as net revenue; an increase of 1.7% vis-à-vis the last quarter. We have a real growth in the 9 months of 2016, the revenues were 32.1 million; an increase of 52.9 million compared to the 9 months of 2015. These results show an increase in up growth revenues of the company that went from 5.7 to 9%; in line with our long-term strategic planning.

In slide number ,7 we are going to analyze gross profit and SG&A. Gross profit for the 3rd quarter 2016 was up 49.9% compared to 57.6% for the 3rd quarter 15. In production animals, the reduction of margins arises from a lack of prices in the poultry and pig segment. The foot-and-mouth vaccines offset by the increase in prices and the other therapeutic lines for bovine.

In operation, international operations, we had a less favorable mix with the sale of the foot-and-mouth disease vaccines in Paraguay and Bolivia with better prices than those practiced in Brazil. With the result of the FX explained above, gross margin for the 9 months of 2016 totaled 51.3% vis-à-vis 56.9% for the same period 2015.

The SG&A of the 3rd quarter added to 52 million with a drop of 4.4% compared to the 3rd quarter 15. In the 9 months, the SG&A was of 157.1 million compared to 148 million for the same period 2015. This shows you the management effort to hold back expenses that began in the 1st semester.

On page number 8, we present the adjusted Ebitda for the 3rd quarter 16, that totaled 16.6 million with an adjusted Ebitda margin of 13.2%; a drop of 11.9%

vis-à-vis the 3rd quarter 2015. For the 9 months of 2016, adjusted Ebitda was of 43.4 million with an adjusted Ebitda margin of 12.1% and a drop of 9.4 percentage points compared to the same period in 2015.

Factors influencing this result were a reduction in net revenues with a drop in gross margin and a loss in the dilution of SG&A.

On page number 9, we show you the net financial expenses, social contributions a net profit. The net financial expense stood at 4.4 million compared to 5.3 million for the 3rd quarter 15. The reduction observed is due to the market to market of derivative instrument, especially debt and swaps that were obtained in dollars.

For the 9 months 2016, the net expenses were of 15.8% compared to 7.8 million for the same period in 2015. This comes from a lower level of indebtedness in 2015 thanks to the contributions of the IPO carried out in October of 2015 and an increase of charges during the period.

Additionally, we highlight that we are foreseeing an income from the FINEP and BNDES operations representing 52 million. In 2017 there will no longer be that Capex for the construction of the biological plant impacting our net debt in 2016.

Income taxes and social contributions were positive in 1.1 million compared to expenses of 7.4 million for the 3rd quarter 15. In the 9 months, the result is also positive in 1 million compared to expenses of 11.2 million in the 9 months of 2015. This is due to a lower profitability along with the impact, the temporary fiscal differences. Net profit was… had a drop of 6 to 1.6% compared to the same period in the 3rd quarter 2015.

For the 9 months' profit amounted to 11.8% with a drop of 74% compared to the 9 months of 15. This is due to the drop in adjusted Ebitda, partially offset by income tax and social contributions.

In page number 10, we show you the company's indebtedness. In the 3rd quarter of 2016, net debt over Ebitda that was of 2.95 times compared to 1.48 times for the same period in the previous year. The average cost of debt was of 9.61% per year compared to 6.75% the year for the 3rd quarter 2015.

We hope to receive some of the funding from FINEP and BNDES that have prefixed charges.

On September 30, 2016, we ended with a cash of 237 million. On page 11 we present the research and development investments. Total investments totaled 25 million representing 7% of the net revenues for the period. This percentage is above our historical percentage due to the retraction in net revenues presented for the period.

On page 12, we show you the launches for the 9 months of 2016. We have 5 new products production animals and 1 for companion animal. As part of the launches, we have Mgold 20 and Mgold 40, both preventing coccidiosis in broilers and replacement pullets, based on monensin with 20 and 40% of concentration respectively with a 0-day withdraw time.

On page 13, we show you the performance of our shares until September 30, 2016. All curves are based on 100. Compared to Bovespa, we have a return of 7.5%.

I would now give the floor to the operator to go on with the question and answer segment. Thank you.

Question & Answer Session

Operator: Thank you. We will now go on to the question-and-answer segment. Should you have a question, please, press star one on your phone. If at any point your question has been responded, please, press star 2 to withdraw from the queue.

Questions will be responded as they are received. Please, wait while we poll our questions.

The 1st question is from Joseph Giordano, from JP Morgan.

Mr. Giordano: A good afternoon to all of you. Welcome back. I have a few questions in truth. In the 1st, I would like to gain a better understanding of your process to identify the problem in the channel. Perhaps it was somewhat late.

I would like to know what you have understood by monitoring this channel, which I think was somewhat slow. And I would like to understand if the change of CEO will change any guidelines, and if there has been any further changes in the commercial part of the question. Thank you. This is my 1st question.

Mr. Gomes: Good afternoon Mr. Giordano. When it comes to the channel monitoring, as we have reiterated, the year was somewhat difficult, we were aware of the crisis that was about to come and we awaited an improvement following up on the movement accepting the adverse commercial conditions that were presented with that expectation that we would have a resumption and reversal situation. This of course did not happen.

We had an exacerbation in the last few months, when we speak about the peak segment, I believe that everybody is aware of the recent worsening with the larger companies sending out mandatory discounts to their clients, and we verified that we could no longer recover the year even though we had worked arduously and that it would be more advisable to create better conditions for

2017, therefore, we began to implemented these measures in the 3rd quarter, that is to say, going back to our normal sales terms, the terms we have always had, and you could see this in our balance and trying not to impact any commercial negotiation.

And this is something we have learned through day-to-day work. We have a very good team, we felt that there was a strong deterioration in commercial terms, in credit and perhaps an increase in the default of the smaller stores. This is what we learned during the period.

We are now reacting in this context. We have an inventory, the channel will not be left unsupplied, and that's part of this poor scenario, this is the decision that the company adopted.

Mr. Giordano: Thank you. Now, if I could understand about the change in policy for the commercial sector, what is this based on? Is this based only on sales or are there other metrics, such as margin or mix?

I would like to gain a better understanding of what is being changed and how the product portfolio rationalization can impact this context. When we look at the company's strategy, the intention is to cover 80% of the market with your product portfolio, is this going to change due to portfolio rationalization?

And beyond this, one of the strategy is to launch new products was to educate producers and to create protocols to foster the use of these products. And I would like to know if there are any changes in these protocols. The products with lower added-value will be discontinued if I understood correctly.

Mr. Massari: Hello Joseph, this is Jardel. How are you? Is everything okay? Joseph, regarding the questions that you posed, the 1st refers to awards or prizes. We already had criteria for awards and these are going to become ever more aggressive based on margin. We do have the criteria for margins that we are going to maintain, and above these margins we are going to create bonuses of up to 10 salaries for commercial representatives and also for our technical consultants, and for salespeople this will be variable; the more variable the greater the return for the company.

Salespeople will have to measure the contribution margin, not only for the company.

Regarding your 2nd point of our portfolio rationalization, this has been implemented in the company, we are now feeding up this rationalization, once again, based on the criteria of profitability, and this covers launches as part of the company routine. And as we rationalize, we are going to focus on 20 of our SKUs and consequently the focus will be to return to products that have greater profitability.

Mr. Gomes: Joseph, to complement, what was said by Jardel, let's speak about some of the products that are going to be discontinued in the portfolio. We have a few products for the pig segment that have had an enormous deterioration in their margin during the crisis, and these are products that we are no longer going to produce. It's useless to continue to cry about the problem with poultry and pig segment. What we are going to do is decrease the pressure in this segment.

In bovine products, we are working with 20 SKUs that should leave our portfolio, they are at the end of their cycle and they have products to replace them in the market. This should not have any impact on our sales protocol and our coverage rates will also not be impacted by this rationalization.

Mr. Giordano: Thank you, that's very clear. I still have a doubt, if you allow me. It had not been made very clear why Jardel have to come from the Board to the company management to implement these changes. Perhaps all of this could have been done at the Board level.

I would like to know what it is that triggered this process for a very drastic change, because to take out the CEO who has been there for a great deal of time makes us question the company's strategic value.

Mr. Massari: Joseph, the main reason for my return as a CEO in the 1st place is experience. My experience as a founder, my own and Dorival, who is in another company, and all of this is commercial. We are going to simplify some processes, speed up others, and sales is 90% aspiration, 10% execution.

So, the philosophy as founders has always been successful and we are trying to resume this. It's because of that look that we have, our commercial DNA. We don't have to become overly sophisticated in our process as we have to back up our sales force because there are great strengths, and we have to ensure that our commercial team is ever more committed and we are going to award them. There is no complex equation in this process.

The strategy will not change, it will continue as is, the governance, our controls, everything will remain as they have always been. Our focus on cost and expenses will increase as part of this rationalization, and with this I believe that we will convey to the market and to all of you that 2017 would be much better for the company.

Mr. Giordano: There will still be some challenging quarters because of the reductions in the channel. I would like to know if there is a covenant in the debt that could have a trigger, because your leverage should increase because of your net debt Ebitda ratio.

Mr. Gomes: An excellent question. At present, we do not have any covenant, all our covenants are clean and to make it very clear, the situation of a greater leverage arises from this atypical year. Once we regain our profitability in 2017, our leveraging levels will return to their historical levels.

We should highlight the quality of our debt, that compared to the market is a debt of excellent quality in terms of the service of the debt and our payment terms.

Mr. Giordano: Thank you very much and good afternoon.

Operator: We would like to remind you that should you wish to ask a question please press star one.

The next question comes from Antonio Barreto, from Itaú BBA.

Mr. Barreto: Good afternoon to all of you. 1st of all, I would like to further explore this change in the commercial area. What is not clear for me is the change per se. You mentioned that salespeople will have to learn to measure their contribution month after month. they had a percentage of commission linked to the sales, but now they will also have to include contribution margins.

Is my understanding correct? And has this already been implemented in the 3rd quarter? Perhaps this drop in sales is due to this new process, or is this something that is more top-down for the 3rd quarter?

Mr. Gomes: Good afternoon Antonio, this is Kleber. In a certain way, I believe that, as part of our comments, what has become very clear is that we are losing profitability in sales, especially during the last period.

What we are doing, therefore, is implementing actions to resume our historical gross and our profitability levels.

Mr. Massari: As mentioned by Kleber, we haven't done this as we used to do, we had to become more flexible in our commercial terms, we attempted to continue to grow, but we have to sacrifice over margins. What we are implementing at present is a set of actions, that's not a single action that will resolve this context.

We already had a variable compensation policy that motivated our salespeople, but our policies are stronger at present. What is happening, they had goals on costs and expenses and margins, but these had a lower share in terms of the commercial compensation.

What we would like to do now is offer greater motivation so that all can see growth and profitability. There are several other actions that are being implemented: Lower dependency on several of our sales, we are dividing our territories, we are working with team operations, that is to say, a variety of actions geared to this problem, and the consulting firm that we are thinking of hiring we are debating some of these issues, and if we hired them, they will support us in our decision for the commercial area.

If we look at the year as a whole, we became complicated with our loss of profitability and we would like to focus on this strongly with the return of Jardel and the entire team focused on this.

Mr. Barreto: Thank you, I think that the model that your implemented has become clear to me, therefore, all of this is based on your compensation model for the 3rd quarter, and this will continue to be put in place.

Mr. Gomes: As all of this is linked to yearly activities, we will not be able to fully implement this this year. We are defining the models to implement them beginning in January 2017. What we did do that affected the commercial team was our resumption of commercial terms, and we did not accept policies that were not in accordance with our margins policies.

Mr. Barreto: If you allow me another question, regarding our strategy for the distribution of pet products, something that drew attention in the past and was not mentioned, I would like to know if this is behaving as you imagined and if there will be review in that strategy as well.

Mr. Gomes: A very good question, we perhaps have an excessive focus on this, the pet distributing company is our strategy to replicate the structure for other distributors. When it comes to results, the performing as expected, but this will not make a huge difference in our strategy, and of course, as this is one of the aims, it's also feeling the impact of macroeconomic condition. This will enable us to better assess the condition of our distributors.

This will operate as a benchmark or a monitor, it will enable us to see how the macroeconomic situation is impacting everybody. I hope that this has clarified your doubt.

Mr. Barreto: If you allow me a last and quick question, regarding your Capex, how much is missing, therefore, your biological plant? And the 52 additional millions of funding that you have remarked, these are additional, they will become part of your cash and if you will be able to continue with your expansion Capex with all of these funds.

Mr. Gomes: Well, let us begin with your extension Capex. We still have to disburse 50 million with the plants for biologics, most of this in the 4th quarter and perhaps something for the beginning of the year. The 52 million are additional, and there have been several changes at the BNDES and this has delayed the release of these funds. Because of this, we had to anticipate other resources for the Capex, and this represents a very positive debt that we can use in other actions linked to the CDI.

We do not have any pressure in terms of Capex for the year 2017.

Mr. Barreto: Thank you.

Operator: The next question comes from Marcio Montes, from Banco do Brasil.

Mr. Montes: A good afternoon Jardel and Kleber. I would like you to give us more color on the market dynamism. What is happening with the foot-and-mouth disease, you have an oversupply, a reduction in margins and other aspects referring to international operation. If you could give us greater detail on this.

And the foot-and-mouth vaccines, what happened with that market? You obtained good results with exports initially, but it seems to have changed completely.

And if we could speak about the pig segment that has strongly felt the impact of the prices in grains, especially corn. And the situation that we see is completely away from the expectations that you had.

And if you could speak about the effect of international operations that has had a significant growth, but that are impacted because of the appreciation of the real.

If you could help us to create a general vision for the company.

Mr. Gomes: Marcio, thank you for your question, which is quite encompassing and I will try to convey this new vision to you, if I don't give you the full vision, please, feel free to ask again.

When we speak about the market dynamics for the foot-and-mouth disease, this is a very important vaccine when it comes for production animals as it dictates the seasonality of the market, this is a mandatory vaccine and the farms also apply other medication along with the foot-and-mouth disease vaccines.

There are 2 vaccines: One in the 1st semester, one in the 2nd semester, and because of this, these are the strongest sales months for the company; those months 1 the vaccine is applied.

What happens is, there is an oversupply in this market in terms of demand, we have to think of the heads of cattle times 1 dose per semester. This is the true demand, but there is a situation of supply, and besides the competitors, we did have some competitors that due to the market situation were facing financial problems, and this of course impacted the price dynamics for the sector.

From our viewpoint, this will never be very good. When we entered this segment, we were aware that this was a product with low margins, but it was important in terms of market dynamic, something that would enable us to penetrate the center north region of the country.

It is important, but it is not products that will offer of the company margins. This simply motivates the use of other products.

Along these lines, as a company, we do not expect to have great increases in these products, we are focused on increasing the volumes and of this product has to represent what it has always represented for us, and when we look at the market, we are one of the companies that less depend on the foot-and-mouth vaccine.

We have Vallée that was just acquired by SMB by a rather high figure, which shows the strength and the importance of this product. Once again, not in terms of margin, but in terms of market dynamics and access to the market. We do hope that there will be an improvement, but foot-and-mouth vaccines will never offer us great margins.

Once again, this is the market dynamic, when it comes to poultry and the pig segment, this is a B2B market. As Ourofino, we are working in a more fragmented way with independent producers, with the exacerbation of the situation because of the increase in corn and soybean, there has been a transfer in the price of protein, and companies are suffering financial pressure and we had to stop selling to the smaller farms because of credit issues, and what we have in the market are the larger players, larger players with very diverse conditions causing an enormous depreciation in margins in these segments.

We do understand that all of these are important clients, we will continue to supply to them, we have a future portfolio of vaccines with added-value that we can sell to those clients, but because of the low margins, we are going to mitigate the sales pressure on them.

Now the pet sector, this is a sector that is extremely hampered by the macroeconomic condition. We have not felt a margin pressure in the pet sector, we recently carried out an inventory adjustment with a pressure on margins, but the margins are still good.

There has been a retraction in this market, if we look at our results, we can see that until the end of the semester the market was growing 2%, but only due to a new launch by a competitor, which is an ecto tablet. Otherwise, the market is quite stagnated because of the macroeconomic condition.

Without a doubt, this is one of the markets with the best future in the company, we have always had shares of 20% worldwide and in Brazil, and with an improvement in the economy, we should be able to recover our penetration in this market.

In terms of international operations, we are doing our homework, we are growing in the nearby countries, which is part of our strategic plan. Evidently, we have gone through a great deal of learning, we realized that Mexico is a country where it takes us longer to have more effective actions, and recently we have reinforced our commercial team with an additional manager, and we are making agreements for new distribution areas. This tends to be somewhat more lengthy and will delay our project or make our project advance more slowly, but we are deploying great efforts to this.

When it comes to the exchange rate, this does cause pressure; when the exchange rate is higher, this is very positive for exports. Among competitors, as Ourofino, we are less [0:48:05 unintelligible] to the dollar, but we should highlight that we have good margins in these countries, we obtained margins above average. The foot-and-mouth disease has decreased our margins, but when you look at the company as a whole, we have obtained better prices than those practiced in Brazil.

Once again, this was an alternative that ended up being more favorable to us.

Now, growth will come according to our investments. This can be faster and Colombia, for example. Colombia has proven to have greater capacity for growth. I don't know if I have answered all your questions. I did focus on the main ones.

Mr. Montes: The only doubt that I have in terms of the launches of the competition is in the pet segment, where we had greater expectations and a drastic decrease, perhaps due to the local economic condition.

And my doubt is: Where is the strength of this segment? You had great restructuring, significant expenses, but this launch of the competition somewhat has dampened the company expectations. If you could speak about this further.

Mr. Gomes: Well, let me attempt to explain this better. The launch by the competition was an important factor, but we haven't lost our market share because of this; we have other products that are being sold with somewhat lower prices, and margins continue to be very good.

At this point in time, and we observe this reaction late because when there is a trend to cost consumption they cut on the toys, on the bath, and the drop in medication comes further ahead.

We strongly believe in this sector, we cannot deny that the population has aged, the pets are part of the family, pets and cats are also aging, so there are very good growth [0:50:45 unintelligible], we do not feel a great loss in this market due to the launch of our competitor.

The main issue is that we are following up on our distributors, we could be growing more, but we would create inventory problems among our distributors and that is why we have decided to be more conservative.

Mr. Montes: Thank you.

Operator: Our next question is from Antonio Barreto, from Itaú BBA.

Mr. Barreto: Thank you for taking one more question. Referring to the actions that you have implemented in the 3rd quarter, that is to say, restricting sales terms, I would like to focus on 2 factors: One, is profitability, gross margin, putting aside that issue of restructuring your salesforce and days of receivables that should improve in the 3rd quarter.

We still have not seen the impact of your actions. When we look at profitability, days of receivables it is flat, it seems to increase the number of days given that you have implemented these actions through the 3rd quarter, perhaps it's too soon to see a result, but in the 4th quarter in profitability and growth margin and days of receivables, should we expect an improvement? Would it be reasonable to expect it?

Mr. Gomes: Antonio, very good question. If we begin with the average term, we are not expecting to see a change until the end of September. We had an impact on volume, but not on days of receivables. It will take some time to perceive this by carrying out an in-house follow-up. We know that these terms have been adjusted and you will be able to see this as part of our receivables.

When it comes to profitability, we are expecting an improvement, and we would like to clarify that in terms of top line the 4th quarter will still be difficult, there is that period of accommodation of the clients with this new process and term adjustments.

On the other hand, there may be pressure that will not bring us profitability in the 4th quarter, lower volume and less dilution. We have a relatively high inventory and we are focusing more on sales, so we will have lower dilution of cost in our plants.

But all of this is part of a set of actions that will begin to operate in 2017. 2016 against our will, will continue to be a year of adjustment.

Mr. Barreto: Thank you, that was very clear.

Operator: Thank you. The question-and-answer session ends here. I would like to return the floor to Mr. Massari for his closing remarks.

Mr. Massari: Our thanks to all of those who are listening to us. We hope that we have helped to dissipate your doubts, and the message is that 2017 without a doubt will enable us to resume the path and the history of Ourofino.

We are going to recover our profitability, our *modus operandi,* that is to say, our simplicity of processes with a greater focus on cost and expenses.

We have already been through an enormous number of crisis and movements. As all of you know, the production of food has been greatly impacted, in terms of animal sanitation, we are below what was expected, in terms of poultry we are doing well, in terms of bovines, United States has 90,000 heads of cattle, which means that we have an enormous path to go, we have huge market opportunities, we are well-positioned for growth in the coming years, we will continue working as we always have worked, and because of this we are convinced that we will attain our figures. Thank you very much.

Operator: Thank you. The conference call for the results of the 3rd quarter 2016 ends here. You can now disconnect.