Management Report

2019

ourofino
animal health

Contents

1. Message from management

In 2019, we concluded the review of the Company's strategic planning, aiming at a new cycle of growth and continuity of our businesses. Reinforcing the purpose of reimagining animal health, as a company with a broad and multispecies portfolio and operating in Latin America, we have defined several initiatives aimed mainly at excellence in the execution. As a result, we remain confident in the drivers of growth in the markets in which we operate and the consequent generation of value for stakeholders.

In the consolidated, net revenue grew 5% in 2019 compared to 2018, reaching R$ 620 million. As highlights, the companion animals and international operations segments both achieved an annual growth of 17%, while the production animals segment grew by 2%. The consolidated gross margin decreased by 5 percentage points to 50% in 2019, due to the lower dilution of manufacturing costs, which, together with greater allocation of R&D expenditures as expenses at the time of our researches stages, resulted in a reduction in adjusted EBITDA to R$ 107 million.

In the production animals' segment, the year proved challenging with revenues growing below expectations in our projections. In 2019, we did not see the positive scenario seen in the prices of proteins reflecting the expansion of the veterinary drug market. However, the trend of increasing farm productivity associated with the fact that Brazil is still incipient in the use of animal health products are factors which support the market growth. We understand that our demand generation program, brand recognition and products in the field, and differentiated access from competitors to agricultural resellers, will allow for more positive results in the segment.

In companion animals, there was an increase in customer positivity and continuity of the training plan for the team of technical consultants who work with veterinarians, influencing the purchase of products in this segment. With the success of the work by this team of consultants, we already plan its expansion in 2020. Thus, we understand that the 17% growth in the year, part of this internal work, associated with the movement of "humanization of pets" and the respective growth of expenses on the health of these animals, also due to the aging and increased income of the population. Additionally, as one of the strategic planning initiatives, we improved the segmentation of our target audience of veterinarians, aiming at excellence in our marketing and sales strategies.

In the international operations segment, efforts are concentrated on enhancing access to the sales channel in countries, mainly Mexico and Colombia, with replication of the marketing programs we use in Brazil. With strategic planning, we identified new products in the portfolio in Brazil which should be registered internationally and that have the potential to leverage revenues in this segment, so we are already working with the competent local bodies.

The strategic management of our portfolio was another revisited activity in strategic planning, with the definition of well-structured processes for internal product development and the evaluation of alternatives existing in the market with special emphasis on the open innovation model and integrating the areas of market intelligence, new businesses and portfolio managers. As a result, we remain motivated to consistently seek the best results for the Company.

Jardel Massari
President

Kleber Gomes
Vice-president
Products and Finance

2. About Us

The Company is a publicly held corporation, registered on the New Market of B3 S.A. - Brasil, Bolsa, Balcão, headquartered in Cravinhos, state of São Paulo. It was constituted on April 10th, 2014 and its main purpose and activity is to participate in companies which operate in the animal health industry (production and marketing of medicines, vaccines and other veterinary products) through 3 busi- segments:

Companion Animals

It represents the manufacture and commercialization in the domestic market of medicines (anesthetics, sedatives, anti-inflammatories, antibiotics, antimicrobials, dermatological, ectoparasiticides, endoparasiticides, otological) and other veterinary products for dogs and cats.

Production Animals

It represents the manufacture and commercialization in the domestic market of medicines (anti-inflammatory, antibiotics, anticoccidials, anti-mastitis, ectoparasiticides, endectocides, endoparasiticides, hemoparasiticides, inoculants, therapeutics, products for animal reproduction (IATF)), vaccines, besides performance improvement additives, probiotics and other veterinary products for cattle, pigs, poultry, sheep, horses and goats and industrialization services for other companies in the sector.

International Operations

It represents the commercialization in the external market, mainly for Latin America, of medicines, vaccines and other veterinary products for farm and companion animals. In the Mexican and Colombian markets, we operate with our own team through subsidiaries.

The service to the operating segments is carried out through a complete portfolio of products for animal health, composed of 100 veterinary products (in all pharmaceutical forms: solids, liquids, tablets, semisolids, oral and injectable, in addition to vaccines) and more than 4.300 direct customers, including agricultural resellers, cooperatives, agribusinesses, rural producers and distributors present throughout the national territory and abroad. Among the customers, the largest one represents about 5.30% of the Company's revenue, thus there being no concentration which generates dependence on specific customers.

The economic group in which the Company operates today was formed in 1987 by its founding partners Norival Bonamichi and Jardel Massari, initially with businesses focused exclusively on the manufacture of medicines and other veterinary products for farm animals (cattle, horses, poultry and pigs). The growth of our operations and success history has allowed us to become the largest Brazilian multinational company in the animal health segment.

Our Purpose

Reimagining Animal Health

This is our commitment to challenge conventional thinking, promoting the evolution and sustainable growth of a new generation of animal health, to inspire and create ideas and solutions integrated to the needs of the world, the people and the markets, to connect and work in collaboration with the animal health ecosystem, to build and nurture relationships in the generation of shared value.

Our pillars

- **Integrated Innovation:**
  Creating ideas and integrated solutions, developing new ways of producing and caring for animals, with less impact, simplicity and more efficiency;
- **Engaging and Collaborating:**
  Thinking and acting in the broadest sense of animal health, involving, connecting and working in collaboration with our customers, partners and community in a movement of transformation and evolution of the sector;
- **Building and Nurturing Relationships:**
  Establishing open and transparent ways to inspire, undertake, connect, collaborate and do business. Growing together.

Our personality

- Agile and Simple
- Open and Collaborative
- Entrepreneurial Attitude
- Transparent and Engaging
- Brazilian

3. About the Market

The animal health industry comprises the manufacture and sale of medicines, vaccines and other products intended for farm animals (ruminants, substantially beef and dairy cattle, poultry and pigs) and companion animals (dogs and cats). National and multinational companies operate in this market, and the main multinational players are also (or were) large companies in the human health pharmaceutical industry with global operations. Some of these corporations carried out the separation of assets through Spin-Off with the subsequent opening of capital of the resulting veterinary companies.

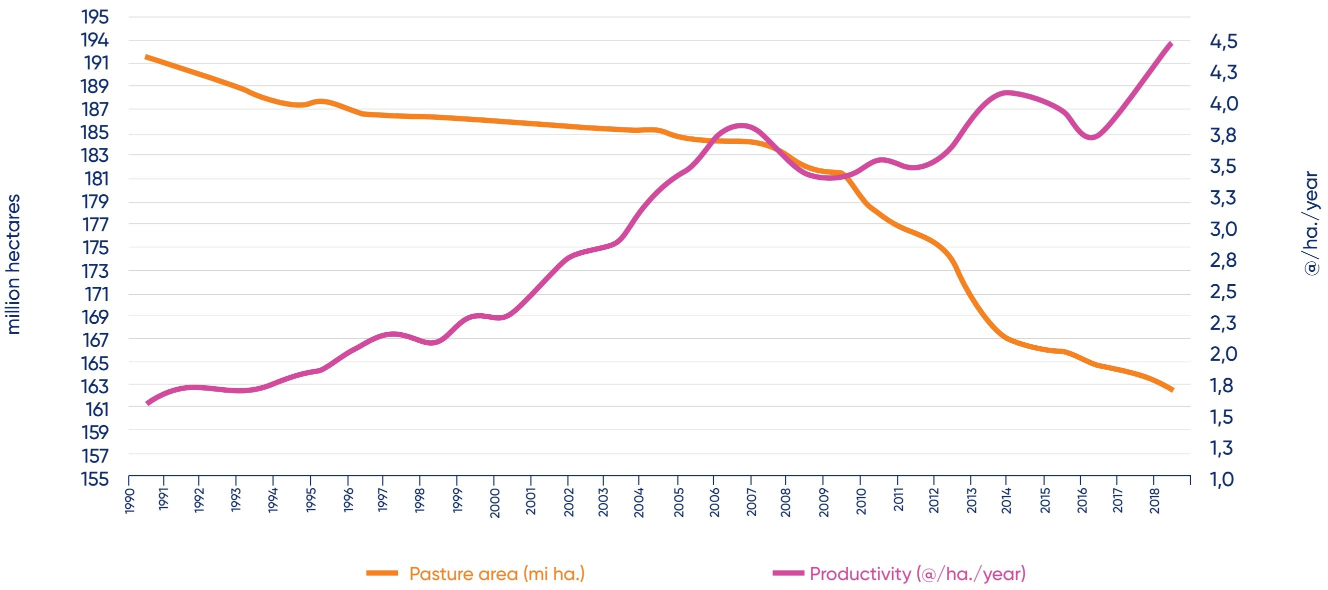
Production Animals

The veterinary industry linked to the animal protein market has solid growth drivers. Despite being considered a developing country, meat consumption in Brazil is at the levels observed in the richest nations, surpassing the figure of 100 kilos per inhabitant each year. Until the 1970s, beef represented more than 50% of the total meat consumed by Brazilians. The second most purchased was pork, and chicken came in the third position. Since the 1980s, however, the search for healthier food has increased the consumption of meat considered white. In the current decade, chicken has reached and even surpassed beef in the diet of Brazilians, who eat, on average, 45 kilos per year of this type of meat. Pork was relegated to the third position, considering that the population consumes about 16 kilos of this meat per year. The increase in chicken consumption in relation to the other two meats is also linked to the relatively lower price, which gives the low-income population access to proteins. Brazil has a large potential domestic market with regard to meat consumption. Take the example of pork, which, compared to the other two types of meat, is the least consumed at the national level, thus having a market to be conquered and expanded. In developed countries, pork consumption is approximately 70 kg/inhabitant/year.

Beef cattle production has been present in the national economic scenario, since colonial times. In the last decades, beef cattle breeding has developed through the expansion of the agricultural frontier, with the incorporation of new lands, most of which lack infrastructure and the soil is being used by the intensive grain production system. National production has always been characterized by the extensive system. Today, there is an inversion in land occupation, as there is a strong process of expansion of the agricultural frontier over the area previously destined for livestock. This expansion of agricultural areas, together with the increase in the price of land, forces the reduction of extensive livestock, requiring the cattle breeders to be increasingly technified to obtain the best results on their properties. In this context, the increase in demand for technology becomes essential for the cattle breeder to maintain competitive in terms of profitability compared to the opportunities presented by agriculture.

To measure the progress of livestock and its technification, it is worth resorting to the analysis by the “little land” effect. Adding all the products of plant and animal origin, from 2003 to 2018 (15 years), Brazilian producers increased production by 500 million tons, in an area with almost 10 million hectares less. Productivity increased 84% in the period, a result of dedication and boldness in implementing the most modern production techniques in the field.

Evolution of pasture area vs. productivity



Source: Athenagro, data: Agroconsult, Agrosatélite, IBGE, Inpe/Terraclass, Lapig, Prodes, Rally da Pecuária, Map Biomas

Figure 1: Monitoring the pasture area and productivity

In summary, according Athenagro, the evolution of beef cattle in Brazil goes through the following phases:

Expansion phase

1940 to 1994

The advancement of Brazilians to the countryside is stimulated by the occupation of land and made possible by cattle breeding, the only feasible activity with the absence of minimal infrastructure.

Stock consumption phase

1994 to 2008

With the control of hyperinflation, the excess of unproductive animals from more advanced ages slowly begins to be consumed. The period is unfavorable to those who make technology, as it competes with the burning of stocks in cattle breeding.

Consolidation phase

2008 to 2015

Probable adjustment in productivity, with cattle breeding adapting to the demand of a more mature market, both internal and external: increase of the feedlots, sophistication of the production chain, consolidation of exports, etc. Actual prices rise.

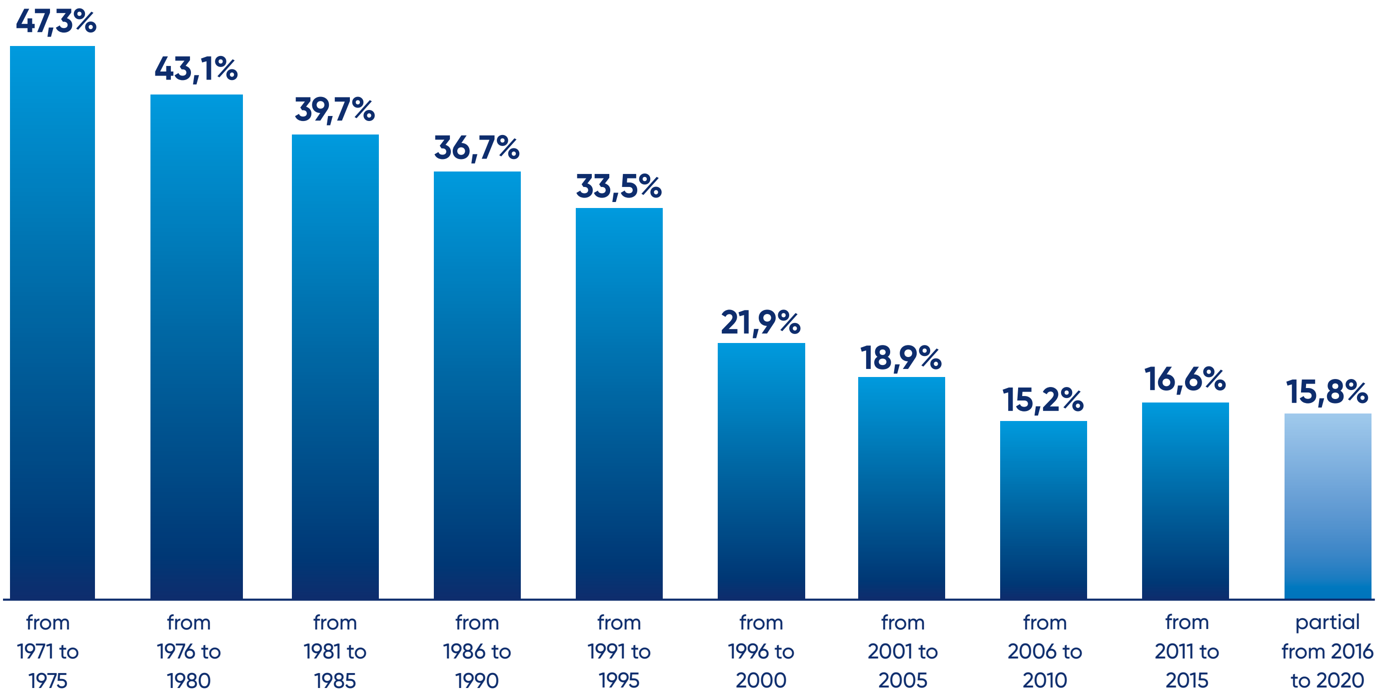
Competitive phase

2015 onwards

Supply is more dependent on the input of technology on the farms. Livestock cycles will be more dependent on climatic factors, input market and other proteins. Exclusion of the least competitive ones.

Over the past few years, the flattening of profit margins has forced the incorporation of new technologies aimed at increasing productivity, intensive production systems have grown in some regions, the so-called feedlots or semi-feedlots, in addition to creation systems called ILPF (crop-livestock forest integration) that constitute a strategy aimed at sustainable production, which integrates agricultural, livestock and forestry activities carried out in the same area, in intercropping, in succession or rotation and seeks synergistic effects between the components of the agroecosystem, contemplating the environmental adequacy, human valorization and economic feasibility.

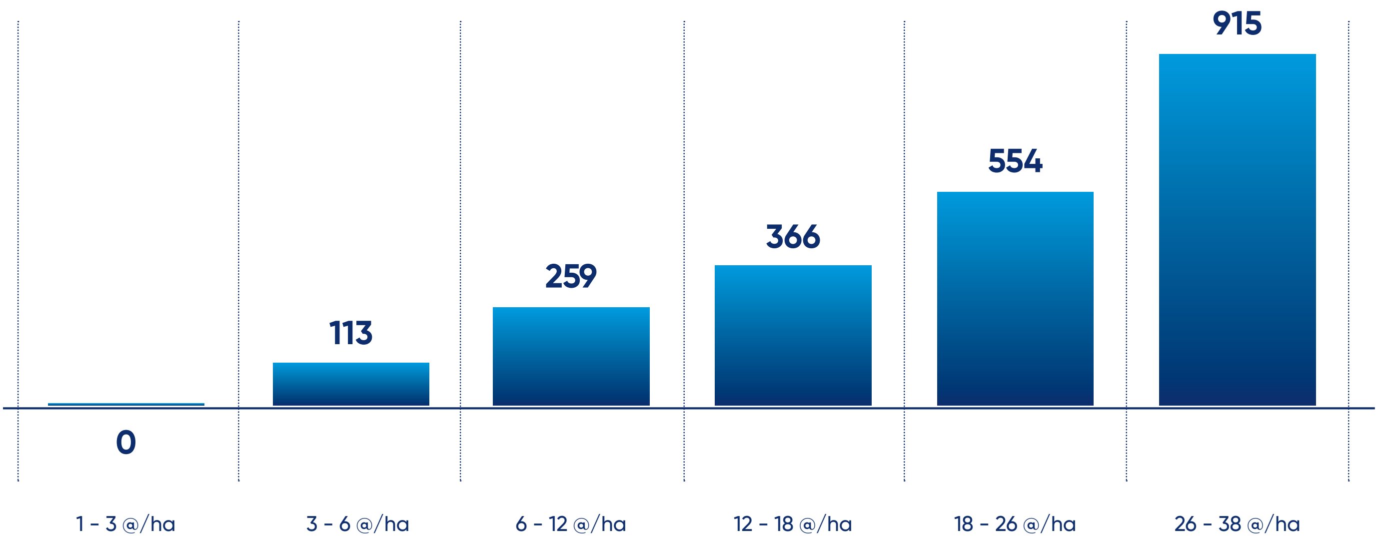
Evolution of the average profit margin in beef cattle - per arroba



Source: Anthenagro, data: Cepea, IEA

According to Agroconsult, the profitability of the cattle breeders increases according to their level of technification, that is, the more arrobas per hectare the producers can produce, the greater their investments in technification, but the greater their profitability.

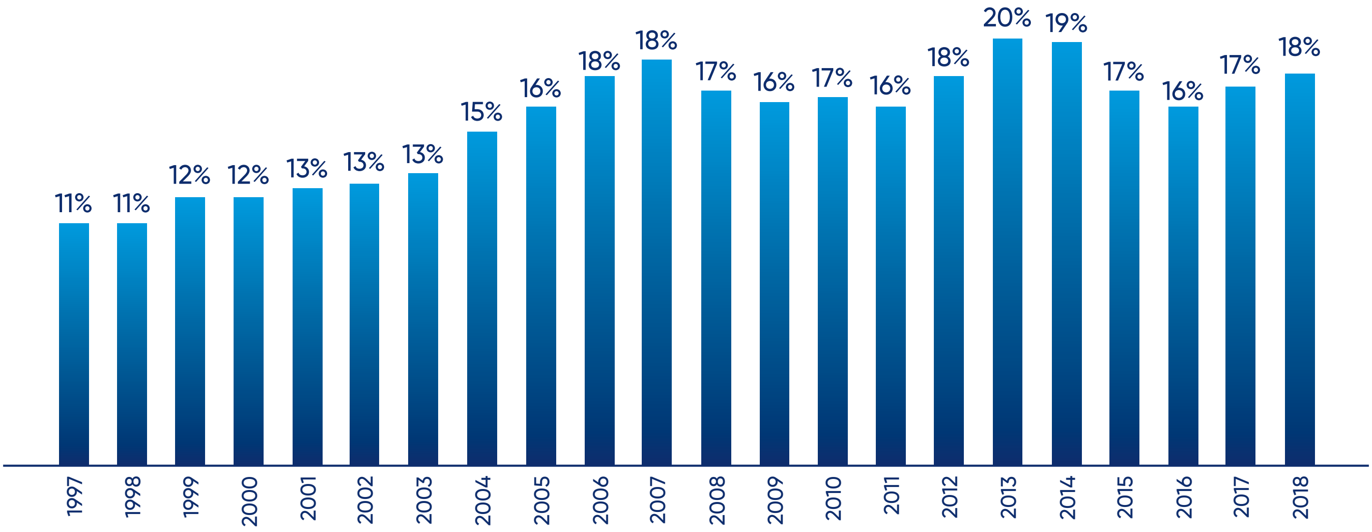
Projections of operating profit/technology level: R$/ha (Full Cycle - 2018)



The veterinary industry is inserted in this panorama of productivity improvement, in which the demand for veterinary products has potential growth due to the factors already described as the low level of technification in the properties. The use of technologies within the properties is linked to curative treatments and more and more about the use of preventive therapies, in which the producer who seeks higher levels of productivity uses prophylactic management through vaccination of the herd. In addition, another potential for diffusion is the potential for genetic improvement of the Brazilian herd and the use of reproduction protocols, with the technique of fixed-time artificial insemination (IATF).

Regarding the use of IATF protocols, which increase the productivity of cattle breeders, there is an increasing adherence to this type of technology. The monitoring of the offtake, which is the production in arrobas or heads in a determined period of time in relation to the initial herd, is an indicator which shows this evolution. 20 years ago, this rate was around 11% and in 2018 the index is 18% (Source: CEPEA - Brazil's Average). It is still low compared to more developed countries, that is, the higher the offtake, the greater the domestic production of the herd.

Evolution of the Offtake in Brazil



Source: CEPEA (Brazil's Average)

That said, encouragement to the use of breeding techniques such as the IATF offers advantages such as greater control of management on farms with reduced interval between deliveries, optimization of the use of labor, systemic monitoring of the herd, less disposal of animals due to lack of pregnancy, factors directly linked to farm productivity. Therefore, there is room for expansion of the market and the Company.

Combining products with services is a market trend, and Ourofino enforces this maxim and proposes to offer the market the best solutions in animal health, contributing to the high performance of the protein production chain. In short, all investment in technology must be accompanied by investment in the training of labor, another market opportunity, a team of Technical Consultants who, among other functions, provide training to cattle breeders, promote lectures to clerks, field days, carry out assisted application of products and track results. This team generates the demand for the Company's products to the final consumer and is also responsible for surveying the needs and opportunities in the field, presenting solutions and implementing health protocols and calendars.

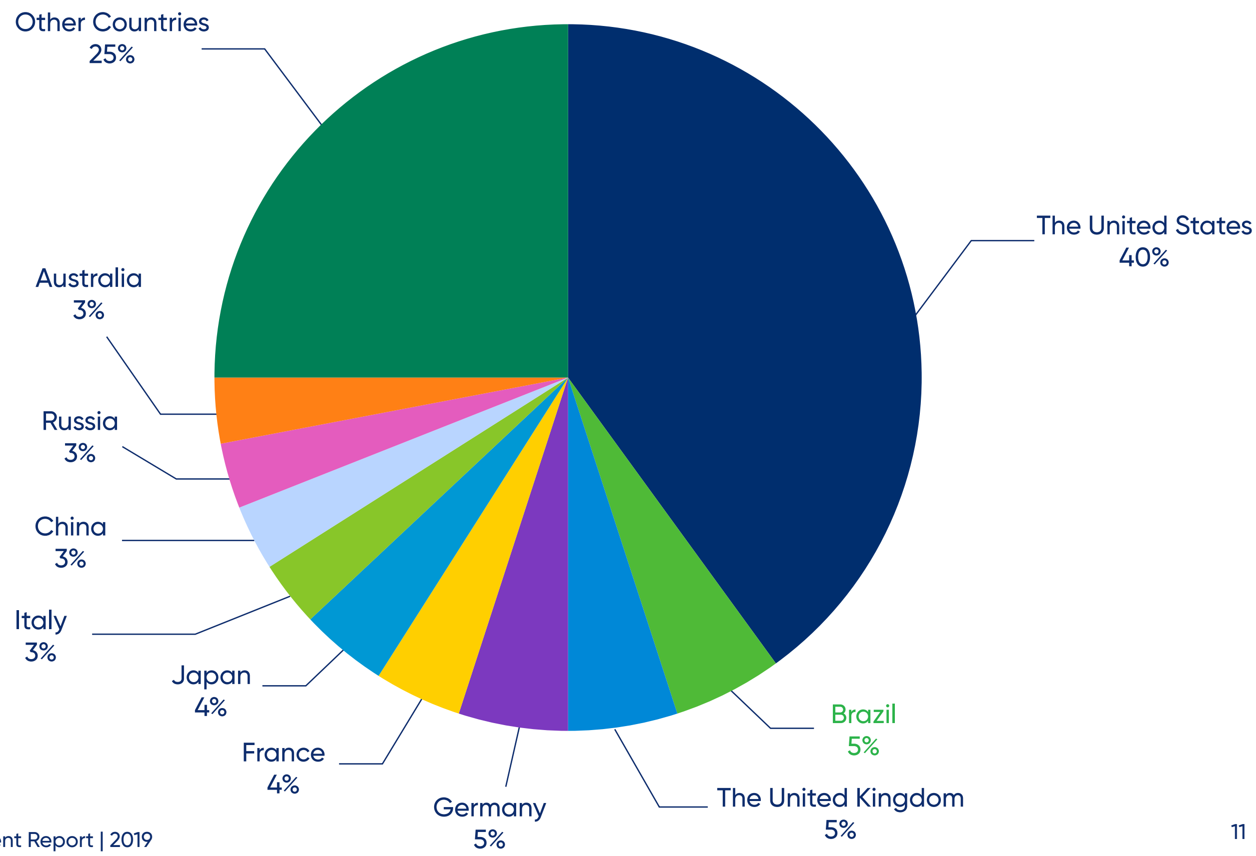
In addition, the Brazilian herd undergoes genetic improvement with the increased use of European breeds, which bring precocity, meat quality and increased productivity in milk, among other advantages. The spread of such genetics generates the use of more inputs, among them veterinary drugs, in view of the greater susceptibility of these animals to the health challenges currently faced in Brazil.

According to Athenagro, Brazil should continue to increase production and exports of the 3 animal proteins (beef, pork and chicken) for 2020 and 2021. In addition, expectations of improvement in GDP and the entire macroeconomy bring good prospects for the short, medium and long term for the chain. Livestock farmers must increasingly seek property management solutions (new generation x availability of technology) to control risks and increase productivity.

Companion Animals

For companion animals, the factors to be considered are the increase in the number of companion animals in Brazilian homes: the age group of the fastest growing population is between 30 and 49 years old; the average number of children per woman has drastically dropped; the number of elderly people has risen; there is an increase in households with only one person, according to the National Household Sample Survey and the total number of pets in the country, according to Abinpet reaches 78 million, of which 54.2 million dogs and 23.9 million cats (Source: Instituto Pet Brasil).

According to the Instituto Pet Brasil, the turnover from retail sales in the Pet sector worldwide was approximately US$ 124.6 billion in 2018. The top ten markets in the Pet sector in the world represent 75.4% of the total.



The United States market stands out, which accounts for more than 40% of retail sales in the sector worldwide.

Brazil ranks as the second main market with a 5.2% share reaching in 2018. The United Kingdom and Germany follow it closely, with a 4.9% share each.

Despite the fact that the total number of pets in the United States is 184 million (90 million dogs and 94 million cats according to APPA), there is still a great potential to be explored in the Brazilian market. Allied to the market potential is the fact that the relationship between families and their pets has become increasingly emotional.

The change in pets' status is evident. They are no longer seen as pets to become family members, and no one leaves "loved" being without essential items, such as food, bath, health care, vaccines, etc.

With the purpose of comprehensively understanding the PET market, the H2R PET Radar survey investigated the affective relationship that dog and cat owners have with their pets and, through clustering, defined three distinct profiles of pet owners, based on emotional aspects: Pet Lovers (55%), Pet Friends (21%) and Detached (24%), with Pet Lovers and Pet Friends unable to imagine life without their Pets (average of 96% agreement). Besides that, the largest cluster (Pet Lovers) is characterized by being a younger group. They are the ones who most identify themselves as pet fathers and mothers, and are also the ones most likely to spend on products in the category. They do a lot of research and take what the vet says very seriously, as they are the most concerned with the health of the animals.

The survey also concluded that it does not appear that the continued progress of the pet medication industry is due solely to the increase in households with PETs or the increase in the number of PETs per household, but mainly to the way of seeing and relating to dogs and cats.

In its purpose of Reimagine Animal Health, Ourofino works towards the longevity of companion animals, seeking continuous innovation, and is directly inserted in this context.

This whole panorama and the change in the population profile enable the Pet market to expand significantly, which has been observed with an average annual growth of approximately 17.5% between 2014 and 2018 (Source: Sindan).

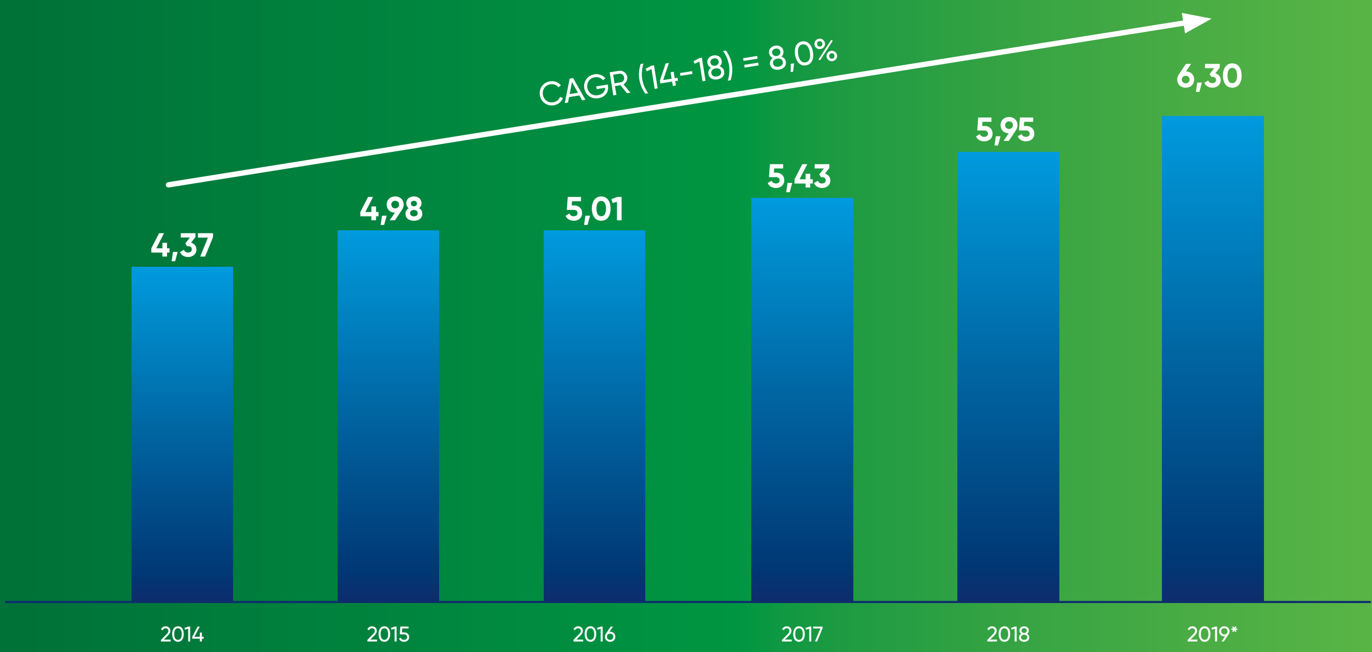
Veterinary Market Turnover

According to COINF (Veterinary Industry Information Committee - SINDAN), in 2019 the veterinary market presents a 7% evolution compared to 2018, with a nominal result close to R$ 6.3 billion for the sector, with cattle breeding having the greater responsibility for this revenue with 51% of the total business, followed by pets with (23%), poultry (13%), swine (11%) and other activities.

The result is within the projections, which, despite being just below the historical average of growth (8%) is within an expectation for the year which had an optimistic start, but which over the months was apprehensive with the postponement of approval of some important reforms to the country's economy, becoming quite heated in the final third, mainly due to the increase in protein exports and the improvement of the economy as a whole, giving a tone of optimism to the sector.

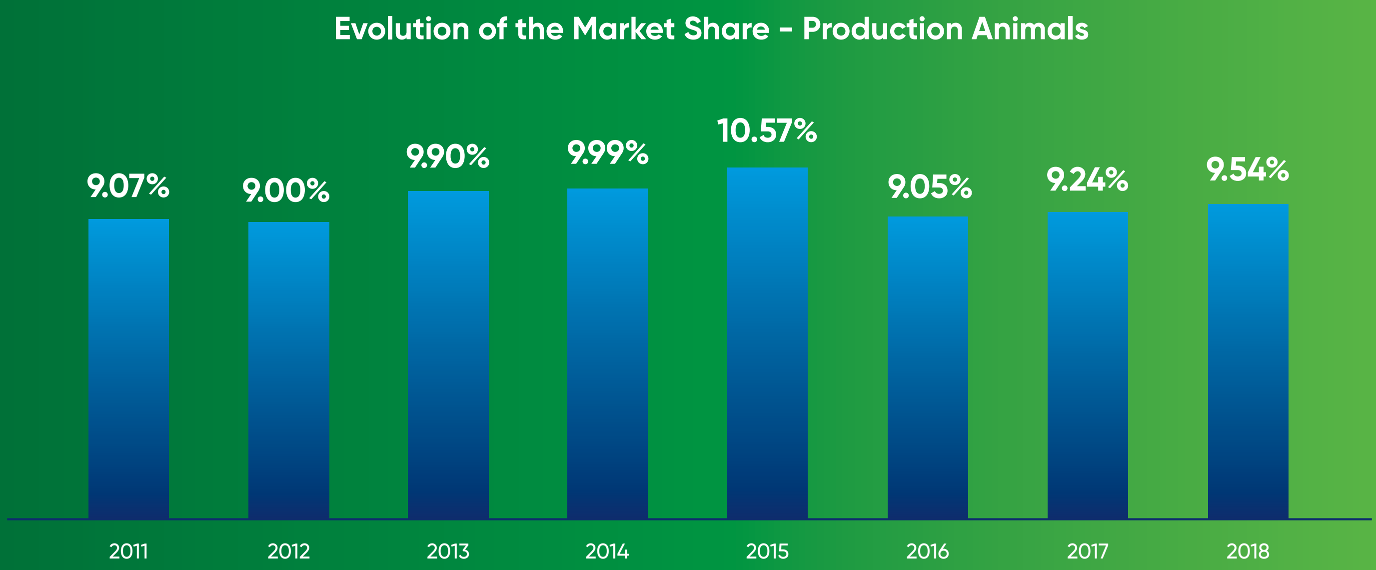
The increase in exports was also a great lever, where, despite the reduction in volume production, the beef export resulted in an evolution of nearly 13% compared to the previous year. For swine, in turn, we had an increase in production (+5%) and in exports (+14%) due to the greater demand from China. On the other hand, it is not possible to discard the intense work of industries in offering modern options, which contribute to greater protection of animals and increased productivity. This focus is constant, where the sector itself helps in this work of disseminating new technologies. In companion animals, we follow the global trends of increased care by tutors, greater longevity of pets and product launches that have contributed to evolution.

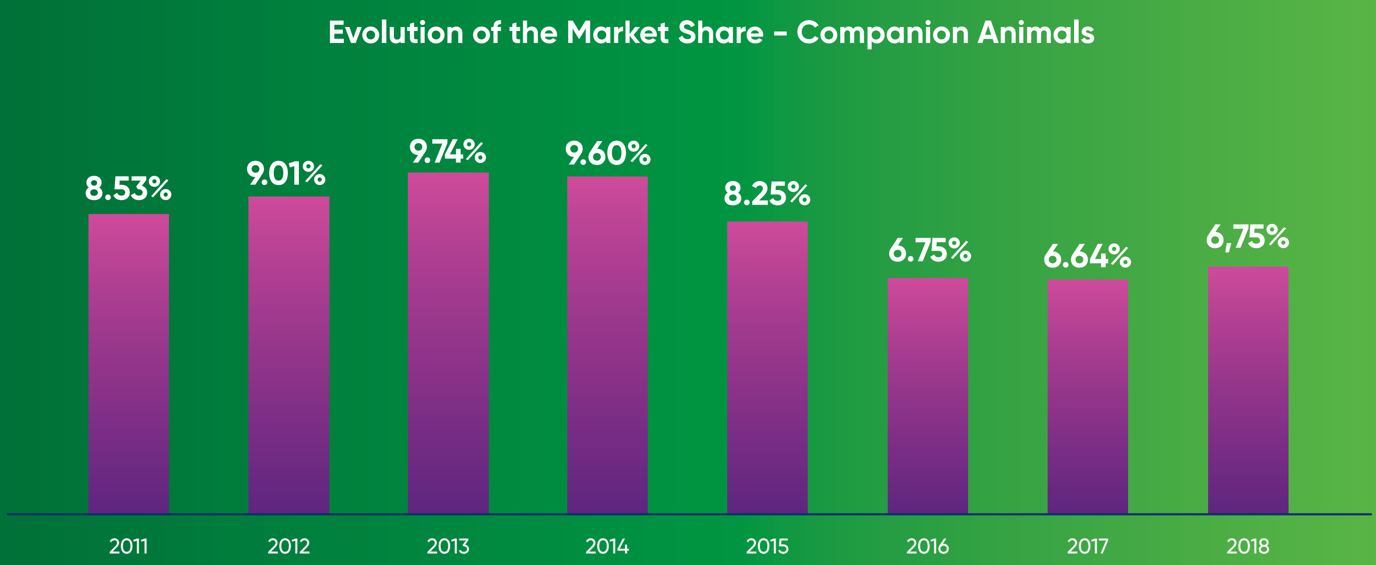
Animal Health Brazilian Industry - R$ billion



Source: Sindan (website). * 2019 estimated by COINF (Veterinary Industry Information Committee)

Evolution of Ourofino's Market Shar





Source: PPE Sindan (Ourofino)

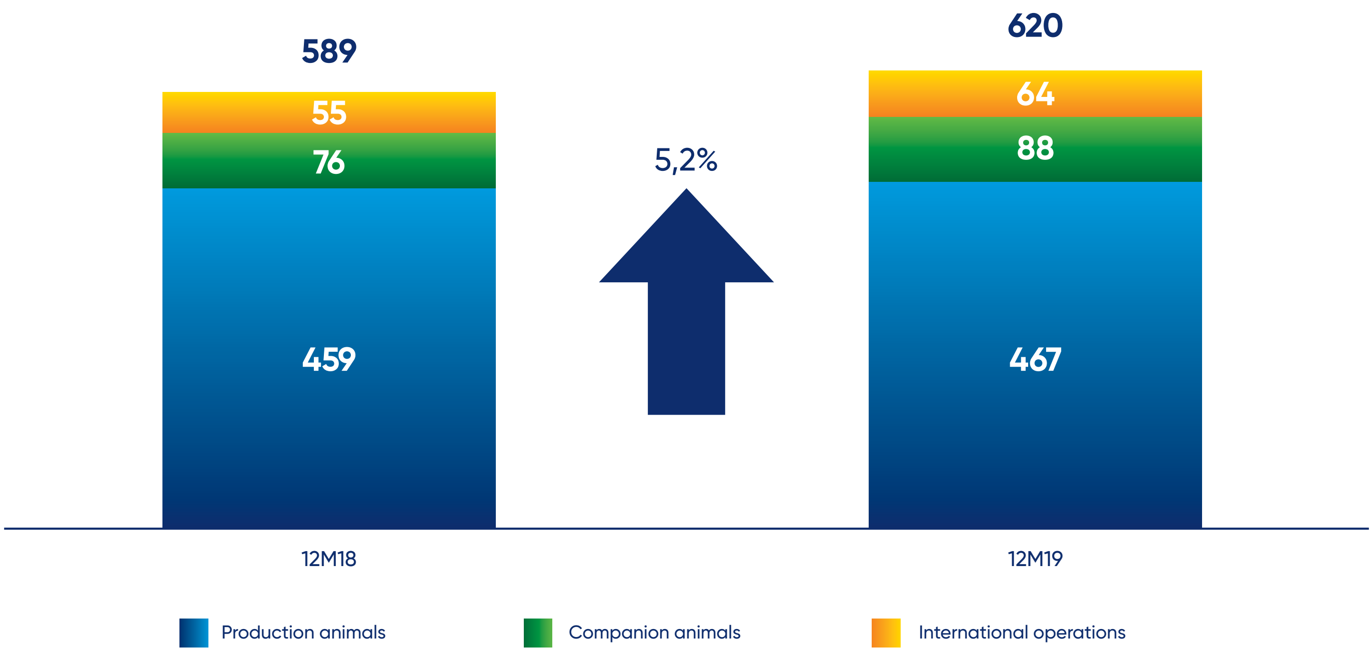
4. Financial Performance

R$ Million	12M18	12M19	% Var.
Net revenue	589.2	619.6	5.2%
Cost of the sold products*	(265.1)	(308.2)	16.3%
Gross profit	324.1	311.4	-3.9%
(gross margin)	55.0%	50.3%	-4.7 p.p.
Net expenses*	(222.7)	(238.6)	7.1%
Operational profit	101.4	72.8	-28.2%
(operating margin)	17.2%	11.7%	-5.5 p.p.
Net financial income	(15.2)	(13.8)	-9.2%
Income tax and social contribution	(15.2)	(12.4)	-18.4%
Adjusted profit	71.0	46.6	-34.4%
(adjusted profit margin)	12.1%	7.5%	-4.6 p.p.
Adjusted EBITDA	131.7	107.2	-18.6%
(adjusted EBITDA margin)	22.4%	17.3%	-5.1 p.p.

(*) In 2018, it does not consider provision for contingencies and outdated tax credits (both from previous financial years). In 2019, it does not consider non-recurring expenses of EY consultancy, expenses with defense of tax assessment notice in 2014, provision for non-payment of advances to suppliers and outdated tax credits (both from previous financial years). The events had their respective tax effects.

Net Revenue

R$ Million	12M18	12M19	% Var.
Net revenue from sales	589.2	619.6	5.2%
Production animals	458.6	467.1	1.9%
Companion animals	75.6	88.2	16.7%
International operations	55.0	64.3	16.9%



The Company presented net revenue of R$ 619.6 million in 12M19, an increase of 5.2% compared to 12M18.

- The Production Animals segment presented net revenue of R$ 467.1 million in 12M19, an 1.9% growth compared to 12M18, in a scenario which has not yet seen the animal health market reflecting the good moment in the animal protein sector (with price increases and export volumes) in the subsegments where the Company is most relevant.
- The Companion Animals segment had net revenue of R$ 88.2 million in 12M19, an 16.7% increase compared to 12M18. The results are the consequence of volume increases, mostly, but also of price gains, both possible due to the improvement in customer positivity, the Company's communication with the final consumer and the continuity of the development strategy of the team of technical consultants to enhance the generation of demand.
- The International Operations segment presented a net revenue of R$ 64.3 million in 12M19, an increase of 16.9% compared to 12M18, with volume gains, accompanied by price increases and favorable exchange rates. The volume and price increases in Colombia drove a 23.7% growth in net revenue, disregarding the negative impact of the exchange rate, and associated with the increase in the number of points of sale reached in the country. In Mexico, there was an increase of 11.4% in 12M19 compared to 12M18, favored mainly by the positive impact of the exchange rate and price gains.

Gross Profit and Gross Margin

R$ Million	12M18	12M19	% Var.
Gross profit	324.1	311.4	-3.9%
(gross margin)	55.0%	50.3%	-4.7 p.p.
Gross profit for production animals	236.0	212.4	-10.0%
(gross margin for production animals)	51.5%	45.5%	-6.0 p.p.
Gross profit for companion animals	53.2	61.1	14.8%
(gross margin for companion animals)	70.4%	69.3%	-1.1 p.p.
Gross profit for international operations	34.9	37.9	8.6%
(gross margin for international operations)	63.5%	58.9%	-4.6 p.p.

The gross margin in 12M19 was 50.3%, a decrease of 4.7 p.p. compared to 12M18, mainly due to the lower dilution of the factory in 2019 compared to 2018, the year in which the minimum stock policy was revised with a consequent increase in production, in order to meet the established minimum limits.

- The Production Animals segment had a gross margin of 45.5% in 12M19 with a decrease of 6.0 p.p. compared to 12M18, due to the less use of manufacturing capacity.
- The Companion Animals segment had a gross margin 69.3% in 12M19, a decrease of 1.1 p.p., also reflecting the increase in manufacturing idleness.
- The International Operations segment had a gross margin of 58.9% in 12M19, a decrease of 4.6 p.p., with negative impacts from the dilution of factory costs

Selling, General and Administrative Expenses

R$ Million	12M18	12M19	% Var.
Sales, general and administrative expenses and others	(222.7)	(238.6)	7.1%
Percentages on the net revenue	37.8%	38.5%	0.7 p.p.

The sales, general and administrative expenses in 12M19 totaled R$ 238.6 million, an increase over revenue of 0.7 p.p. compared to 12M18. The allocation of R&D expenditures as expenses was R$ 12.0 million higher in 12M19 compared to 12M18, with a consequent impact on the dilution of expenses in relation to the net revenue.

EBITDA and EBITDA Margin

R$ Million	12M18	12M19	% Var.
Adjusted net profit	71.0	46.6	-34.4%
(+) Non-recurrent results*	(2.2)	(0.4)	-81.8%
Net profit for the period	68.8	46.2	-32.8%
(+) Net financial result	15.2	13.8	-9.2%
(+) Income tax and social contribution	14.0	11.7	-16.4%
(+) Depreciation and amortization	25.5	24.9	-2.4%
EBITDA	123.5	96.6	-21.8%
(+) Non-recurrent effects*	3.4	1.1	-67.6%
(+) Others	4.8	9.5	97.9%
Adjusted EBITDA	131.7	107.2	-18.6%
Net revenue from sales	589.2	619.6	5.2%
EBITDA margin	21.0%	15.6%	-5.4 p.p.
Adjusted EBITDA margin	22.4%	17.3%	-5.1 p.p.

(*) In 2018, it does not consider provision for contingencies and outdated tax credits (both from previous financial years). In 2019, it does not consider non-recurring expenses of EY consultancy, expenses with defense of tax assessment notice in 2014, provision for non-payment of advances to suppliers and outdated tax credits (both from previous financial years). The events had their respective tax effects.

In 12M19, the adjusted EBITDA was R$ 107.2 million with a margin of 17.3%, a decrease of 5.1 p.p. compared to 12M18. More importantly, the reduction in adjusted EBITDA can be attributed to the impact on gross margin, due to the lower use of the plant in 2019.

Financial Result

R$ Million	12M18	12M19	% Var.
Net financial income	(15.2)	(13.8)	-9.2%

In 12M19, the net financial expenses amounted to R$ 13.8 million, a decrease of 9.2% compared to 12M18. This decrease is associated with a 1.3 p.p. reduction in the average debt cost to 5.91% p.a. in 2019, following indexes such as CDI and TJLP.

Income Tax and Social Contribution

R$ Million	12M18	12M19	% Var.
Income tax and social contribution	(15.2)	(12.4)	-18.4%
Percentage on the Profit before IR and CS	-17.6%	-21.0%	-3.4 p.p.

The income tax and social contribution in 12M19 was R$ 12.4 million, compared to R$ 15.2 million in 12M18. It should be noted that the calculation of income tax and social contribution is made on tax bases that differ from the accounting result.

Net Profit

R$ Million	12M18	12M19	% Var.
Adjusted profit	71.0	46.6	-34.4%
profit margin	12.1%	7.5%	-4.6 p.p.

The adjusted net income for 12M19 totaled R$ 46.6 million with a net margin of 7.5%, a decrease of 4.6 p.p. compared to 12M18. These results reflect the drop in margins due to the previously commented factors, added to the allocation of R&D expenditures as expenses.

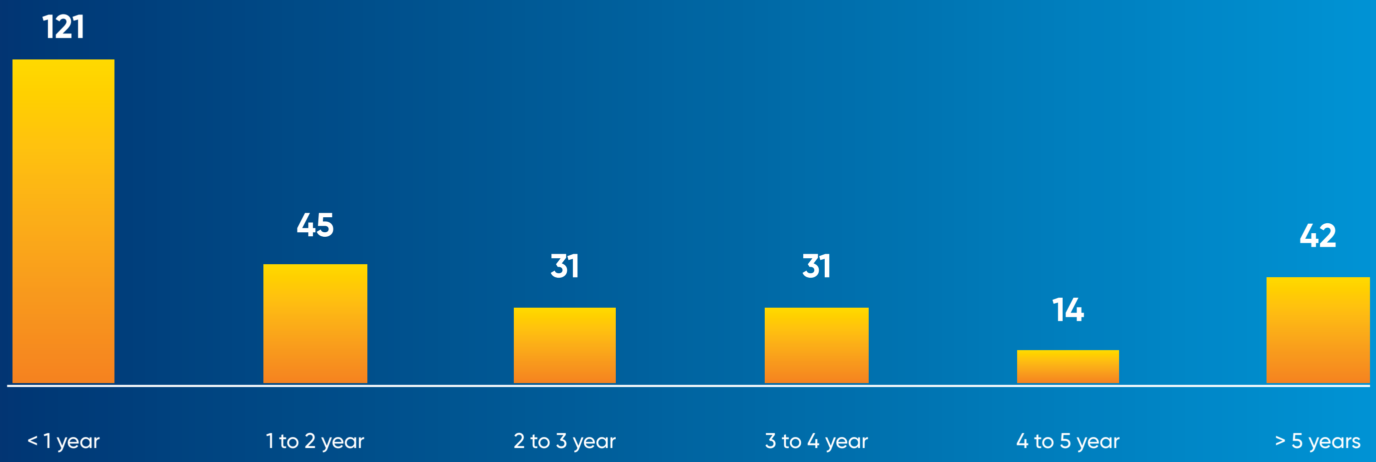
Indebtedness

In R$ million	December 31st, 2018	December 31st, 2019
Current	76.4	118.2
Non-current	211.1	162.9
Gross Debt	287.5	281.1
Bound derivative financial instruments	-	2.3
Gross Debt considering bound derivatives	287.5	283.4
(-) Cash and cash equivalents	65.2	45.0
Net Debt	222.3	238.4

Average debt cost (year)[1]	7.22%	5.91%
Net debt/adjusted annual EBITDA LTM	1.69	2.22

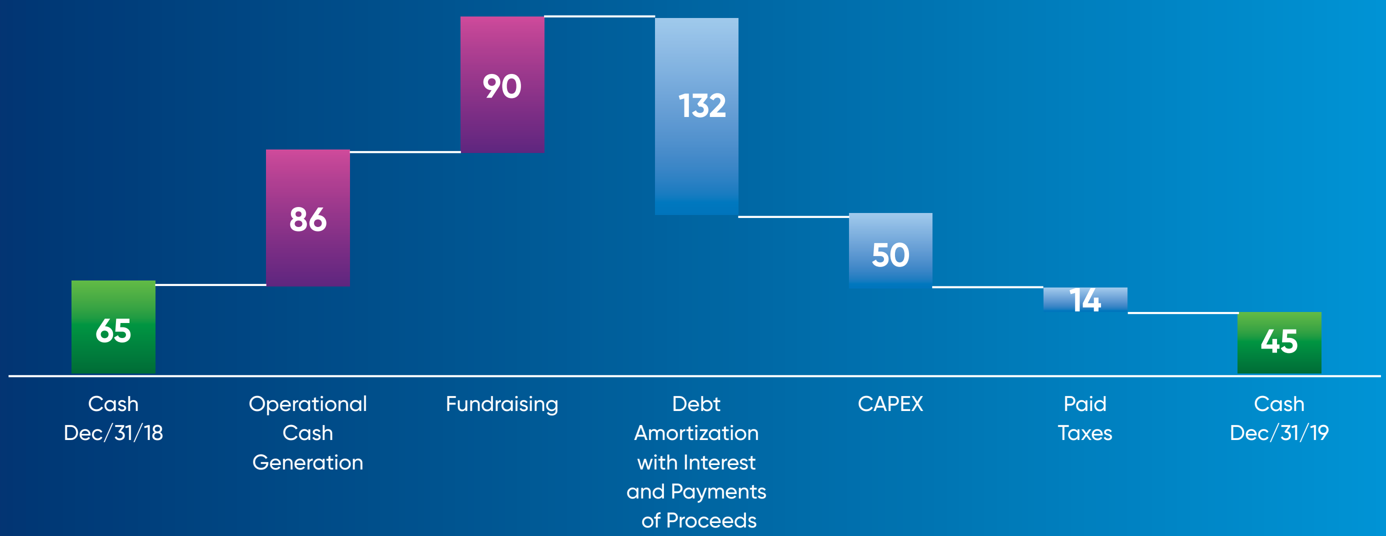
[1]Net bank debt considering bound derivatives and bank guarantee costs.

Aging of the bank Indebtedness*



*It considers the period from 1 January to 31 December and debts Plus derivatives.

Cash Position



In 12M19, there was an operational cash generation of R$ 86 million, with debt amortization, interest payments, and earnings totaling R$ 132 million. The funding amounted to R$ 90 million and the debt profile is 60% of gross debt in the long term. The average debt cost on December 31st, 2019 is 5.91% p.a., accounting for the costs of derivatives and associated guarantees.

5. Animal health medicine factory

Considered one of the most modern and complete factories in Latin America, with approximately 24,840 m^2 of built area.

It has the pharmaceutical forms of production: Foot-and-mouth disease vaccine, grade 4 in biosafety, one of the highest levels in the world. Production of solid (tablets and powders), semi-solid (creams and ointments), liquid (solutions), injectable, hormonal medicines and the newest achievement in the production of Biological Vaccines.

The project was conceived according to the precepts of the "Good Manufacturing Practices (GMP)". Concepts of the applicable rules of the Ministry of Agriculture (MAPA) are met, incorporating concepts from the strictest global regulatory standards, such as those issued by the "Food and Drugs Administration - FDA", of the United States, and by the "European Medicines Agency – EMA", of the European Union.

Pharmaceutical factory
6.680 m^2

Hormone factory
820 m^2

Foot-and-mouth disease vaccine factory
5.651 m^2

Biological medicine factory and quality control
6.482 m^2

Animal pesticides factory
1.900 m^2

Warehouse
6.801 m^2

6. Research and Development - R&D

One of the main goals of the group is to remain at the technological forefront of the segment, continuously investing in research and development. The R&D structure has internal laboratories for the research and development of new products and an internal multidisciplinary team with approximately 107 people, composed of veterinarians, pharmacists, chemists, biologists, biotechnologists, engineers and administrators.

Launches in 2019

Safesui Circovírus: The definition of circovirus vaccine has been updated.

Indication: Safesui Circovírus is intended to the immunization of healthy piglets from 3 weeks old, as an adjuvant measure in the prevention of Swine Circovirus and Porcine Circovirus Associated Diseases (PCVAD).

Therapeutic Class: Biological

Segment: Swine

Ativi UC-II®: Multiplying unforgettable moments is what drives this relationship.

Indication: The product Ativi 40 mg is a dietary supplement for dogs and cats used for the supplementation of collagen and the following minerals: copper, zinc, manganese and selenium, components which provide nutritional support to the metabolism of joint structure construction. Supplementation with Ativi 40 mg is recommended whenever there is a need to add the components of its formulation, such as in animals submitted to constant exercise, growing animals, geriatric animals or in special conditions.

Therapeutic Class: Supplement

Segment: Pet

7 . Corporate Governance

New market

We conducted our initial public offering (IPO) in October 2014, participating in B3's New Market, following the stock exchange with the highest requirements in relation to transparency and corporate governance practices. The listing in this special segment implies the adoption of a set of corporate rules that expand the rights of shareholders, in addition to the adoption of a more transparent and comprehensive information disclosure policy.

Board of Directors/ Statutory Board

The board of directors is composed of six members, four of whom are external and independent, according to the definitions of new market. The Company's statutory executive board is composed of two officers. The list with the name, position description and brief curriculum of the directors and officers can be found on the Company's Reference Form, in the investor relations section on the website www.ourofino.com/ri.

Supervisory board

The supervisory board is an inspection body independent from the executive board and the board of directors, which seeks, through the principles of transparency, equity and accountability, to contribute to the better performance of the organization. It consists of three external and independent members and their duties are provided for in Article 163 of Law 6.404/76 and in the Company's Bylaws.

Statutory audit committee

Advisory consultative body, directly linked to the board of directors, in order to: (i) analyze the contracting and dismissal of the independent audit, (ii) review and supervise the activities of the internal and external audit, (iii) monitor the quality and integrity of internal control mechanisms and accounting information, (iv) assess and monitor risk exposure, and (v) assess and monitor, along with the Management and internal audit, the adequacy of transactions with related parties. Currently, the audit committee is composed of three independent external members elected by the board of directors, chaired by an independent member of the board of directors.

Human resources committee

Advises the board of directors in the definition of the Company's human resources policies, structures and practices, as well as recommendations on strategies and criteria for compensation and benefits for employees, directors and managers and proposals for criteria for evaluating the performance of the Company's officers. The Human Resources Committee has three members elected by the board of directors, of which one must be the chairman of the Company and at least one full member of the board of directors, who is the president of the Committee.

Relationship with independent auditors

In compliance with CVM Instruction 381/03, the Company and its subsidiaries adopt as a formal procedure, prior to contracting other professional services other than those related to external accounting auditing, to consult the independent auditors, in order to ensure that the performance of the rendering of these other services does not affect their independence and objectivity, which are necessary for the performance of the independent audit services. In this context, during the year ended December 31st, 2019, no additional services were contracted.

Arbitration

By the New Market Regulation, and by the Company's Bylaws, the controlling shareholder, the administrators, the Company itself and the members of the supervisory board must undertake to resolve any and all disputes or controversies related to or arising from these rules of the Regulations of the New Market, the New Market Participation Agreement, the Commitment Clauses, especially regarding their application, validity, effectiveness, interpretation, violation and their effects, through arbitration. Disagreements regarding the sale of the Company's control will also be resolved by arbitration.

Statutory board statement

In compliance with item VI of Article 25 of CVM Instruction No. 480/09, the directors of Ourofino declare that they discussed, reviewed and agreed with the opinions expressed in the opinion of the independent auditors and with the financial statements for the financial year ended on December 31, 2019.

8. Human Resources and Sustainability

In 2019, the Department of Human Resources and Sustainability (RHS) continued the actions initiated in 2018, seeking integrated alignment with the business and practical solutions to the people, with the beginning of the activities of the People Master Plan. The actions are aimed at improving the organizational environment, meritocracy, attraction and retention, development plans, evolution of the Performance Management model, initiatives aimed at life quality, among others. With regard to performance management, in order to give greater strength to the goal-setting process, it had the support by Falconi consultancy in the first half.

Also in line with the engagement process of the internal public, there was a continuation of the Dialogues with HR Program, aiming to identify the main needs of our internal public and act in the resolution of problems with potential impact on the teams' results. The program has the main purpose of actively listening to the employees, with the creation of action plans to the raised points, when applicable, and in line with the Company's values/pillars.

In parallel, the company carried out strategic planning for the next 5 years, which was conducted with the support of EY- Parthenon consultancy. In this context, two main strategic focus pillars in the HRH area were defined: culture and organizational structure, with the development of long-term plans. It is worth mentioning the progress made in the work on the organizational structure, which brought changes to the Company's organizational chart, aiming at enabling a better execution of the defined strategy, through alignment between areas.

9. Social Responsibility

In 2019, we joined the UN Global Compact, assuming the responsibility of contributing to the achievement of the global sustainability agenda. This voluntary initiative provides guidelines for promoting sustainable growth and citizenship, through committed and innovative corporate leaders.

Building, Nurturing Relationships, Involving and Collaborating are some of the most evident purposes in the way the Ourofino Group understands its social role in relation to its stakeholders. Aware of its role, the Company contributes to the SDGs (sustainable development goals) through our social programs and projects.

The Ourofino Group invests in social projects for the benefit of different segments of society.

Part of the investment is related to the Tax Incentive Law, through the Rouanet Law, Sports Incentive Program (PIE), Cultural Action Program (ProAc), National Support Programs for Cancer Care (Pronon) and the Health of People with Disability (Pronas), Municipal Council for the Rights of Children and Adolescents (CMDCA) and Municipal Fund for the Elderly of Ribeirão Preto.

The other part of the investment has its support enabled through Private Social Investment, including projects of national reach, such as the Abrinq Foundation, the Association of the Visually Impaired of Ribeirão Preto, Projete, Ecobolsas, Equoterapia, Adestrador Mirim and others from the local community.

The Company also has a volunteer group which is part of the Viva Mais program. In 2019 we restructured the volunteering action pillars, which are:

Citizenship: Fundraising campaigns and visits to philanthropic entities.

Education: Promotion of professional training activities in the communities where Ourofino operates.

Animal Health: Promotion of activities which take the animal cause to all audiences; and Partnerships with NGOs and Institutions whose mission is to care for animals.

The company continues to invest in this business model and foresees to continue increasingly advancing in actions focused on reducing social and environmental impacts and risks.

10. Health, Safety and Environment

We remain committed to developing actions focused on the reduction of relevant environmental impacts and the survey of occupational hazards and risks in our operations and throughout our value chain, reinforcing our commitment to promote sustainable growth in a conscious and transparent manner, adding value to the business.

In 2019, we continued with the monitoring of Greenhouse Gas (GHG) emissions and, already focused on this management, we identified the opportunity to improve the energy efficiency of the processes, reducing emissions. Thus, in 2019 we started the assembly of the Cold Water Central (CAG), where we will perform the exchange from the screw chillers to the centrifuges, bringing estimated savings of 6% of the Company's total power.

Seeking to improve and add value to the Company, the environment sector works with companies in the market which combine excellence in service rendering at acceptable costs. The purpose is to unify, whenever possible, compliance with legislation regarding waste management, generating revenue for the company. Investments are also made in the effluent treatment system, adapting its units to absorb and address future demands due to increased production.

The National Solid Waste Policy, instituted by Law No. 12.305/10, and also according to SMA State Resolution No. 45/15, establishes that manufacturers, importers, distributors and traders are required to structure and implement a reverse packaging logistics system after the use, regardless of the availability of the public urban cleaning service. For such purpose, companies associated with SINDAN (National Union of the Animal Health Products Industry), along with FIESP (Federation of Industries of the State of São Paulo) and Eu Reciclo, signed a Term of Commitment for Reverse Logistics - TCLR initially covering the State of São Paulo. In the year 2019, Ourofino collected and allocated, in a correct and acceptable form, 15.8 tons of post-consumer product packaging, meeting the provisions of the Board Decision No. 076/2018C, by establishing the target for collection of 22% all the generated packages.

In 2019, we carried out the LAIA (Environmental Aspects and Impacts Survey), a fundamental premise in mapping sensitive activities and areas which, due to their nature, need mechanisms to mitigate possible damages to natural resources. An action plan will be developed, in which multidisciplinary teams will be involved in order to reduce and/or eliminate significant environmental impacts.

The collection and proper treatment of post-consumer packaging contributes to the preservation of natural resources and reduces possible occupational damage. We maintain our business model close to the producer through our commercial team and different communication channels, thus promoting an understanding of performance improvements resulting from the correct use of products which generate greater efficiency and care in handling.

The prevention of risks at work is continuous, and has brought positive results involving the employees' awareness regarding safe practices: use of personal protective equipment (PPE), collective protective equipment (EPCs), specific training for the various developed activities, in addition to complying with safety procedures in line with the production processes.

We carried out the Occupational Hazards and Risks Survey (LPRO) in order to map all the hazards and risks of the facilities, generating an action plan to mitigate and even eliminate them.

Regarding the improvement of our employees' life quality, we have activities in the health field, such as the family doctor who sees patients in the company, aiming at anticipating health risk situations and consequent promotion of well-being.

Additionally, we included Sustainability actions in the Internal Week for the Prevention of Work-Related and the Environmental Accidents - SIPATMAS, promoting even more awareness and sensitization of our employees through involvement in health campaigns, accident prevention, occupational diseases, environment and sustainability. We map the risks of the areas with greater accuracy, conduct emergency drills in order to train the emergency brigade, in addition to involving employees in the company's Emergency Plan.

During the Internal Week for the Prevention of Work-Related Accidents, Environment and Sustainability (SIPATMAS), we held the 1st Workplace Health and Safety Workshop with themes dedicated to leadership.

All the actions mentioned above are in line with the People Master Plan (PDP) defined in the Health, Safety and Environment dimension.

11. Final remarks

The Company's Management and its employees are confident and committed to the execution of the strategy, in order to sustain the growth and continuity of the business and deliver value to the various stakeholders. We are thankful for the trust and partnership of the customers, suppliers, financing agents and shareholders, for such an important partnership which contributes to the achievement of our purpose of reimagining animal health.

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