(A free translation of the original in Portuguese)

Ouro Fino Saúde Animal Participações S.A. and subsidiaries

Quarterly Information (ITR) at March 31, 2017 and report on review of quarterly information

(A free translation of the original in Portuguese)

Report on review of parent company and consolidated quarterly information

To the Board of Directors and Stockholders
Ouro Fino Saúde Animal Participações S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Ouro Fino Saúde Animal Participações S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2017, comprising the balance sheet as at March 31, 2017 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly 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 Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity 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 Brazilian and International 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 interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

PricewaterhouseCoopers, Av. Antônio Diederichsen 400, 21º e 22º, Ed. Metropolitan Business Center, Ribeirão Preto, SP, Brasil 14020-250 Caixa Postal 308, T: (16) 3516-6600, F: (16) 3516-6685, www.pwc.com/br

Ouro Fino Saúde Animal Participações S.A.

Other matters

Statements of Value Added

We have also reviewed the parent company and consolidated statements of value added for the quarter ended March 31, 2017. These statements are the responsibility of the Company's management, are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information, and are considered supplementary information under IFRS, which do not require the presentation of a statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Ribeirão Preto, May 4, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F"

Maurício Cardoso de Moraes
Contador CRC 1PR035795/O-1 "T" SP

(A free translation of the original in Portuguese)

Contents

Interim accounting information

Notes to the interim accounting information

Contents

Ouro Fino Saúde Animal Participações S.A.

Balance sheet
All amounts in thousands of reais (A free translation of the original in Portuguese)

		Parent company		Consolidated	
Assets	**Note**	**March 31, 2017**	**December 31, 2016**	**March 31, 2017**	**December 31, 2016**
Current assets					
Cash and cash equivalents	8	343	567	61,805	70,325
Trade receivables	10			102,666	162,478
Inventories	11			143,127	131,303
Taxes recoverable	12			3,989	4,877
Income tax and social contribution recoverable				5,089	5,107
Related parties	27	67	69	301	303
Other assets		30		5,287	5,529
		440	636	322,264	379,922
Non-current assets					
Long-term receivables					
Taxes recoverable	11	112	113	44,719	42,643
Deferred income tax and social contribution	13			22,426	17,081
Related parties	27	14,565	165		165
Inventories	11			4,995	
Other assets				2,540	2,806
		14,677	278	74,680	62,695
Investments in subsidiaries	5	354,805	375,630		
Intangible assets	14			87,001	87,158
Property, plant and equipment	15			248,366	245,801
Total non-current assets		369,482	375,908	410,047	395,654
Total assets		369,922	376,544	732,311	775,576

Ouro Fino Saúde Animal Participações S.A.

Balance sheet
All amounts in thousands of reais **(continued)**

Liabilities and equity	Note	Parent company March 31, 2017	Parent company December 31, 2016	Consolidated March 31, 2017	Consolidated December 31, 2016
Current liabilities					
Trade payables	16			24,897	23,316
Derivative financial instruments	9			7,609	8,820
Borrowings	17			84,597	73,550
Salaries and social charges		115	114	19,582	17,299
Taxes payable		50	55	3,227	4,053
Income tax and social contribution payable				669	1,056
Related parties	27	43	41	187	355
Commissions on sales				4,395	6,070
Other liabilities		22		6,292	8,440
Total current liabilities		230	210	151,455	142,959
Non-current liabilities					
Derivative financial instruments	9			7,639	10,584
Borrowings	17			199,507	241,888
Provision for contingencies	18			4,088	3,850
Total non-current liabilities				211,234	256,322
Total liabilities		230	210	362,689	399,281
Equity	19				
Share capital		299,107	299,107	299,107	299,107
Capital reserve		(6,392)	(6,392)	(6,392)	(6,392)
Options granted		3,434	3,076	3,434	3,076
Revenue reserves		65,035	65,035	65,035	65,035
Carrying value adjustments		15,402	15,508	15,402	15,508
Accumulated deficit		(6,894)		(6,894)	
		369,692	376,334	369,692	376,334
Non-controlling interests				(70)	(39)
Total equity		369,692	376,334	369,622	376,295
Total liabilities and equity		369,922	376,544	732,311	775,576

The accompanying notes are an integral part of this quarterly information.

Ouro Fino Saúde Animal Participações S.A.

Statement of operations
Quarters ended March 31
All amounts in thousands of reais unless when otherwise stated (A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	**2017**	**2016**	**2017**	**2016**
Revenue	20			75,186	98,030
Cost of sales	21			(35,453)	(45,881)
Gross profit				39,733	52,149
Selling expenses	21	(2)		(35,207)	(43,499)
General and administrative expenses	21	(579)	(568)	(10,639)	(9,430)
Equity in the results of investees	5	(6,338)	(2,794)		
Other income (expenses), net	22	23	19	444	(185)
Operating loss		(6,896)	(3,343)	(5,669)	(965)
Finance income		14	13	1,298	875
Finance costs		(12)	(10)	(4,063)	(2,641)
Derivative financial instruments, net				(5,702)	(10,594)
Foreign exchange variations, net				2,610	7,722
Finance result	23	2	3	(5,857)	(4,638)
Profit before income tax and social contribution		(6,894)	(3,340)	(11,526)	(5,603)
Income tax and social contribution	24				
Current				(732)	(2,720)
Deferred				5,336	4,957
Loss for the quarter		(6,894)	(3,340)	(6,922)	(3,366)
Attributable to:					
Owners of the parent				(6,894)	(3,340)
Non-controlling interests				(28)	(26)
				(6,922)	(3,366)
Loss per share attributable to owners of the parent during the quarter (in reais)	25				
Basic loss per share				(0.12779)	(0.06192)
Diluted loss per share				(0.12855)	(0.06177)

The accompanying notes are an integral part of this quarterly information.

Ouro Fino Saúde Animal Participações S.A.

Statement of comprehensive income (loss)
Quarters ended March 31

All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Loss for the quarter	(6,894)	(3,340)	(6,922)	(3,366)
Other comprehensive losses				
Items that will be reclassified to profit or loss				
Exchange variation of investment in subsidiary located abroad	(106)	(155)	(109)	(164)
Total comprehensive loss for the quarter	(7,000)	(3,495)	(7,031)	(3,530)
Attributable to:				
Owners of the parent			(7,000)	(3,495)
Non-controlling interests			(31)	(35)
			(7,031)	(3,530)

The accompanying notes are an integral part of this quarterly information.

Ouro Fino Saúde Animal Participações S.A.

Statement of changes in equity

All amounts in thousands of reais (A free translation of the original in Portuguese)

		Attributable to owners of the parent									
					Revenue reserves						
	Note	Share capital	Capital reserve	Options granted	Legal reserve	Profit retention reserve	Carrying value adjustments	Accumulated deficit	Total	Non-controlling interests	Total equity
At January 1, 2016		298,889	(6,392)	1,491	5,346	64,895	15,952		380,181	128	380,309
Comprehensive income (loss) for the quarter											
Loss for the quarter								(3,340)	(3,340)	(26)	(3,366)
Exchange variation of subsidiary located abroad	5						(155)		(155)	(9)	(164)
Total comprehensive income (loss) for the quarter							(155)	(3,340)	(3,495)	(35)	(3,530)
Contributions by owners											
Stock options granted	19 (e)			432					432		432
Total contributions by owners				432					432		432
At March 31, 2016		298,889	(6,392)	1,923	5,346	64,895	15,797	(3,340)	377,118	93	377,211
At January 1, 2017		299,107	(6,392)	3,076	5,346	59,689	15,508		376,334	(39)	376,295
Comprehensive income (loss) for the quarter											
Loss for the quarter								(6,894)	(6,894)	(28)	(6,922)
Exchange variation of subsidiary located abroad	5						(106)		(106)	(3)	(109)
Total comprehensive income (loss) for the quarter							(106)	(6,894)	(7,000)	(31)	(7,031)
Contributions by owners											
Stock options granted	19 (e)			358					358		358
Total contributions by owners				358					358		358
At March 31, 2017		299,107	(6,392)	3,434	5,346	59,689	15,402	(6,894)	369,692	(70)	369,622

The accompanying notes are an integral part of this quarterly information.

Ouro Fino Saúde Animal Participações S.A.

Statement of cash flows
Quarters ended March 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Note	Parent company 2017	Parent company 2016	Consolidated 2017	Consolidated 2016
Cash flows from operating activities					
Loss before income tax and social contribution		(6,894)	(3,340)	(11,526)	(5,603)
Adjustments for:					
Provision for impairment of trade receivables	10			49	3,336
Provision for inventory losses and write-offs	11			5,063	920
Provision for sales returns	18			(370)	
Provision for bonuses to customers	18			(211)	1,798
Reversal of the provision for discounts on sales of vaccines against foot-and-mouth disease	18			(920)	(509)
Equity in the results of investees	5	6,338	2,794		
Depreciation and amortization	14 e 15			5,430	5,216
Provision for impairment of intangible assets	14				111
Result on disposal of property, plant and equipment	22			34	(53)
Write-off of intangible assets				1,361	481
Interest and monetary and exchange variations, net				1,616	(6,229)
Derivative financial instruments				5,702	10,594
Provision for contingencies	18			225	32
Stock options granted	19 (e)	4	5	358	432
Changes in working capital					
Trade receivables				61,042	37,132
Inventories				(21,142)	(20,541)
Taxes recoverable			82	(1,214)	(2,188)
Other assets		138	(174)	695	1,957
Trade payables				836	(467)
Taxes payable		(6)	(503)	(830)	(1,370)
Other liabilities		26	69	(1,539)	1,531
Cash provided by (used in) operations		(394)	(1,067)	44,659	26,580
Interest paid				(4,047)	(3,857)
Income tax and social contribution paid				(1,026)	(1,873)
Net cash provided by (used in) operating activities		(394)	(1,067)	39,586	20,850
Cash flows from investing activities					
Advances for future capital increase	27 (a)	(14,565)			
Investments in intangible assets	14			(3,713)	(3,555)
Purchases of property, plant and equipment	15			(5,780)	(7,804)
Dividends received	5	14,735	610		
Proceeds from sale of property, plant and equipment				288	387
Net cash provided by (used in) investing activities		170	610	(9,205)	(10,972)
Cash flows from financing activities					
Proceeds from borrowings					42,402
Repayment of borrowings				(28,993)	(29,485)
Realized derivative financial instruments				(9,858)	(2,259)
Net cash provided by (used in) financing activities				(38,851)	10,658
Net increase (decrease) in cash and cash equivalents		(224)	(457)	(8,470)	20,536
Cash and cash equivalents at the beginning of the quarter	8	567	468	70,325	23,380
Exchange losses (gains) on cash and cash equivalents				(50)	(789)
Cash and cash equivalents at the end of the quarter	8	343	11	61,805	43,127

The accompanying notes are an integral part of this quarterly information.

Ouro Fino Saúde Animal Participações S.A.

Statement of value added
Quarters ended March 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Revenues				
Gross sales and services			84,599	108,760
Other gains			515	176
Income related to the construction of own assets			3,460	3,418
Provision for impairment of trade receivables			(49)	(3,336)
			88,525	109,018
Inputs acquired from third parties				
Cost of sales and services			(23,091)	(33,873)
Materials, electricity, third-party services and other	(164)	(219)	(26,103)	(29,433)
Losses on assets, net			(4,757)	(1,031)
	(164)	(219)	(53,951)	(64,337)
Gross value added (distributed)	(164)	(219)	34,574	44,681
Depreciation and amortization			(5,430)	(5,216)
Net value added (distributed) generated by the entity	(164)	(219)	29,144	39,465
Value added received through transfer				
Equity in the results of investees	(6,338)	(2,794)		
Finance income	14	13	4,874	8,899
Royalties	25	25	25	25
Other			143	70
Total value added distributed	(6,463)	(2,975)	34,186	48,459
Distribution of value added				
Personnel				
Direct compensation	346	287	21,311	24,685
Benefits	1	1	3,728	4,865
Government Severance Indemnity Fund for Employees (FGTS)			2,233	1,943
Taxes, charges and contributions				
Federal	71	64	2,266	5,697
State	1	3	(312)	(292)
Municipal			66	70
Remuneration of third parties' capital				
Interest	12	10	10,984	13,648
Rentals			782	1,017
Other			50	192
Remuneration of own capital				
Losses	(6,894)	(3,340)	(6,894)	(3,340)
Non-controlling interests			(28)	(26)
Value added distributed	(6,463)	(2,975)	34,186	48,459

The accompanying notes are an integral part of this quarterly information.

All amounts in thousands of reais unless when otherwise stated

Section A - 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 São Paulo Futures, Commodities and Securities Exchange - BM&FBovespa S.A. ("BM&FBovespa") in the Novo Mercado (New Market) category.

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.

At the Extraordinary General Meeting held on August 31, 2016, the stockholders approved the merger of General Atlantic Ouro Fino Participações S.A. ("GAOF"), based on an appraisal report at book value as of June 30, 2016, issued by independent appraisers on August 12, 2016.

On October 20, 2014, GAOF, the investment holding company, acquired approximately 14.27% of the Company's capital for R$ 200,000, resulting in goodwill based on expected future profitability (under the terms of Law 9,532/97) of R$ 160,097, as described below:

	Equity of Ouro Fino Saúde Animal Participações S.A. at Sept 30, 2014	227,784
	Capital increase through the issue of shares (IPO)	51,923
(a)	Equity of Ouro Fino Saúde Animal Participações S.A.adjusted for determination of goodwill	279,707
(b)	Percentage holding acquired by General Atlantic Ouro Fino Participações S.A.	14.27%
(c)	Equity acquired by General Atlantic Ouro Fino Participações S.A. (a x b)	39,903
(d)	Amount paid	200,000
(e)	Goodwill generated in the transaction (d - c)	160,097
(f)	Tax benefit ((e) x 34%)	54,433

As provided for in CVM Instructions 319/99, 349/01 and 565/15, for purposes of downstream merger, the goodwill initially recorded by GAOF was reduced to the limit of the tax benefit expected from the likely future reduction in the Company's taxes.

After the merger, and considering that the realization of the tax benefit arising from the goodwill is not currently expected, management decided to record a provision in the full amount of the merged balance, with a corresponding entry in the same line item of the special goodwill reserve on merger where the benefit was initially recorded. In this context, there was no impact on the consolidated accounting information.

The issue of this parent company and consolidated interim accounting information was authorized by the Company's Board of Directors on May 4, 2017.

1.2 Basis of preparation

The parent company and consolidated interim accounting information has been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and disclose all (and only) the applicable significant information related to the accounting information, which is consistent with the information utilized by management in the performance of its duties.

The main accounting policies applied in the preparation of this interim accounting information are set out in Note 29.

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 parent company and consolidated interim accounting information, are disclosed in Note 2.

(a) Parent company accounting information

The parent company accounting information has been prepared in accordance with accounting practices adopted in Brazil issued by the Brazilian Accounting Pronouncements Committee (CPC). Because as from 2014, the accounting practices adopted in Brazil applicable to the parent company accounting information do not differ from IFRS applicable to separate accounting information, since they have permitted the application of the equity accounting method to the measurement of investments in subsidiaries in separate accounting information, they are also in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and are disclosed together with the consolidated accounting information.

(b) Consolidated accounting information

The consolidated accounting information has been prepared and is being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies. The International Financial Reporting Standards (IFRS) do not require the presentation of this statement. Therefore, under the IFRS, the presentation of such statement is considered supplementary information, and not part of the set of accounting information.

1.3 Changes in accounting policies and disclosures

At March 31, 2017 and December 31, 2016, there was no amendments to existing standards or interpretations which could have a material effect on the Group's accounting information.

1.4 Consolidation

The Company consolidates all entities which it controls, as described in Note 5 (b), in accordance with the description in Note 29.1.

Section B - Risks

2 Critical accounting estimates and judgments

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

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements 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 among a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(b) Provision for impairment of trade receivables

Impairment is established when there is objective evidence that the companies will not be able to recover all the amounts due. The calculation of the provision is based on a reasonable estimate to cover probable losses on the realization of receivables, taking into consideration the situation of each customer and respective guarantees.

(c) Deferred income tax and social contribution

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

(d) Impairment of property, plant and equipment

The recovery capacity of the assets that are used in the Group's activities is evaluated whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable based on 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

The Group companies are parties to tax, labor and civil litigation at various court levels. Provisions for contingencies, to cover expected losses on proceedings in progress, are established and updated based on management's assessment, according to the opinion of its legal counsel, and require a high level of judgment on the matters involved.

(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 exercise price, the time to elapse up to the exercise of the option, the likelihood of the option to be exercised, the historical volatility, the dividend rate and the risk-free interest rate.

(g) Impairment of intangible assets

The Group annually tests product development balances in intangible assets for impairment, whenever possible through the discounted cash flow method, 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; and

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

The projection period covers five or more years as from the estimated launching date, depending on the estimates of the product's life cycle, market development and level of associated technological innovation. Provisions are recorded when the recoverable amount (net present value of cash flow) is below the amount of the recorded asset, pursuant to the Company's accounting policy presented in Note 29.8.

(h) Provision for adjustment of the prices adopted in sales of vaccines against foot-and-mouth disease

Considering the high competitiveness in the market of vaccines against foot-and-mouth disease and in line with market practices in which price negotiations can be extended up to the beginning of the following vaccination campaign period, the Group assesses the FMD vaccine market conditions on a quarterly basis, and determines, based on its experience, accumulated knowledge of the sector, public information on this market and the projected demand of its customer portfolio, if the need exists to adjust the prices charged. When an adjustment in the prices of FMD vaccines is required, it is recorded by reducing the net sales amount in the statement of operations for the year with a corresponding entry in trade receivables.

3 Financial risk management

3.1 Financial risk factors

The activities of the Group companies expose them to financial risks mainly related to foreign exchange variations, fluctuation in interest rates, credit and liquidity. The objective of risk management is to reduce potential unexpected variations in the results arising from the aforementioned risks. The Group manages 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 could 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 the fluctuation in the U.S. dollar exchange rate.

In order to protect itself from foreign exchange risks, when necessary, the Group utilizes derivative transactions, mainly exchange rate swaps.

Swaps, classified as derivatives at fair value through profit or loss, were contracted to exchange the charges on borrowings initially obtained in foreign currency for charges based on the Interbank Deposit Certificate (CDI) rate variation. Gains and losses are recognized in "Finance income and costs" in the statement of operations.

All amounts in thousands of reais unless when otherwise stated

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

	March 31, 2017	December 31, 2016
Assets in foreign currency		
Cash and cash equivalents	2,571	2,251
Trade receivables	2,178	7,504
Advances to suppliers	8,436	855
	13,185	10,610
Liabilities in foreign currency		
Trade payables	12,644	12,229
Advances from customers	550	
	13,194	12,229
Net exposure - liabilities	(9)	(1,619)

Assets and liabilities denominated in foreign currency are regularly monitored through estimated cash flows of inflows and outflows related to foreign exchange assets and liabilities. The amount of assets and liabilities in foreign currency fluctuates during a year, which may or may not cause a mismatch. Consequently, in order to mitigate risks arising from any possible foreign exchange variations, whenever required, derivative transactions may be contracted.

The table does not consider the balances of borrowings for working capital purposes in foreign currency of R$ 72,266 (December 31, 2016 - R$ 96,224) (Note 17), because foreingn exchange swap was contracted.

In the table below five scenarios are presented, considering the changes in the quotation of the Brazilian real (R$) against the U.S. dollar (US$).

		Impact of the appreciation/depreciation of the U.S. dollar on the portfolio balance					
		3.17	3.29	2.47	1.65	4.11	4.94
Assets/liabilities	**Risk**	**March 31, 2017**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 5**
			(probable)	(US$ depreciation - 25%)	(US$ depreciation - 50%)	(US$ appreciation - 25%)	(US$ appreciation - 50%)
Cash and cash equivalents	US$ depreciation	2,571	99	(668)	(1,335)	668	1,335
Trade receivables	US$ depreciation	2,178	84	(566)	(1,131)	566	1,131
Advances to suppliers	US$ depreciation	8,436	326	(2,190)	(4,381)	2,190	4,381
Trade payables	US$ appreciation	12,644	(488)	3,283	6,566	(3,283)	(6,566)
Advances from customers	US$ appreciation	550	(21)	143	286	(143)	(286)

(ii) Interest rate risk

This risk arises from the possibility that the Group may incur losses due to adverse fluctuations in interest rates. The Group's interest rate risk primarily arises from borrowings. Indebtedness is mainly subject to the fixed interest rates and the Interbank Deposit Certificate (CDI) rate. The Group seeks to maintain a stable relation between its long and short-term indebtedness, maintaining a higher proportion in the long-term. As regards financial investments, the index is the CDI rate.

The Group continuously monitors market interest rates in order to assess the need to contract new derivatives to hedge against the volatility risk of these rates.

The Group believes that currently there is a balance between fixed interest rates, which represent 53.0% (December 31, 2016 - 50.0%) and variable interest rates, which represent 47.0% (December 31, 2016 - 50.0%) of its borrowings, providing mitigation in risks associated with any fluctuations in interest rates.

(b) Credit risk

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 derivatives contracts, the Group carries out transactions only with prime financial institutions.

The credit risk is mitigated through a broad customer base and careful selection of customers by business segment (production animals and companion animals), 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 rating and credit risk level is attributed to each customer, based on the Group's 29 years of experience in the market.

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

In addition to the risk mitigations established in credit policies, the Group has credit insurance coverage contracted for a portion 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 attributed to each variable, including the history of payments, length of the business relationship with the Group, period during which the company has been operating in the market and other variables, and a rating is defined for each customer based on their combination. This classification is defined according to ratings ranging 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 takes into consideration, besides all the operating plans, the plan for raising funds to support planned investments and the maturity schedule of the debts. The treasury area monitors daily the forecasts included in the cash flow projections to ensure the Group has sufficient cash to meet operational needs. Additionally, the Group has previously approved credit facilities available to increase and strengthen its liquidity position.

All amounts in thousands of reais unless when otherwise stated

Cash and cash equivalents are primarily invested in Repurchase Agreements, corresponding to highly liquid instruments.

The Group maintains its gearing ratio in a manner that does not jeopardize its payment capacity and investments. As established by a guideline, the highest percentage of indebtedness should be allocated to the long term.

The table below analyzes the financial liabilities into relevant maturity groupings, based on the remaining period between the balance sheet date up to the contractual maturity date.

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

				Consolidated
	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years
At March 31, 2017				
Trade payables	24,897			
Borrowings (*)	102,340	126,003	74,942	15,916
Derivative financial instruments, net	7,609	7,639		
Other liabilities	34,352	1,226	2,862	
	169,198	134,868	77,804	15,916
At December 31, 2016				
Trade payables	23,316			
Borrowings (*)	92,980	161,332	63,419	38,304
Derivative financial instruments, net	8,820	10,584		
Other liabilities	37,273	1,155	2,695	
	162,389	173,071	66,114	38,304

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

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 stockholders, maintaining a strong credit classification in order to support business and maximize value for the stockholders.

The Group manages the capital structure and adjusts it considering changes in the economic situation. The capital structure arises from the selection between own capital (capital contributions and profit retention) and third-party capital to finance the Group's operations. The Group monitors capital on the basis of the gearing ratio, which can be measured using several indexes.

All amounts in thousands of reais unless when otherwise stated

The gearing ratios at March 31, 2017 and December 31, 2016 are as follows:

		Consolidated	
	Note	**March 31, 2017**	**December 31, 2016**
Borrowings	17	284,104	315,438
Derivative financial instruments, net	9	15,248	19,404
Cash and cash equivalents	8	(61,805)	(70,325)
Net debt		237,547	264,517
Equity	19	369,622	376,295
Total capital		607,169	640,812
Gearing ratio (%)		39.12	41.28

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 based on the standard market pricing methodology, which comprises measuring their nominal value up to the due date and discounting this to present value at future market rates.

The Group assesses, at the balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired in relation to its recoverable value.

The carrying amounts of trade receivables, less provision for impairment, and trade payables are assumed to approximate their fair values, especially considering 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.

Financial instruments are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of hierarchy.

All the Group's financial instruments have been classified as Level 2 "Other observable significant data", as shown below.

		Consolidated	
As per balance sheet	**Classification**	**March 31, 2017**	**December 31, 2016**
Liabilities - Derivative financial instruments			
Exchange rate swap	Level 2	15,248	19,404

All amounts in thousands of reais unless when otherwise stated

Section C - Segment reporting

4 Segment reporting

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

- 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 manufacture of the products takes place at the Company's industrial facilities in the city of Cravinhos, state of São Paulo.

Sales are widely dispersed and, therefore, there are no customers representing more than 10% of net revenue.

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

The results by segment are as follows:

				March 31, 2017
	Business segment			
	Production animals	Companion animals	International operations	Total
Revenue	53,811	16,379	4,996	75,186
Cost of sales	(28,743)	(4,745)	(1,965)	(35,453)
Gross profit	25,068	11,634	3,031	39,733
Selling expenses	(24,806)	(6,560)	(3,841)	(35,207)
Result - Segmented	**262**	**5,074**	**(810)**	**4,526**
Result - Not segmented				(11,448)
Loss for the quarter				(6,922)

All amounts in thousands of reais unless when otherwise stated

	March 31, 2016			
	Business segment			
	Production animals	Companion animals	International operations	Total
Revenue	74,771	14,101	9,158	98,030
Cost of sales	(38,424)	(3,818)	(3,639)	(45,881)
Gross profit	36,347	10,283	5,519	52,149
Selling expenses	(31,118)	(5,712)	(6,669)	(43,499)
Result - Segmented	**5,229**	**4,571**	**(1,150)**	**8,650**
Result - Not segmented				(12,016)
Loss for the quarter				(3,366)

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

	March 31, 2017	March 31, 2016
Colombia	2,603	1,734
Mexico	1,809	2,753
Ecuador	584	334
Paraguay		2,742
Bolivia		420
Other		1,175
	4,996	9,158

Section D - Group structure

5 Investments (parent company)

(a) Information on the investments

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 provides manufacturing services to order from third parties.	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).		96.43%
(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%

All amounts in thousands of reais unless when otherwise stated

(b) Changes in investments

	Parent company	
	March 31, 2017	**March 31, 2016**
Opening balance	375,630	391,110
Equity in the results of investees	(6,338)	(2,794)
Stock options granted	354	427
Dividends received (i)	(14,735)	
Foreign exchange variation of foreign investments	(106)	(155)
Closing balance	354,805	388,588

(i) In the quarter ended March 31, 2017, the quotaholders of the subsidiary Ouro Fino Pet Ltda. approved the distribution of dividends to the parent company Ouro Fino Saúde Animal Participações S.A. in the amount of R$ 14,735.

(c) Summarized financial information

Set out below is the summarized financial information for subsidiaries.

(i) Summarized balance sheet

					March 31, 2017
					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	177,849	160,694	24,268	8,923	6,024
Liabilities	(109,756)	(59,934)	(5,193)	(10,561)	(7,467)
Current assets (liabilities), net	68,093	100,760	19,075	(1,638)	(1,443)
Non-current					
Assets	371,422	26,253	700	719	837
Liabilities	(202,414)	(14,026)	(612)	(1,039)	(1,107)
Non-current assets (liabilities), net	169,008	12,227	88	(320)	(270)
Equity (net capital deficiency)	237,101	112,987	19,163	(1,958)	(1,713)

All amounts in thousands of reais unless when otherwise stated

	December 31, 2016				
	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	212,238	197,623	32,541	10,631	5,911
Liabilities	(101,916)	(84,874)	(4,217)	(12,148)	(6,887)
Current assets (liabilities), net	110,322	112,749	28,324	(1,517)	(976)
Non-current					
Assets	358,535	24,233	714	430	833
Liabilities	(226,313)	(17,970)	(360)		(1,094)
Non-current assets (liabilities), net	132,222	6,263	354	430	(261)
Equity (net capital deficiency)	242,544	119,012	28,678	(1,087)	(1,237)

(ii) Summarized statement of operations

	March 31, 2017				
	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	51,367	49,447	17,194	1,809	2,603
Profit (loss) before income tax and social contribution	(7,860)	(9,237)	5,929	(783)	(468)
Income tax and social contribution	2,237	3,167	(732)		14
Profit (loss) for the quarter	(5,623)	(6,070)	5,197	(783)	(454)

	March 31, 2016				
	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	61,429	71,251	14,956	2,753	1,734
Profit (loss) before income tax and social contribution	(10,198)	291	5,034	(399)	(586)
Income tax and social contribution	3,050	(109)	(583)	(338)	73
Profit (loss) for the quarter	(7,148)	182	4,451	(737)	(513)

All amounts in thousands of reais unless when otherwise stated

(iii) Statement of comprehensive income (loss)

	March 31, 2017	March 31, 2016
Ouro Fino Saúde Animal Ltda. (direct subsidiary)		
Loss for the quarter	(5,623)	(7,148)
Other comprehensive income (loss)	(106)	(155)
Total comprehensive income (loss)	(5,729)	(7,303)

(iv) Summarized statement of cash flows

	March 31, 2017				
	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 provided by (used in) operating activities	19,417	16,709	8,574	(786)	
Interest paid	(3,353)	(377)		(178)	(139)
Income tax and social contribution paid			(1,026)		
Net cash provided by (used in) operating activities	16,064	16,332	7,548	(964)	(139)
Net cash provided by (used in) investing activities	(10,009)	88		(302)	(20)
Net cash provided by (used in) financing activities	(19,089)	(4,063)	(14,735)	1,039	
Net increase (decrease) in cash and cash equivalents	(13,034)	12,357	(7,187)	(227)	(159)
Cash and cash equivalents at the beginning of the quarter	48,636	8,724	10,872	996	530
Exchange variation on cash and cash equivalents	(43)	(3)			
Cash and cash equivalents at the end of the quarter	35,559	21,078	3,685	769	371

All amounts in thousands of reais unless when otherwise stated

	March 31, 2016				
	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 provided by (used in) operating activities	3,328	20,482	4,477	(1,270)	695
Interest paid	(3,223)	(626)			
Income tax and social contribution paid		(1,315)	(558)		
Net cash provided by (used in) operating activities	105	18,541	3,919	(1,270)	695
Net cash used in investing activities	(8,957)	(1,749)	(185)	(70)	(10)
Net cash provided by (used in) financing activities	17,465	(7,416)			(76)
Net increase (decrease) in cash and cash equivalents	8,613	9,376	3,734	(1,340)	609
Cash and cash equivalents at the beginning of the quarter	10,820	5,155	5,263	1,370	305
Exchange variation on cash and cash equivalents	(767)	(22)			
Cash and cash equivalents at the end of the quarter	18,666	14,509	8,997	30	914

(d) Reconciliation of financial information of investments

	Subsidiaries							
	Ouro Fino Saúde Animal Ltda.		**Ouro Fino Agronegócio Ltda.**		**Ouro Fino Pet Ltda.**		**Total**	
	March 31, 2017	**March 31, 2016**	**March 31, 2017**	**March 31, 2016**	**March 31, 2017**	**March 31, 2016**	**March 31, 2017**	**March 31, 2016**
Equity at January 1	242,544	249,003	119,012	125,384	28,678	23,646	390,234	398,033
Profit (loss) for the period	(5,623)	(7,148)	(6,070)	182	5,197	4,451	(6,496)	(2,515)
Stock options granted	286	360	45	46	23	21	354	427
Distribution of dividends and interest on capital					(14,735)		(14,735)	
Foreign exchange variation of foreign investments	(106)	(155)					(106)	(155)
Equity at March 31	237,101	242,060	112,987	125,612	19,163	28,118	369,251	395,790
Percentage holding (%)	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%		
Share of investments	237,101	242,060	112,987	125,612	19,163	28,118	369,251	395,790
Unrealized profit in inventories	(14,446)	(7,202)					(14,446)	(7,202)
Carrying amount of the investment in the parent company	222,655	234,858	112,987	125,612	19,163	28,118	354,805	388,588

All amounts in thousands of reais unless when otherwise stated

Section E - Selected significant notes

6 Financial instruments by category

	March 31, 2017		December 31, 2016	
	Parent company	Consolidated	Parent company	Consolidated
	Loans and receivables	Loans and receivables	Loans and receivables	Loans and receivables
Assets as per balance sheet				
Cash and cash equivalents	343	61,805	567	70,325
Accounts receivable		102,666		162,478
Related parties	14,632	301	234	468
Other assets, except for prepaid expenses		4,788		5,826
	14,975	169,560	801	239,097

	March 31, 2017			December 31, 2016		
	Parent company	Consolidated		Parent company	Consolidated	
	Other financial liabilities	Liabilities at fair value through profit or loss	Other financial liabilities	Other financial liabilities	Liabilities at fair value through profit or loss	Other financial liabilities
Liabilities as per balance sheet						
Trade payables			24,897			23,316
Derivative financial instruments		15,248			19,404	
Borrowings			284,104			315,438
Related parties	43		187	41		355
Commissions on sales			4,395			6,070
Other liabilities	22		6,292			8,440
	65	15,248	319,875	41	19,404	353,619

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 current accounts and financial investments amounting to R$ 61,766 (December 31, 2016 - R$ 70,281) are held in prime financial institutions rated as BB by Standard & Poor's.

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

	Consolidated	
	March 31, 2017	December 31, 2016
AA	29,926	49,077
A	40,840	67,022
B	15,880	24,731
C	7,619	11,687
D	7,885	8,547
E	7,043	7,891
	109,193	168,955

All amounts in thousands of reais unless when otherwise stated

8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, as well as investments consisting in repurchase agreements and CDB earning on average up to 92.8% of the Interbank Deposit Certificate (CDI) rate.

	Parent company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Cash				
In local currency			6	6
In foreign currency			33	38
			39	44
Banks				
In local currency	56	14	2,591	1,973
In foreign currency			2,538	2,213
	56	14	5,129	4,186
Financial investments				
In local currency				
Repurchase agreements	287	553	53,475	44,084
Bank Deposit Certificates (CDB)			3,162	22,011
	287	553	56,637	66,095
	343	567	61,805	70,325

9 Derivative financial instruments (consolidated)

	March 31, 2017	December 31, 2016
	Liabilities	Liabilities
Exchange rate swap	15,248	19,404
Non-current	(7,639)	(10,584)
Current	7,609	8,820

The notional amounts of the outstanding exchange rate swap contracts at March 31, 2017 were US$ 22,500 thousand (December 31, 2016 - US$ 28,961 thousand).

All amounts in thousands of reais unless when otherwise stated

10 Trade receivables (consolidated)

	March 31, 2017	December 31, 2016
In local currency	101,941	156,205
In foreign currency	7,252	12,750
Provision for impairment of trade receivables	(6,527)	(6,477)
Current	102,666	162,478

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

	March 31, 2017	December 31, 2016
Falling due		
Up to 3 months	82,163	120,635
From 3 to 6 months	12,083	32,321
Over 6 months	1,323	2,640
	95,569	155,596
Past due		
Up to 3 months	5,480	5,582
From 3 to 6 months	2,023	2,582
Over 6 months	6,121	5,195
	13,624	13,359
	109,193	168,955

The analysis of the provision for impairment of trade receivables is made individually for each customer and, as a general rule, was established for receivables overdue for more than 180 days and without guarantees. Management maintains the appropriate collection procedures in relation to the other overdue receivables and believes that the Group will not incur losses. Changes in the provision were as follows:

	March 31, 2017	March 31, 2016
Opening balance	6,477	2,760
Additions	188	4,401
Reversal	(139)	(1,065)
Foreign exchange variation	1	(75)
Closing balance	6,527	6,021

The additions to and reversal of the provision for impairment of trade receivables were included in "Selling expenses" in the statement of operations (Note 21). The amounts are generally written off the provision account when there is no expectation of recovering the funds.

All amounts in thousands of reais unless when otherwise stated

11 Inventories (consolidated)

	March 31, 2017	December 31, 2016
Finished products	98,863	81,728
Raw materials	28,765	36,861
Packaging materials	9,392	10,551
Work in progress	10,717	5,292
Imports in transit	3,162	231
Advances to suppliers	5,914	876
Other	5,528	5,532
Provision for inventory losses (Note 18)	(14,219)	(9,768)
Non-current (*)	(4,995)	
Current	143,127	131,303

(*)Refers to the loan agreement entered into between the subsidiary Ouro Fino Saúde Animal Ltda. and the supplier Laboratório Biomega S.A. ("Biomega"). The settlement of the related amount will take place within 36 months, upon the delivery of the goods.

12 Taxes recoverable

	Parent company		Consolidated	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
ICMS			44,268	42,506
ICMS, PIS and COFINS on acquisitions of property, plant and equipment			1,334	1,488
IRRF	112	113	806	670
IPI			352	342
PIS and COFINS			630	711
Other			1,318	1,803
	112	113	48,708	47,520
Non-current	(112)	(113)	(44,719)	(42,643)
Current			3,989	4,877

ICMS credits, which amounted to R$ 43,789 at March 31, 2017 (December 31, 2016 - R$ 41,604), were substantially generated by Ouro Fino Saúde Animal Ltda. and are not subject to monetary restatement. These credits are generated by exempted sales in domestic and foreign transactions and by sales with a sixty-percent reduction in the calculation basis in interstate transactions, with the full/partial maintenance of credits on inputs, pursuant to the ICMS Agreement 100/97.

After the cost details in accordance with Coordinating Committee of Tax Administration Board (CAT) Ordinance 83/2009 are filed and approved by the tax authorities, the credit balances are converted into accumulated credits to be appropriated according to applicable legislation and, therefore, may be utilized in the purchase of inputs and machinery and equipment and/or transferred to other Group companies with which there is an interdependence relationship and which regularly calculate ICMS payable. Currently, Ouro Fino Saúde Animal Ltda. has been filing, on a retroactive basis, cost details (CAT Ordinance 83/2009), which must be submitted in chronological order to enable the transformation of the credit balance into accumulated credit, thus allowing its use as described above.

ICMS credits related to 2010, 2011, 2012 and 2013 amounting to R$ 18,846 were approved by the tax authorities, and R$ 11,048 was released for immediate use. The residual balance of R$ 7,798 was temporarily withheld in relation to tax assessment notices which have been discussed at an administrative level and obligations related to the submission of electronic files under the terms of the Coordinating Committee of Tax Administration Board (CAT) Ordinance 83/2009. Up to March 31, 2017, all released credits had already been used.

The credit balance accounted for corresponds to the residual value of the years 2010 to 2013 relating to amounts withheld and to all the credit balance of years 2014, 2015 and 2016; the requests for accumulated credits will be made by submitting the related file through the Electronic System for Management of the Accumulated Credit (e-CredAc), under the terms of the CAT Ordinance 83/2009, which have been consistently prepared by management on the dates established in law.

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

13 Current and deferred income tax and social contribution (consolidated)

The Company and its subsidiaries Ouro Fino Saúde Animal Ltda. and Ouro Fino Agronegócio Ltda. determine income tax and social contribution on the taxable profit method, calculated at the rates of 25% for income tax and 9% for social contribution, whereas Ouro Fino Pet Ltda. adopts the deemed profit method. The companies located in Mexico and Colombia calculate their taxes based on the regulations of those countries. Therefore, there is no direct correlation between the amounts presented in the consolidated statement of operations and the results that would have been obtained by applying the standard rates mentioned above.

Deferred tax credits related to income tax and social contribution arise substantially from temporary differences.

All amounts in thousands of reais unless when otherwise stated

(a) Composition, nature and realization of deferred taxes

(i) Deferred income tax and social contribution

	March 31, 2017	December 31, 2016
Tax credits on:		
Accumulated income tax and social contribution losses	6,822	792
Tax benefit of goodwill merged (Note 1.1)	54,433	54,433
Provision for the possible non-use of tax benefit of goodwill merged (Note 1.1)	(54,433)	(54,433)
Temporary differences		
Provisions	12,230	12,308
Unrealized profit in inventories	7,442	7,524
Pre-operating expenses written-off	720	768
Derivative financial instruments	5,184	6,597
Appreciation - business combination	718	695
	33,116	28,684
Tax liabilities on:		
Temporary differences		
Deemed cost of land	(7,878)	(7,878)
Foreign exchange variations - cash basis	(2,812)	(3,725)
	(10,690)	(11,603)
Total assets, net	22,426	17,081
Total deferred tax credits	33,116	28,684
Total deferred tax liabilities	10,690	11,603

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

The net changes in the deferred tax account were as follows:

	March 31, 2017	March 31, 2016
Opening balance	17,081	5,558
Pre-operating expenses written-off	(48)	(48)
Accumulated income tax and social contribution losses	6,030	3,182
Derivative financial instruments	(1,413)	2,834
Provisions	(78)	1,211
Unrealized profit in inventories	(82)	143
Foreign exchange variations - cash basis	913	(2,450)
Appreciation - business combination	23	64
Closing balance	22,426	10,494

All amounts in thousands of reais unless when otherwise stated

The amounts by estimated offset years are as follows:

	March 31, 2017	December 31, 2016
Deferred tax assets to be recovered		
within 1 year	28,880	23,398
from 2 to 5 years	4,236	5,286
	33,116	28,684
Deferred tax liabilities to be settled		
within 1 year	2,812	3,725
from 2 to 5 years		
after 5 years	7,878	7,878
	10,690	11,603

14 Intangible assets (consolidated)

	March 31, 2017			
	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on the acquisition of subsidiaries	618			618
Trademarks and licenses purchased	3,121		(3,115)	6
Development and registration of products	94,363	(4,962)	(18,861)	70,540
Computer software	32,716		(17,805)	14,911
Other	1,333		(407)	926
	132,151	(4,962)	(40,188)	87,001

	December 31, 2016			
	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on the acquisition of subsidiaries	618			618
Trademarks and licenses purchased	3,116		(3,080)	36
Development and registration of products	92,018	(4,962)	(18,001)	69,055
Computer software	32,714		(16,258)	16,456
Other	1,333		(340)	993
	129,799	(4,962)	(37,679)	87,158

All amounts in thousands of reais unless when otherwise stated

	At January 1, 2017	Additions	Provision for impairment	Foreign exchange variation	Transfer to inventories	Amortization	At March 31, 2017
Goodwill on the acquisition of subsidiaries	618						618
Trademarks and licenses purchased	36	6				(36)	6
Development and registration of products	69,055	3,705			(1,361)	(859)	70,540
Computer software	16,456	2				(1,547)	14,911
Other	993					(67)	926
	87,158	3,713			(1,361)	(2,509)	87,001

	At January 1, 2016	Additions	Provision for impairment	Foreign exchange variation	Transfer to inventories	Amortization	At March 31, 2016
Goodwill on the acquisition of subsidiaries	618						618
Trademarks and licenses purchased	677			(14)		(208)	455
Development and registration of products	57,577	3,090	(111)		(481)	(789)	59,286
Computer software	18,554	465				(1,281)	17,738
Other	1,264					(66)	1,198
	78,690	3,555	(111)	(14)	(481)	(2,344)	79,295

The development and registration of products substantially refer to expenditures incurred for new drugs of R$ 70,540 (December 31, 2016 - R$ 69,055) The amortization of intangible assets related to product development and registration was recognized within "Cost of sales" (Note 21).

The bases utilized to analyze evidence of impairment are disclosed in Note 29.8.

15 Property, plant and equipment (consolidated)

	At March 31, 2017			At December 31, 2016			
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net	Annual average depreciation rates
Land	24,985		24,985	24,985		24,985	
Buildings and improvements	142,377	(16,543)	125,834	96,810	(15,961)	80,849	2.16%
Machinery, equipment and industrial facilities	120,051	(38,845)	81,206	116,235	(37,503)	78,732	5.55%
Vehicles, tractors and aircraft	7,549	(3,190)	4,359	7,726	(3,137)	4,589	19.44%
Furniture and fittings	7,434	(4,240)	3,194	7,084	(4,107)	2,977	8.27%
IT equipment	9,895	(7,447)	2,448	9,883	(7,176)	2,707	11.33%
Construction in progress (i)	4,528		4,528	48,598		48,598	
Other	3,788	(1,976)	1,812	4,272	(1,908)	2,364	7.25%
	320,607	(72,241)	248,366	315,593	(69,792)	245,801	

	At January 1, 2017	Additions	Foreign exchange variation	Transfers	Write-offs	Depreciation	At March 31, 2017
Land	24,985						24,985
Buildings and improvements	80,849			45,568		(583)	125,834
Machinery, equipment and industrial facilities	78,732	592		3,356	(25)	(1,449)	81,206
Vehicles and tractors	4,589		25	409	(277)	(387)	4,359
Furniture and fittings	2,977	355	1	12	(4)	(147)	3,194
IT equipment	2,707	25	1	17	(16)	(286)	2,448
Construction in progress (i)	48,598	4,793		(48,863)			4,528
Other	2,364	15	1	(499)		(69)	1,812
	245,801	5,780	28		(322)	(2,921)	248,366

All amounts in thousands of reais unless when otherwise stated

	At January 1, 2016	Additions	Foreign exchange variation	Transfers	Write-offs	Depreciation	At March 31, 2016
Land	24,985						24,985
Buildings and improvements	74,099			90		(560)	73,629
Machinery, equipment and industrial facilities	61,392	613				(1,353)	60,652
Vehicles and tractors	4,863	2,011			(145)	(398)	6,331
Furniture and fittings	2,920	62				(140)	2,842
IT equipment	3,565	250			(3)	(307)	3,505
Construction in progress (i)	19,700	4,786		(90)	(49)		24,347
Other	2,571	82	(15)		(137)	(114)	2,387
	194,095	7,804	(15)		(334)	(2,872)	198,678

(j) The balance of construction in progress substantially comprises the residual balance of the construction of the new plant of the biological products unit (vaccines) amounting to R$ 798 (December 31, 2016 - R$ 45,337).

The amounts related to operating and financial lease are not significant.

At March 31, 2017, borrowing costs totaling R$ 711 (December 31, 2016 - R$ 693) were capitalized, at an average rate of 4.21% (December 31, 2016 - 4.23%).

Land, buildings, machinery and equipment amounting to R$ 88,821 (December 31, 2016 - R$ 89,537) are pledged as collaterals for borrowings (Note 17).

16 Trade payables (consolidated)

	March 31, 2017	December 31, 2016
In local currency	12,253	11,087
In foreign currency	12,644	12,229
	24,897	23,316

All amounts in thousands of reais unless when otherwise stated

17 Borrowings (consolidated)

	Financial charges incurred	Final maturity	March 31, 2017	December 31, 2016
In foreign currency				
Export Credit Note	Exchange variation and weighted average rate of 4.65% p.a.	2017		8,365
Working capital	Exchange variation and weighted average rate of 3.82% p.a. (December 31, 2016 - 3.06% p.a.)	2019	72,266	87,859
In local currency				
FINEP (Technological innovation)	Weighted average rate of 4.21% p.a. (December 31, 2016 - 4.23% p.a.)	2024	157,495	165,385
BNDES - EXIM	Weighted average rate of 12.06% p.a. (December 31, 2016 - 12.47% p.a.)	2018	38,784	38,339
BNDES - FINAME	Weighted average rate of 6.72% p.a. (December 31, 2016 - 6.67% p.a.)	2023	1,200	1,270
Working capital (i)	Mexican Interbank Equilibrium Interest Rate (TIIE) + 1.5% p.a.	2017	6,486	6,160
Working capital (i)	DTF (Depósito a Término Fijo) + 3.5% p.a.	2017	5,495	5,454
Finance lease	Weighted average rate of 15.45% p.a. (December 31, 2016 - 15.45% p.a.)	2019	2,378	2,606
			284,104	315,438
Current			(84,597)	(73,550)
Non-current			199,507	241,888

(i) Borrowings obtained by the subsidiaries Ouro Fino de México, S.A de C.V in Mexican pesos and Ouro Fino Colômbia S.A.S in Colombian pesos.

(a) Guarantees for borrowings

The borrowings for research, innovation and development of products obtained from the Fund for Financing of Studies and Projects (FINEP) are guaranteed by a surety of the related parties Ouro Fino Participações e Empreendimentos S.A., Ouro Fino Saúde Animal Participações S.A. and bank guarantees totaling R$ 50,695, in addition to the guarantee represented by the industrial facilities of animal health products located in the city of Cravinhos, state of São Paulo. No amounts are charged for the guarantees given.

Borrowings for purposes of working capital and leases are collaterized by sureties of the parent company and/or controlling stockholders. Borrowings from the Government Agency for Machinery and Equipment Financing (FINAME) are guaranteed through the statutory lien of the assets financed, in addition to sureties of the parent company and/or controlling stockholders.

The carrying amounts of borrowings approximate their fair values.

All amounts in thousands of reais unless when otherwise stated

The composition of non-current borrowings is as follows:

	March 31, 2017	December 31, 2016
From 1 to 2 years	113,946	146,166
From 2 to 3 years	35,611	23,623
From 3 to 4 years	17,644	17,738
From 4 to 5 years	17,630	17,644
Over 5 years	14,676	36,717
	199,507	241,888

(b) Working capital borrowings in foreign currency

Exchange rate swap transactions were contracted for borrowings for working capital purposes contracted in foreign currency (US$), which amounted to R$ 72,266 (December 31, 2016 - R$ 96,224), to exchange the charges on the borrowings for charges based on the CDI rate variation (Note 9).

18 Provisions (consolidated)

	March 31, 2017				
	Opening balance	Additions	Reversals	Foreign exchange variation	Closing balance
Sales returns	4,919	3,616	(3,986)		4,549
Discounts on sales of vaccines against foot-and-mouth disease	2,443	141	(1,061)		1,523
Bonuses on goods	780	295	(506)		569
Contingencies	3,850	609	(384)	13	4,088
Provision for impairment of intangible assets	4,962				4,962
Provision for impairment of trade receivables	6,477	188	(139)	1	6,527
Provision for inventory losses	9,768	4,798	(347)		14,219
	33,199	9,647	(6,423)	14	36,437

	March 31, 2016				
	Opening balance	Additions	Reversals	Foreign exchange variation	Closing balance
Discounts on sales of vaccines against foot-and-mouth disease	3,723		(509)		3,214
Bonuses on goods		1,798			1,798
Contingencies	3,841	81	(49)	(48)	3,825
Provision for impairment of intangible assets	1,285	111			1,396
Provision for impairment of trade receivables	2,760	4,401	(1,065)	(75)	6,021
Provision for inventory losses	1,806	943	(252)		2,497
	13,415	7,334	(1,875)	(123)	18,751

All amounts in thousands of reais unless when otherwise stated

(a) Returns and discounts on sales of vaccines against foot-and-mouth disease

The Group recognizes a provision for cases of customers entitled to return the product in a given period. Revenue is adjusted at the expected value of the returns and the cost of sales is adjusted at the value of the corresponding goods to be returned. The Group also recognizes a provision for adjustment of prices adopted in sales of foot-and-mouth disease vaccines, as mentioned in Note 2 (h).

(b) Bonuses on goods

The provisions for bonuses on goods relate to sales campaigns already agreed to with the customers, but not yet implemented. Such provisions are recognized in the statement of operations under "Cost of sales".

(c) Contingencies

The Group companies are parties to labor, tax and civil litigation in progress, and are discussing such matters at the administrative and judicial levels, which, when applicable, are supported by judicial deposits. The provisions for probable losses arising from these matters are estimated and periodically adjusted by management, supported by the opinion of its external legal advisors. The provisions are as follows:

	March 31, 2017	December 31, 2016
Labor	2,925	2,903
Civil, social security and tax	1,163	947
	4,088	3,850

(d) Provision for impairment of trade receivables

As a rule, the Group recognizes the provision for impairment of trade receivables for receivables overdue for more than 180 days and without guarantees (Notes 2(b) and 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 with expiry dates approximating their maturity and/or damaged products) (Note 11).

(f) Provision for impairment of intangible assets

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

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

The Group has tax, civil and labor litigation 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 was recognized. At March 31, 2017, they totaled R$ 69,033 (December 31, 2016 - R$ 66,229), and mainly comprised tax (ICMS) and labor claims.

19 Equity

(a) Capital

At a meeting held on July 12, 2016, the Company's Board of Directors approved a capital increase in the amount of R$ 218, through the issue of 6,699 common shares at the issue price of R$ 32.50 per subscribed share, in connection with the exercise of options of the Stock Option Plan of the Company.

At March 31, 2017, fully subscribed and paid-up capital comprised 53.949.006 common shares, with no par value.

(b) Capital reserve

As mentioned in Note 1.1, the Company recorded a special goodwill reserve on merger. Considering that the realization of the tax benefit arising from the goodwill is not currently expected, management decided to record a provision in the full amount of the merged balance, with a corresponding entry in the same line item of the special goodwill reserve on merger where the benefit was initially recorded.
The residual amounts considered as "Capital reserve" related to all expenditures incurred for the Initial Public Offering (IPO).

(c) Allocation of profit

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

- 5% to the legal reserve, limited to 20% of the capital;
- Minimum dividend of 25% of profit adjusted according to article 202 of Law 6,404; and
- The remaining balance will be distributed as resolved at a General Meeting by the stockholders representing not less than 2/3 (two-thirds) of the voting shares, in accordance with applicable legal provisions.

Loss for the year in 2016 was offset against revenue reserves.

(d) Carrying value adjustments

These refer to the effect of the adoption of the deemed cost method to record land in subsidiaries that took place on 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 foreign subsidiaries.

All amounts in thousands of reais unless when otherwise stated

(e) Stock option plan

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

The plan is managed by the Board of Directors and, according to its rules, the following are eligible as beneficiaries: 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 of the Company's capital stock. 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 the 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 exercise price will be set based on the average price of the quotations of the Company's shares on the Securities, Commodities & Futures Exchange (BM&FBOVESPA) , weighted by the trading volume, within the 60 (sixty) trading sessions prior to the grant, monetarily restated for inflation according to 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 not exercised according to the terms and conditions established will be automatically canceled, without any compensation.

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

					Vesting period closing
	12/31/2015	**12/31/2016**	**12/31/2017**	**12/31/2018**	**12/31/2019**
Number of options	161,827	161,827	161,827	161,827	161,827
Exercise price at launch (strike price)	28.22	28.22	28.22	28.22	28.22
Fair value of options granted	9.65	11.16	12.48	13.74	14.90
Maximum exercise date	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023

On September 28, 2016, the Board of Directors approved the grant of 40,000 stock options.

					Vesting period closing
	9/28/2017	**9/28/2018**	**9/28/2019**	**9/28/2020**	**9/28/2021**
Number of options	8,000	8,000	8,000	8,000	8,000
Exercise price at launch (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	9/28/2021	9/28/2022	9/28/2023	9/28/2024	9/28/2025

All amounts in thousands of reais unless when otherwise stated

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 exercise price, the time to elapse up to the exercise of the option, the likelihood of the option to be exercised, the historical volatility, the dividend rate and the risk-free interest rate, according to the assumptions below:

Grant on December 30, 2014	**General assumptions and information on the evaluation**				
Vesting period closing	**12/31/2015**	**12/31/2016**	**12/31/2017**	**12/31/2018**	**12/31/2019**
Price of the share on the grant date	30.61	30.61	30.61	30.61	30.61
Estimated exercise price (strike price)	33.45	35.41	37.46	39.35	41.38
Estimated life time (in years)	3.0	4.0	5.0	6.0	7.0
Expected volatility	26.20%	26.20%	26.20%	26.20%	26.20%
Risk-free interest rate	12.80%	12.60%	12.40%	12.30%	12.20%

Grant on September 28, 2016	**General assumptions and information on the evaluation**				
Vesting period closing	**9/28/2017**	**9/28/2018**	**9/28/2019**	**9/28/2020**	**9/28/2021**
Price of the share on the grant date	39.00	39.00	39.00	39.00	39.00
Estimated exercise price (strike price)	41.57	43.91	46.40	49.07	51.91
Estimated life time (in years)	3.0	4.0	5.0	6.0	7.0
Expected volatility	30.40%	30.40%	30.40%	30.40%	30.40%
Risk-free interest rate	11.60%	11.60%	11.70%	11.70%	11.80%

In the quarter ended March 31, 2017, expenses amounting to R$ 358 (March 31, 2016 - R$ 432) with stock options were recognized.

Changes in stock options are shown below:

	Number of stock options	
	March 31, 2017	**March 31, 2016**
Balance at the beginning of the period	679,225	772,723
Number of options canceled (i)	(123,642)	
Balance at the end of the period	555,583	772,723

(i) These refer to terminated employees whose options were canceled as provided for by the Plan's regulations.

All amounts in thousands of reais unless when otherwise stated

20 Revenue (consolidated)

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

	March 31, 2017	March 31, 2016
Domestic customers		
Gross sales and services	84,610	102,532
Taxes and deductions on sales	(14,420)	(13,660)
	70,190	88,872
Foreign customers		
Gross sales	5,234	9,158
Taxes and deductions on sales	(238)	
	4,996	9,158
	75,186	98,030

All amounts in thousands of reais unless when otherwise stated

21 Costs and expenses by nature

	Parent company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Cost of sales				
Variable costs (raw and consumption materials)			17,843	28,259
Personnel expenses			6,255	8,631
Depreciation and amortization			3,299	3,144
Outsourced services			1,845	2,337
Provision for inventory losses			4,467	691
Electricity			720	1,221
Provision for impairment of intangible assets				111
Other			1,024	1,487
			35,453	45,881
Selling expenses				
Personnel expenses			15,940	18,326
Sales team expenses			9,060	11,031
Outsourced services	2		3,771	3,403
Freight charges			2,995	2,807
Provision for impairment of trade receivables			(7)	3,336
Depreciation and amortization			1,224	1,183
Telecommunications and electricity			346	351
Other			1,878	3,062
	2		35,207	43,499
General and administrative expenses				
Personnel expenses	415	348	7,372	6,864
Outsourced services	75	135	1,207	632
Depreciation and amortization			907	889
Travel expenses	2	2	175	227
Telecommunications and electricity			262	203
Vehicle expenses			89	119
Donations and sponsorship			125	23
Other	87	83	502	473
	579	568	10,639	9,430
	581	568	81,299	98,810

All amounts in thousands of reais unless when otherwise stated

22 Other income (expenses), net

	Parent company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Gains on sale and write-off of PP&E			75	53
Gains on sales of scrap, rentals and other	23	23	997	162
Federal, state and municipal taxes and fees		(4)	(214)	(391)
Other losses			(414)	(9)
	23	19	444	(185)

23 Finance income and costs

	Parent company		Consolidated	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Finance income				
Income from financial investments	13	2	1,044	545
Interest receivable			228	214
Monetary variation	1	11	13	41
Other			13	75
	14	13	1,298	875
Finance costs				
Interest payable			(3,468)	(1,991)
Finance charges			(442)	(333)
Other	(12)	(10)	(153)	(317)
	(12)	(10)	(4,063)	(2,641)
Derivative financial instruments, net				
Losses on derivatives (foreign exchange variation)			(3,410)	(8,590)
Losses on derivatives (interest)			(2,292)	(2,004)
			(5,702)	(10,594)
Foreign exchange variations, net			2,610	7,722
Finance result	2	3	(5,857)	(4,638)

All amounts in thousands of reais unless when otherwise stated

24 Income tax and social contribution benefit

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

	Parent company		Consolidated	
	March 31, 2017	**March 31, 2016**	**March 31, 2017**	**March 31, 2016**
Loss before income tax and social contribution	(6,894)	(3,340)	(11,526)	(5,603)
Standard rates	34%	34%	34%	34%
	2,344	1,136	3,919	1,905
Reconciliation to the effective rate:				
Permanent differences:				
Equity in the results of investees	(2,155)	(950)		
Adjustment related to the calculation of subsidiary taxed based on the deemed profit method			1,284	1,128
Adjustment related to the calculation of foreign subsidiary taxed based on the rate in effect in that country			(412)	(599)
Deferred taxes, not recorded	(189)	(186)	(189)	(186)
Other permanent differences			2	(11)
Income tax and social contribution			4,604	2,237
Reconciliation with the statement of operations:				
Current			(732)	(2,720)
Deferred			5,336	4,957
			4,604	2,237

25 Loss per share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to the stockholders of the Company by the weighted average number of common shares during the quarter.

	March 31, 2017	**March 31, 2016**
Loss for the quarter attributable to owners of the parent	(6,894)	(3,340)
Weighted average number of common shares in the quarter (thousand)	53,949	53,942
Basic loss per share - R$	(0.12779)	(0.06192)

All amounts in thousands of reais unless when otherwise stated

(b) Diluted

Diluted loss per share is calculated by dividing the loss attributable to the stockholders of the Company by the weighted average number of common shares during the quarter, adjusted by the weighted average number of instruments with dilutive effects.

	March 31, 2017	March 31, 2016
Loss for the quarter attributable to owners of the parent	(6,894)	(3,340)
Weighted average number of common shares in the quarter, considering instruments with dilutive effects (thousand)	53,627	54,070
Diluted loss per share - R$	(0.12855)	(0.06177)

26 Employee benefits

(a) Private pension plan - defined contribution

The Group companies sponsor a defined contribution pension plan for their employees. The plan was implemented in August 2008 and is managed by Itaú Vida e Previdência S.A. The companies' contributions to the plan in the quarter ended March 31, 2017 totaled R$ 130 (March 31, 2016 - R$ 291).

(b) Profit sharing

The Group companies offer to their employees a variable remuneration program, calculated based on quantitative and qualitative goals established by management. For the quarter ended March 31, 2017, the amount of the profit-sharing provision was R$ 2,271 (March 31, 2016 - R$ 1,031).

27 Balances and transactions with related parties

(a) Main balances and transactions

						Parent company
	March 31, 2017			December 31, 2016		
	Current assets	Non-current assets	Current liabilities	Current assets	Non-current assets	Current liabilities
	Other assets (i)	Other assets (ii)	Other liabilities (i)	Other assets (i)	Other assets (i)	Other liabilities (i)
Related parties:						
Ouro Fino Saúde Animal Ltda.		14,565	26			24
Ouro Fino Agronegócio Ltda.				21		
Ouro Fino Pet Ltda.				6		
Ouro Fino Química Ltda.	67			42		
Stockholders			17			17
Other					165	
	67	14,565	43	69	165	41

All amounts in thousands of reais unless when otherwise stated

	Parent company			
	Main transactions:			
	March 31, 2017		March 31, 2016	
	Royalties	Reimburse-ment of CSC expenses (i)	Royalties	Reimburse-ment of CSC expenses (i)
Related parties:				
Ouro Fino Saúde Animal Ltda.		(63)		(52)
Ouro Fino Agronegócio Ltda.				9
Ouro Fino Pet Ltda.				3
Ouro Fino Química Ltda.	25		25	
	25	(63)	25	(40)

	Consolidated						
	March 31, 2017			December 31, 2016			
	Current assets	Current liabilities		Current assets	Non-current assets	Current liabilities	
	Other assets (i)	Borrowings (iii)	Other liabilities (i)	Other assets (i)	Other assets (i)	Borrowings (iii)	Other liabilities (i)
Related parties:							
Ouro Fino Part. e Empreendimentos S.A.	16			16			
Ouro Fino Química Ltda.	285		110	278			110
Condomínio Rural Ouro Fino				9			
BNDES Participações S.A.		39,984				39,609	
Stockholders			77				77
Other					165		168
	301	39,984	187	303	165	39,609	355

	Consolidated									
	Main transactions:									
	March 31, 2017					March 31, 2016				
	Gross profit on the sales of goods	Reimburse-ment of CSC expenses (i)	Royalties	Other expenses, net	Finance result	Gross profit on the sales of goods	Reimburse-ment of CSC expenses (i)	Royalties	Other expenses, net	Finance result
Related parties:										
Ouro Fino Part. e Empreendimentos S.A.		4					4		38	
Ouro Fino Química Ltda.		582	25	(172)			712	25	(67)	
Condomínio Rural Ouro Fino	2			(368)		7			(66)	
Stockholders				(6)						
BNDES Participações S.A.					(1,158)					(38)
	2	586	25	(546)	(1,158)	7	716	25	(95)	(38)

(i) Other assets and liabilities

The other assets and liabilities are represented by the reimbursement of expenses, especially incurred in the Shared Services Center ("CSC"), according to the expense sharing agreement entered into on June 30, 2014.

All amounts in thousands of reais unless when otherwise stated

(ii) Other non-current assets

The amount of R$ 14,565 refers to advances for future capital increase made to the subsidiary Ouro Fino Saúde Animal Ltda. The advances for future capital increase were approved by the stockholders, are irrevocable and unconditional and will be utilized to pay up capital, when the corporate acts are registered.

(iii) Borrowings

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

(b) Key management compensation

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

	March 31, 2017	March 31, 2016
Salaries	450	721
Share-based payments	49	149
Labor charges	88	61
Compensation and fringe benefits	31	64
Variable compensation	53	33
	671	1,028

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

28 Insurance

At March 31, 2017, the Group had insurance coverage for operating risks and comprehensive civil liability, with a maximum indemnity of R$ 420,000.

Section F - Accounting policies

29 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 in the periods presented, unless otherwise stated.

29.1 Consolidation

The following accounting policies are applied in the preparation of the accounting information.

(a) Subsidiaries are all entities over which the Group has control. Subsidiaries 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 for 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 between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

29.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the 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 parent company and consolidated 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 valuation, when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations within finance income or cost.

(c) Group companies with a functional currency different from the Brazilian real

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

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each statement of operations are translated at the average 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 resulting exchange differences are recognized as a separate component of equity in "Carrying value adjustments".

29.3 Financial assets

29.3.1 Classification

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

(a) Loans and receivables

Loans and receivables 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. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

(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".

29.3.2 Recognition and measurement

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

Loans and receivables are carried at amortized cost using the effective interest rate method.

29.3.3 Impairment of financial assets

Assets carried at amortized cost

Management assesses at the 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 impairment 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 that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

29.4 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 mainly operates with exchange rate and interest rate swap contracts. Derivatives are recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their 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 operations within "Finance income and costs".

29.5 Trade receivables

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

29.6 Inventories

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

29.7 Current and deferred income tax and social contribution

The income tax and social contribution benefit for the period comprise current and deferred taxes. Income taxes are recognized in the statement of operations, except to the extent that they relate to items recognized directly in equity. In this case, the taxes are also recognized directly in equity.

The 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 and generate taxable income. The currently defined tax rates in Brazil of 25% for income tax and 9% for social contribution are utilized to calculate deferred taxes.

The 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 accounting information. They are determined based on tax rates in effect on the balance sheet date and 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.

Ouro Fino Pet Ltda. calculates income tax and social contribution under the deemed profit method. The deemed profit system is a simplified taxation method to determine the calculation basis of corporate entities that are not required, in the calendar year, to use the taxable profit method, or whose total gross revenue is equal to or lower than R$ 78,000.

29.8 Intangible assets

(a) Research and development of products

Research expenditures are recognized as expenses when incurred. Expenditures incurred in 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 projects based on its own methodology, which considers various analysis structures, and the projects will be considered successful as from the development of "pilots" made according to the requirements of regulatory bodies, accompanied by analyses of financial feasibility.

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

The finance charges on borrowings 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 defined useful life, they are subsequently carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of approximately 10 years.

Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Amortization is calculated using the straight-line method over the estimated useful lives of between 10 and 18 months.

(c) Software

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

Costs associated with maintaining computer software programs are recognized as an expense 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 recorded as "Intangible assets" in the consolidated 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.

29.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Depreciation is adjusted in subsidiaries to reflect the deemed cost of land on the date of transition to IFRS and is calculated on the straight-line method, considering the estimated useful lives of the respective assets. The annual depreciation rates are disclosed in Note 15. Subsequent costs are included in an 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 part or item is derecognized. All other repairs and maintenance are charged to the statement of operations when incurred.

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

The costs of borrowings 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 disposal are determined by comparing the proceeds with the carrying amount and are recognized within "Other income (expenses), net" in the statement of operations.

29.10 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 their carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

29.11 Trade payables

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

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

29.12 Borrowings

Borrowings are initially recognized on the receipt of funds, net of transaction costs, and are subsequently presented at cost plus charges and interest in proportion to the period elapsed, using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

29.13 Employee benefits

(a) Private pension plan

The Group companies sponsor a defined contribution pension plan for their employees. In 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 provisions are calculated based on quantitative and qualitative targets established by management and are recorded as personnel expenses in the statement of operations.

(c) Share-based payments

The Company has one 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 premium for these options, calculated on the grant date, is recognized as an expense against equity during the vesting period.

29.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the 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 amount of revenue can be reliably measured and when it is probable that future economic benefits will result from the transaction. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 receivables" and its realization is recorded in "Finance income," according to maturity.

29.15 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to stockholders is recognized as a liability in the accounting information based on the Company's bylaws. Any amount that exceeds the minimum required is only provisioned on the date it is approved by the stockholders at a General Meeting.

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

29.16 New standards that are not yet effective

The following new standards were issued by IASB but are not effective for the quarter ended March 31, 2017. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

- IFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The full version of IFRS 9 was published in July 2014, effective on January 1, 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The main amendments brought by IFRS 9 are: (i) new criteria for the classification of financial assets; (ii) new impairment model for financial assets, which is a hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) relaxation of the requirements for adoption of hedge accounting. Management is assessing the full impact of the adoption of IFRS 9.

- IFRS 15 - "Revenue from Contracts with Customers" - This new standard introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. This standard is based on the principle that revenue is recognized when the control of a good or service is transferred to a customer, so the control principle will replace the principle of risks and rewards. Its effective date is January 1, 2018 and it replaces IAS 11 - "Construction Contracts", IAS 18 - "Revenue" and related interpretations. Management is assessing the full impact of the adoption of IFRS 15.

- IFRS 16 - "Leases" - the new standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and measurement of leases in the accounting information of the lessors are substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019 and replaces IAS 17 - "Leases" and corresponding interpretations. Management is assessing the full impact of the adoption of IFRS 16.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's accounting information.

* * *