

Ourofino Day 2017



Disclaimer



This presentation brings declarations about future events that are subject to risks and uncertainties. Such declarations have as a base beliefs and suppositions from our Management and information to which the company currently has access. Declarations on future events include information on our intentions, beliefs or current expectations, as those from the members of the Board of Directors and Directors from the Company.

The caveats with respect to statements and information about the future also include information about possible or presumed operating results, as well as statements preceded by, followed by or that include the words "believes", "may", "will", "continues", "expects", "anticipates", "intends", "plans", "estimates" or similar expressions.

The declarations and information about the future are no guarantee on performance. They involve risks, uncertainties and suppositions because they refer to future events, depending therefore, on circumstances that may or may not occur. The future results and the creation of value to shareholders may be significantly different from those expressed or suggested by declarations in relation to the future. Many of the factors that will determine these results and values are beyond our capacity of control and forecasting.

PROGRAM

Start	End	Theme	Lecturer
08:30	09:00	Reception - Breakfast	
09:00	09:05	Opening Ourofino Day	Francisco D'Orto Neto (APIMEC SP)
09:05	09:25	Finances	Kleber Gomes (CFO e DRI)
09:25	09:55	Market Animal Protein	Thiago Carvalho - CEPEA
09:55	10:40	Brand and Market Strategy	Fábio Viotto (Marketing Director)
10:40	10:55	Coffee Break	
10:55	11:15	R&D	Sandra Barioni (R&D Director)
11:15	11:30	Ourofino	Jardel Massari (CEO)
11:30	12:00	Q&A	
12:00	12:05	Closing	

Ourofino Day
2017

Kleber Gomes
CFO and IRO

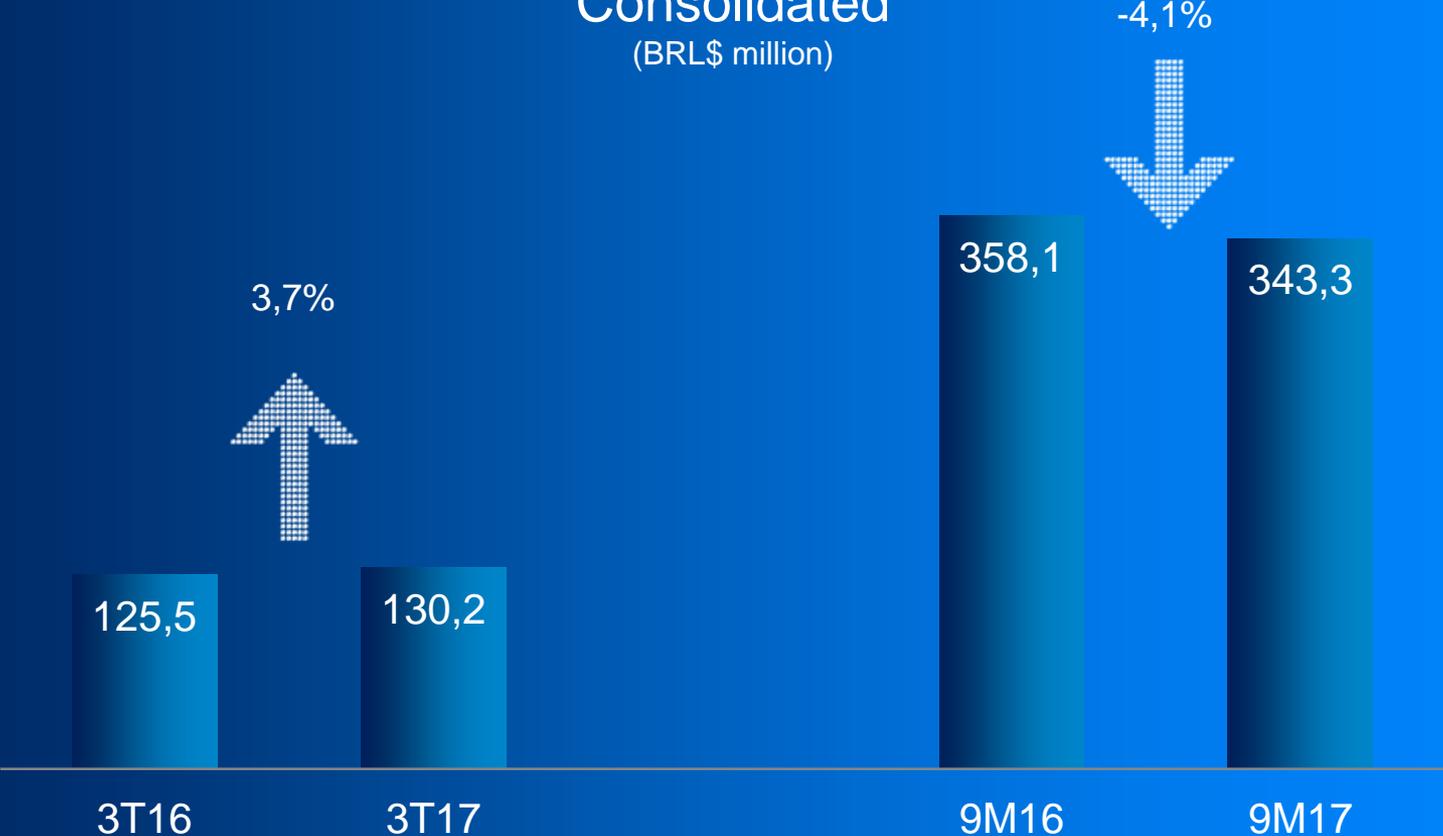


Adjustments implanted in 2016

- Resumption of more rigid commercial policies
 - Less discounts and bonuses and more normalizing of deadlines for receiving
- Portfolio rationalization
 - Less exposure to the poultry sector and withdrawal of products at end of life cycle and with lower added value
- Appreciation of the team faced with change of drive for gross margin
- Normalizing of inventories in the channels
- Rationalization of expenditures with reduction of staff

Net Revenue

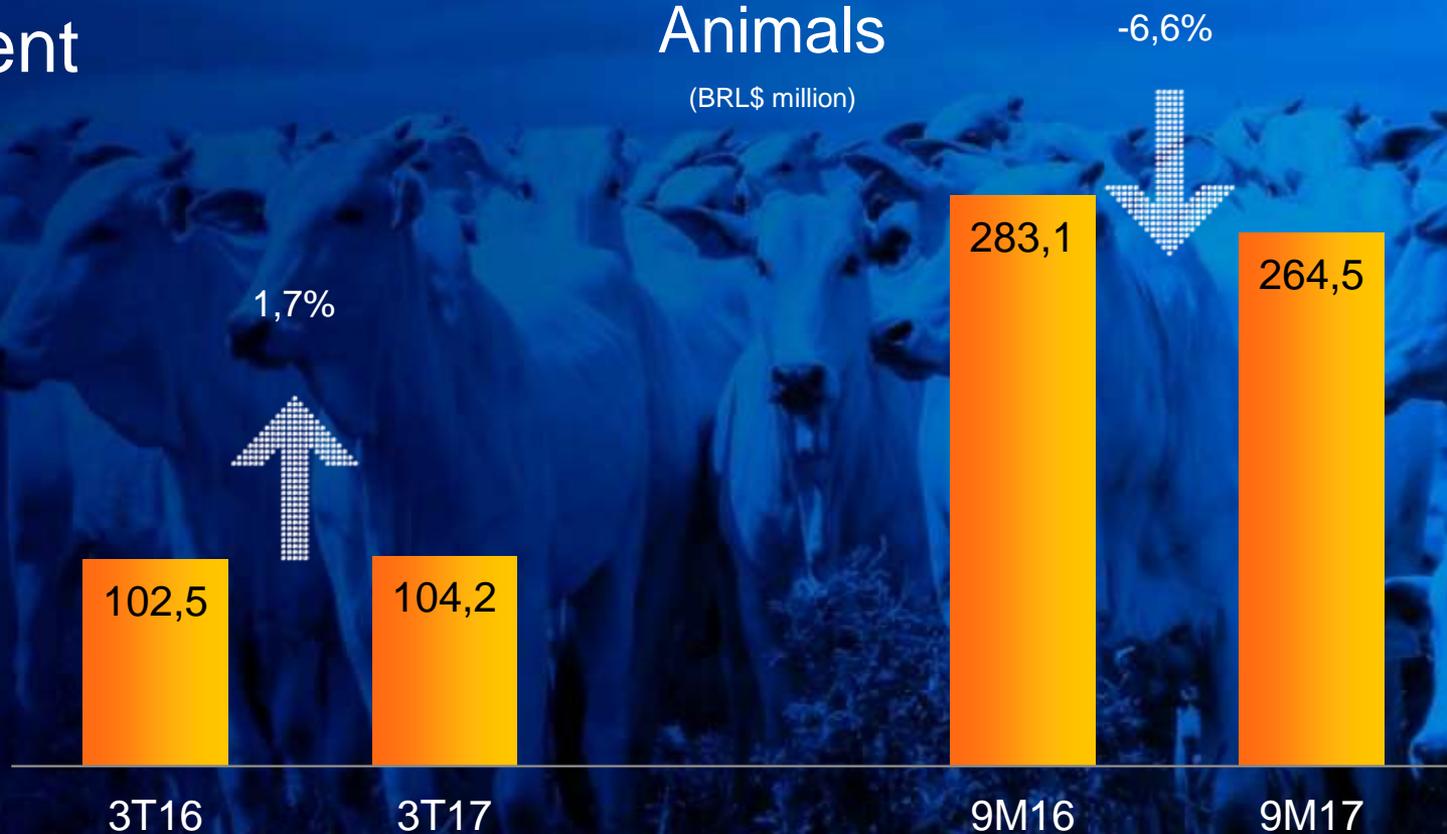
Consolidated
(BRL\$ million)



Net Revenue by Segment

Production Animals

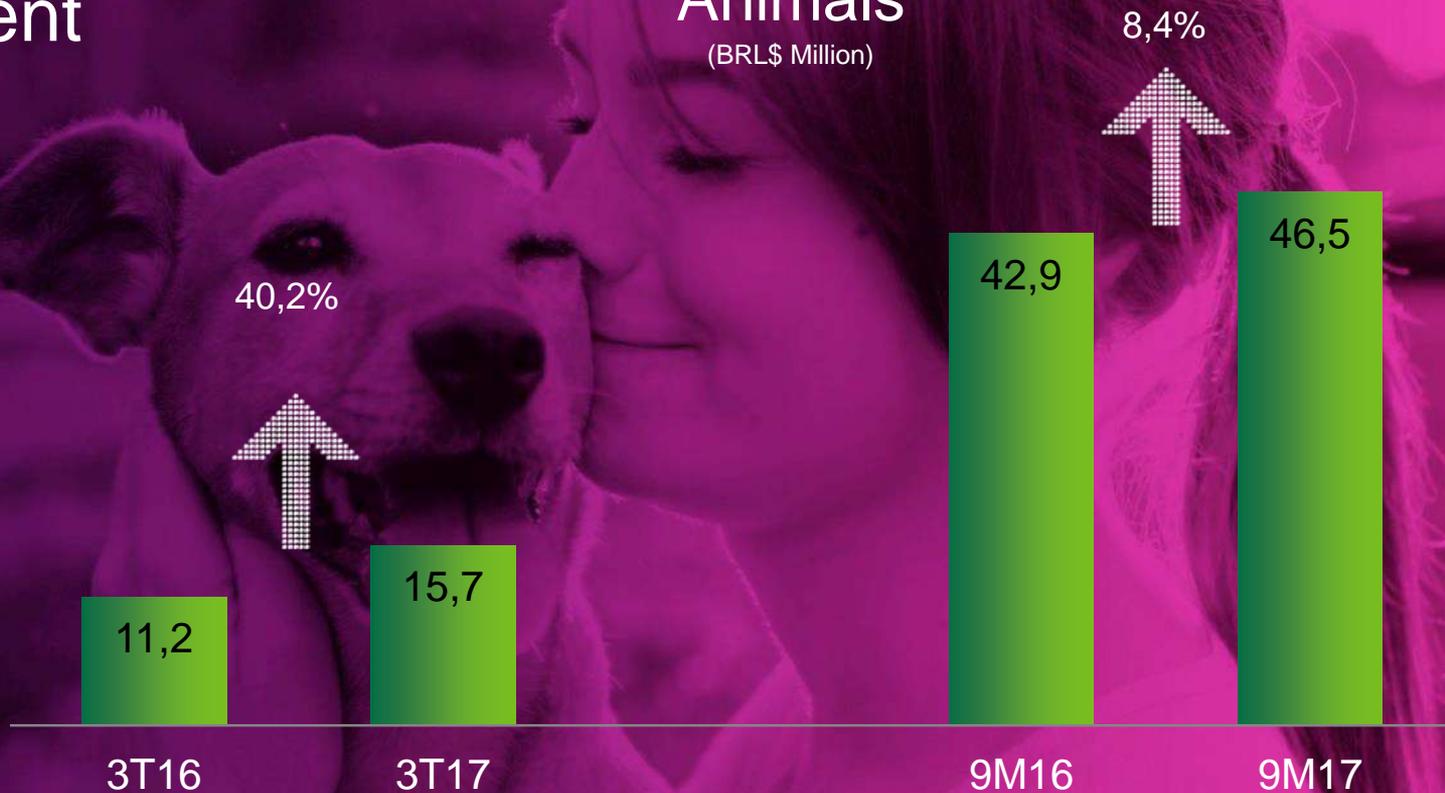
(BRL\$ million)



Net Revenue by Segment

Companion Animals

(BRL\$ Million)

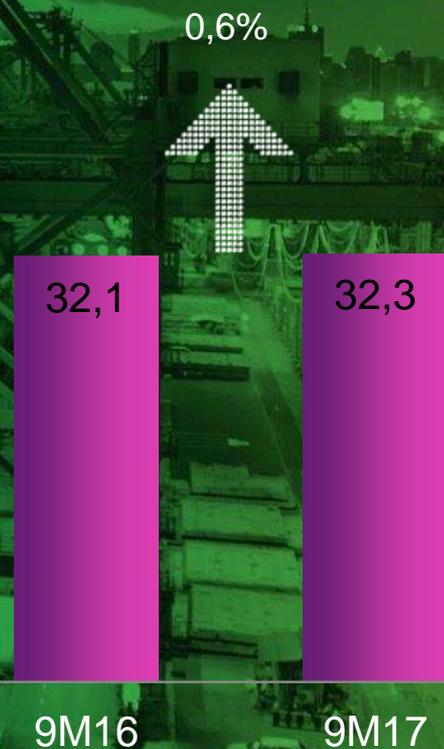


Net Revenue by Segment



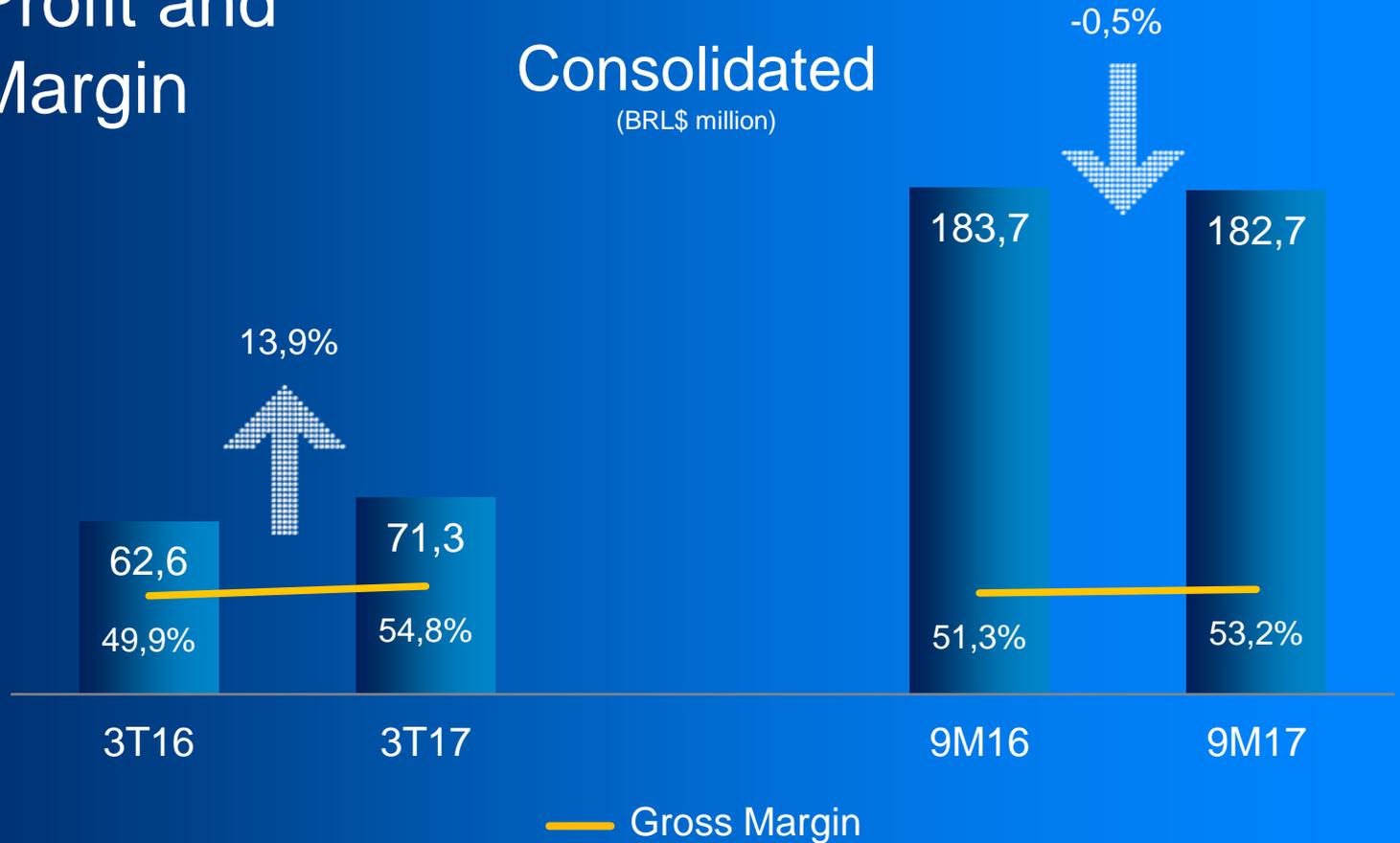
International Operations

(BRL\$ million)



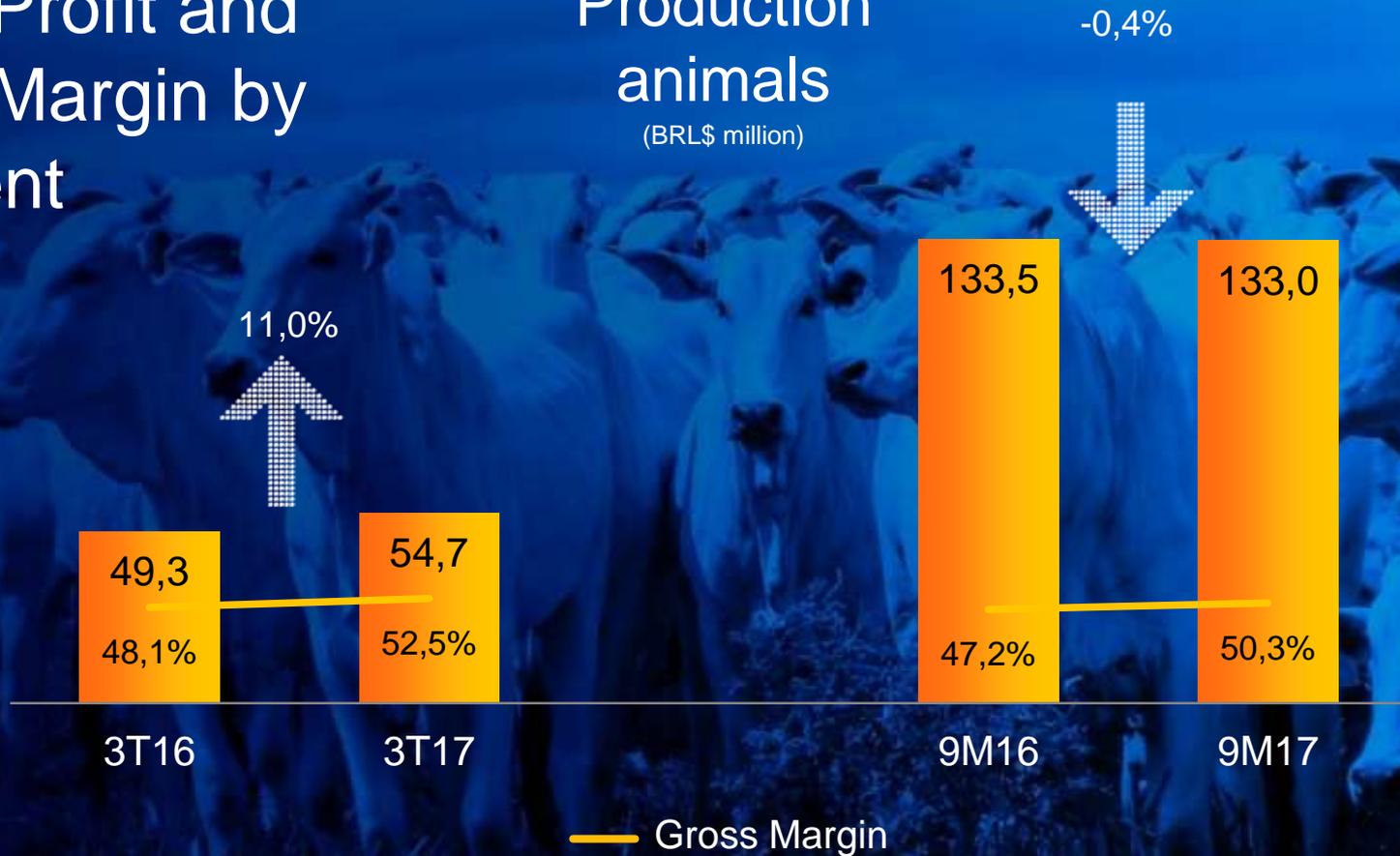
Gross Profit and Gross Margin

Consolidated
(BRL\$ million)



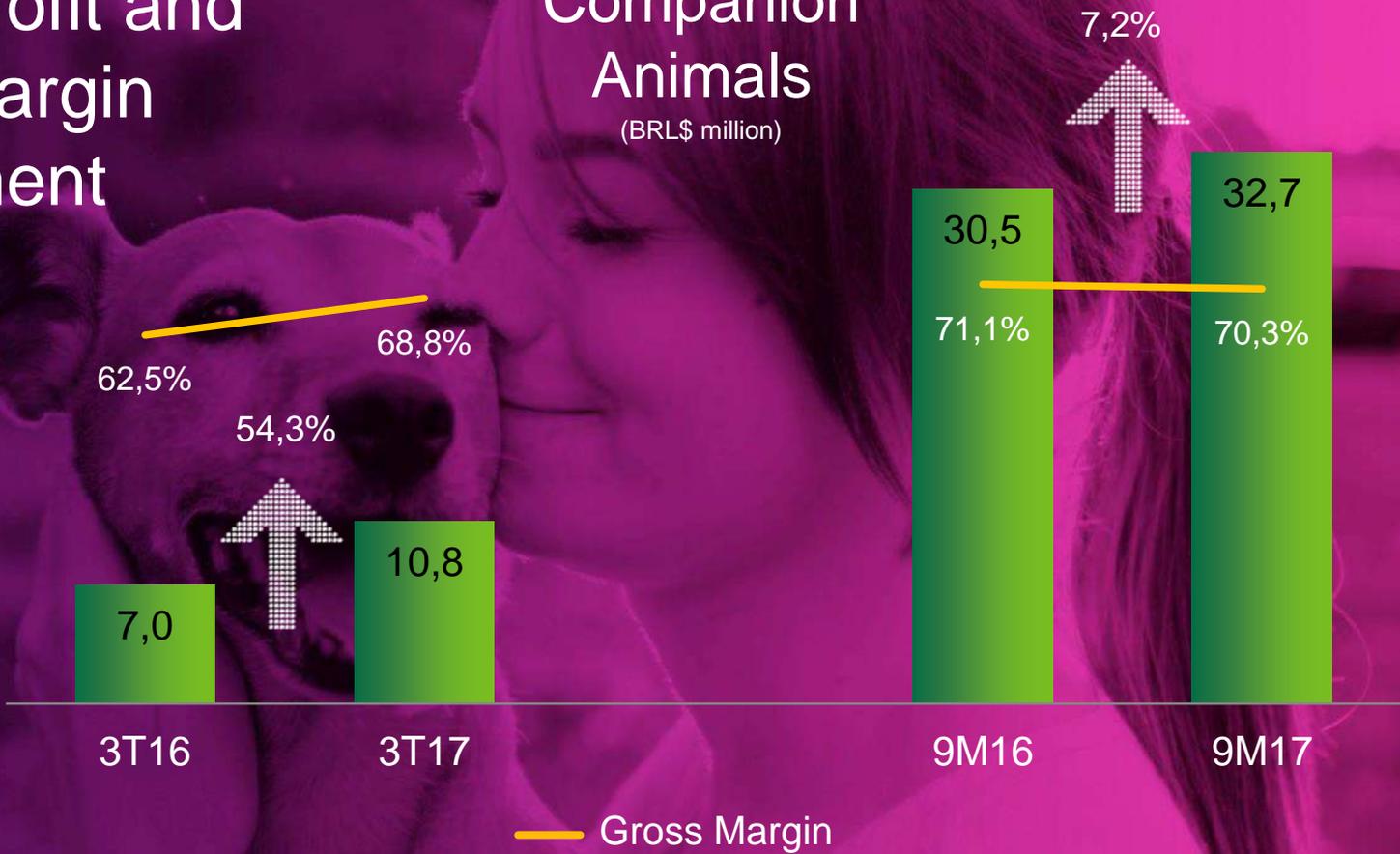
Gross Profit and Gross Margin by Segment

Production animals (BRL\$ million)



Gross Profit and Gross Margin by Segment

Companion Animals (BRL\$ million)



Gross Profit and Gross Margin by Segment

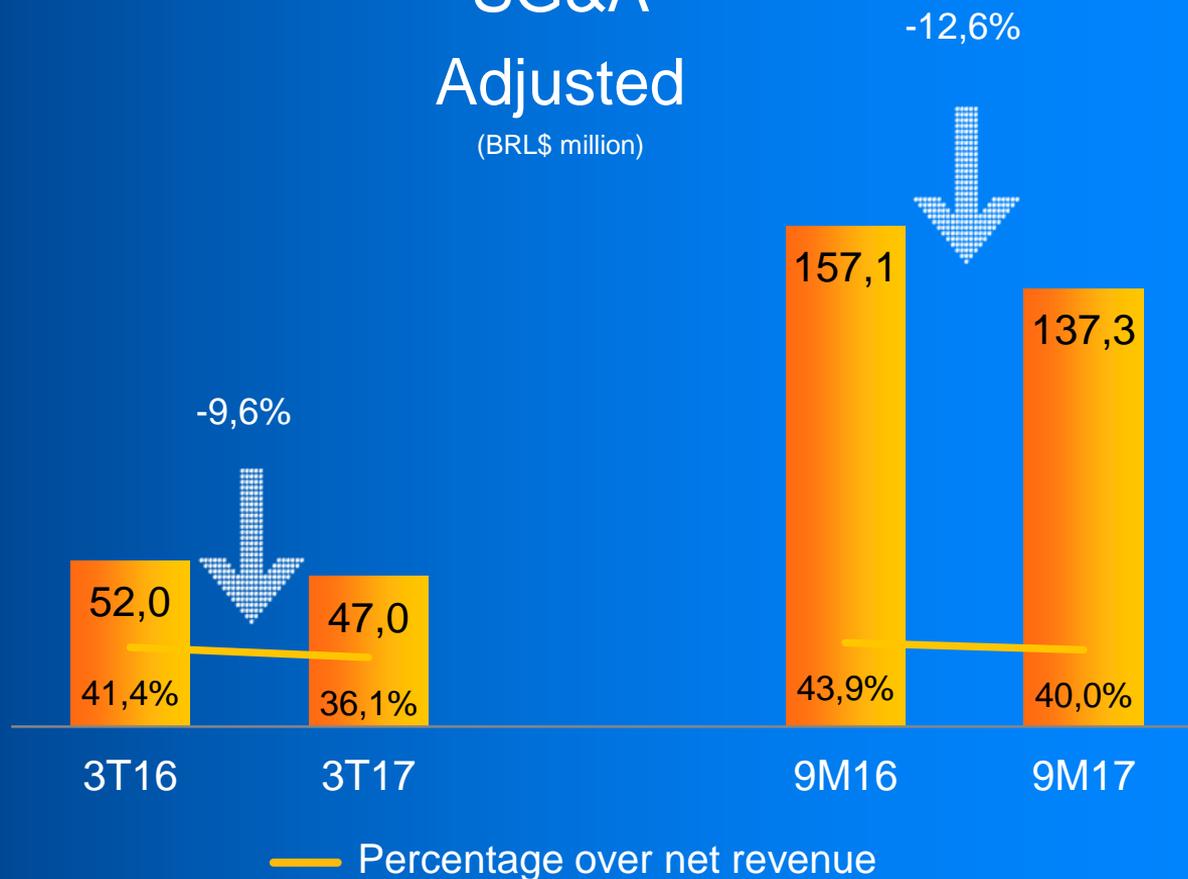
International Operations

(BRL\$ million)



Financial Performance

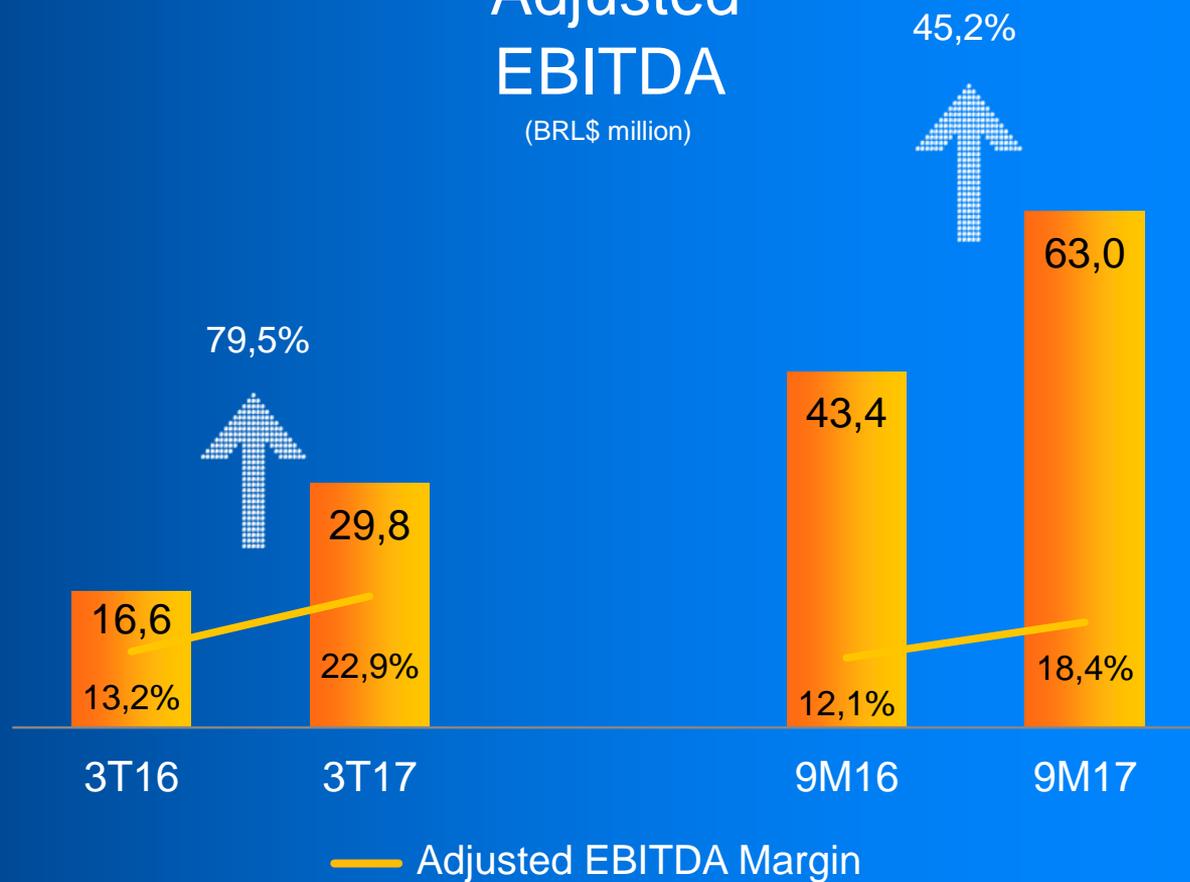
SG&A Adjusted (BRL\$ million)



Financial Performance

Adjusted EBITDA

(BRL\$ million)



Financial Performance

Net Financial Expenditure

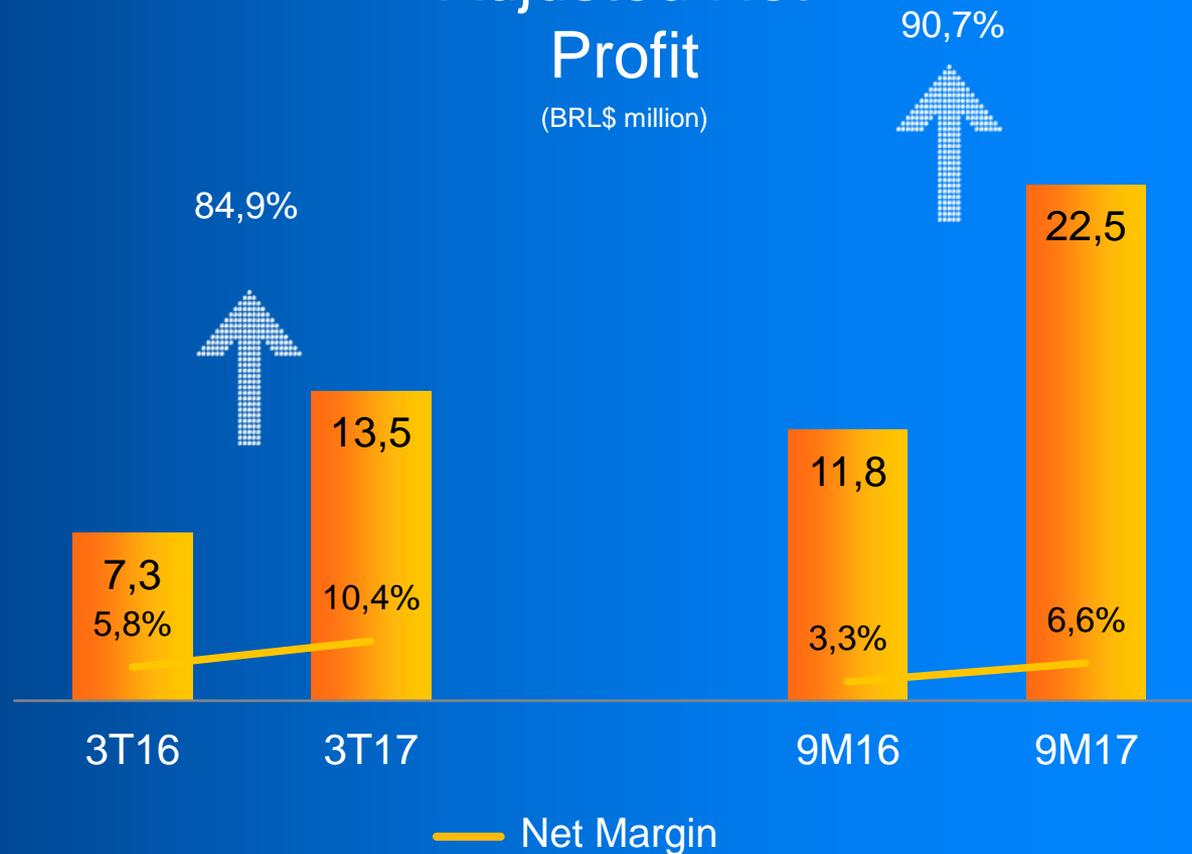
(BRL\$ million)



Performance Finance

Adjusted Net Profit

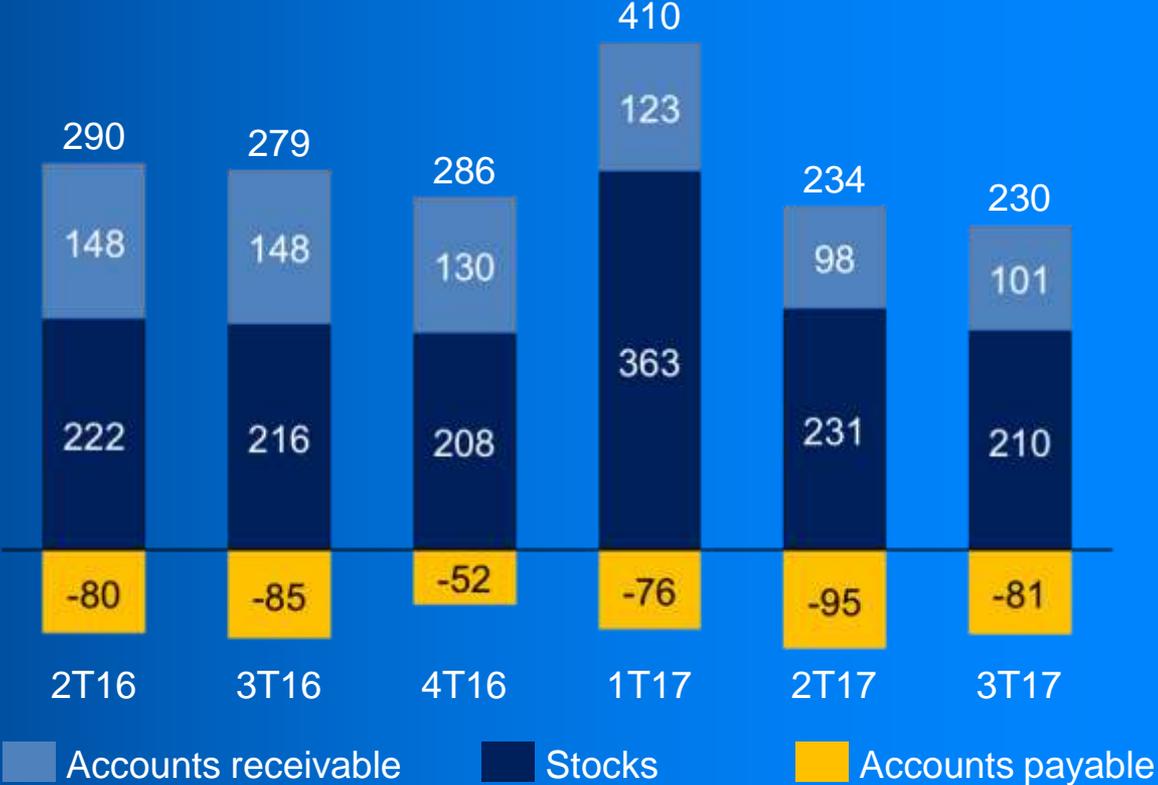
(BRL\$ million)



Financial Cycle

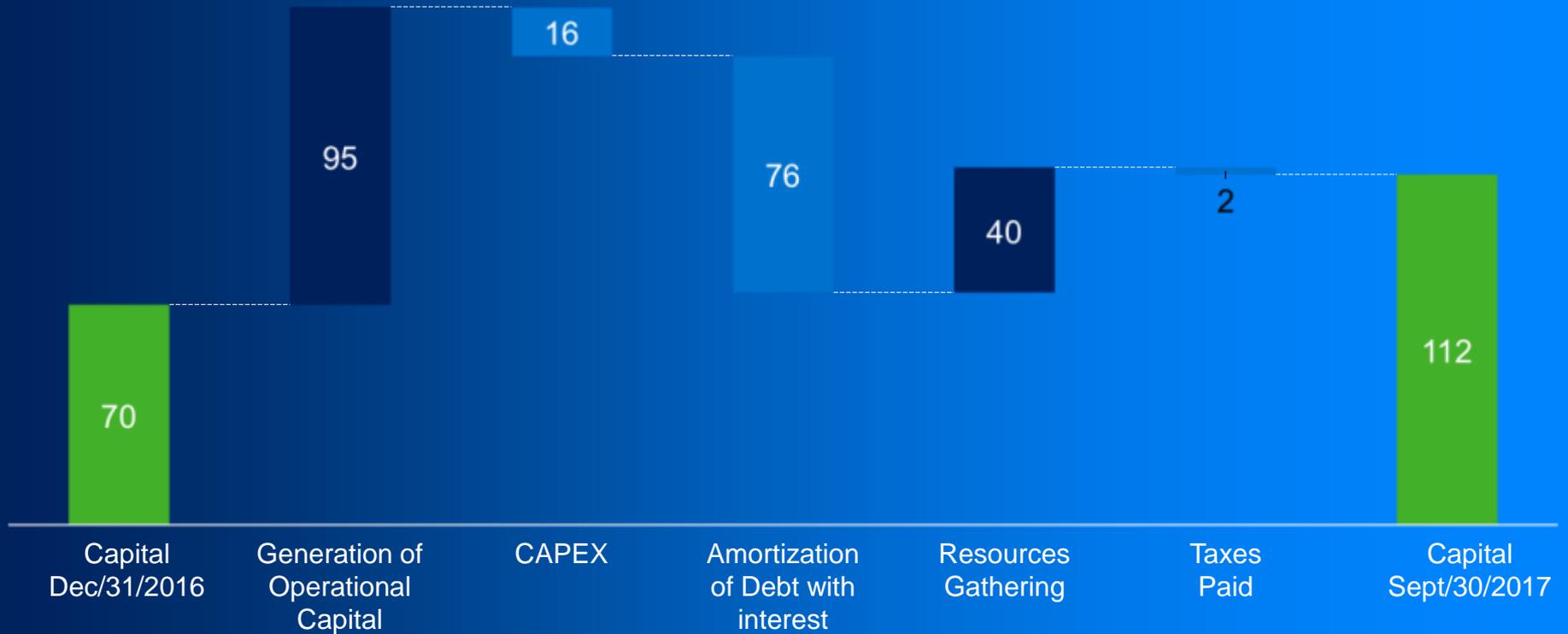
(Number of days)

Working Capital



Generation of Cash

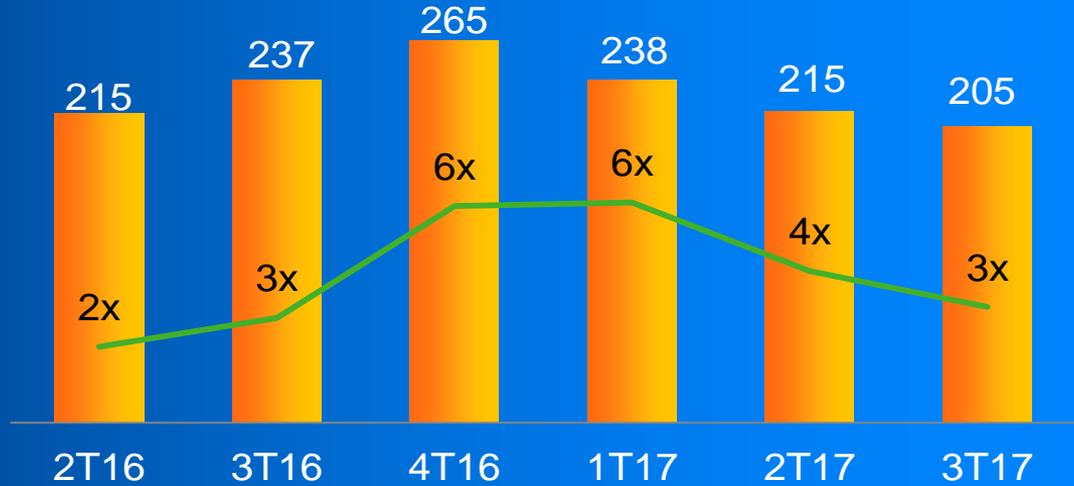
(BRL\$ million)



Net Debt and Leverage

(BRL\$ million and Net Debt/EBITDA of 12 accumulated months)

Indebtedness



Average Annual
cost of debt

9.5%

9.6%

8.8%

7.9%

7.7%

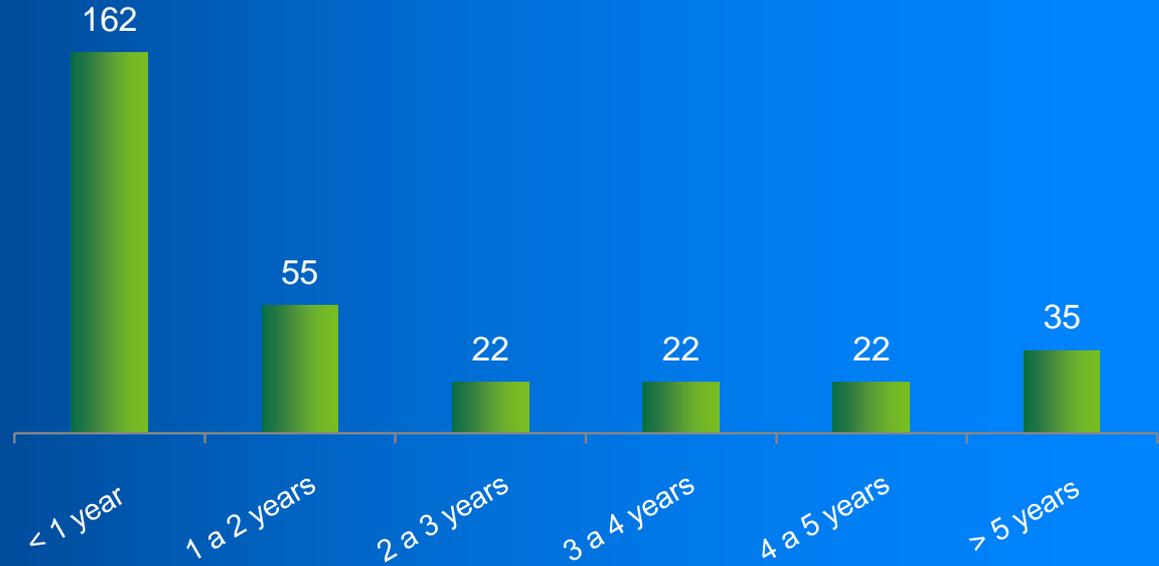
7.0%

Note1: Net Bank Debt considering derivative bound instruments

Aging of Indebtedness

(BRL\$ million)

Indebtedness



- Position of cash of BRL\$ 112 million

Note1: *Aging* considering indebtedness with derivative bound instruments

Conditions of loans with FINEP¹

- Biannual Plan of R&D 2017 - 2018
- Total Value of Program: R\$ 100 million
- Financed Value: R\$ 70 million
- Charges: TJLP+ 1,5% p.a.
- Grace Period: 3 years
- Total term: 12 years
- Guarantee: Bank -Issued
- No covenants

¹ Approved operation and in final phase of contracting

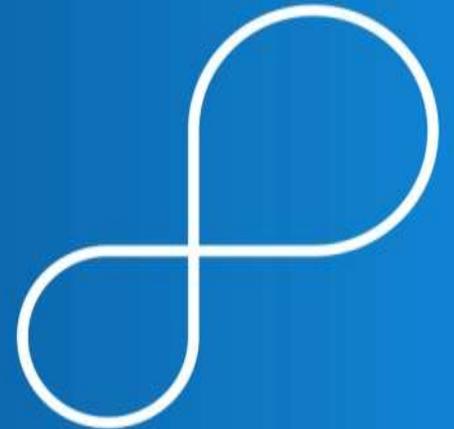
2017 in summary

- Progressive improvement of gross margin of 43% in the 4Q16 to 55% in the 3Q17
- Retreat of the term of receivables in 47 days from September of 2016.
- Dilution of SG&A of 44% in the 9M16 to 40% in the 9M17.
- Generation of operational cash of R\$ 95 MM in the 9M17 versus R\$ 47MM in the 9M16
- Reduction in net indebtedness in R\$ 60 MM from the 4Q16
- Improves leverage to 3x after peak of 6x in the 4Q16

We reaped the rewards of the adjustments implanted in 2016

Ourofino Day
2017

Thiago Bernardino de Carvalho
Researcher Cepea/ESALQ/USP



CEPEA/ESALQ/USP

CEPEA (Center of Advanced Studies in Applied Economy) is part of ESALQ, University of São Paulo unity.

- Currently, the team of CEPEA counts on 160 people:
- 12 teachers from ESALQ,
- 08 doctors/doctoral students,
- 13 masters/master students,
- 45 graduates/MBA and
- 82 interns (research assistants).



CEPEA/ESALQ/USP



- About 30 agricultural markets;
- Costs of Production:
 - Grains, fiber and roots: soybeans, corn, wheat, rice, beans, coffee, cotton and manioc;
 - Livestock: oxen, chickens, pigs and milk
- Brazil's agribusiness GPD, from Minas Gerais and from São Paulo; GPD of chains - dairy and livestock, soybeans, cotton and sugarcane;

CEPEA/ESALQ/USP



- Agribusiness export indexes;
- Themes of international, social and environmental economics;
- Themes at economic costs of phytosanitary control.
- In october/17, for example, 27.810 calls were made by the CEPEA team, which represents more than 1.200 a day.

Indicator ESALQ/BM&F

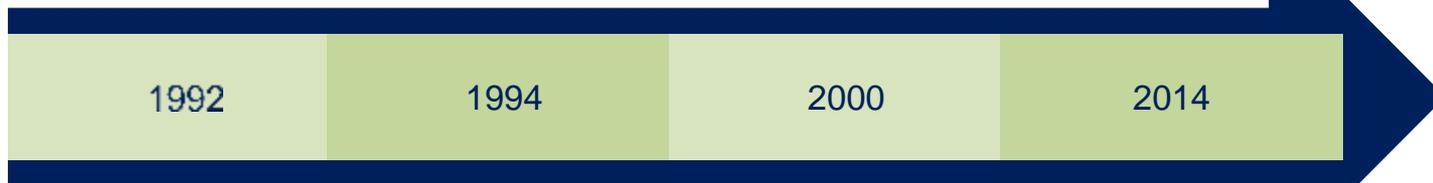


Stock Exchange demanded for price that indicated negotiated animal in the physical market

Calf Indicator ESALQ/BM&F (MS)

Partnership with AE for the elaboration of average and analysis of different products of the Chain (other regions)

Partnerships Bloomberg and Reuters



Calf Indicator
ESALQ/BM&F (SP)

20 years of indicator

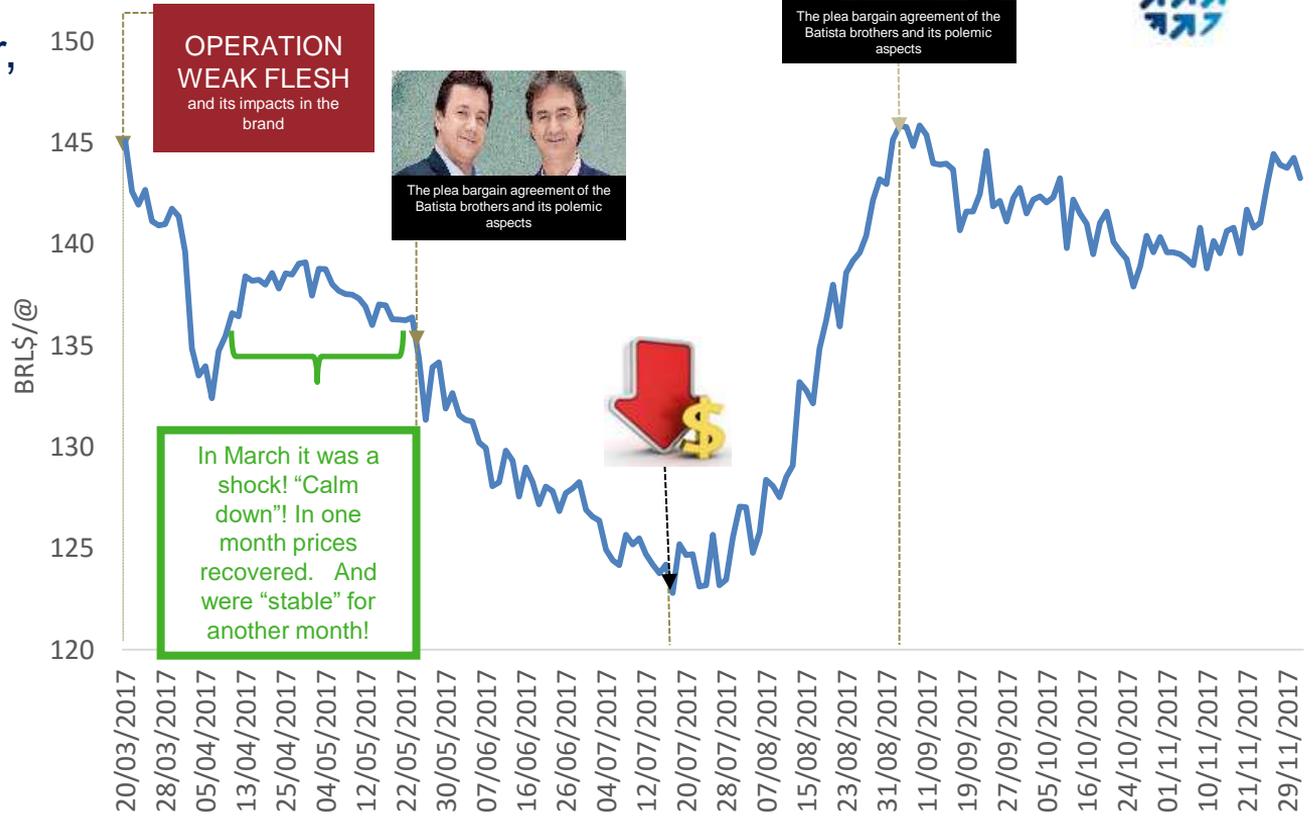
Indicator of number 5.000
on the 22nd of June 2014



“My dream was for Uruguay to have a Future Price Indicator, like in Brazil. Only this way I could make better decisions” Uruguayan Producer - Global Meat Congress

Historical falls ...

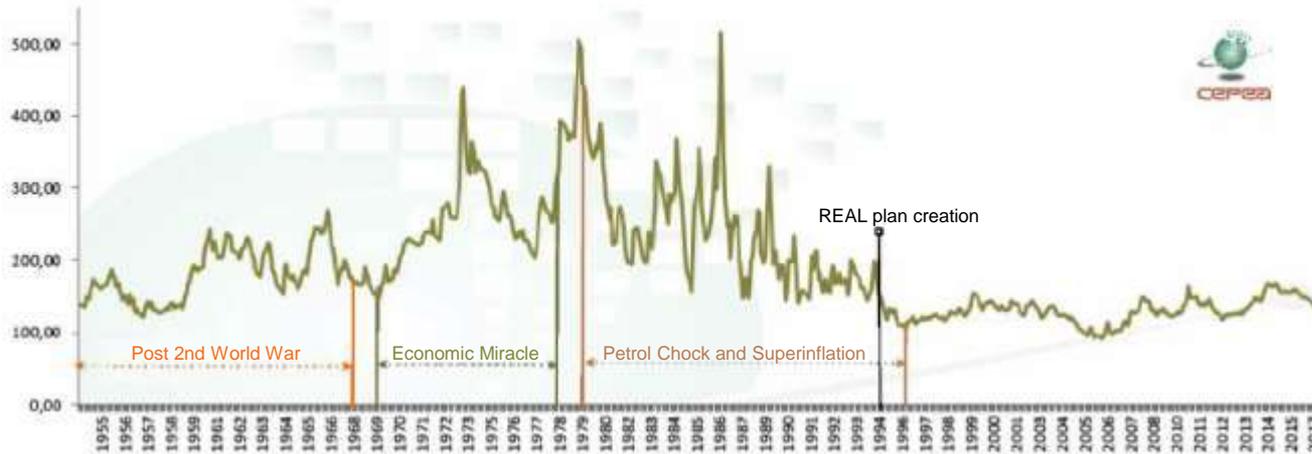
In relation to last year, ranchers' revenue declined more than 20%



From value reserve to more kilos of meat per hectare

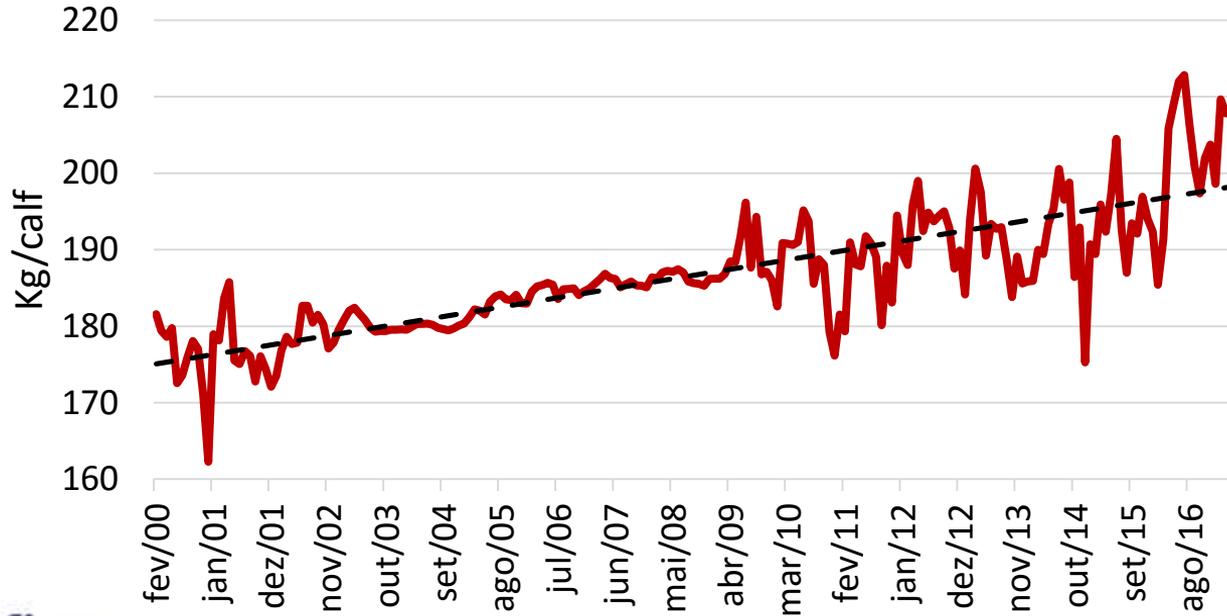
“It is painful but animals are less and less value reserves”

- The arroba reached more than 500 BRL in current currency in the 80s!

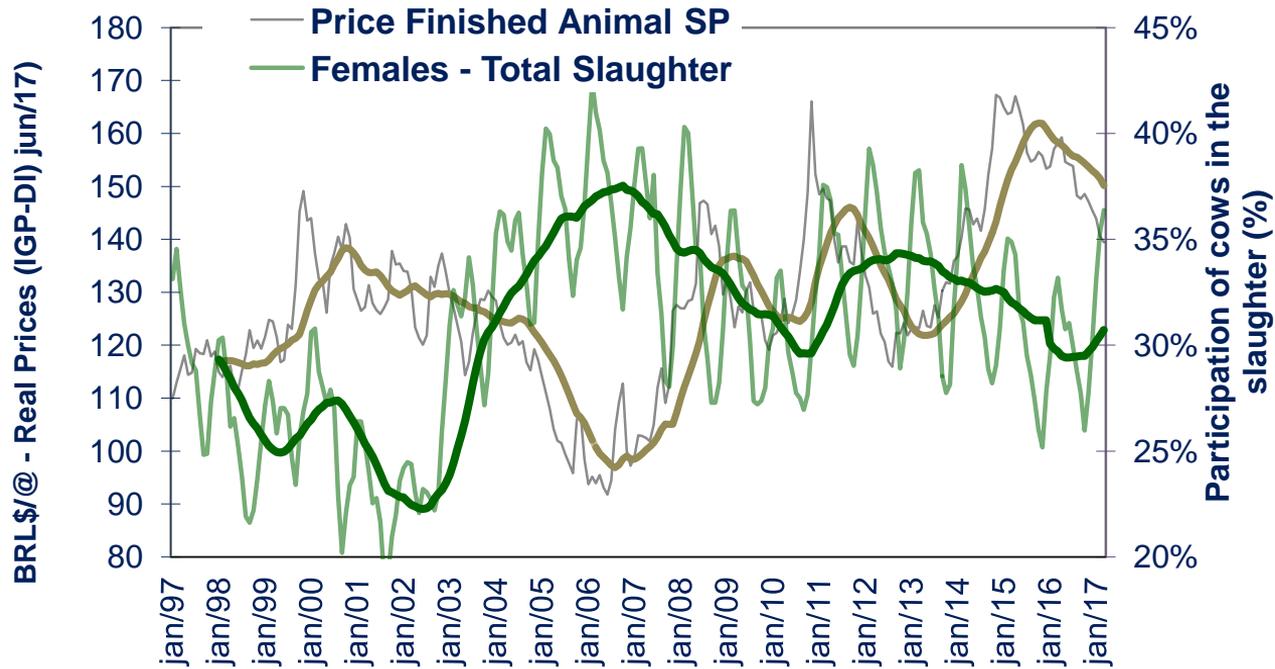


Livestock

- Evolution of the average weight of calves



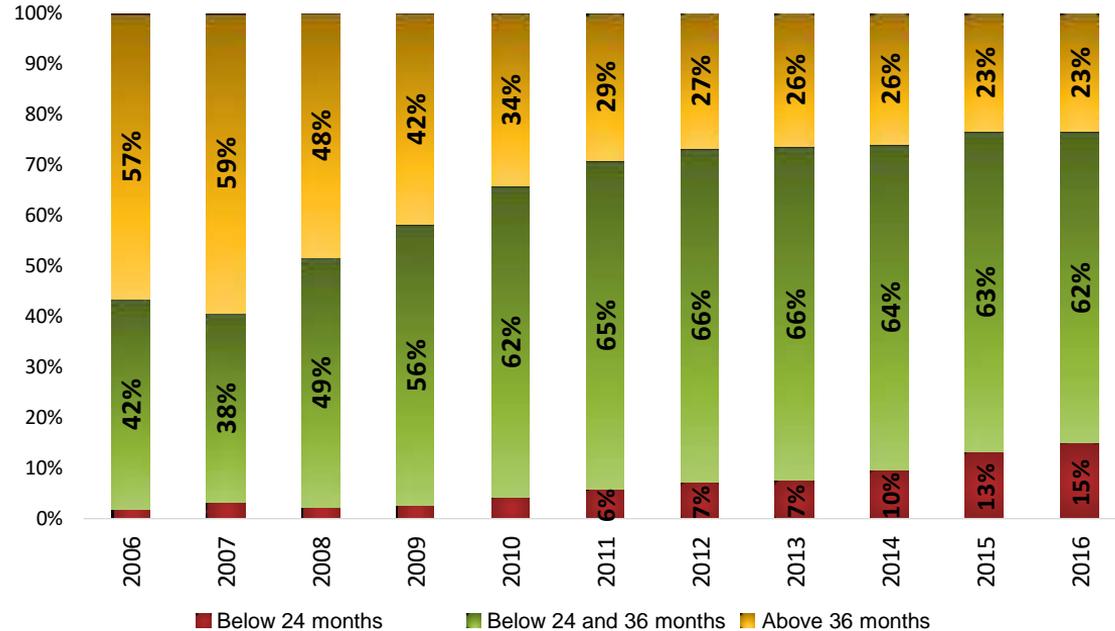
Livestock Market



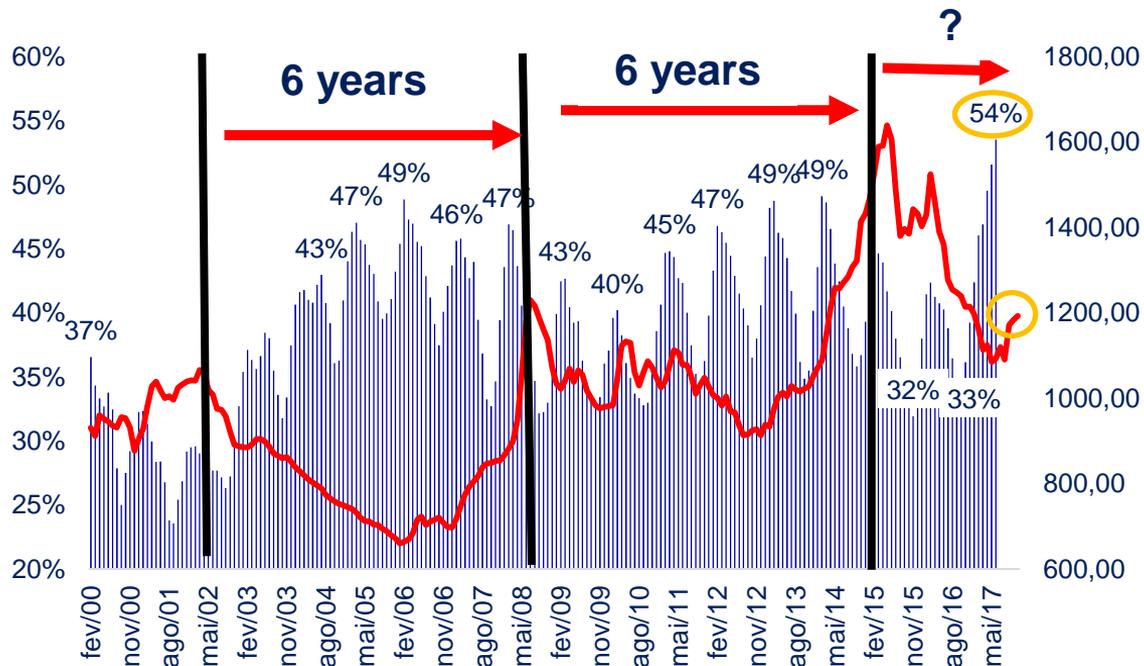
Cattle breeding has changed... animals are being slaughtered at younger age!



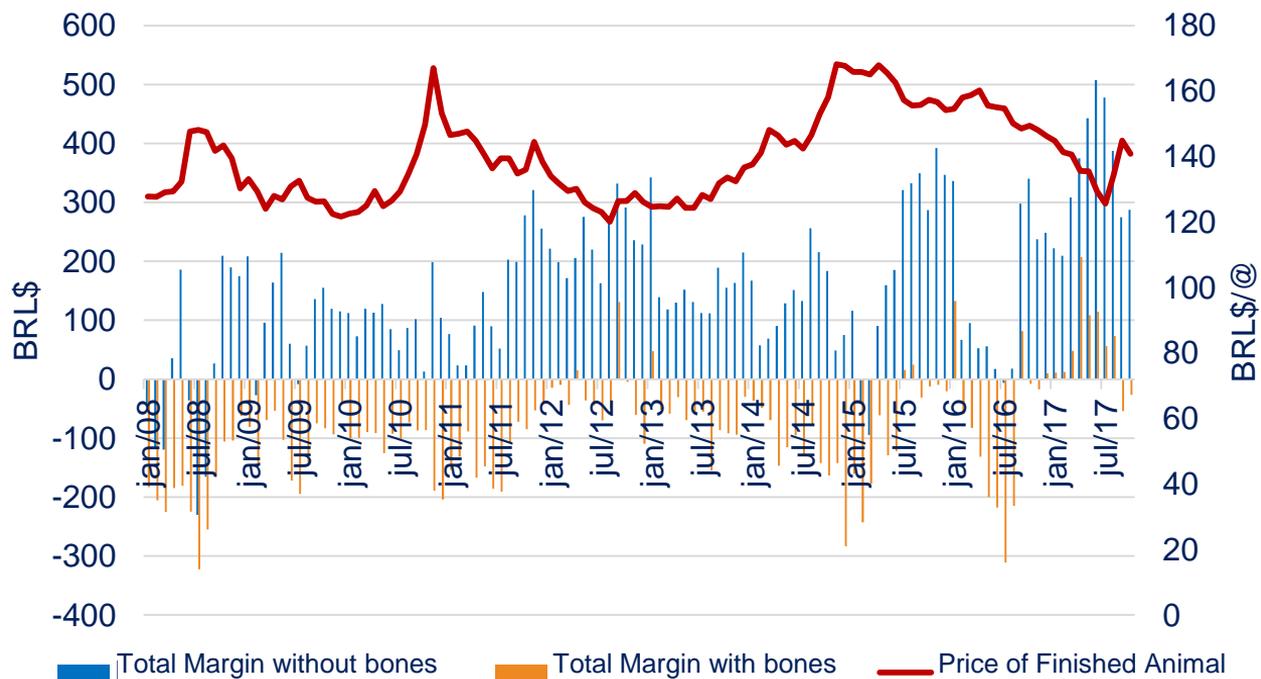
- Evolution of the participation per age range in the total slaughtering of male animals in Mato Grosso.



Calf Indicator - in real values (IGP-DI) and slaughtering of female animals



Slaughter house and retail

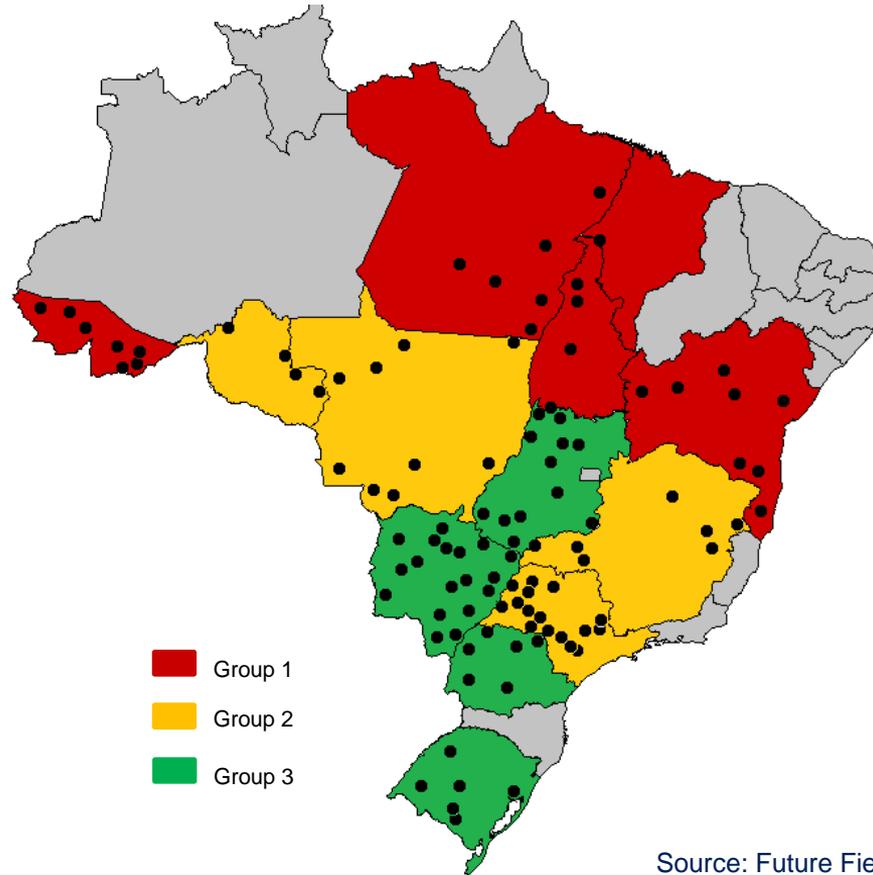


Overview



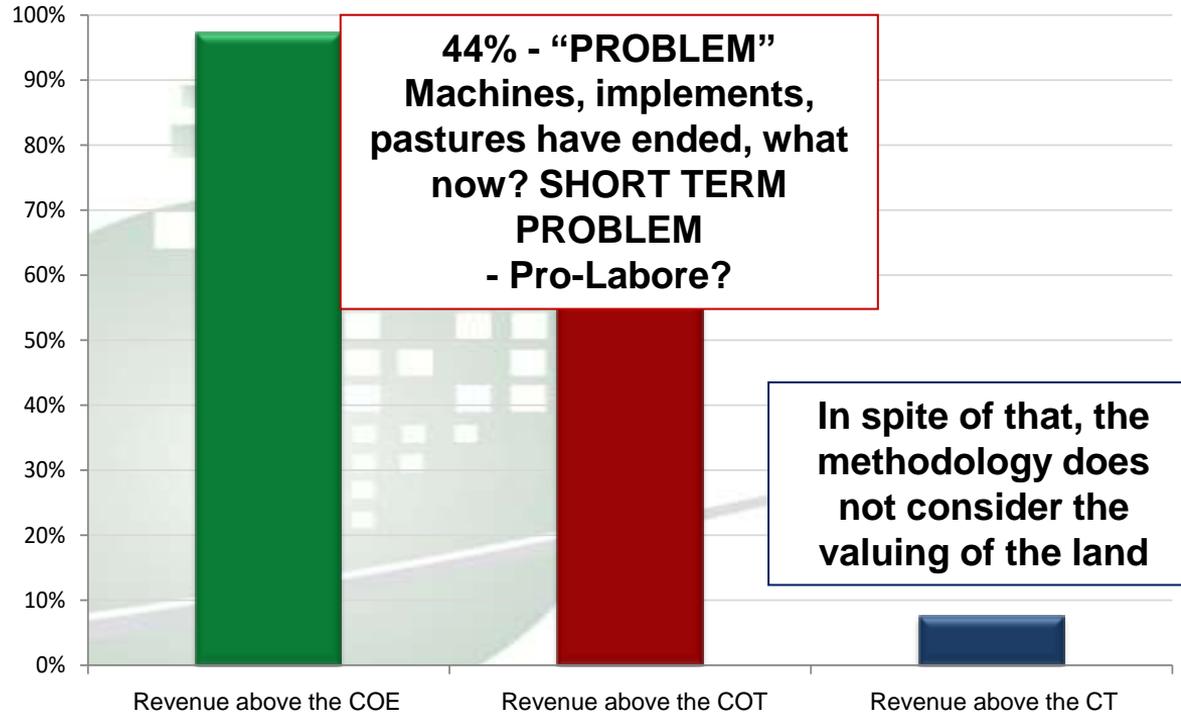
✓ 13 states.

- 99 Municipalities
- 245 model properties
- 8 Production Systems



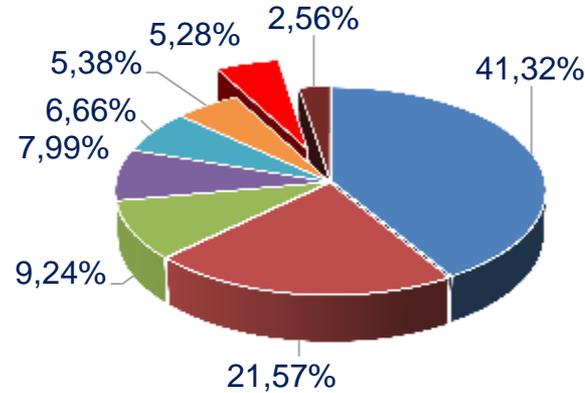
Livestock Market

- How are the others?



Materials - Livestock

- Operational Costs Summary - Breeding



Mineral Supplementation

Labor

Animal purchase

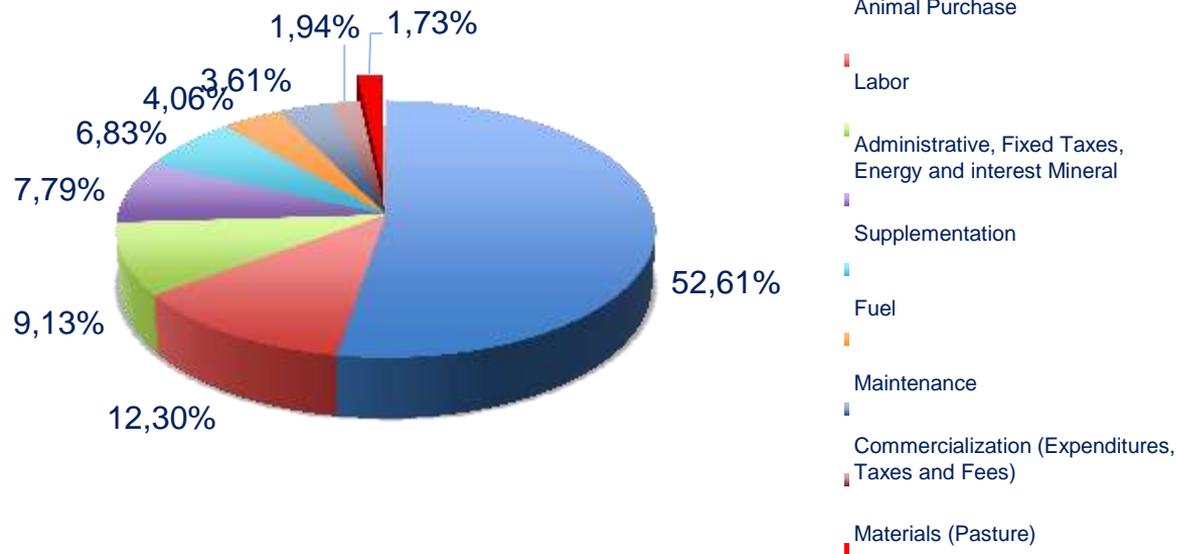
Administrative, Fixed Taxes, Energy and taxes

Fuel

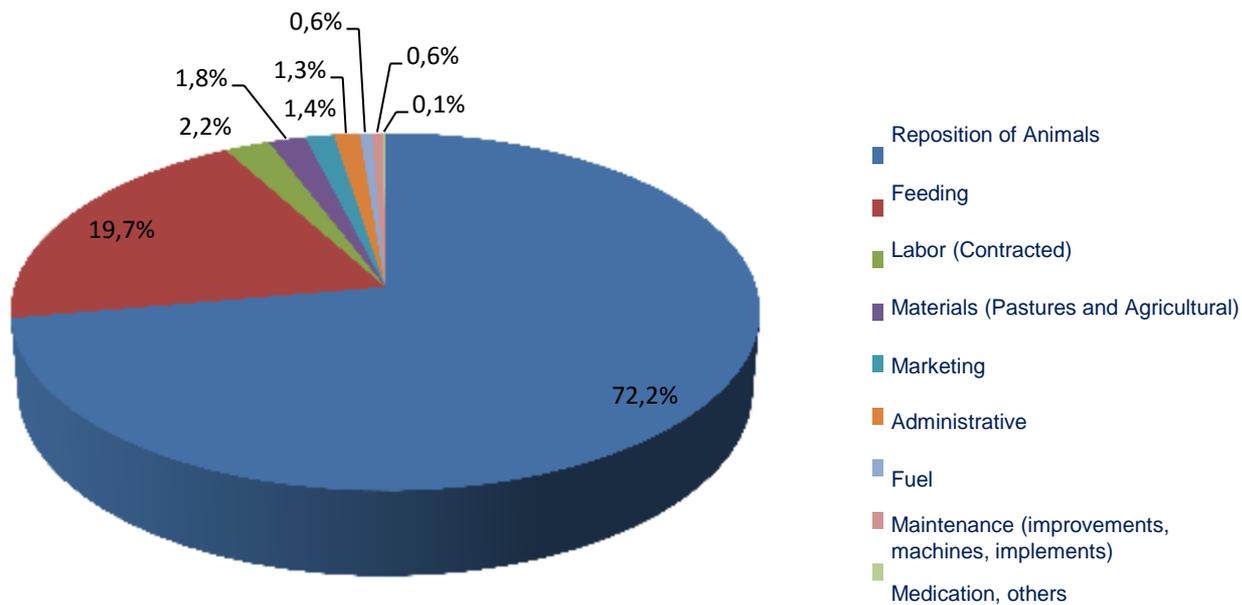
Maintenance

Medication

Commercialization (Expenditures, Taxes and Fees)



Confinement costs



Grouping



GROUP 1	GROUP 2	GROUP 3
Acre (AC)	Mato Grosso (MT)	Goiás (GO)
Bahia (BA)	Minas Gerais (MG)	Mato Grosso do Sul (MS)
Maranhão (MA)	Rondônia (RO)	Paraná (PR)
Pará (PA)	São Paulo (SP)	Rio Grande do Sul (RS)
Tocantins (TO)		



○ They have kept similar systems

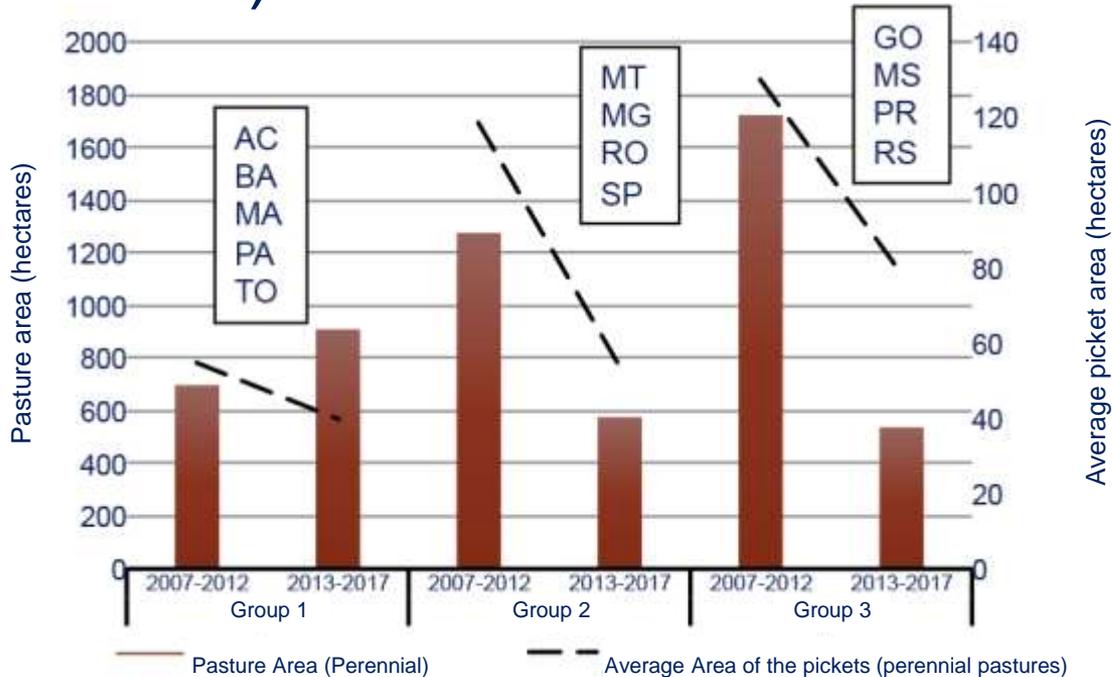


○ They have specialized in breeding, raising or finishing

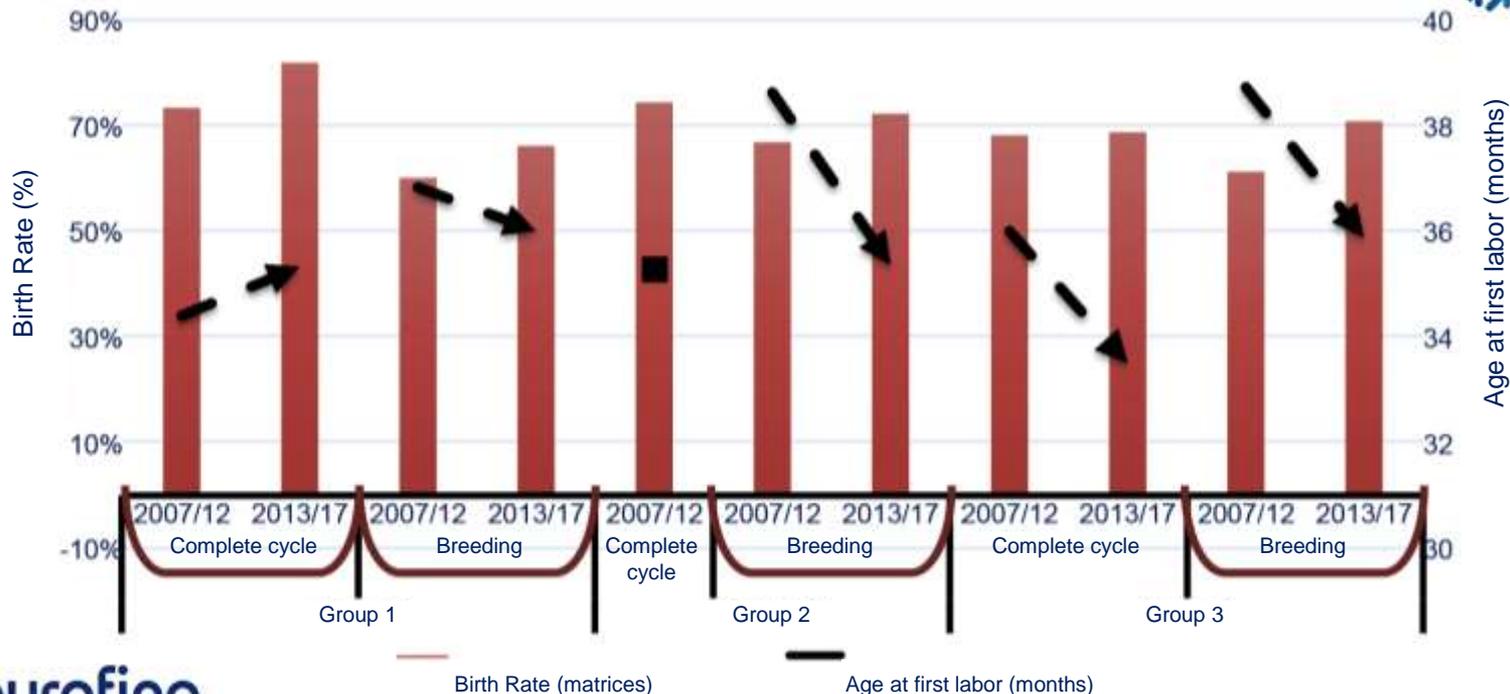


○ They produce, in the same property, agricultural crops

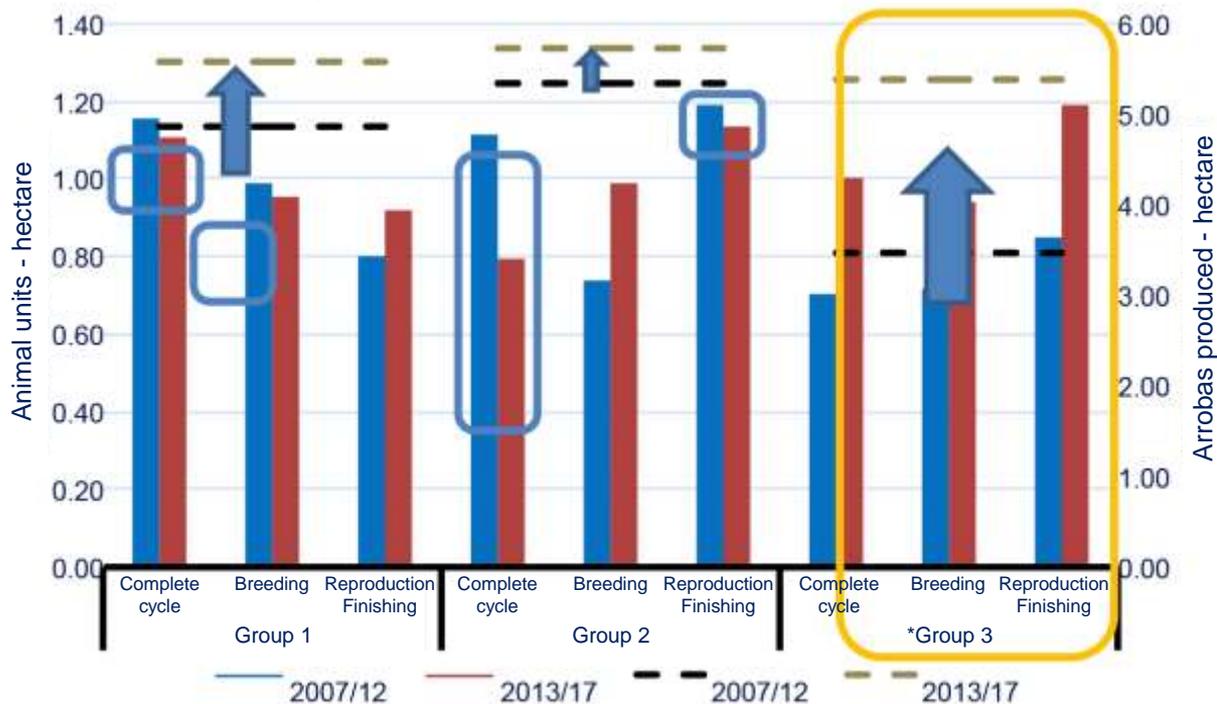
Average area of pastures and pickets (2007/12 - 13/17)



Birth Rate and Age at first parturition (2007/12 - 2013/17)



Capacity rate and Arrobas produced/ha (2007/12 - 2013/17)

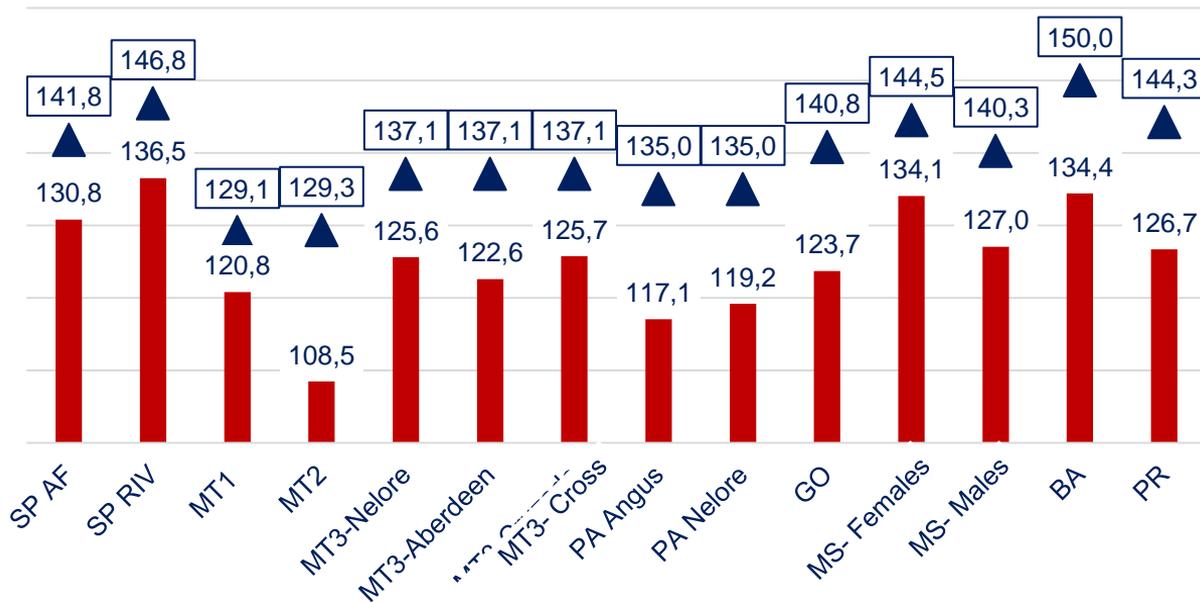


Sales Price Arroba

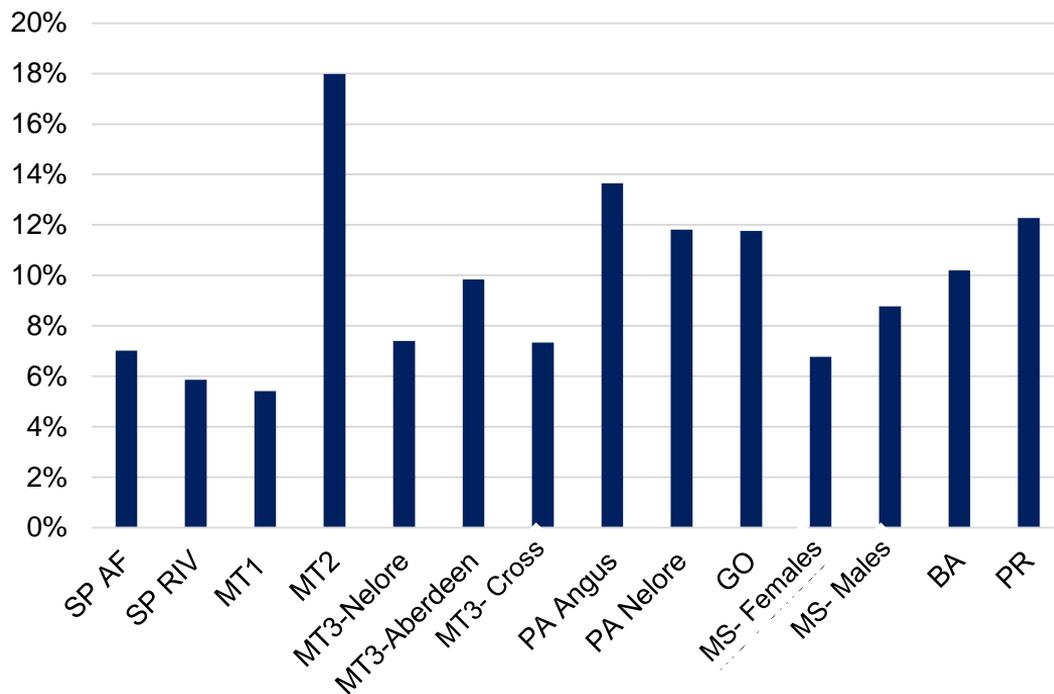


Balance price R\$108 to 136.5;
Sales price R\$129.3 to 150

Largest difference between balance price
and sales price: previously determined



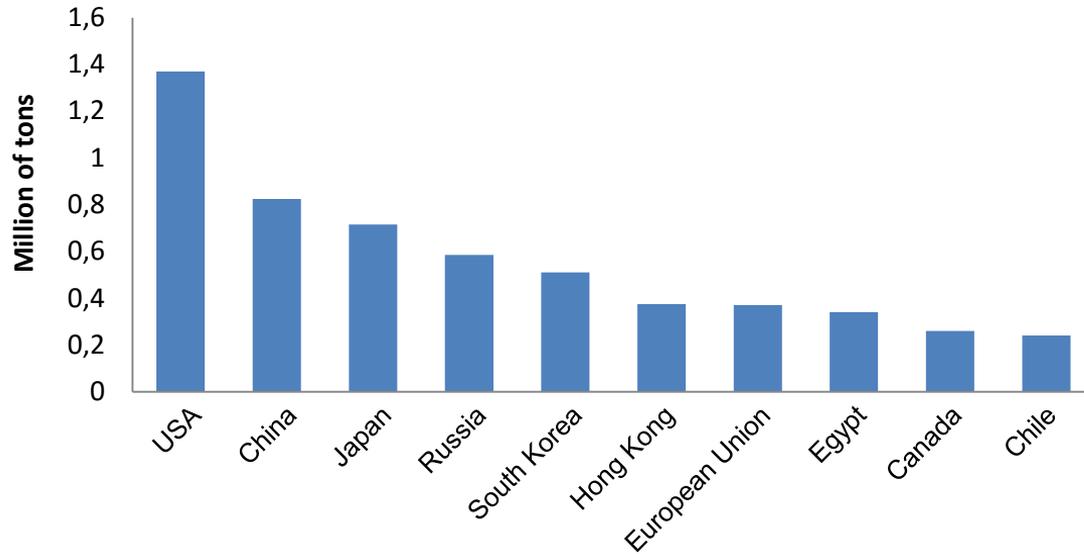
Return on Investment



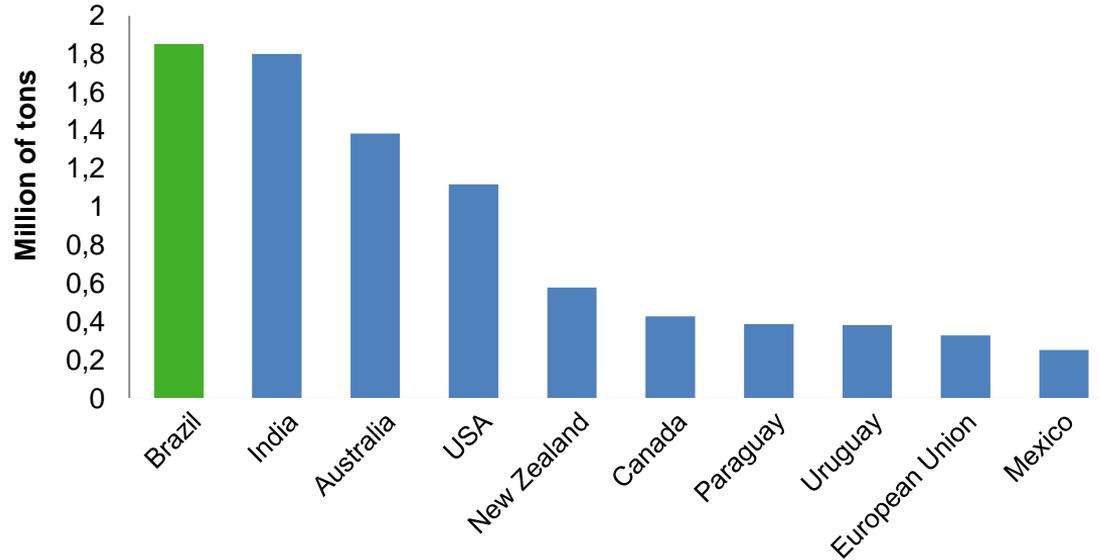
Considers cost of opportunity of Capital of 0.5% a month and unfinished cattle at MARKET prices!

Average ROI 2017: 9.7%
Average ROI 2016: 5.57%

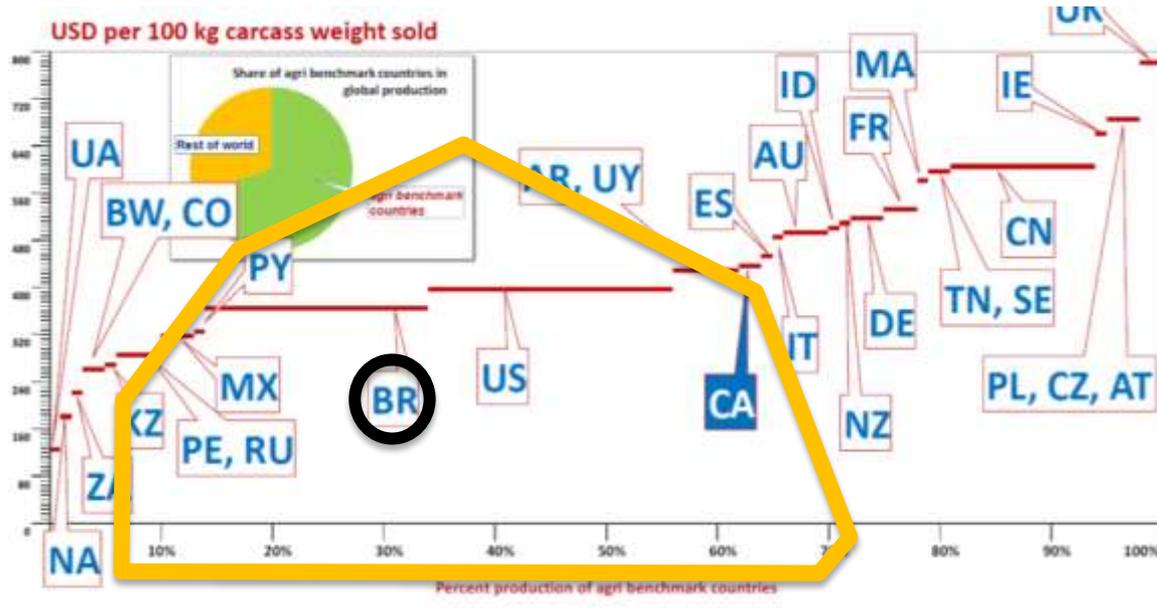
Ten largest beef importers



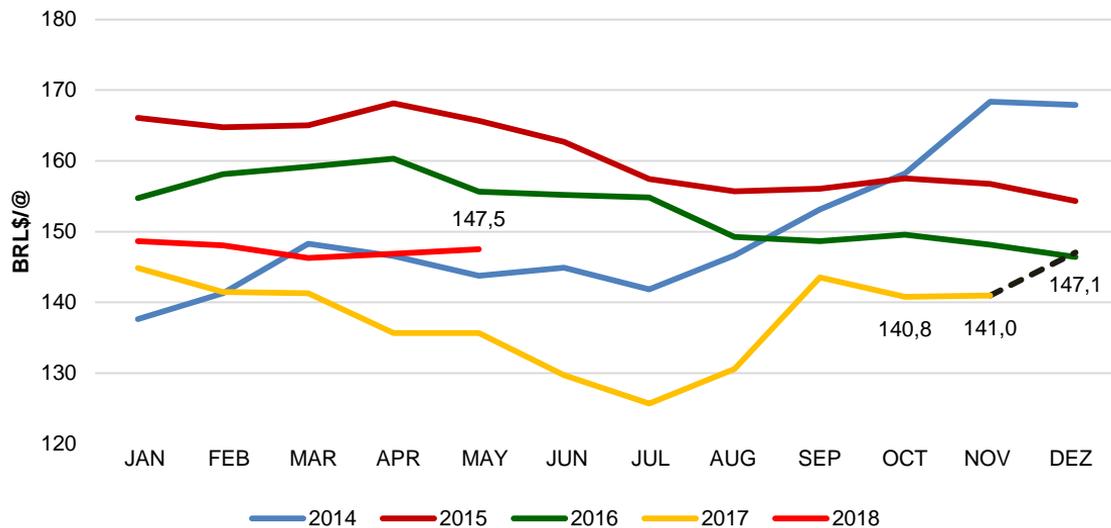
Ten largest beef importers



World Participation of Meat Production



Real values of arroba ox indicator ESALQ/BMF&Bovespa



Indicator of finished animals ESALQ/BMF&Bovespa deflated by IGP-DI from July/17 and quotations from future contracts from 11/09/17.

Brazilian Economy



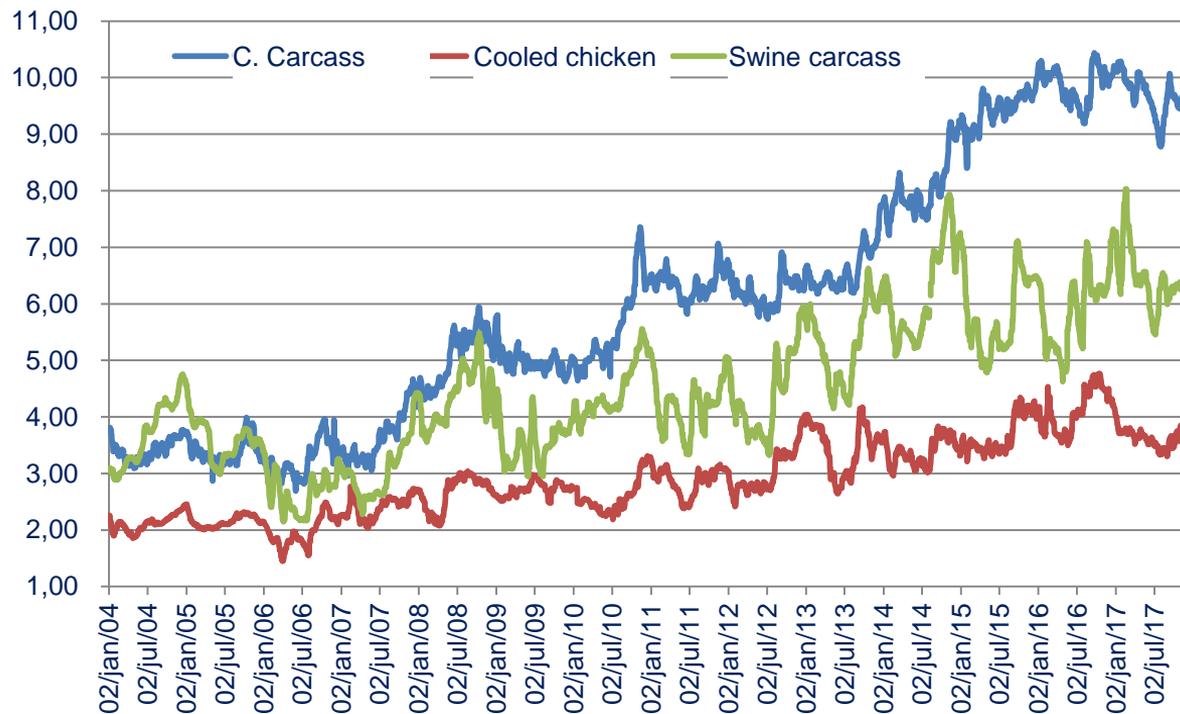
- Consumption of meat per capita has backed off to 27 kg in 2016, against a historical average of 37/kg.

Over 70% of the population

	Up to R\$ 1.000	From R\$ 1.000 to R\$ 3.000	Above R\$ 3.000
Prime beef	0,77	0,60	0,31
Choice beef	0,17	0,44	-0,34
Industrialized beef	0,40	0,43	0,63
Pork	0,57	0,35	0,09
Poultry	0,38	0,22	0,06
Fish	0,01	-0,20	0,50

Consumption of meat by Brazilians rises rapidly with increasing income and reduction of unemployment.

Substituting meats - BRL\$/KG



Future Beef



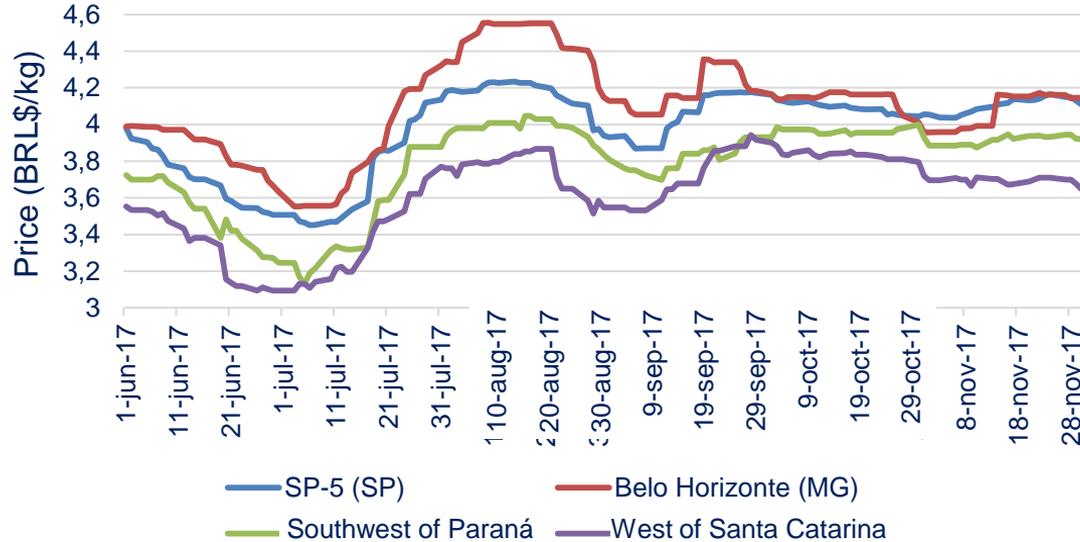
Years	GPD Growth Rate	Production (tons)	Consumption in Tons	Excess in tons
		Growth Rate of the Production 0.62%		
2.017	0,89%	9.100.072,80	7.560.254,49	1.539.818,31
2.018	2,60%	9.156.493,25	7.723.852,06	1.432.641,19
2.019	2,70%	9.213.263,51	7.893.734,44	1.319.529,07
2.020	2,54%	9.270.385,74	8.062.865,21	1.207.520,53
2.021	2,47%	9.327.862,13	8.233.614,15	1.094.247,98
2.022	2,50%	9.385.694,88	8.408.856,83	976.838,05

Future



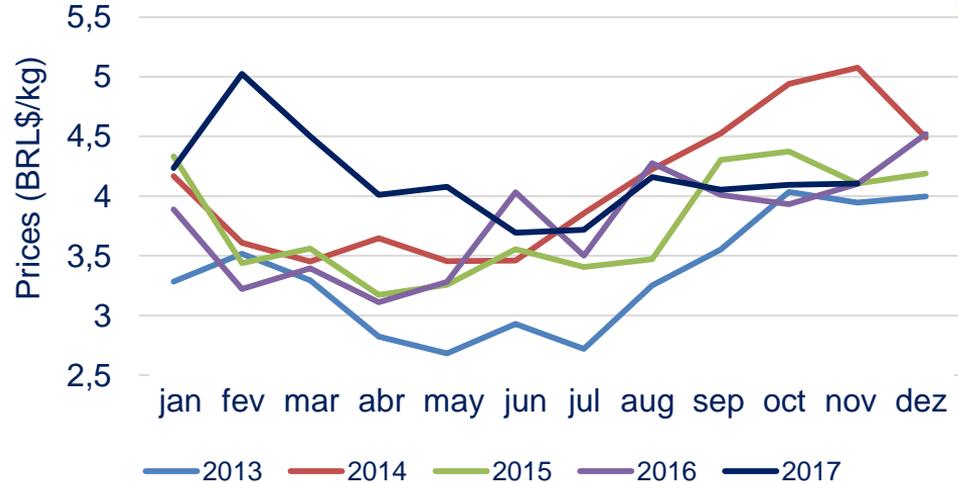
- **Livestock**
 - Stable scenery for 2018 - relatively high offer, but growing external and internal demand;
 - Tendency of growth for the next years;
 - There is no availability of beef in the world, except in Brazil;
 - Interesting returns to activity

Swine

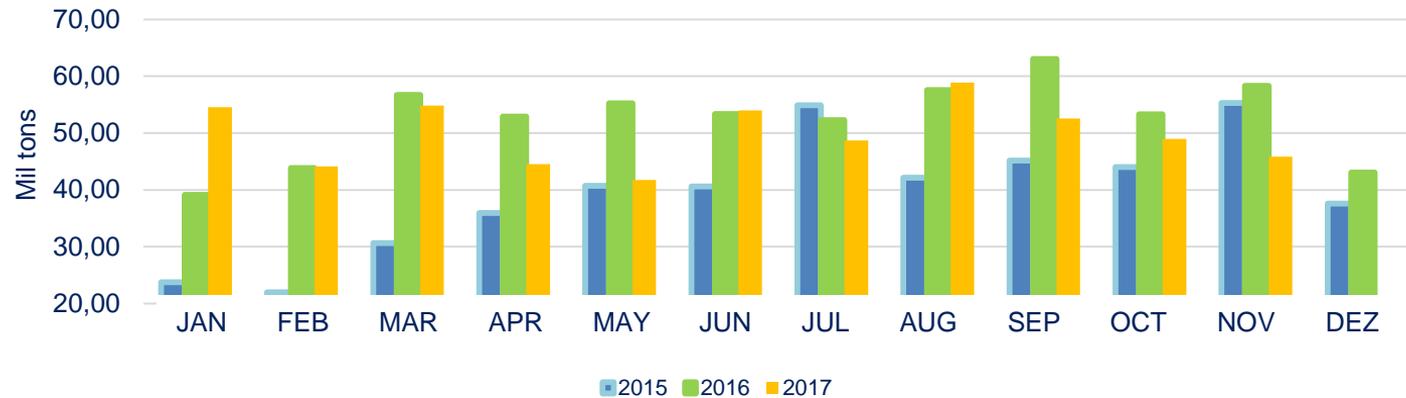


Swine

- Prices of live swine continued firm in November, due to a heated up domestic market. Offer is slim and well balanced against demand.

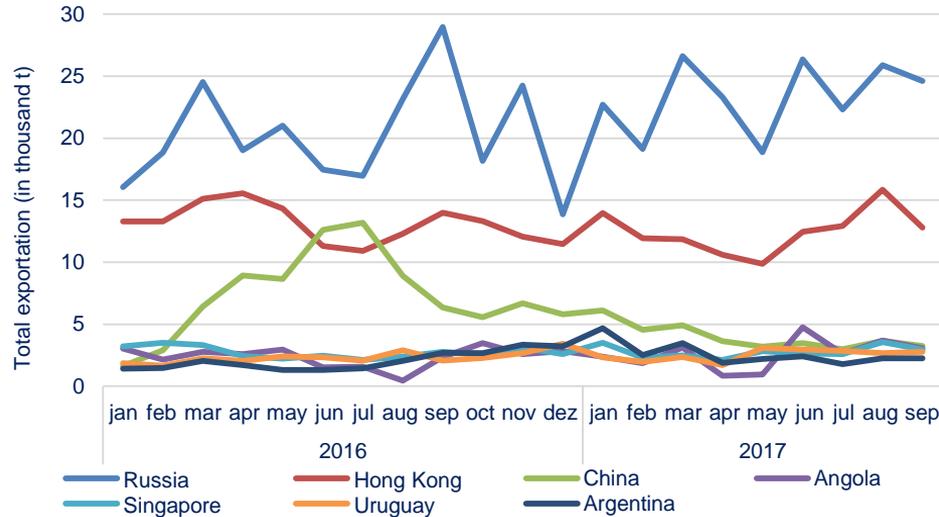


Exports



Exports

- Exports of pork (in natura, offals, cold cuts and industrialized products): selected countries.



Exports

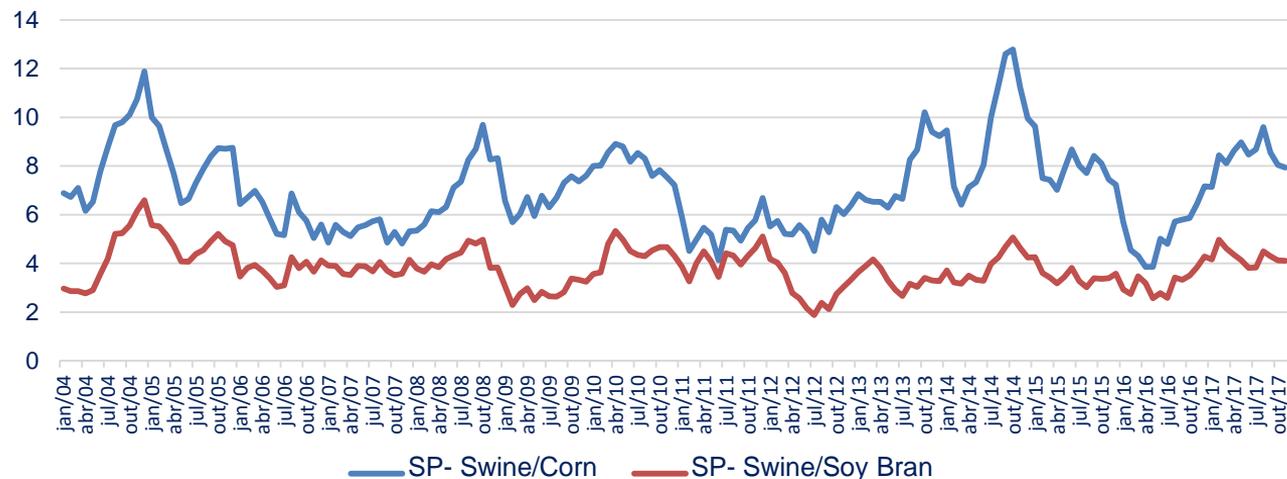
- Russian embargo, although worrisome for 2018, did not affect so intensely the national sector since naturally the country buys less swine meat in the period due to the freezing of Russian ports.
- The moment is favorable since the sector already expected lower purchases, besides the domestic market being relatively more heated up due to the end of the year.



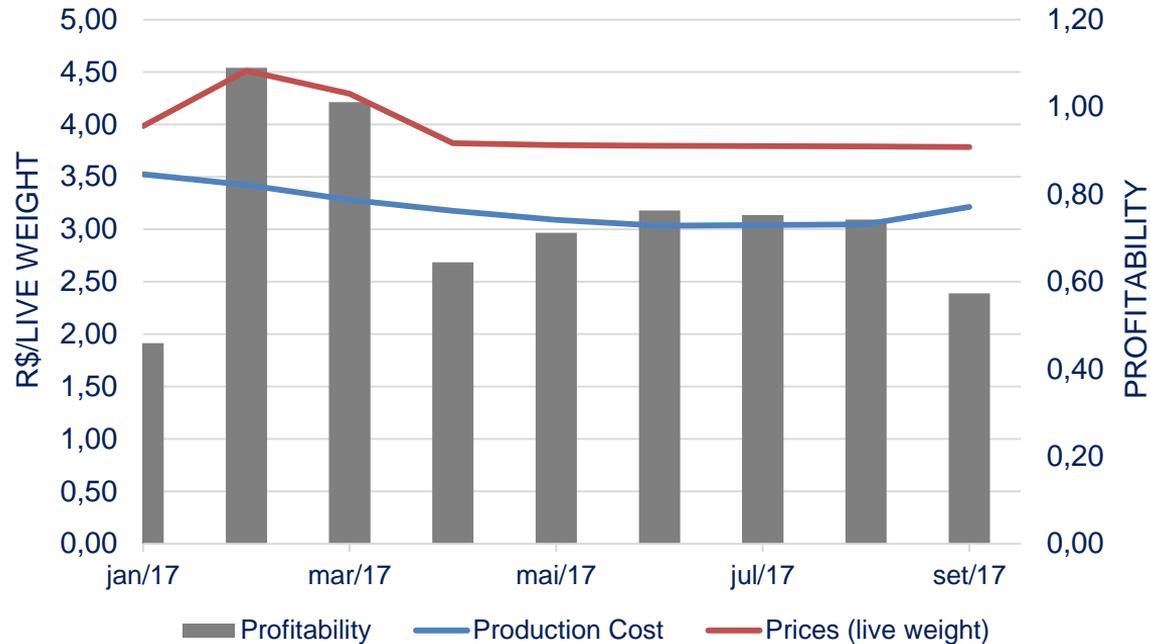
Purchase Power

- Possible Kilos of corn or soy meal to be purchased with the value of the sale of the kilo of a live swine in the region of SP-5.

Recent values of corn and soy meal compromise the purchasing power of pig breeding, but next year is even more worrisome. With the delay in the planting of soybean, the harvest of corn may be compromised in 2018, which may bring readjustments in the prices of the cereal.



Profitability of Swine Breeding



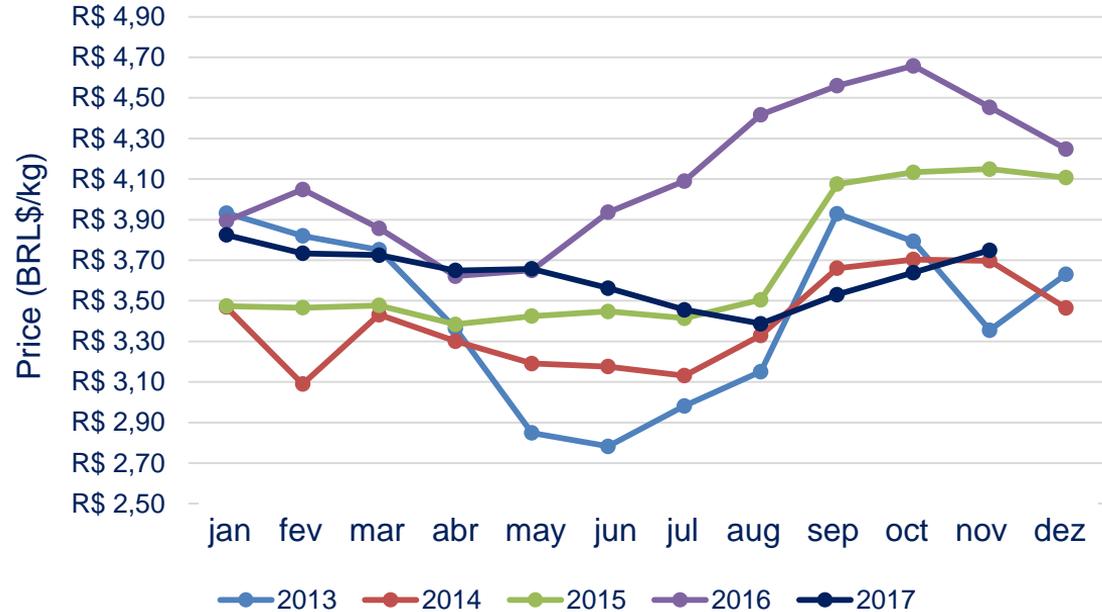
Future Pork



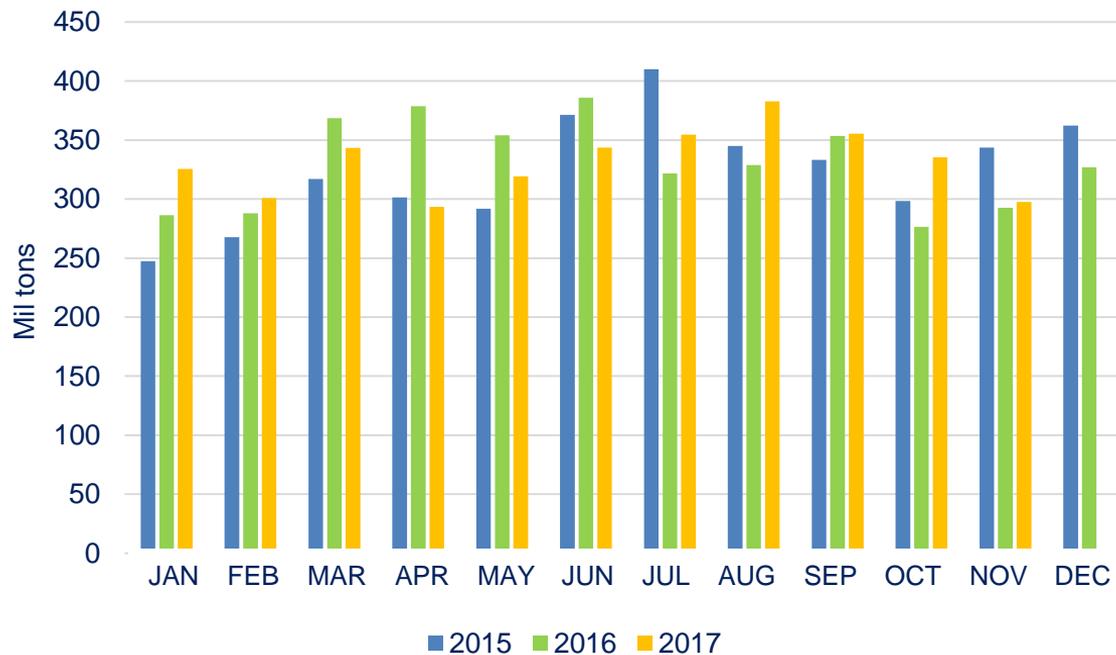
Years	GPD Growth Rate	Production (tons)	Consumption in Tons	Excess in tons
		Production Growth Rate 2,38%		
2.017	0,89%	3.819.797,80	3.052.214,19	767.583,61
2.018	2,60%	3.910.708,99	3.140.435,83	770.273,15
2.019	2,70%	4.003.783,86	3.233.200,92	770.582,95
2.020	2,54%	4.099.073,92	3.325.422,41	773.651,51
2.021	2,47%	4.196.631,88	3.418.796,74	777.835,14
2.022	2,50%	4.296.511,72	3.515.443,97	781.067,75

Chicken

- Wholesale Prices of the whole chilled chicken Greater São Paulo

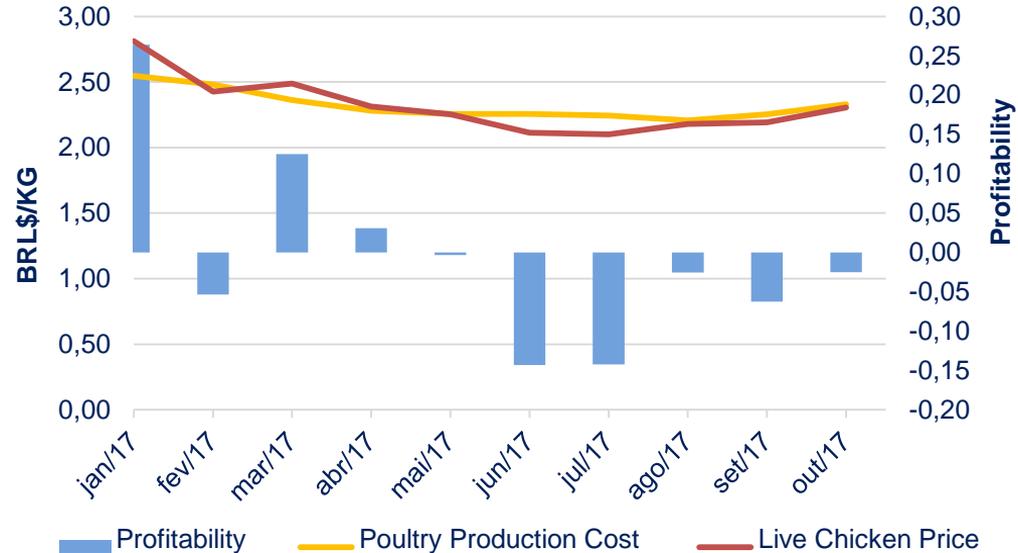


Exports



Profitability

- Profitability based on prices of live chicken in the spot market and of the costs of production of poultry, from Jan/17 to Sep/17.



Future



Years	GPD Growth Rate	Production (tons)	Consumption in Tons	Excess in tons
		Growth Rate of Production 3,29		
2.017	0,89%	14.334.804,00	9.370.857,72	4.963.946,28
2.018	2,60%	14.813.586,45	9.518.629,28	5.294.957,17
2.019	2,70%	15.308.360,24	9.669.964,58	5.638.395,66
2.020	2,54%	15.819.659,47	9.821.700,98	5.997.958,50
2.021	2,47%	16.348.036,10	9.974.927,41	6.373.108,69
2.022	2,50%	16.894.060,51	10.130.932,08	6.763.128,42

Future



- Poultry and Swine
 - Uncertainties for the economical growth;
 - Delay in the harvest of soybeans/2017 will affect harvest of corn in 2018;
 - Rise in the costs of production;
 - Beef offer in 2018 → competing proteins

Future



- **Swine**

- More elevated domestic consumption in case economy growth is better than current year → smaller exceeding exportable items;
- Challenge of increasing production to meet internal + external demand;
- Concerns: smaller exports in 2017 → What will 2018 be like with the reductions of China and Russia?
- Will estimates of shippings to South Korea become real?

Future

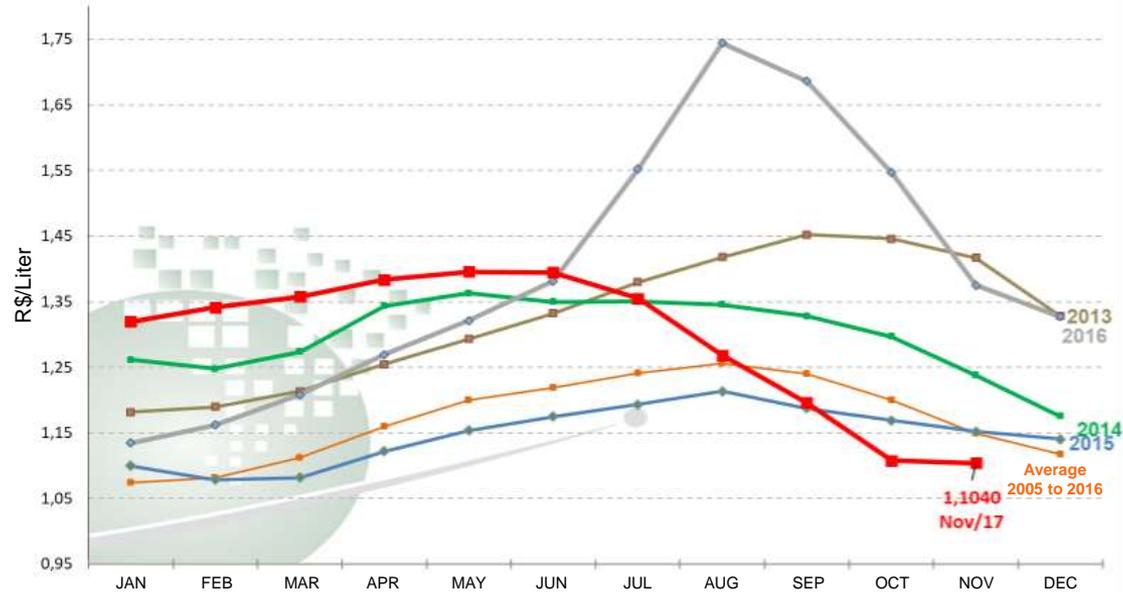


- Poultry
 - Practically constant internal demand (do we have potential to eat more chicken???)
 - Heated up external demand + adjusted demand = good profitability to the sector, even with more elevated costs than this year.

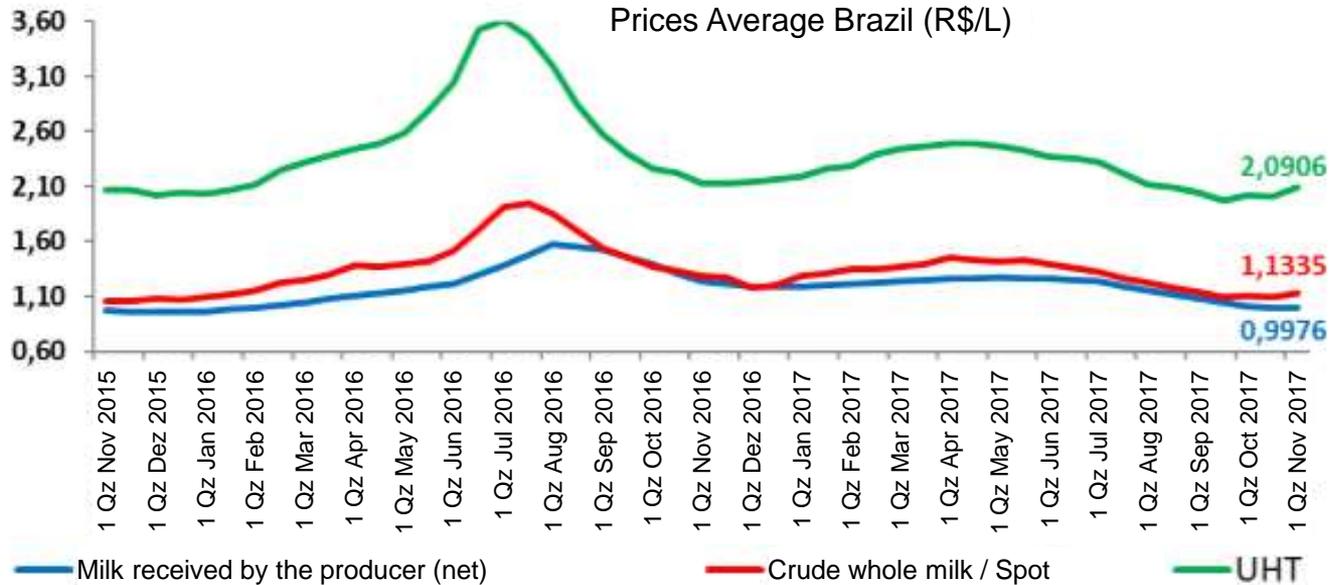
Dairy



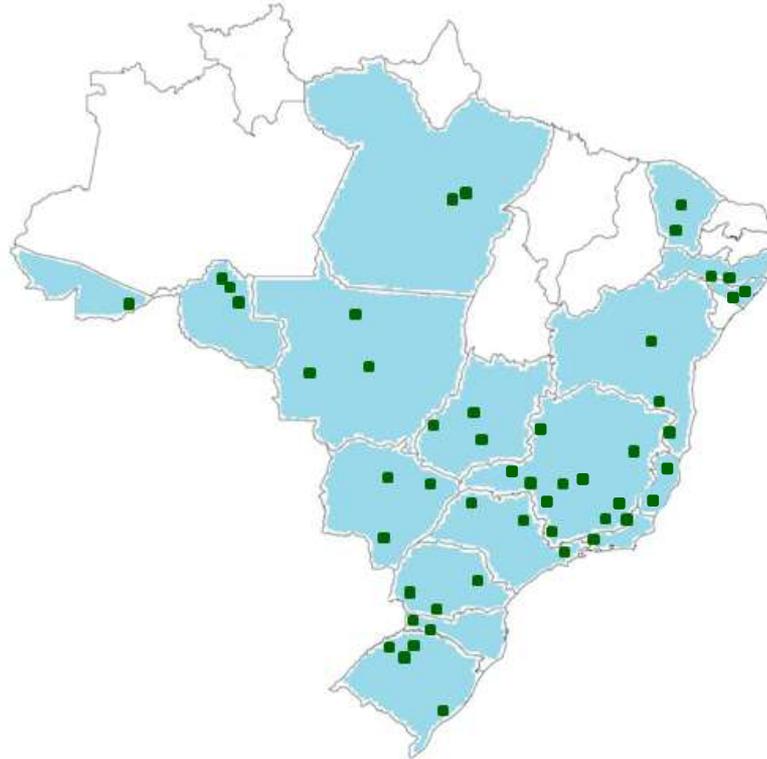
Brazil Gross Weighted Average (BA, GO, MG, SP, PR, SC, RS)
Real Values - R\$- Liter (Deflated by IPCA from October - 17)



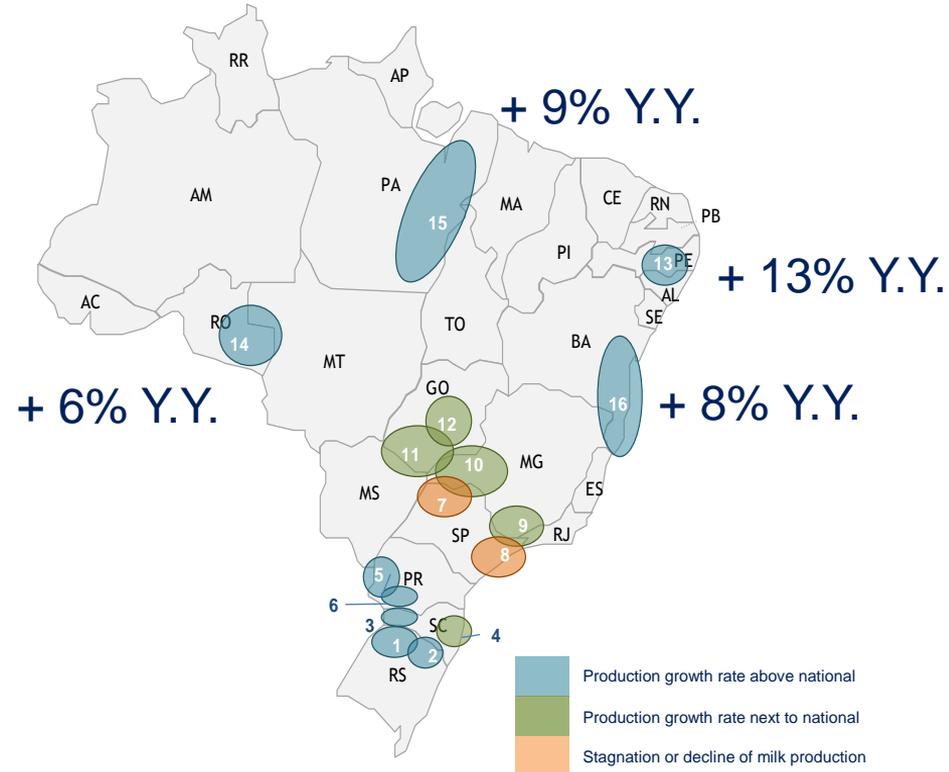
Dairy



Overview



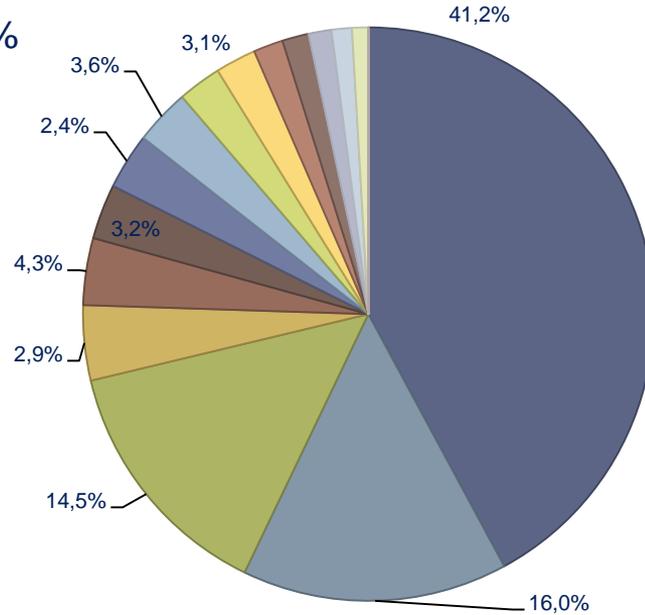
Panels: dairy frontier regions



Cost Composition

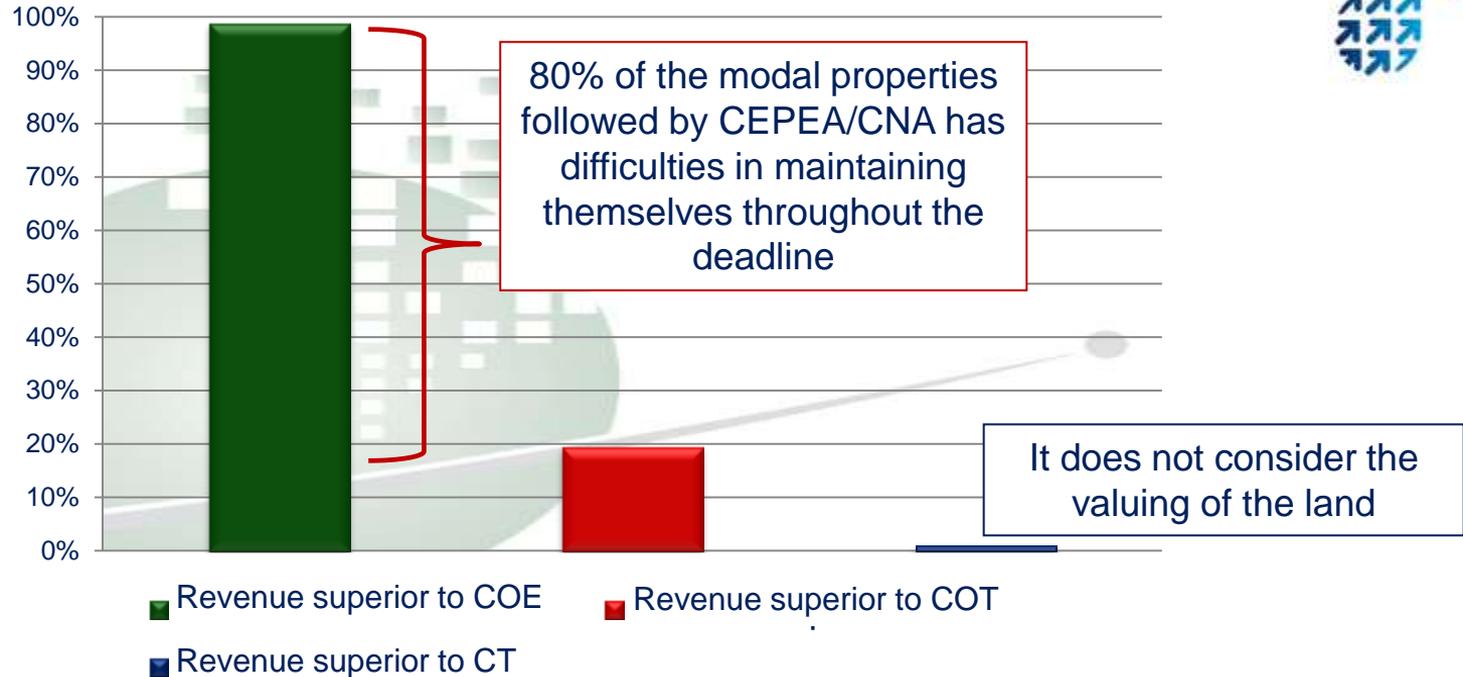


- Medication 3.6%
- Insemination 1.5%

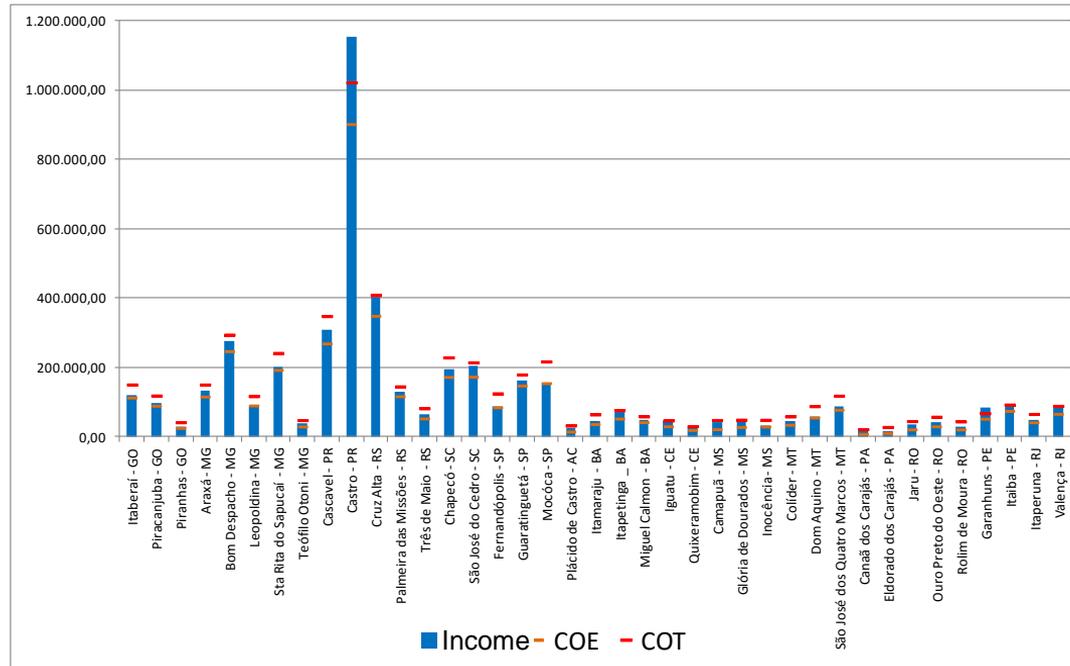


- Concentration
- Contracted labor for the management of the herd
- Silage (materials + Contracted Labor)
- Annual forage (materials + Contracted Labor)
- Administrative Expenditures, taxes and fees
- Energy and fuel
- Milking material
- Medication
- Technical Assistance
- Mineral Supplementation
- Maintenance - Improvement
- Maintenance - Machinery, implements, equipment and utilities
- Artificial insemination
- Maintenance - Perennial Forage (materials + Contracted Labor)
- Milk Transportation
- Artificial Lactation
- Others

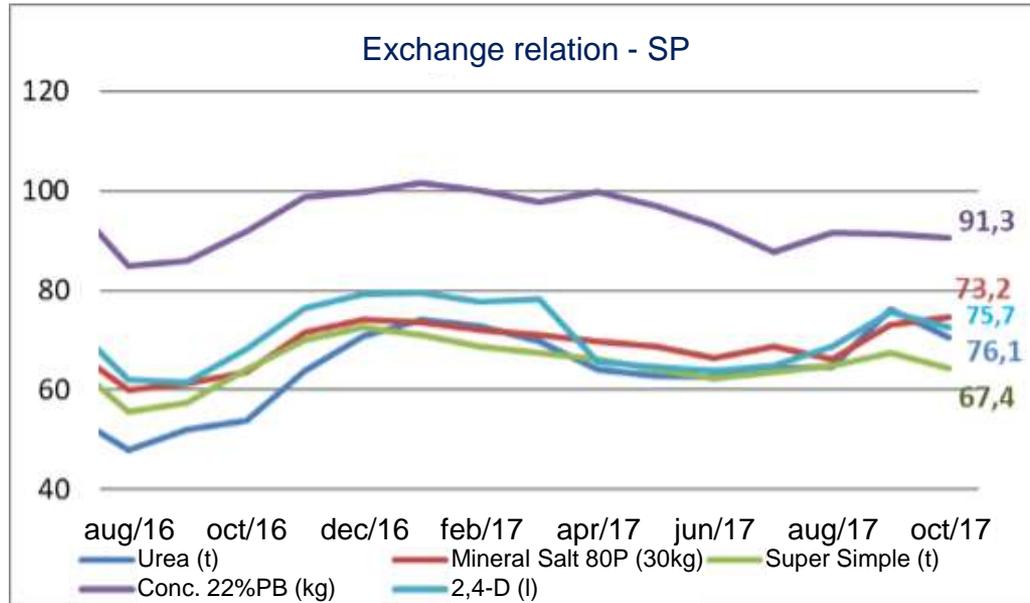
Profitability



Profitability



Exchange Ratio



Future



Years	GPD Growth Rate	Production (liters)	Consumption (liters)	Excess in liters
		Production Growth Rate 3,33%		
2.017	0,89%	23.940.606,23	23.750.213,67	190.392,56
2.018	2,60%	24.737.828,42	24.348.545,36	389.283,06
2.019	2,70%	25.561.598,10	24.973.930,75	587.667,35
2.020	2,54%	26.412.799,32	25.595.718,46	817.080,86
2.021	2,47%	27.292.345,54	26.224.171,47	1.068.174,07
2.022	2,50%	28.201.180,65	26.871.925,81	1.329.254,84

Future: prices



UF	November-17 (for the milk delivered in October)	December-17 (for the milk delivered in November)	January-18 (for the milk delivered in December)	February -18 (for the milk delivered in January)
GO - Mercado	1,0467	1,0507	1,0507	1,0533
MG - Mercado	1,1476	1,1477	1,1559	1,1840
SP - Mercado	1,1955	1,1896	1,2142	1,2142
PR - Mercado	1,0760	1,0824	1,0824	1,0824
RS - Mercado	1,0560	1,0705	1,0875	1,1030
ES - Mercado	1,1798	1,2099	1,2580	1,2580

Herd Estimates



- **Livestock:**
 - 70 million females in reproduction (>3 years)
 - 180 million animals (total)

- **Milk:**
 - R\$ 27 million
 - South: 10 mi
 - Rest of BR: 17 mi
 - Calculation: slaughter and technical indexes of panel

Livestock Market - CEPEA



	Herd IBGE	Herd Panel	Cows Panel	Inseminated Cows Panel	Inseminated Cows IBGE
AC	2,916,207	823,004	57,172	6.95%	202,580
BA	10,758,372	359,032	26,287	7.32%	787,688
GO	21,887,720	2,691,285	196,481	7.30%	1,597,945
MA	7,643,128	85,771	6,486	7.56%	577,987
MG	23,768,959	408,371	18,574	4.55%	1,081,106
MS	21,357,398	5,387,860	376,147	6.98%	1,491,041
MT	29,364,042	4,450,434	351,977	7.91%	2,322,354
PA	20,271,618	4,052,230	320,264	7.90%	1,602,148
PR	9,314,908	196,488	14,202	7.23%	673,297
RO	13,397,970	895,227	80,478	8.99%	1,204,440
RS	13,737,316	1,312,840	170,820	13.01%	1,787,431
SP	10,468,135	264,238	65,546	24.81%	2,596,696
TO	8,401,580	1,675,957	128,762	7.68%	645,486
Total	193,287,353	22,602,737	1,813,198	8.02%	16,570,198

Livestock Market - CEPEA



	Milked Cows IBGE	Herd of Cows Panel	Inseminated Cows Panel (Total)	Inseminated Cows Panel (%)	Inseminated Cows IBGE
AM	99,128	20,466	1,095	5.3%	5,303
BA	1,585,941	34,998	1,781	5.1%	80,692
ES	382,861	15,049	756	5.0%	19,225
GO	2,544,301	86,625	5,027	5.8%	147,641
MG	5,423,676	14,881	5,394	36.2%	1,965,976
MS	508,708	112,524	6,077	5.4%	27,474
MT	603,546	70,134	4,051	5.8%	34,860
PB	226,649	2,828	102	3.6%	8,182
PE	491,188	8,332	509	6.1%	29,999
PR	1,641,009	7,052	2,280	32.3%	530,634
RJ	405,706	21,040	1,296	6.2%	24,999
RO	667,350	112,463	5,809	5.2%	34,471
RS	1,496,671	2,112	713	33.7%	505,061
SC	1,110,700	2,725	1,215	44.6%	495,081
SE	230,573	5,134	399	7.8%	17,916
SP	1,240,569	3,623	804	22.2%	275,475
TO	468,964	37,306	1,894	5.1%	23,805
Total	19,127,540	557,292	39,201	7.0%	1,345,476

Opportunities



- Livestock, eggs and dairy - decentralized market
 - Livestock : growing - lack of meat
 - Ranchers are eyeing technology, search for improvement
 - Health sector included in this search
 - Eggs: growing - without concentration
 - Sector that grows in production and mainly exports;
 - Easier to work with inputs (drugs) compared to swine / poultry
 - Dairy: Entry of new players ?!?
 - Lactalis or Lala = purchase Itambé and Vigor
 - Search for increased productivity and product quality

Challenges ?!?



- Pork and chicken - **concentrated market**
 - Pressure for input prices - fight for nutrition cents, genetics and medicine.
 - Alternatives to expensive meats
 - Swine: niche markets in Brazil
 - Poultry has become *commodity*
 - Foreign market
 - Asian countries = search for cheap protein
 - Main output to poultry

Ourofino Day
2017

Fábio Viotto
Marketing Director





Potential Crisis in the supply of food

Source: Future Brands



food from
developing
countries
through logistic
problems



Demand
For food

Taste Mode. Pearlfisher Futures 2014



Global Production
of **meat**

Taste Mode. Pearlfisher Futures 2014

A high-angle, blue-tinted photograph of a dense crowd of people walking on a city street. The image is monochromatic, with various shades of blue. The people are seen from above, their forms slightly blurred, suggesting movement. The text "Global changes require a new vision" is centered in the image in a white, sans-serif font.

Global changes require a
new vision



Cultural evolution is
necessary



LATIN AMERICA

2014

% World

Beef

18,183,109

28.11%

Poultry

23,819,874

23.74%

Pork

7,097,475

6.15%

Total

49,100,458

17.51%

% World Prod.

% Latam Prod.

2000

2014

2000

2014

Beef

11.86%

15.14%

48.06%

53.86%

Poultry

10.42%

12.87%

49.70%

54.22%

Pork

2.97%

3.08%

49.89%

50.01%

Total

7.63%

9.37%

49.01%

53.48%

9.37%

53.48%

Evolution of Net Revenue

Veterinary Market - BRL\$ billion
Production animals



Source: SINDAN (2011 to 2016) / 2017 and 2018: Projections OF

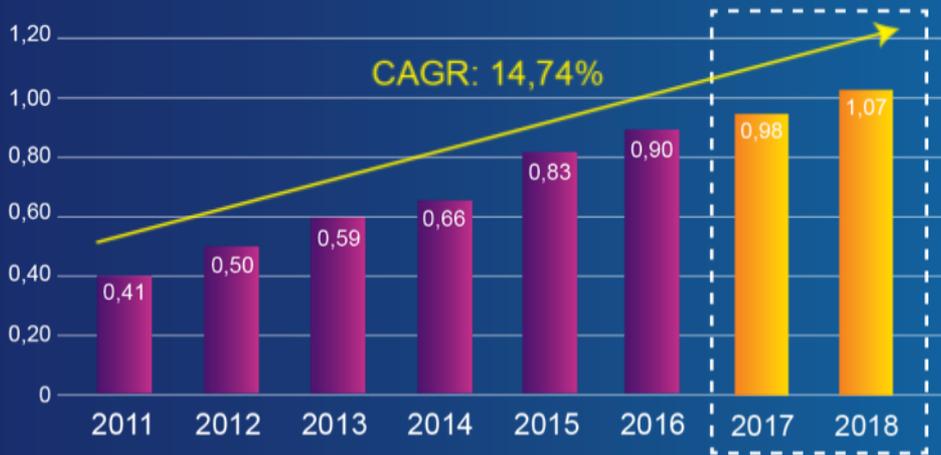
Evolution of the Veterinary Market

Market Evolution Rate



Evolution of Net Revenue

Veterinary Market - BRL\$ billion
Companion Animals



Evolution of the Veterinary Market

Market Evolution Rate



Source: SINDAN (2011 to 2016) / 2017 and 2018: Projections OF

A photograph of a person in a white lab coat examining a pig in a farm setting. The scene is illuminated with a warm, orange-yellow light. The person is leaning over a wooden railing, looking down at the pig. The background shows other pigs in a similar environment.

Brazil

Agribusiness creates approximately 37% of all of the job positions of the country.

A person wearing white gloves is handling a large, crumpled piece of white material, likely animal protein, on a white surface. The background is a laboratory or industrial setting with various equipment and materials. The entire image has a blue tint.

Brazil

The animal protein sector is consolidated as one of the main drivers of the Brazilian exports.



Pets

A close-up photograph of a woman with long dark hair, smiling warmly. She is holding a light-colored puppy in her arms. In the foreground, a small white kitten is looking directly at the camera. The entire image is bathed in a warm, golden-yellow light, creating a soft and affectionate atmosphere.

Brazil is the
2nd largest
pet market
of the planet.



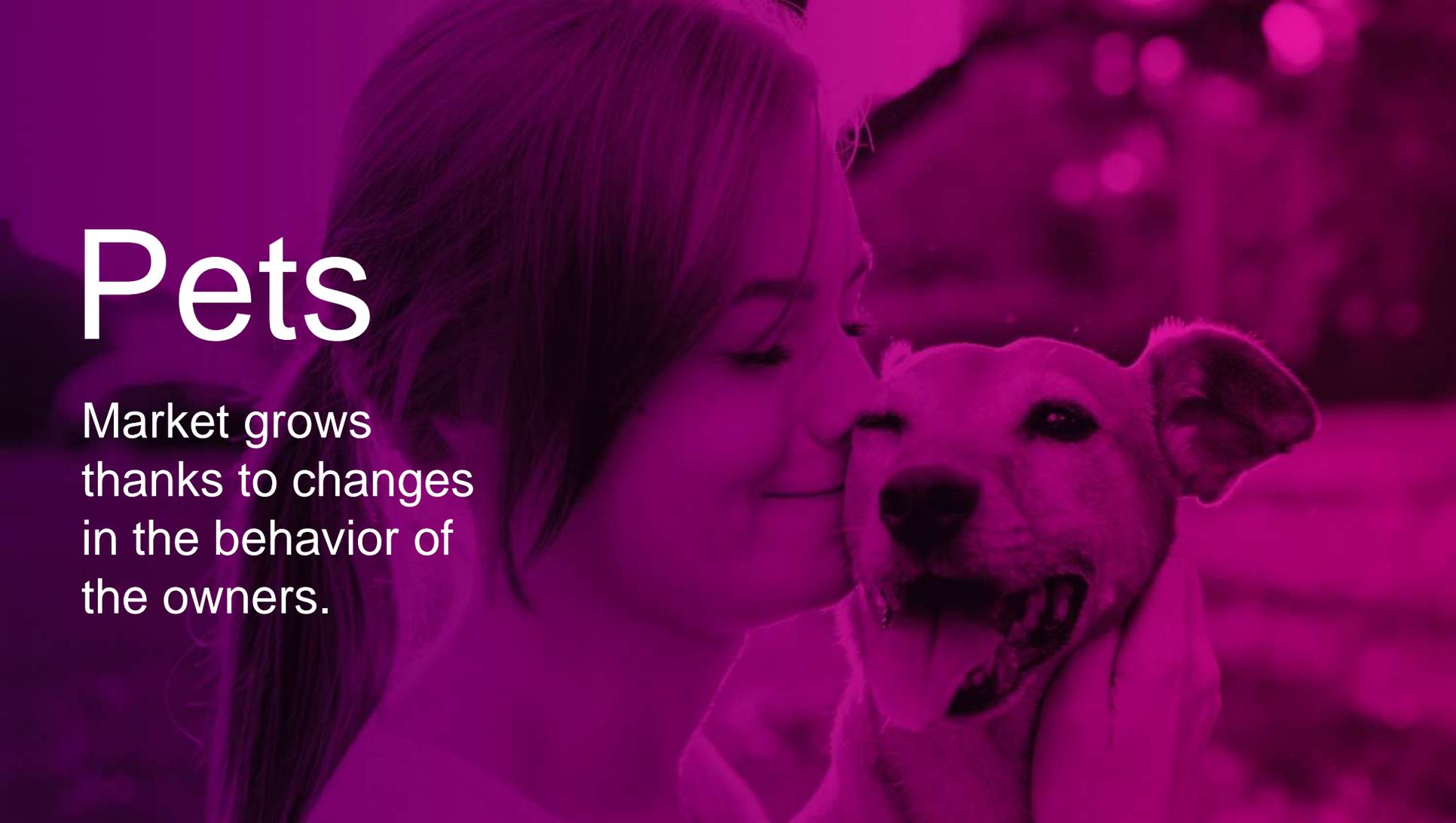
Pets

Population of cats
Increases double in
relation to dogs.

Pets

A blue-tinted photograph of a female veterinarian with a stethoscope around her neck, smiling as she examines a white cat. The veterinarian is on the right side of the frame, and the cat is on the left. The background is a solid blue color.

Life expectancy of dogs and cats has increased in the last 30 years.

A close-up photograph of a woman with long, dark hair, seen from the side, kissing a small, light-colored dog on the cheek. The dog is looking towards the camera with its mouth slightly open. The background is blurred, suggesting an outdoor setting. The entire image has a soft, warm color palette, likely due to a color grade or filter.

Pets

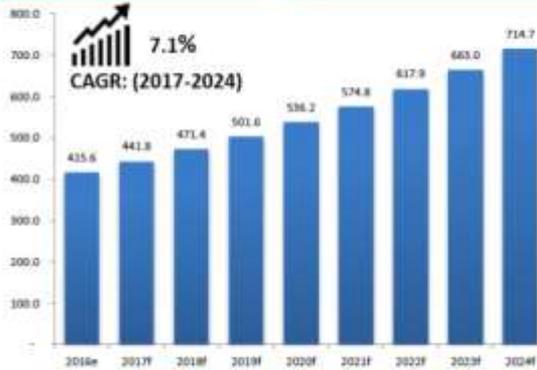
Market grows thanks to changes in the behavior of the owners.



4.1 Brazil Pet Veterinary Drugs Market Size (USD Million) & Y-O-Y growth (%) - 2016-2024



Fig: 4-1 Brazil Pet Veterinary Drugs Market Size (USD Million), 2016-2024



Source: Research Nester

Key Findings

- Brazil pet veterinary drugs market is expected to expand at a CAGR of 6.6% between 2017-2020. Further, the market is projected to flourish at a CAGR of 7.5% between 2020-2024.
- Brazil pet veterinary drugs market has witnessed growth over the past few years on the account of surging adoption of pets in the nation. Further, improving lifestyle of the people is envisioned to bolster the growth of Brazil pet veterinary drugs market in the upcoming years.
- These factors are creating huge opportunities for the pet veterinary drugs manufacturers to introduce their drugs and vaccines in these markets. Further, continuous strengthening bond between pets and pet owners is expected to yield the growth of pet veterinary drugs market.

Fig: 4-2 Brazil Pet Veterinary Drugs Market Y-O-Y Growth Rate, 2017-2024



Source: Research Nester

- Brazilian pet veterinary drugs market is expected to expand at a CAGR of 6,6% between 2017-2020.

- Growth over the past few years on the account of surging adoption of pets in the nation.

- Change in lifestyle of people.

- Opportunities for pet veterinary medicine manufacturers to compete in therapeutic and vaccine segments.

5.1.1. Growth Drivers

Rise in Number of Pet Ownership

- The continuous rise in the pet ownership of companion animals specially cats and dogs has been witnessed in Brazil.
- Further, the number of companion animals ownership is anticipated to increase as companion animals plays an important role in the lives of the people.
- Various health benefits such as less stress and high physiological stability and animal assisted therapies are bolstering the bond between the pet and their owners. Further, this affectionate bond is increasing the spending on pets which is driving the growth of pet veterinary drugs market.
- In the previous decade, the spending on the pet healthcare and welfare increased about 20%. Further, the increasing willingness of the pet owners to spend on companion animals is likely to drive the growth of the market.



The pet veterinary drugs industry is anticipated to keep the pace in Brazil over the next five to six years. The veterinary industry is witnessing a rise in Brazil owing to the presence of top leading Brazilian companies in the country. Further, acquisitions and joint ventures are giving rise to the innovative products and building extensive network of companies



According to the Petsecure pet insurance company, Brazil ranks second with 35,800,000 pet dog ownership in the nation. Further, Brazil has the largest number of small dogs per capita in the world. Furthermore, Brazil accounts for 12,466,000 cat ownership and hold the fourth position across the globe. The companion animal ownership is projected to increase in the country which is expected to foster the growth of the Brazil pet veterinary drugs market.



Impact Analysis:- Rise in the number of companion animals ownership is one of the major growth driver which is fuelling the growth of pet veterinary drugs market in the Brazil.

Rise in Number of Pet Ownership

- The continuous rise in the ownership of companion animals specially cats and dogs has been witnessed in Brazil.
- This affectionate bond is increasing the spending on pets, which is driving the growth of pet veterinary drugs market.
- Increased concern about the health and welfare of animals



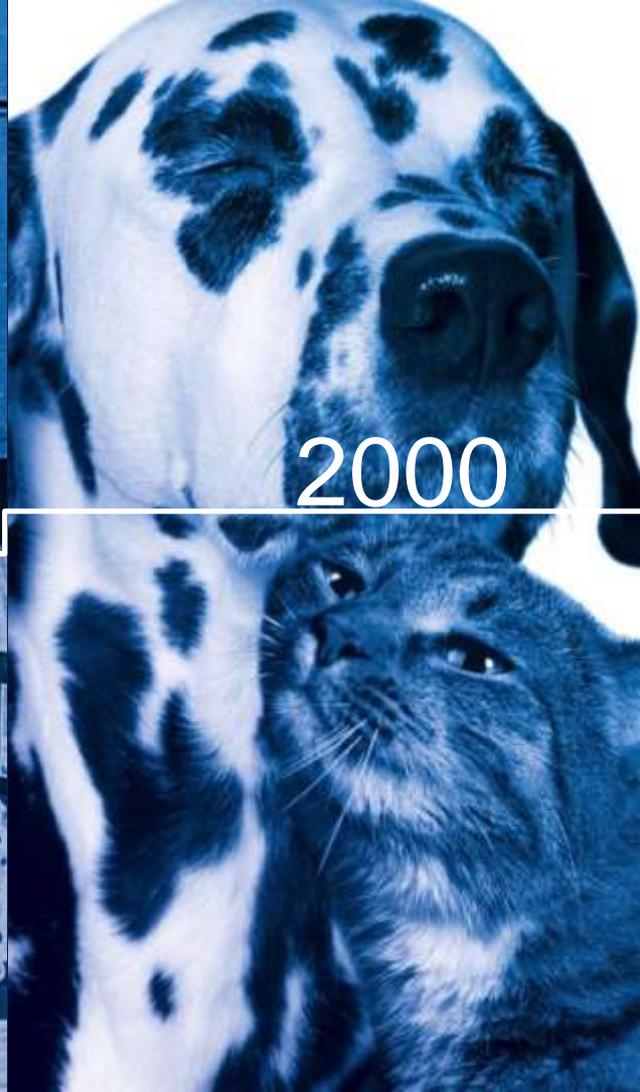
Survey CVA
Pet Care
2017

2 consecutive years
mentioned as the
Best Brand Strength
and Best Manufacturer

Trajectory



1987



2000

2005



2011



2014



Animal Health Unit

Cravinhos - SP

180,000 m²
of area



New Biotechnology Factory

Cravinhos - SP

6,842 m²

of area
Being 4.555 m²
dedicated to
production.

2015

High growth cycle



2016

Impacts

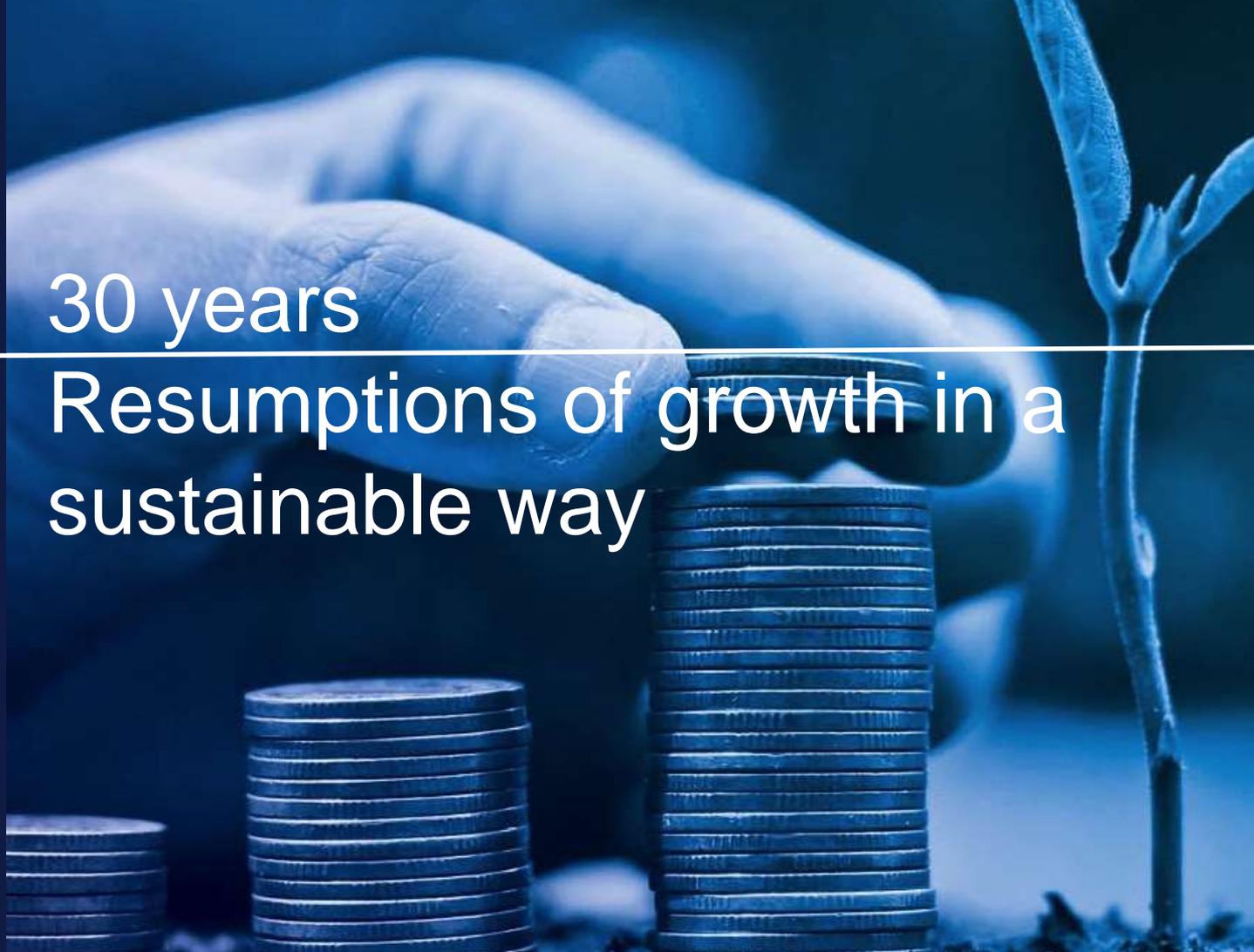
External and Internal



2017

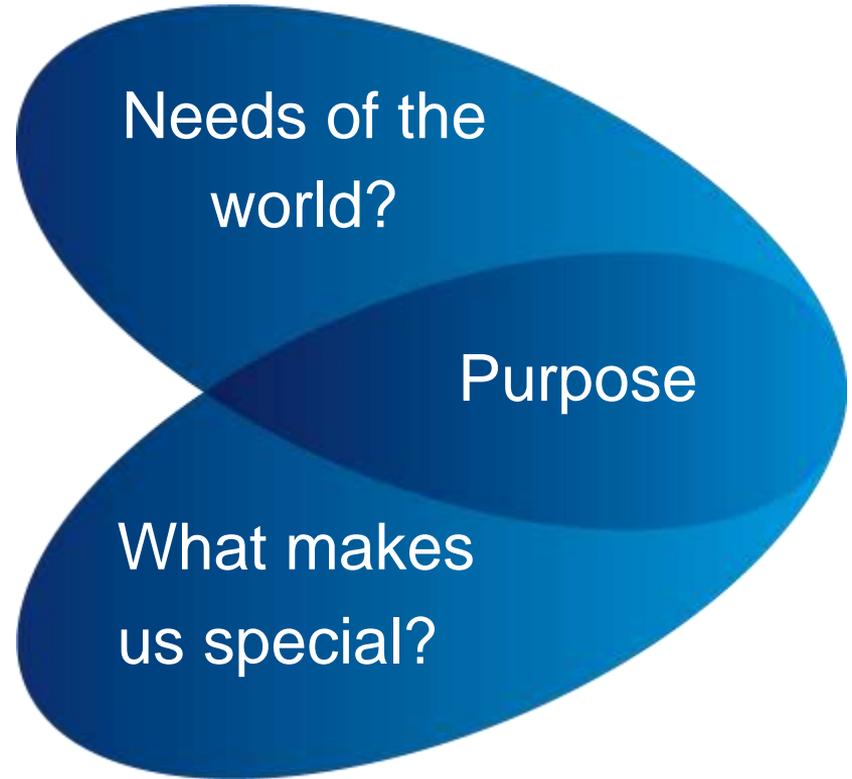
30 years

Resumptions of growth in a
sustainable way



Purpose

We rethought
our process
and our brand
strategy



Our Purpose

Purpose

Reimagining Animal Health

Our purpose translates the whole essence that we want to transmit to the animal health market. It is already embedded in our culture and will be implicit in our three pillars.

Our pillars

Integrated Innovation

Ideas and solutions to meet the needs of the world of people and of markets.

Our pillars

Engage and Collaborate

Working collaboratively with our customers, partners and communities in a process of transformation and evolution for the sector.

Our pillars

Building and Nourishing Relationships

Inspire, undertake, connect, collaborate and do business to build and nourish relationships in the generation of shared values.

Our three pillars inform and guide our actions and decisions.

Personality

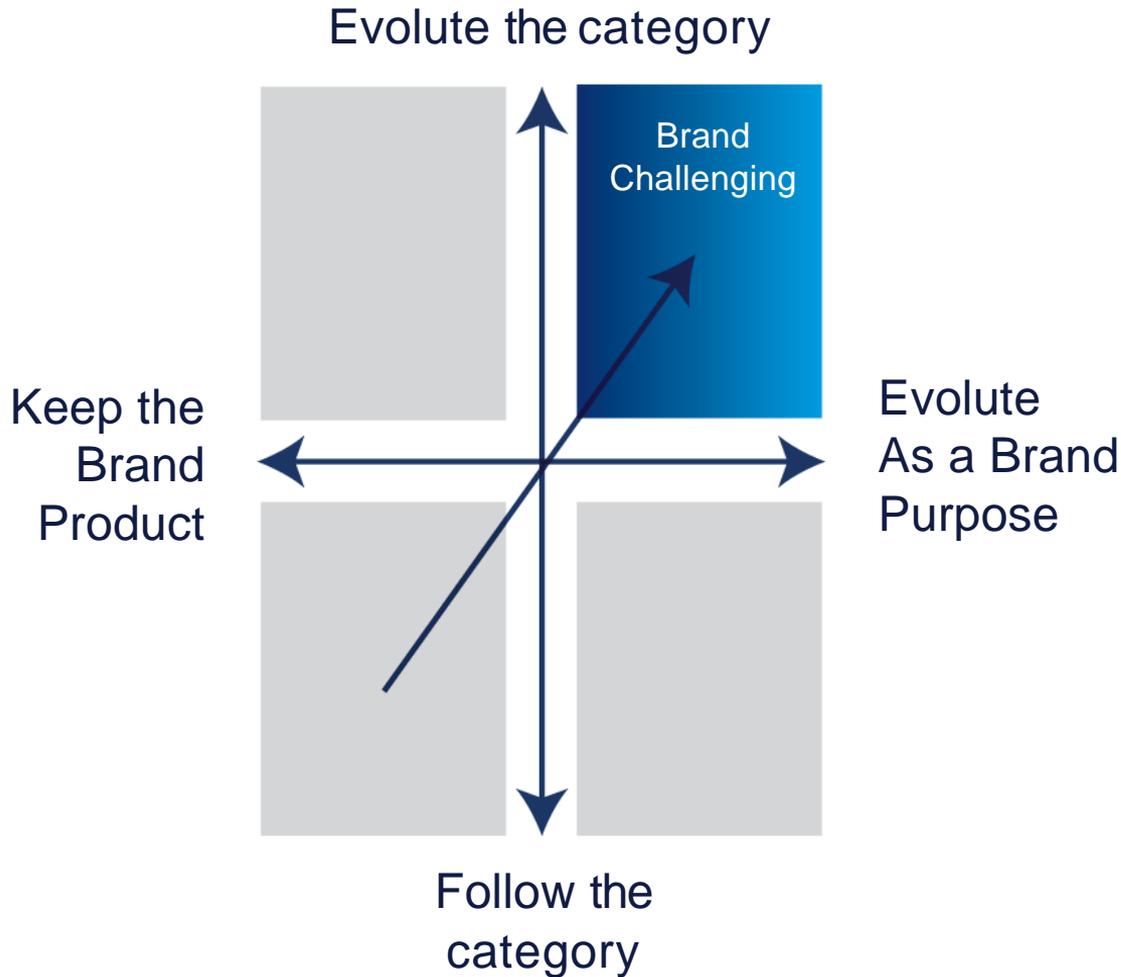
Agile and Simple

Open and collaborative

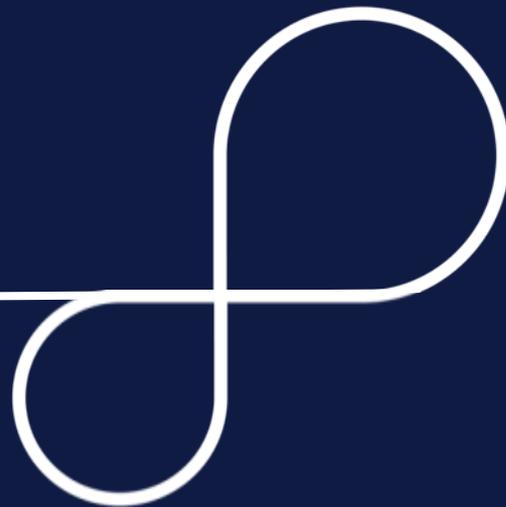
Entrepreneurial Attitude

Transparent and Attractive

Our personality is the defining characteristic that accompanies us and defines our trajectory of entrepreneurship.



We reimagined



Living the purpose





We promoted the Generation of Demand Production Animals

- Service Delivery

89 Technical Consultants:

11.000 registered properties

579 properties in the Cliente Ouro platform

Results

23% of increase

In Demand Generation

(R\$ 46,9 MM to R\$ 57,8 MM)

26% of increase in the visits

(Around 40 thousand* farms)

*From January to october

18% increase in the positivation rate

We promoted the
Generation of Demand
Production Animals

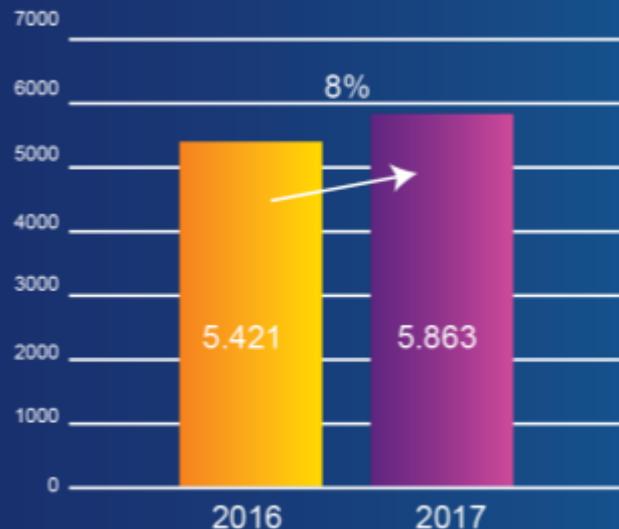
Engage and Collaborate Pillar

Results

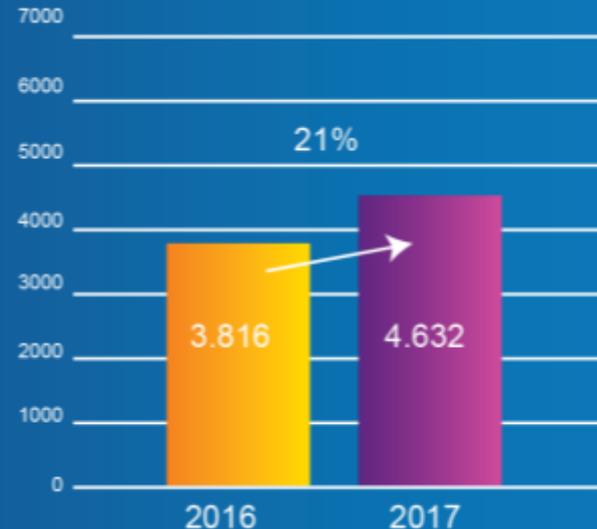
(Accumulated Jan-Oct)

Commercial Indicators

Visitation of Clients



Positivation of Clients



Delivery of solutions that generate value



Pillar Integrated Innovation



PROGRAMA
CONHECIMENTO

Uma forma de distribuir conteúdo relevante a todo setor veterinário.



Engage and Collaborate Pillar

258

Trained people



Programa Conhecimento

Uma forma de distribuir conteúdo relevante a todo o setor veterinário.



Cronograma dos Cursos 2017

Setembro	Outubro	Novembro
<p>Curso: Liderança, Gestão e Retenção de Talentos – Módulo I 11/9/2017 10h30 às 16h30 Palestrante: Luciana Chagas - Analista de Desenvolvimento Organizacional da Ourofino Saúde Animal Público-alvo: lojistas e empresários do mercado pet</p>	<p>Curso: RAEM, Gestão de Tempo e KPI's na prática</p> <p>Turma 1 2/10/2017 13h às 18h 3/10/2017 8h às 18h 4/10/2017 8h às 17h</p> <p>Turma 2 9/10/2017 8h às 18h 10/10/2017 8h às 18h 11/10/2017 8h às 13h</p> <p>Palestrantes: Professor Francisco José Fontes Werpels - Consultor de Gerenciamento; Hugo Degiovanni - Personal & Professional Coach Certified; e Lucila Doneux - Gerente Comercial Ourofino Distribuição Pet Público-alvo: gerentes e supervisores dos parceiros da rede de distribuição Ourofino Pet</p>	<p>Curso: Mídia Digital - Como Aproveitar a Ferramenta para o seu Negócio 7/11/2017 Turma 1 - 10h às 12h Turma 2 - 14h às 16h Palestrante: Claudia Schmidt - Gerente Serviços de Marketing da Ourofino Saúde Animal Público-alvo: lojistas e empresários do mercado pet</p>
<p>Curso: Liderança, Gestão e Retenção de Talentos – Módulo II 12/9/2017 8h30 às 16h30 Palestrante: Luciana Chagas - Analista de Desenvolvimento Organizacional da Ourofino Saúde Animal Público-alvo: lojistas e empresários do mercado pet</p>		<p>Curso: Treinamentos de Novos 8 e 9/11/2017 8h às 18h Palestrante: Juliana Trigo ou Fernanda Mattos - Analistas técnicas da Ourofino Pet Público-alvo: promotores técnicos e vendedores dos distribuidores</p>
<p>Curso: Usando Técnica de Vendas para Trabalhar as Objeções 13/9/2017 8h às 18h Palestrante: Juliana Trigo ou Fernanda Mattos - Analistas Técnicas da Ourofino Pet Público-alvo: promotores técnicos e vendedores dos distribuidores</p>		<p>Curso: Design Retail - O Foco do Ponto de Venda 21/11/2017 13h às 16h Palestrante: Fábio Viotto - Diretor de Marketing da Ourofino Saúde Animal Público-alvo: lojistas e empresários do mercado pet</p>

Delivery of solutions that generate value



ouofino.com

Com **Regepil**,

CICATRIZAD

ficou fácil.

Regepil

Contém: 1 frasco com 50 mL.

Regepil é uma nova formulação com agentes exclusivamente cicatrizantes que se associam para uma cicatrização mais rápida e de melhor qualidade. Sua aplicação em spray é mais cômoda e silenciosa para o animal e dispensa o contato da mão do aplicador com a ferida a ser tratada. Regepil é o verdadeiro cicatrizante.

ouofino
saúde animal



Pillar Integrated Innovation

Partners

43 distributors with sales team totaling about 400 people (salespeople, supervisors and technical promoters)

Supported



Pet Strategy

Ourofino Team

42 people from Ourofino involved with the delivery of value

- Propec, Visitors' Program to veterinarians, based on Frequency and Sequence to generate relationships and promotion to generate prescription

- 4.8 thousand registered veterinarians

22.6 thousand visits performed until Nov/17

- Carried out by technical promoters and Technical Consultants from Ourofino

Strategy Pets

- Focus on sales and promotion of therapeutic products
- Strengthening of Technical Consultants program and technical work
- Strong presence in the veterinary market to generate prescription
- Portfolio preparation of vaccines and market penetration strategy
- Knowledge sharing: 2700 training conducted for over 16,000 people in Brazil in 2017

*Pillar Integrated Innovation and
Involve and Collaborate*



Brand internationalization Strategy



We sold in the external
Market, focusing in
Latin America,
Drugs, vaccines
and other veterinary
Products.



Strategy of Brand growth

International Operations
Pointed out as one
Of the vectors of growth of
The company.
Focus: Mexico & Colombia

Engage and Collaborate Pillar

Relevant Markets inside the veterinary segment



Mexico & Colombia: 2nd and 3rd largest of Latin America respectively.

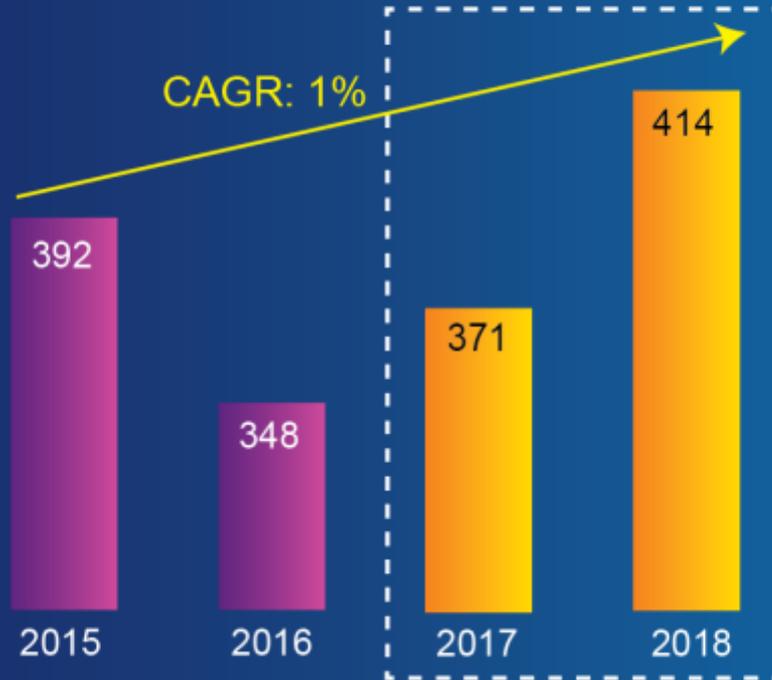
Mexico

An aerial photograph of Mexico City, showing a dense urban landscape with a grid of streets. In the foreground, the large, ornate building of the Mexican National Congress is prominent, featuring two large, colorful domes. The city extends to the horizon under a cloudy sky.

- Team Building
- Brand repositioning
- Investments in product registrations
- Adaptation to the business model of Ourofino
- Entry with pet products

Building and Nourishing Relationships

Mexico



Evolution of the Veterinary Market

Total Market

Year:	Evol.
16 / 15	-11%
17 / 16	7%
18 / 17	12%

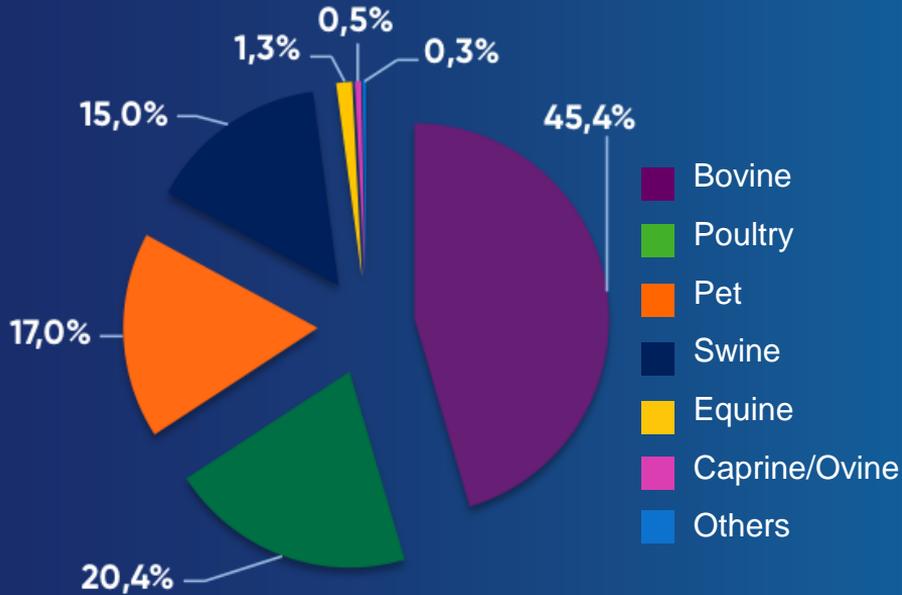
Source: Infarvet-Kleffman

2018: Ourofino evolution Estimate

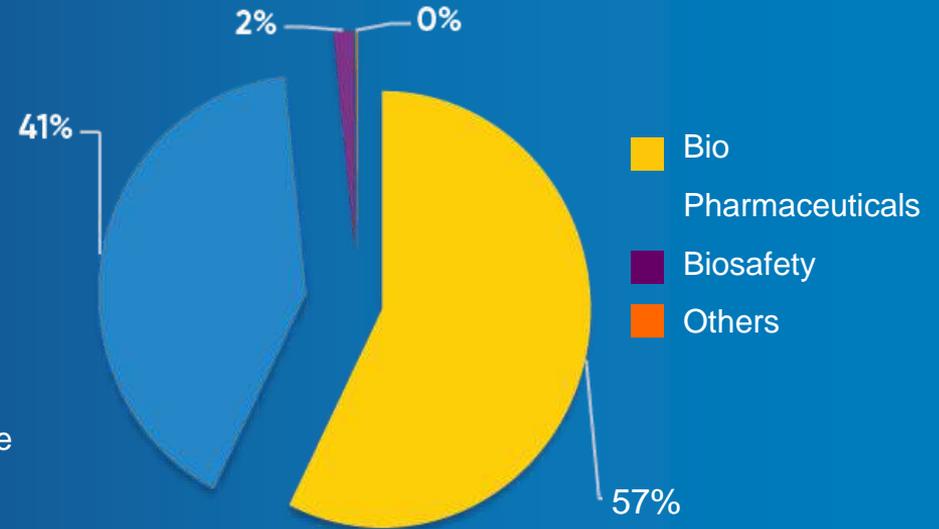
Values in US Dollars.

Mexico

Representativeness 2016



Market Segmentation



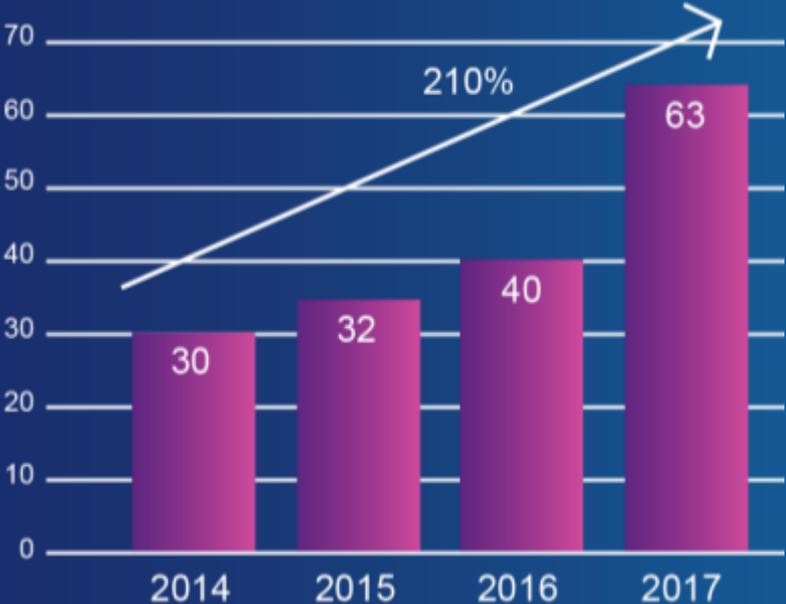
Mexico

Strategic unfolding

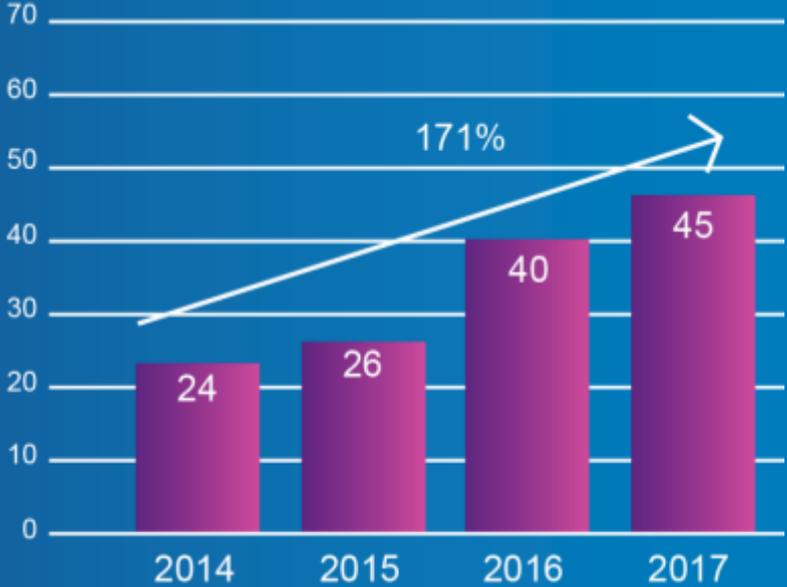
Strategic Pillar	Indicator
Market Penetration Increase	Increase of the number of active clients
	Geographical coverage expansion: Number of served regions with direct team
	Growth of commercial team headcount (Managers, salespeople, promoters)
Strengthening of product portfolio	Registrations of new products - Large Animals Line
	Repositioning of products: search for new market niches, new uses, new opportunities
	Introduction of the Pet Line

Mexico

Active Clients

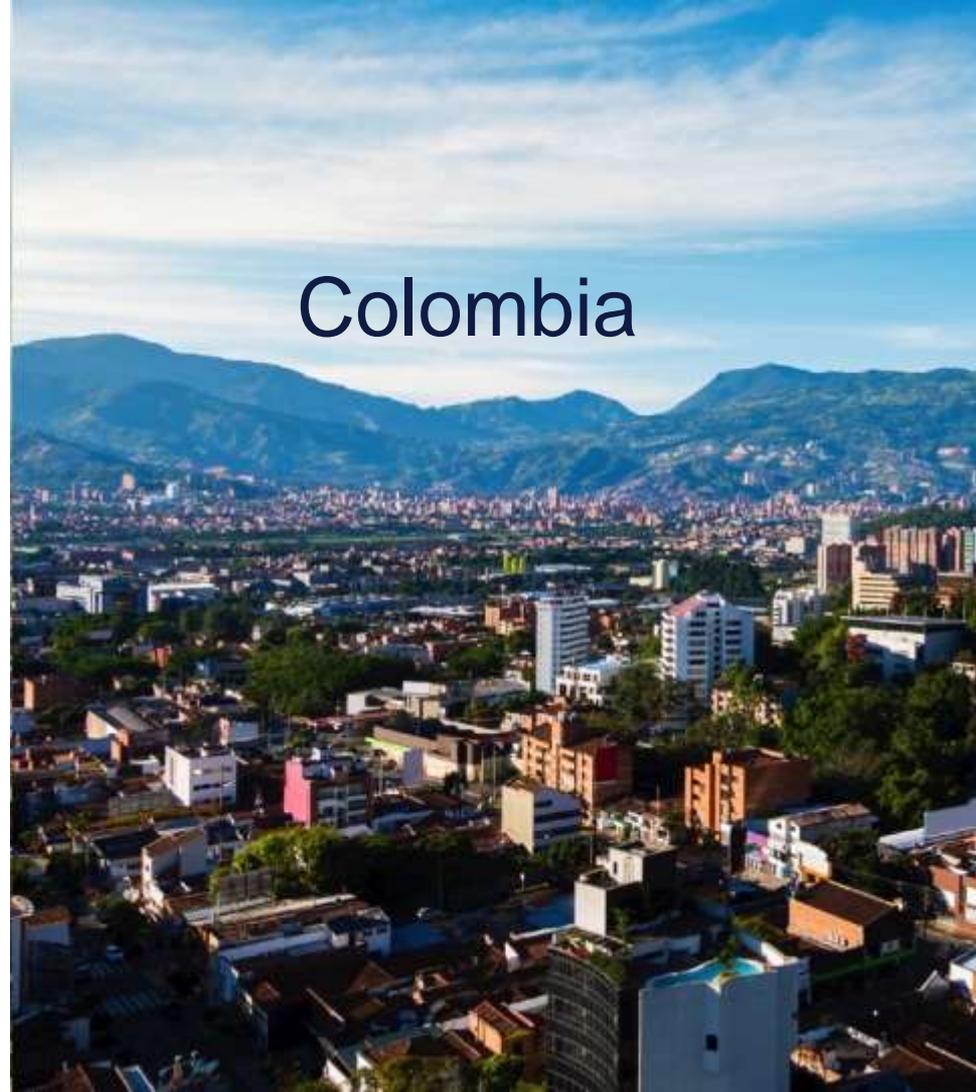


Portfolio Items



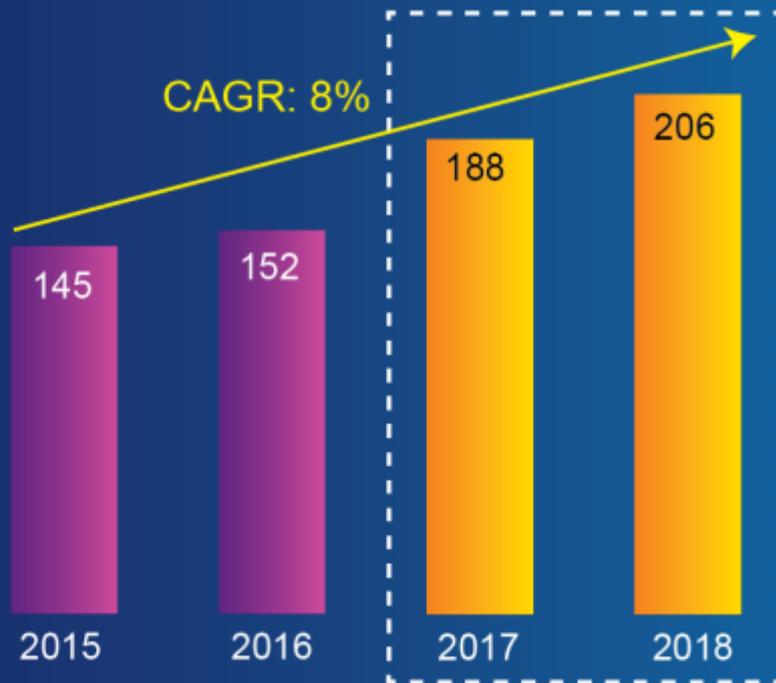
- Purchase of Distributor
- Team Building
- Change the business model
- Sprayed Sale
- Closer to the producer

Building and Nourish Relationships Pillar



Colombia

Evolution of the Veterinary Market



Total Market

Year:	Evol.
16 / 15	5%
17 / 16	24%
18 / 17	9%

Source: Aprovét

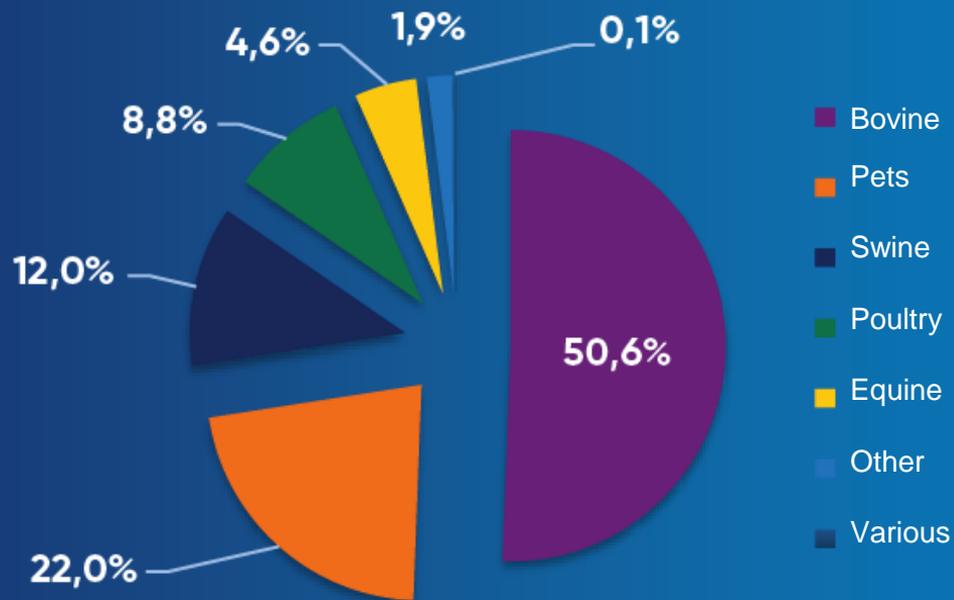
2018: Ourofino evolution Estimate

Values in US Dollars.

Colombia

Representativeness 2016

Market Segmentation



Source: Aprevet

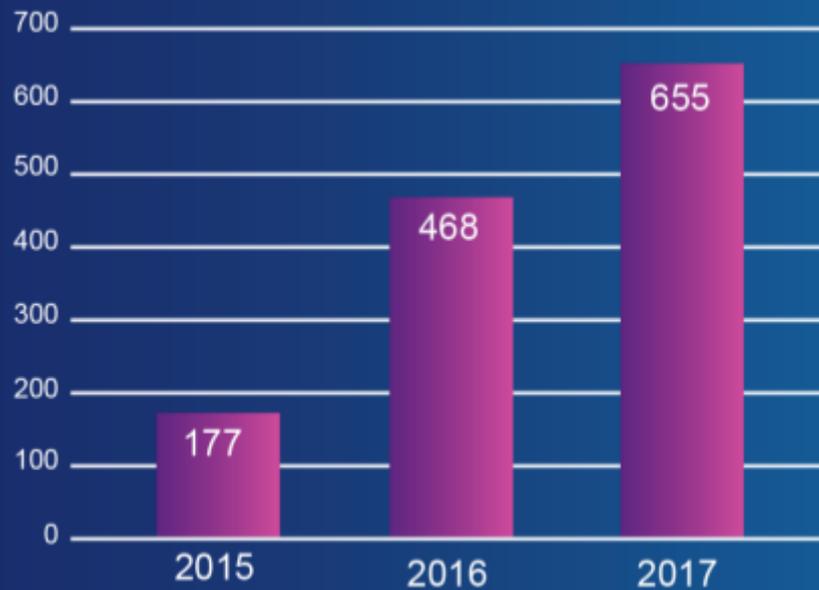
Colombia

Strategic unfolding

Strategic Pillar	Indicator
Market Penetration Increase	Increase of the number of active clients
	Geographical coverage expansion: Number of served regions with direct team
	Growth of commercial headcount (Managers, salespeople, promoters)
Strengthening of product portfolio	Registrations of new products - Large Animals Line
	Introduction Pet Line (2018)

Colombia

Active Clients



Portfolio Items



2015: clients served via distributor.

A hand is holding a camera lens, with the lens's internal elements and the textured barrel visible. The entire scene is bathed in a deep blue light, creating a monochromatic aesthetic. The lens is the central focus, with its various rings and glass elements clearly defined. The background is a soft, out-of-focus blue, suggesting an indoor setting with blue lighting.

Brand Communication

Communication Strength with Clients and final consumers

*Building and Nourishing Relationships
Pillar*



Byte
408.000 followers



Ourofino Saúde Animal
83.632 followers



Sectoral Marketing
Leite é bom com
tudo (Milk is good
with everything)
33.691 followers



Communication Strength with Clients and final consumers

Building and Nourishing Relationships Pillar



Ourofino Saúde Animal
15 thousand followers





ourofino em campo

- 28 million satellite dishes
- Reach of 80 million viewers
- Programs up to November: 444
- Transmission by Facebook: 45
- Visited farms: 30

*Pillars Building and Nourishing
Relationships and Involve and Collaborate*

Agility in communication

Return to the publicity of Master LP

Pillar Integrated Innovation



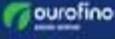
feed&food NOTÍCIAS NETWORK MULTIMÍDIA DA

Com isso, Master LP volta a ser divulgado sem restrição e comercializado sem a necessidade da retenção obrigatória da notificação de receita.

Em nova normativa, ivermectina tem venda liberada sem prescrição

Princípio ativo, de uso em grande escala, teve mudança após IN 35

Luma Barroso, da redação





Programa de Visitas
Ourofino

135 visits
1,395 people

- Pharmacy and Veterinary Students
- Large Animals, Pet, Poultry and Swine and Comex Clients

Building and Nourishing Relationships Pillar



Experimental Farm



Training

Around 600 people
Trained a year

Engage and Collaborate Pillar



Participation in events

49 events in 2017

*Building and Nourishing
Relationships Pillar*





Expinter



ourofino
agronegócio

Expinter

Oufino House



ourofino
agronegócio

ExpoZebu
Ourofino House



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saúde animal

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saúde animal

ourofino
saúde animal

ourofino
saúde animal

Agroleite
Ourofino House





Agroleite 2016

Ourofino House

TROFÉU



Agroleite

Entrepreneurial round.

Audience: 60 people, including 10 startups agribusiness and representatives of Ourofino Saúde Animal and Agrociência.

Pillar Integrated Innovation



**RODADA
EMPREENDEDORA**



Uma parceria entre seu conhecimento e nossa experiência.



ourofino
saúde animal

ourofino
agrociência



Technical Lectures

Prof. Dr. Jorge Luiz Costa Castro:
Veterinary Surgical Technique
Assistant Teacher (PUC/PR)

Rio de Janeiro
São Paulo
Natal
Curitiba
Campinas

*Building and Nourish
Relationships Pillar*



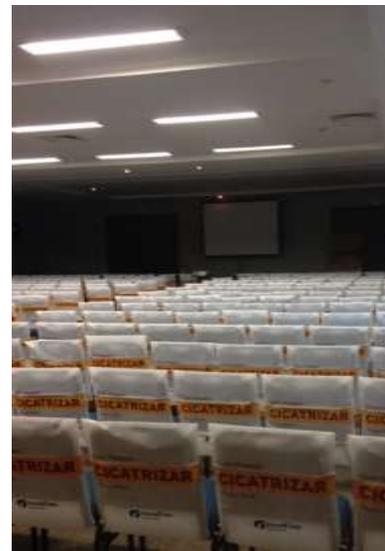
MedVep Congress

Action: Question rounds

Gift: toiletry bag

Decoration: chair covers in rooms
with sponsored talks

Engage and Collaborate Pillar



Mexico events

Congresso de León 2016

International Meat Congress 2017

Pet Line Launch Guadalajara 2017

Animal Reproduction Symposium 2016



Colombia Events

Fluatac Duo Launch
Agroexpo 2016 Fair

1st Sales Convention
2015



Reimagining Animal Health



Challenge conventional thought

Promote evolution and
Sustainable growth

Inspire and create ideas and solutions

Connect and work in collaboration

Building and Nourishing Relationships

Inspire to care,
Produce and develop.



Reimagining Animal Health

Ourofino Day
2017

Sandra Barioni Toma
Technical Director of RD&I

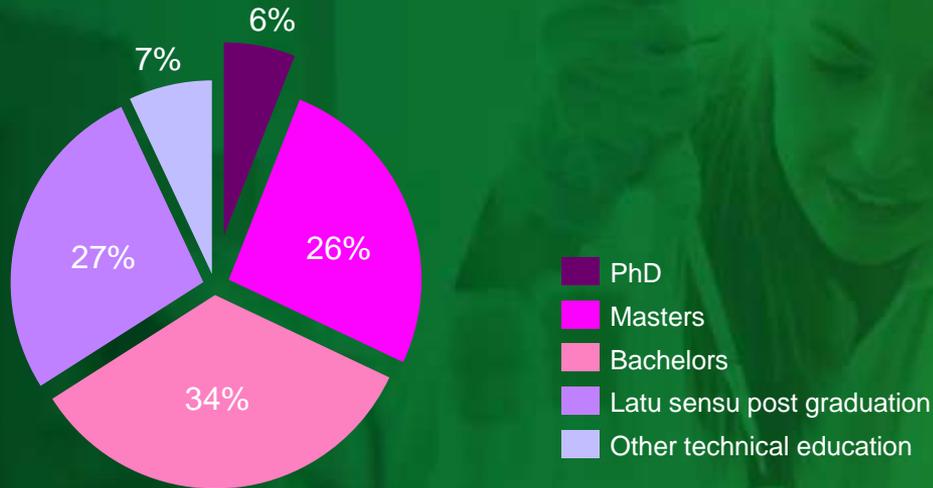


Focus of our RD&I

Execute strategic actions to deliver new products and solutions for animal health through strong interaction with the field and market intelligence (union of market and Science, Technology and Innovation trends).

Expertise in product development with the best project management practices

Qualification of the R&D Team



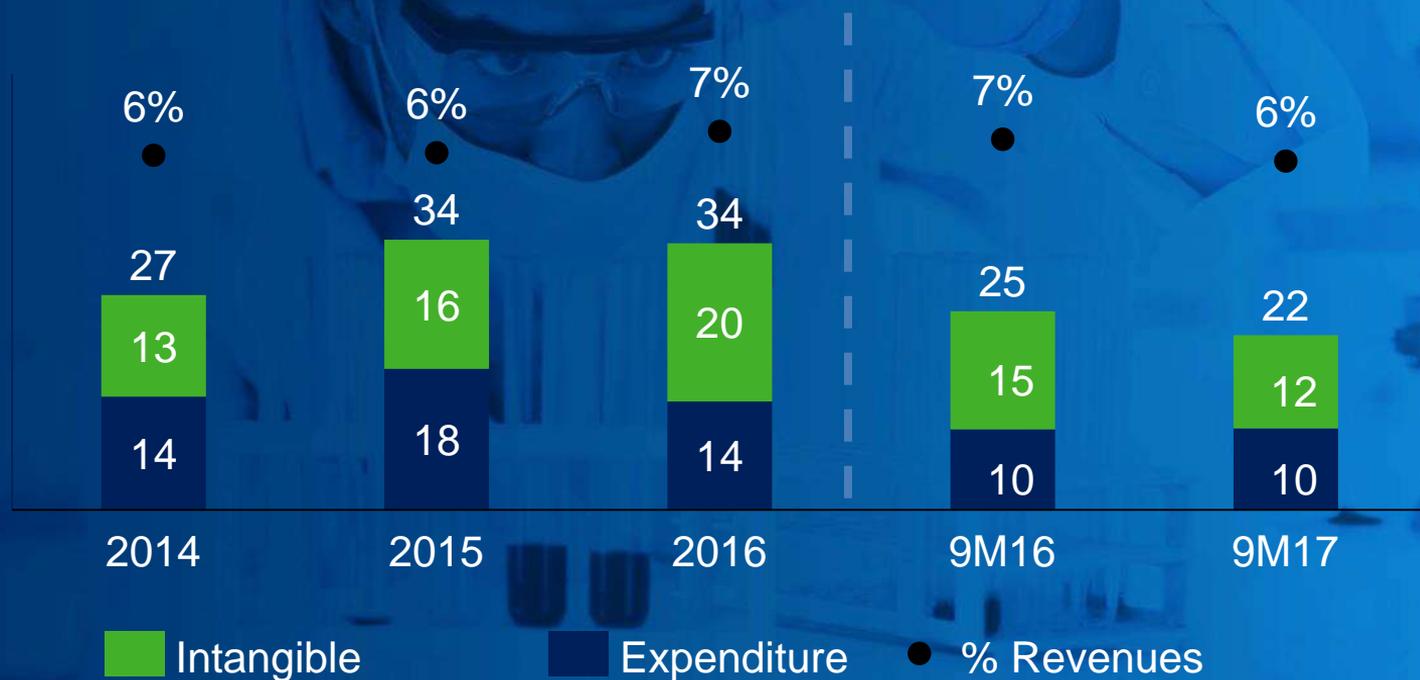
+110

Specialists in R&D for
animal health

Our RD&I

Investments in R&D

(BRL\$ million)



Our RD&I

Deep interaction with the farmer and pets and their needs.

Innovation model with open network of collaborations with R & D institutions in the Americas, Europe and Asia.



Our RD&I

A photograph of a laboratory environment. A person wearing a white lab coat and gloves is working with various pieces of scientific equipment. In the foreground, there is a white pipette, a glass bottle, and a scale. The background shows more laboratory equipment and a person in a white lab coat. The image is overlaid with a semi-transparent blue filter.

Expertise in a wide range of pharmaceutical and vaccine formulations.

Robust internal structure of laboratories to develop formulations and methods, biotechnology, experimental farm, intellectual property core and project management.

In recent years

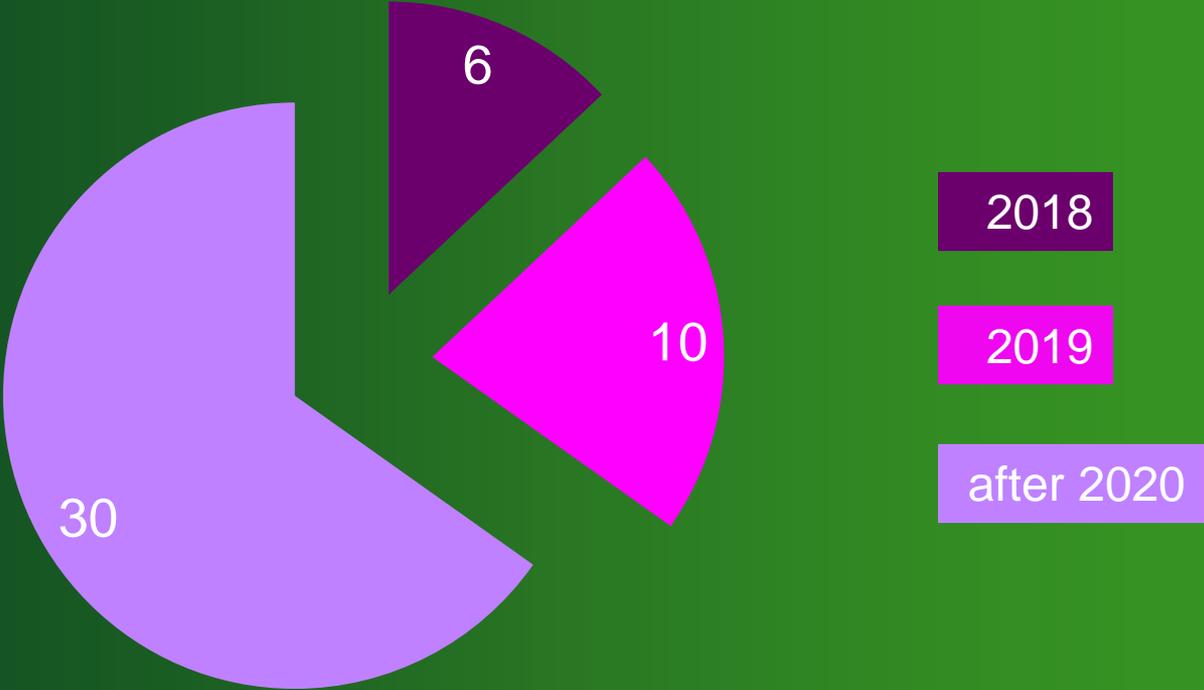
- Strong performance in the deployment of strategic planning, culminating in the introduction of new products in Brazil and increasing portfolio in Mexico and Colombia.
- NPVI main indicator is in 20% up to 9T / 2017.

Launches - Last 5 years

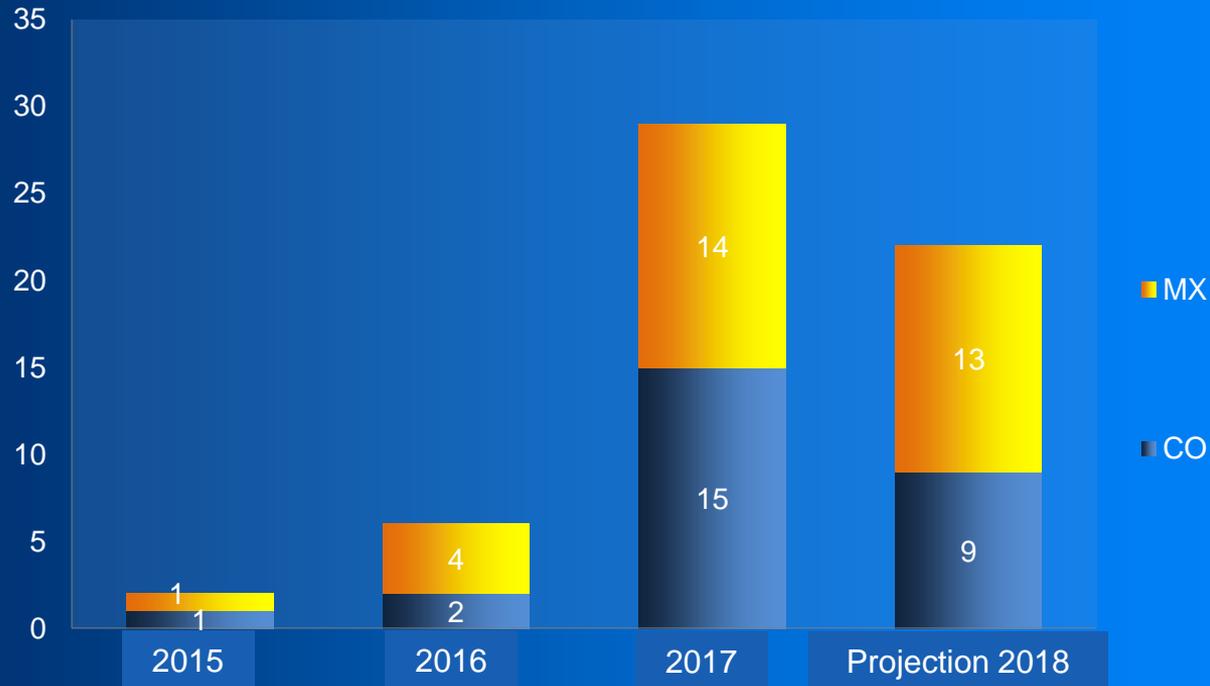
36 new products
launched in the
last five years.



Projections for the next years



Authorizations of Initial Registration Colombia and Mexico 2015-2017



In 2017

- Change in top management, thus revisiting the strategy for increasing search of opportunities.
- Strong performance of our Innovation Committee linked to the Board of Directors.



Initiative Highlights - Innovation Committee

- Approval of new strategic corridors for expansion of prospecting and research activities and development with long-term vision.
- Search analysis performed on 100% of the Ourofino sales force and priority setting.
- Support to open innovation increase and determination of targets.
- Pipeline Realignment for composition of portfolio of specialties in companion animals.

Open Innovation = Colaboration and partnership

- Add internal and external expertise.
- Streamline the process of transformation of science, research and development into new products and businesses.
- Gain of knowledge and training of the internal staff.
- Several models have already been used by Ourofino.
- Flexibility ensures a good relationship with potential partners.
- Focus on closing the deal and start long-term relationships and mutual gain.

Actions for the increment of Open Innovation

- Increase participation in innovation events in animal health and opportunity assessment.
- Review your assessment flowchart for speed in decision making.
- Entrepreneurial round.
- III Ourofino Biological Workshop

Highlights in IP



Partnership with the company “Ourofino Saúde Animal Ltda”,

Highlights in IP

BR102014014727-6

Quadro 2 – Considerações referentes aos Artigos 16, 18, 22 e 32 da Lei n.º 9.279 de 14 de maio de 1996 – LPI

Artigo da LPI	Sim	Não
A matéria enquadrada no art. 16 da LPI (não se considera invenção)		X
A matéria enquadrada no art. 18 da LPI (não é patenteável)		X
<input type="checkbox"/> pedido apresenta Unidade de Invenção (art. 22 da LPI)	X	
<input type="checkbox"/> pedido está de acordo com disposto no art. 32 da LPI	X	

Quadro 3 – Considerações referentes aos Artigos 24 e 25 da LPI

Artigo da LPI	Sim	Não

Table 5 – Analysis of the Patentability Requirements (Arts. 8., 11, 13 and 15 of LPI)

Requirement of Patentability	Compliance	Demands
Industrial Application	Yes	1-18
	No	---
Novelty	Yes	1-18
	No	---
Inventive Activity	Yes	1-18
	No	---

O pedido se refere a um complexo de poliproteínas contendo diversas regiões imunogênicas de *Mycoplasma hyopneumoniae* (complexo denominado E:umyc).

As 18 reivindicações apresentadas referem-se a:

- complexo de poliproteínas imunogênicas (reiv. 1-5)
- gene sintético (reiv. 6-9)
- processo de obtenção de um tal complexo de poliproteínas (reiv. 10-14)

Events in 2017

Great presence in innovation events
in Brazil and internationally

IPPE

Atlanta/USA

Biostartup Lab

São Paulo/SP

**Colorado State
University**

Colorado/EUA

**Animal Health
Innovation – LATAM**

São Paulo/SP

**Sustainable Cattle
Breeding (Biological
Institute)**

São Paulo/SP

**Third International
Symposium on
Inflammatory Diseases**

Ribeirao Preto/SP

Events in 2017

Great presence in innovation events
in Brazil and internationally

Vet Health Global
Prince Eduard
Island/Canadá

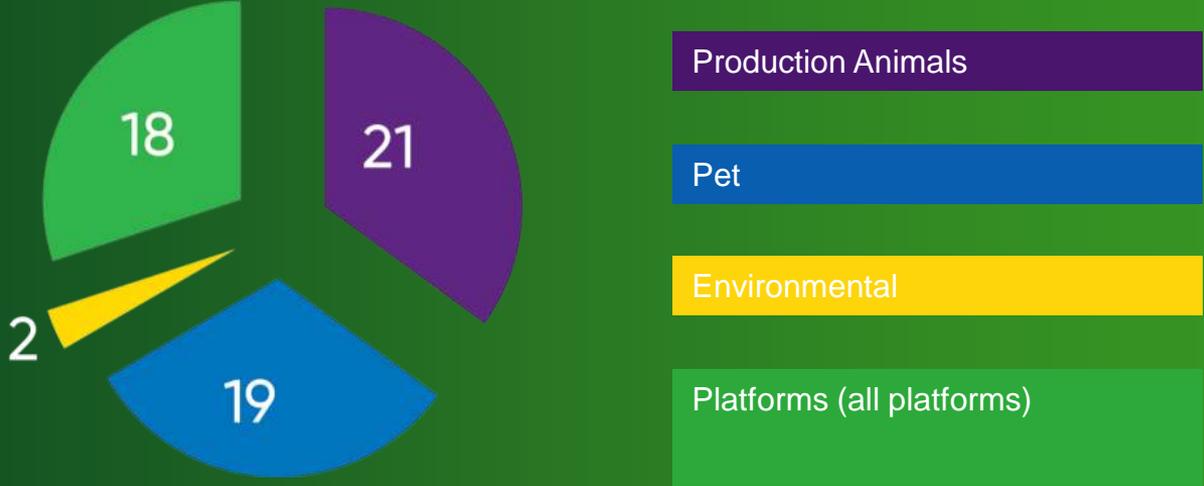
**Kansas City Animal
Health Corridor
Symposium**
Kansas City/EUA

100 Open Inovation
São Paulo/SP

**World Vaccine
Congress/World
Veterinary Vaccine
Congress**
Barcelona/ESP

**Salão Internacional de
Aves e Suínos (SIAVS)**
São Paulo/SP

New Business and Technological Prospection Projects Analysis -2017



Total of 60 opportunities evaluated in consonance with our strategic corridors.

Comprehension of the innovation process for products

Innovation sources:

suppliers, customers, IP, partners in R & D, employees, road map, analysis of technological gaps, technology vigilance over competitors.

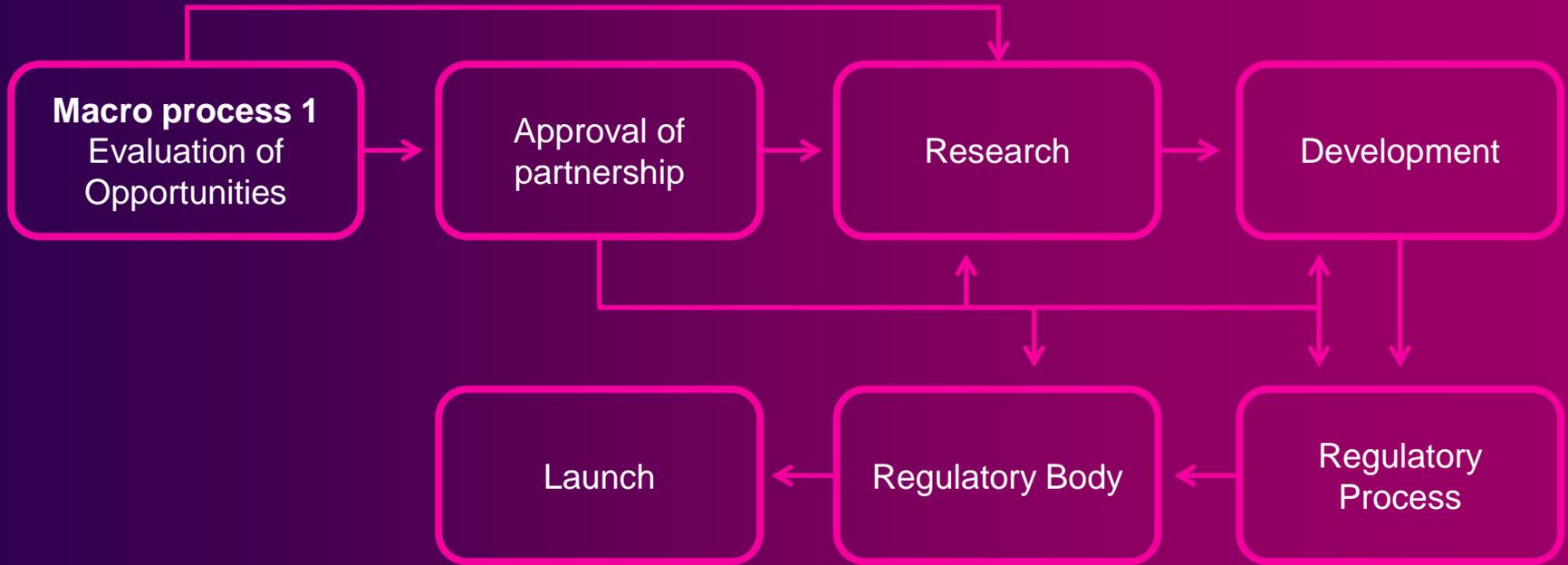
1

EVALUATION OF OPPORTUNITIES

2

RD&I PROJECTS: PIPELINE

Innovation process for products



Measuring RD&I

- Licensing of new products.
- Submission of dossiers.

- Performance of pilot batches;
- Projects' Balance;

- Financial Indicators.
- Product launching by business units.

- Evaluation of Opportunities
- Gathering and selection of projects.
- Filings and concessions of patents.

- Mapping of CT&I.
- Agreements and partnerships in RD&I.

Ourofino Day
2017

Jardel Massari
CEO



A person's hands are shown writing on a document with a pen. The background is a solid green color.

Short Term (2016,
2017 and 2018)

A person is holding a document that features a bar chart. The background is a solid purple color.

Medium
Term

A person is pointing at a document. The background is a solid blue color.

Permanent View

Short Term (2016 and 2017)

- Adjustments seeking profitability and sustainability
 - Mentality of the founder
 - Commercial Policy
 - Value of the Front line
 - Change of drive to gross margin
 - Portfolio rationalization
 - Rationalization of Costs and expenses
 - Changing of the Board - CEO, CFO and Commercial Director of Production Animals, HR and Industrial Director

Short Term (2018)

- Return to growth
- Demand Generation
- Focus on excellence / industrial productivity
- Team building with board for alignment
- Living the purpose
 - Reimagining Animal Health
- Challenging strategic planning
 - Review of strategic corridors / value-added products
 - New growth paths
- Attention toward expenditures
- Attention toward China
- Start of the industrial operations of new vaccines/biological products

Medium Term

- We believe in excellent growth drivers
 - Technification of cattle breeding
 - Humanization of pets
 - Growth of portfolio
 - Biological
 - Other lines
 - Geographical Expansion
 - Mexico & Colombia
 - Other geographies - partnerships



Permanent View



- Mentality of the founder / Agile and simple
- Generation of value
- Above market growth
- Strategic performance
- Governance
- Sustainability
- Valuing People
- Succession Plan

Thank you!

