



**International Conference Call
Ourofino
Fourth Quarter 2016 Results
March 22nd, 2017**

Operator: Good Afternoon ladies and gentlemen. Welcome to the conference call to release results for the 4th quarter 2016 for Ourofino Saúde Animal. Today we have **Mr. Jardel Massari, CEO**, and **Mr. Kleber Gomes, CFO and IRO**.

We would like to inform you that this event is being recorded and simultaneously translated, and all participants will be in listen-only mode during the Company presentation. We will then have a Question and Answer section when further instructions will be given. Should any participant require assistance during this call, please press *0 to reach the operator.

We have a simultaneous webcast that may be accessed through Ourofino's website at: ir.ourofino.com. You will find the banner with the title "Webcast 4th quarter 16" that will lead you to the presentation platform as well.

Before proceeding, we would like to mention that forward-looking statements made during this conference call referring to the beliefs and assumptions and financial forecast are premises and believes at the Ourofino management, as well as information currently available to the company.

These forward-looking statements are no guarantee of performance as they involve risks, uncertainties, and assumptions as they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Ourofino and cause results to differ materially.

I will turn the conference over to **Mr. Jardel Massari**, who will begin the presentation. You may proceed Sir.

Mr. Massari: A good afternoon to all of you and thank you for participating in our earnings conference call for the 4th quarter and full year 2016.

As we know, 2016 will be marked in the history of Ourofino as the one of the most challenging years. Externally, we faced strong pressure for adverse macroeconomic and market conditions. Internally, we made very difficult decisions to redress the path that should lead to better results in 2017, as well as in subsequent years.

In the 4th quarter 2016, as mentioned in the previous quarter, we initiated actions to lay the groundwork for the resumption of historical growth and



profitability, and among this we included the sales rationalization process with adjustments in sales conditions, which resulted in a substantial drop in revenues during the last quarter of 2016.

We are fully aware that the results achieved in the year were significantly below everyone's expectations, but we are certain that these decisions are aligned with the long-term interests of the company and its stockholders.

For 2017, we expect to achieve the results of the change in the sales team with an incentive program that is tied to an increase in gross margin, a decrease in exposure in the poultry segment, rationalization of the cattle product portfolio, and the progressive reestablishment of lower inventory levels, thus improving our working capital.

We would also like to mention the actions that are aimed at rationalizing processes and optimizing expenditures with the Falconi Consulting firm beginning its works to identify opportunities for improvement with the focus on aspects that can add value on a permanent basis addressing both cost and revenue levers.

We reaffirm our confidence in the animal health industry and in the actions taken to make the company better prepared to take advantage of the gradual resumption of Brazil's economic growth, which we all expect and hope will take place throughout 2017.

Our long-term projects including our investments in Research and Development remain unaltered, therefore, we reinforce our confidence in the company's sustainable growth.

I would like to thank all of you for your confidence in our work, and I will now give the floor to our IRO and CFO, Mr. Kleber Gomes, who will refer to the results of the quarter.

Mr. Kleber Gomes: Thank you Jardel and a good afternoon to all of you. On slide number 3 we present to you the net total revenue of 98.5 million for the 4th quarter; a drop of 48.2% vis-à-vis the same quarter 2015, that has had a record revenue for the history of Ourofino. During the year, net revenue was of 456 million; a drop of 14.5 million percent compared to 2015.

On slide number 4 we show you the net revenue in each of our business segments. In production animals, we had a net revenue of 76.6 for the 4th quarter with a downturn of 17.4% compared to 2015 reflecting that process of adjustment and the commercial practices mentioned in the last quarter.

In 2016, the net revenue was 359 million with a drop of 17.4 vis-à-vis 2015. These drops are substantially due to losses in price of the foot-and-mouth vaccine and losses in price and volume in poultry and swine, where we had a

drop in our therapeutic area, partially offset by pricing, except for the products for the reproductive line that gained in price and volume.

This reference in some macro situation and the adverse market conditions in general, the companion animal segment obtained net revenues of 11.6 million in the 4th quarter with a drop of 21.1% vis-à-vis the 4th quarter 2015.

In 2016, revenues were up 60.5 million with a drop of 12.7% compared to the same period 2015. This reflects the macroeconomic situation with an impact on the inventory levels of our distributors that had to be reduced.

There was a loss of price and volume in terms of warmers due to a growth in sale of warmer tablets of other market participants. These results were partially offset by price gains and volume in the warmer and other therapeutic classes.

The international operations presented net revenue of 10.3 million in the 4th quarter; a drop of 30.9% vis-à-vis 2015. In 2016, revenues were of 42.4 million; an increase of 18.1% compared to 2015. We underscore the negative impact of the depreciation of local currency, especially the Mexican peso and the appreciation of the real compared to the dollar.

In page number 5 we have the gross profit. Gross profit in the 4th quarter was of 43% compared to 52.9% for the 4th quarter 2015. During the year, the indicator totaled 49.5%; a drop of 6.2 percentage points compared to 2015.

We had an impact of a greater fiscal dilution at the plants as a result of our sales industry segments.

In page number 6 you have the gross margin per segments. The production animal segment had gross margin of 38.5%; that is a drop of 10.5 percentage points vis-à-vis the 4th quarter 2015, and in 2016 the accrued amount was of 45.3% with a drop of 6.7 percentage point vis-à-vis the year 2015.

Margin reductions are substantially due to the loss of price in poultry and swine and in foot-and-mouth vaccine. But besides a less favorable mix, companion animals showed gross margin of 67.2% with a drop of 6.9 percentage points vis-à-vis the 4th quarter 15.

In 2016, total gross margin was of 70.3% with a drop of 5.2 percentage points vis-à-vis 2015. Once again, this is due to a loss of prices and a negative impact of provisions for impairments.

International operations had a gross margin of 49.5% with a drop of 18.3 percentage points vis-à-vis the 4th quarter 2015. In 2016, gross margin totaled 58.5% with a drop of 7.8 percentage points compared to 2015.

This is due to a less favorable exchange rate with greater share of the vaccines for foot-and-mouth disease.

On page number 7 we are going to analyze SG&A. The SG&A for the 4th quarter added up to 50.2 million with a drop of 6.5% compared to the 4th quarter 2015. This already reflects the efforts to reduce expenditures at the company. In 2016, SG&A was of 207.3 million compared to 199.5 in 2015.

On page number 8 we show you the adjusted Ebitda totaling 1 million with adjusted Ebitda margin of the 1%; a drop of 23 percentage points vis-à-vis 4th quarter 15. In 2016, adjusted Ebitda was of 44.4 million with a margin of 9.7% and a drop of 12.6 percentage points vis-à-vis 2015. These results were impacted by a reduction in net revenue with a drop in gross margin and consequently a loss of dilution in SG&A.

On page number 9 we have net financial expenditures, social contribution, and income tax. Financial expenditures were of 6.4 million; an increase of 128.6% vis-à-vis the same period of 2015. In 2016, this totaled 22.2 million growing 109.4% compared to 2015. This is due to an increase in our indebtedness with banks because of the investments in the biological plant.

Resources for these investments were guaranteed through a contract through Finep plus 42 million that were released at the end of December impacting the financial results. Throughout 2016, income tax and social contribution for the quarter were positive in 4.7 million compared to expenditures of 6.9 million. For the year, the result is also positive and 5.7 million compared to expenditures of 18.1 million.

We have lower profitability in 2016 along with temporary fiscal differences. Net profit for the 4th quarter was up 9.4 million compared to net adjusted profit of 23.8 million in the 4th quarter 2015. Profit for 2016 added up to 22.3 million with a drop of 96.7% vis-à-vis 2015. This is due to a drop in adjusted Ebitda and an increase in net financial expenditures.

On page number 10 we have information on the company's indebtedness. In the 4th quarter 2016, net that over Ebitda the rate was 5.96 times compared to 1.62 for the same period in the previous year. We underscore that the company has no covenants and this indicator was affected by the strategic decision that caused a reduction in our volumes and consequently in Ebitda.

In 2017, we believe that we will go back to more aligned levels compared to the company background. The average cost of debt was of 8.8% at the close of the year compared to 7.98 during the 4th quarter 2015. This indicator was positively impacted by the release of resources from Finep in December of 2016 with the fixed rate of 4.5%, and this has contributed to the lengthen in our debt.

The company closed December 30, 2016 with cash of 70.3 million at Capex of consumption for the new plant that are practically concluded. Once again mitigating the pressure on our cash flow investments.

On page 11 we present to you investments and recent developments throughout 2016. Investments totaled 33.6 million representing 7.4% surplus of net revenue. Once again, this is due to the retraction in net revenues presented during the period.

On page 12 we present to you the loss of our products for the 4th quarter 2016. We had 3 new products: We launched Gallipro, a probiotic additive that helps to maintain the equilibrium of animals' intestinal flora, and Nicargold and Saligold that optimize our technical performance by controlling the challenges of coccidiosis.

On page 13 we show you the performance of our shares since the IPO – you will see that the curves are based on 100. We had a return of 5.4% including dividends. Bovespa has comparatively had a result of... a return (excuse me) of 10.9%.

I would now like to return the floor to the operator.

Question & Answer Session

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

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

Mr. Giordano: A good afternoon to all of you and thank you for taking my question. I have a question in 3 fronts. The 1st refers to the top line. I would like to understand which is the outlook for your outlook for inventory in the channel, if you are hoping to have a more appropriate inventory in this channel or if you will still suffer pressure in the quarter.

Speaking about the revenue, you mentioned some points about the gross margin. I would like to understand if you can stop that drop of gross margin and divide it in prices and losses and plant idleness. Simply to understand what could be recurrent and what is not recurring.

In the 3rd point, the company is launching products, but we do not see a significant performance on the part of biological products. What is happening with that product pipeline? Thank you.

Mr. Massari: A good afternoon, this is Jardel, and thank you for participating. To respond to your questions about the channel, we have adopted rather hard measures in the last quarter precisely and we have been successful in uncluttering our channels.

Now, 2016 was a difficult year for us and for competitors as well, even though we have lost some sales, we have concluded our process and we have begun the pet line; this channel is working normally and no longer has inventory and this is also happening among larger animals.

We see a brighter scenario in terms of the sales flows among our channels and among our clients.

Mr. Gomes: To complete this question – thank you for the question –, when it comes to price and volumes and the plant idleness, we did in fact have some idleness, but the figure is not that significant, the figure has added some inventory and some of these products remain in inventory.

We had a significant drop in volumes and prices were focused on those key points, which were foot-and-mouth disease. We hope that they will be a resumption in the future and in the price for poultry and swine.

Once again, our idea is to have a lower exposure in terms of poultry, we were being pressured and very strongly in terms of gross margin in poultry. To look at this in a more macro way, there is the exchange change issue, once again causing pressure in our export operation.

These are the factors that have had an impact through our in-house actions. We will resolve some of these and for the solution of others we depend on the outside factors.

When it comes to products launched, especially the biological line, this week we are validating the plant, the plant has been fully completed and the agencies that regulate this have accepted the plant, we have a ready-made package, but we still need to conclude some tasks and comply with regulatory issues to begin the launches.

We hope to be able to surprise you this year to have revenue from these products, but we cannot state this with certainty because of these tasks that have not been fully concluded and because of the regulatory processes.

Mr. Giordano: If you allow me, about the foot-and-mouth disease you are mentioning that you are suffering price pressure. Last year you already had this pressure. Do you expect greater stability this year although prices continue to drop? I would like to understand the dynamics of that product.

Mr. Gomes: When you refer to “this year” you are referring to 2017?

Mr. Giordano: Yes, but last year you had a more significant drop in prices.

Mr. Gomes: 2017 is just beginning, we have observed an improvement, but it is too early to come to conclusions. There were some actions in the sectors that may favor the recovery, the price recovery, but once again we are just

beginning in this, our campaign does point to signs of recovery. However, we continue to be very conservative in our budget to avoid negative surprises.

Mr. Giordano: I'm sorry, you may continue.

Mr. Massari: Simply to complement – this is Jardel –, this is the expectation that we have of improving our prices as the inventories this year are much lower compared to 2016. We do not have vaccines surpluses, many companies have reduced their production as well as we, and this year I believe that the demand will be more aligned with production.

Mr. Giordano: Very well, thank you very much.

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

Mr. Montes: A good afternoon and thank you for taking my question. We have had a significant change in terms of pets and we have the compensation with great launchers, which has hampered the company as a whole. Which is the outlook of this situation of the competitions' launches compared to Ourofino?

Mr. Gomes: Márcio, thank you for your question. In fact, the year had a great impact on a therapeutic class that was launched that we do not have, but we do have a very consolidated and strong brand, our products are highly acknowledged and we are not always going to be the company with the best launches in specific point in time, the other companies in the sector tend to be very competent and they do have good products.

What we think is that we will continue on with the pet business, with sustainability, with good margin, with the good market share and some economics even though we do not have this tablet as part of our portfolio. We are seeking to develop this product, but we have a very full line and we think that the pet sector will continue to be very strong.

Mr. Montes: If you allow me another question, regarding your financial aspects, we have had a significant increase in expenditures, but you still have a good cash flow. So, which is your outlook for the reduction in indebtedness in the company as a whole?

Mr. Gomes: The outlook for 2017 is good, the Ebitda for the year is an outlier in the curve because of the macroeconomic conditions and business conditions, but also due to the in-house decisions that we have made to redress our path. We are considering that 2017 will enable us to resume profitability and attain more normal Ebitda levels, and our leveraging will also go back to normal levels.

We have a cost of debt that is very good, our cash position will be very good, especially in the 3rd quarter when Accounts Receivable are going back to more regular terms, but also attempting strongly to reduce our inventory levels.

For 2017, we won't need the investments that we made in the biological plants, which means that we only have positive conditions to generate cash and consequently deleverage the company to previous levels. We have great confidence that this will happen.

Mr. Montes: Thank you.

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

The question and answer session will end here. I would like to return the floor to Mr. Jardel for closing remarks.

Mr. Massari: I would like to thank all of the participants at this conference call and tell all of our shareholders that without a doubt the year 2016 will be forgotten; we have learned from our mistakes.

2017 will be completely different and I believe that Ourofino has a sound basis of knowledge, of good portfolio, good commercial policy, and strong brands, and what I see is that this is a temporary deviation and in 2017 we will go back to our premises and a good return for shareholders.

Thank you very much for your attention.

Operator: Thank you. The earnings conference call for the 4th quarter 2016 for Ourofino adjourned here. Please disconnect your lines.