

(A free translation of the original in Portuguese)



# Earnings Release 1Q16

- Net revenue increased by 12.6% in 1Q16, totaling R\$ 98 million against R\$ 87 million in 1Q15
- Launch of 2 new products in the quarter

## Conference Call

**In Portuguese with simultaneous translation into English**

May 11, 2016

3:00 P.M. (BRT) / 2:00 P.M. (US EST)

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## Earnings Release 1Q16

Cravinhos, May 10, 2016 – Ouro Fino Saúde Animal Participações S.A. (“Company” or “Ouro Fino”) (BM&FBovespa: OFSA3), which is mainly engaged in the research, development, production and sale of veterinary drugs, vaccines and other products for production and companion animals, announces its financial results for the period ended March 31, 2016 (1Q16).

### MESSAGE FROM MANAGEMENT

As planned, in the 1st quarter of 2016 we placed some strategic actions in the units of production animals and companion animals, aiming at increasing in the following periods, the levels of profitability and return to stockholders. We would emphasize our efforts to pass on price increases, aware that this action would result in natural adjustments of the market. Passing on price increases was combined with the fact that the 1st quarter usually presents a lower percentage of revenue and profitability resulting in less dilution of expenses and fixed costs, which were more in line with 4Q15. Accordingly, our total revenues increased 12.6%, reaching R\$ 98.0 million.

In the production animals segment, changes were made to our sales structure, with the expansion of regional strategic units and renewal of the team, with a view to maximizing business generation potential, resulting in an increase consistent with our expectations. We achieved a growth of 9.7% in 1Q16, and revenues totaled R\$ 74.8 million.

As regards companion animals, in March "Ourofino Pet Distribution" started its direct sales to pet shops and vet clinics in Southern and Western regions of the city of São Paulo. Also, the replacement of two distributors in key regions took place. Among our segments, this is the one that is more exposed to the current macroeconomic situation in Brazil. As a result, revenues decreased by 5.4% to R\$ 14.1 million, but we obtained a suitable structure to grow in the coming periods.

The strategic internationalization process remains steady, and we are reaping the rewards of the structuring efforts carried out during 2015 in Mexico and Colombia. As a result, total revenues from international operations totaled R\$ 9.1 million, an increase of 133.3% in comparison with 1Q15.

In line with our strategy of growth through innovation, we launched two more products for production animals: Resolutor, an injectable marbofloxacin-based antimicrobial for the treatment of respiratory problems in cattle and pigs, and Ourovac Raiva, a vaccine against rabies in cattle and the first product of the new vaccine portfolio, which, initially, has been bottled at the FMD vaccine plant. In addition, we created an internal M&A structure for conducting selective analyses of market opportunities, including the acquisition of technology platforms.

We would also point out that the construction of the new plant of biological products is on schedule, and production is expected to start in the beginning of 2017.

We are optimistic about the strategic actions placed and the important role that those actions will play in the following periods.

Dolivar Coraucci Neto  
CEO

Fábio Lopes Júnior  
CFO and Chief Investor Relations Officer



## Earnings Release 1Q16

### FINANCIAL PERFORMANCE

<i>R\$ million</i>	1Q15	1Q16	Variation %
Net revenue	87.0	98.0	12.6%
Cost of sales	(35.7)	(45.9)	28.6%
<b>Gross profit</b>	<b>51.3</b>	<b>52.1</b>	<b>1.6%</b>
<i>(gross margin)</i>	59.0%	53.2%	-5.8 p.p.
Expenses*	(41.7)	(50.7)	21.6%
<b>Operating profit</b>	<b>9.6</b>	<b>1.4</b>	<b>-85.4%</b>
<i>(operating margin)</i>	11.0%	1.4%	-9.6 p.p.
Finance result, net	(0.7)	(4.6)	557.1%
Income tax and social contribution*	(1.4)	1.4	-200.0%
<b>Adjusted profit (loss)</b>	<b>7.5</b>	<b>(1.8)</b>	<b>-124.0%</b>
<i>(adjusted profit (loss) margin)</i>	8.6%	-1.8%	-10.4 p.p.
<b>Adjusted EBITDA</b>	<b>14.0</b>	<b>6.6</b>	<b>-52.9%</b>
<i>(adjusted EBITDA margin)</i>	16.1%	6.7%	-9.4 p.p.

(\*) Does not consider expenses with the provision for impairment of trade receivables, which are considered non-recurring.

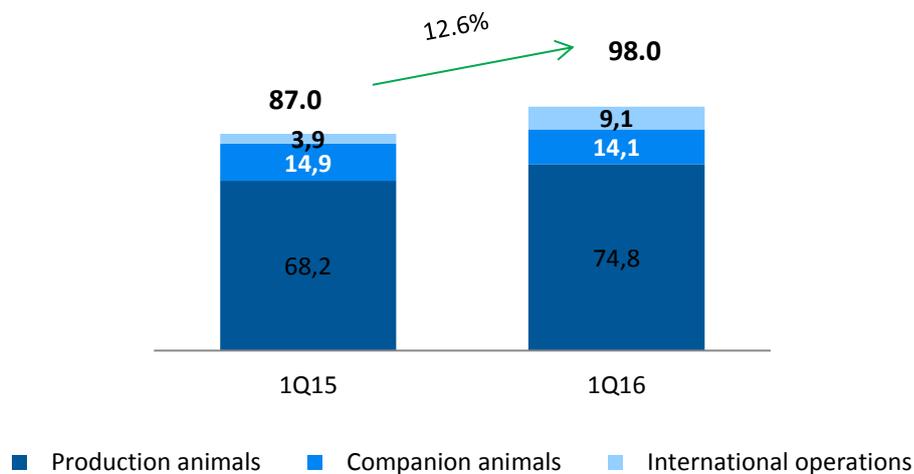
### Net revenue

<i>R\$ million</i>	1Q15	1Q16	Variation %
<b>Net sales revenue</b>	<b>87.0</b>	<b>98.0</b>	<b>12.6%</b>
Production animals	68.2	74.8	9.7%
Companion animals	14.9	14.1	-5.4%
International operations	3.9	9.1	133.3%



## Earnings Release 1Q16

### Net Revenue - Evolution R\$ million



The Company presented net revenues of R\$ 98.0 million in 1Q16, an increase of 12.6% in comparison with R\$ 87.0 million in 1Q15, as described below.

- The **Production Animals** segment had net revenues of R\$ 74.8 million in 1Q16, an increase of 9.7% in comparison with R\$ 68.2 million in 1Q15. We would point out the price increases gradually transferred during the quarter and the increase in revenues from Fixed-Time Artificial Insemination (FTAI) protocols and antimicrobials, counting on the contribution of the sales of Resolutor for these.
- The **Companion Animals** segment had net revenues of R\$ 14.1 million in 1Q16, with a decrease of 5.4% in comparison with 1Q15, substantially reflecting the Company's decision to implement the "Ourofino Pet Distribution" project, with sales as from March 2016 only, and also the impact of the adjustments to the distribution chain with the replacement of two distributors, which were partially offset by the transfers of price increases.
- The **International Operations** segment had net revenues of R\$ 9.1 million in 1Q16 against R\$ 3.9 million in 1Q15, that is, an increase of 133.3%. This growth was mainly due to the increase in the sales of subsidiaries in Mexico and Colombia, which already represent approximately 50% of exports, and also to the beginning of the exports of vaccines against foot-and-mouth disease to Latin American countries, starting with exports to Paraguay.



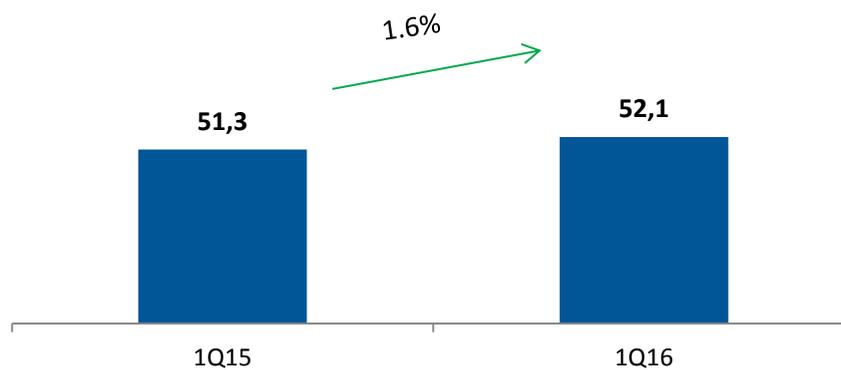
## Earnings Release 1Q16

### Cost of sales, gross profit and gross margin

<i>R\$ million</i>	1Q15	1Q16	Variation %
<b>Cost of sales</b>	(35.7)	(45.9)	28.6%
<b>Gross profit</b>	<b>51.3</b>	<b>52.1</b>	<b>1.6%</b>
<i>(gross margin)</i>	59.0%	53.2%	-5.8 p.p.

The change in gross margin in 1Q16, with an impact of 5.8 p.p. in comparison with 1Q15, is mainly due to the lower share of the companion animals segment and lower profitability of poultry and pigs segment. Also, it should be noted that the first quarter presents a lower percentage in relation to annual revenues, contributing to a lower dilution of fixed costs; additionally, it has a cost base more aligned with 4Q15, with impacts of the collective agreement and the inflation rate.

### Gross Profit R\$ million





## Earnings Release 1Q16

### Selling, general and administrative expenses

<i>R\$ million</i>	1Q15	1Q16	Variation %
<b>Selling, general and administrative and other expenses</b>	<b>(41.7)</b>	<b>(50.7)</b>	<b>21.6%</b>
<i>Percentage on net revenue</i>	<i>47.9%</i>	<i>51.7%</i>	<i>3.8 p.p.</i>

In 1Q16, selling, general and administrative expenses totaled R\$ 50.7 million. The growth of 21.6% in comparison with 1Q15, substantially reflects fixed expenses more aligned with 4Q15, increase in international trade structures and strategic changes in the domestic sales force, in line with the strategic plan of share expansion in the market where the company operates. In addition, the smaller percentage of sales in the first quarter in comparison with the other quarters of the year, due to the normal seasonality of the business, also contributed to the increase of 3.8 p.p. in expenses in relation to revenues in the period.

### EBITDA and EBITDA Margin

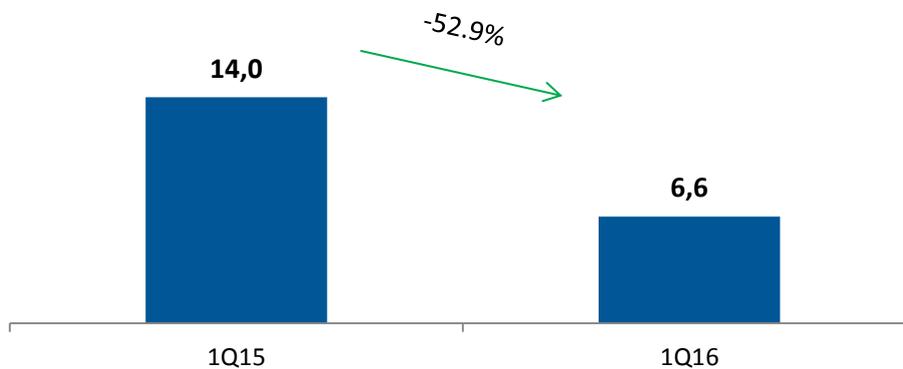
<i>R\$ million</i>	1Q15	1Q16	Variation %
<b>Adjusted profit (loss)</b>	<b>7.5</b>	<b>(1.8)</b>	<b>-124.0%</b>
(+) Non-recurring expenses, net of IRPJ/CSLL *		(1.6)	
<b>Profit (loss) for the period</b>	<b>7.5</b>	<b>(3.4)</b>	<b>-145.3%</b>
(+) Finance result, net	0.7	4.6	557.1%
(+) Income tax and social contribution	1.4	(2.2)	-257.1%
(+) Depreciation and amortization	4.4	5.2	18.2%
<b>EBITDA</b>	<b>14.0</b>	<b>4.2</b>	<b>-70.0%</b>
(+) Non-recurring expenses *		2.4	
<b>Adjusted EBITDA</b>	<b>14.0</b>	<b>6.6</b>	<b>-52.9%</b>
Net sales revenue	87.0	98.0	12.6%
<b>EBITDA margin</b>	<b>16.1%</b>	<b>4.3%</b>	<b>-11.8 p.p.</b>
<b>adjusted EBITDA margin</b>	<b>16.1%</b>	<b>6.7%</b>	<b>-9.4 p.p.</b>

Adjusted EBITDA in 1Q16 totaled R\$ 6.6 million, a decrease of 52.9% in comparison with 1Q15, with Adjusted EBITDA margin of 6.6%. As explained above, this result reflects the decrease in gross margin and an increase in selling expenses, and it is important to note the lower percentage of revenues in the first quarter against annual revenues, which did not allow the dilution of fixed cost and expense components in 1Q16, which were more comparable to 4Q15.



## Earnings Release 1Q16

### Adjusted EBITDA R\$ million



### Finance result

R\$ million	1Q15	1Q16	Variation %
<b>Finance result, net</b>	<b>(0.7)</b>	<b>(4.6)</b>	<b>557.1%</b>

Net finance costs in 1Q16 totaled R\$ 4.6 million against R\$ 0.7 million in 1Q15. This increase reflects a lower level of net debt in 1Q15, which resulted from the contribution of funds in connection with the IPO conducted in October 2014.

### Income tax and social contribution

R\$ million	1Q15	1Q16	Variation %
<b>Income tax and social contribution</b>	<b>1.4</b>	<b>(1.4)</b>	<b>-200.0%</b>
<i>Percentage on profit before income tax and social contribution</i>	<i>15.7%</i>	<i>43.8%</i>	<i>28.1 p.p.</i>

In 1Q16, income tax and social contribution had a positive effect of R\$ 1.4 million, which reflects the loss recorded in the quarter.

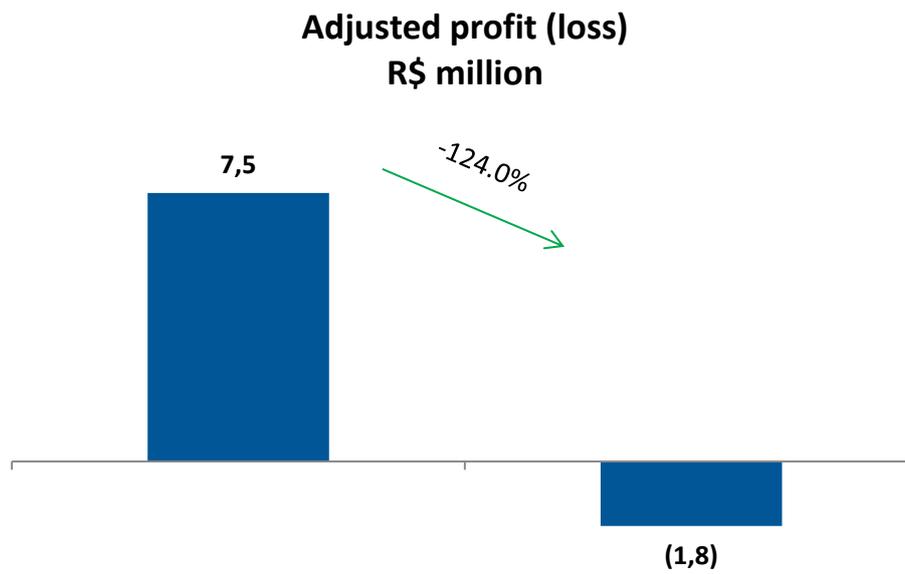


## Earnings Release 1Q16

### Profit

<i>R\$ million</i>			Variation %
<b>Adjusted profit (loss)</b>	<b>7.5</b>	<b>(1.8)</b>	<b>-124.0%</b>
<i>(profit margin)</i>	8.6%	-1.8%	-10.4 p.p.

Net losses in 1Q16 totaled R\$ 1.8 million, substantially reflecting the increase in finance costs and a lower adjusted EBITDA.





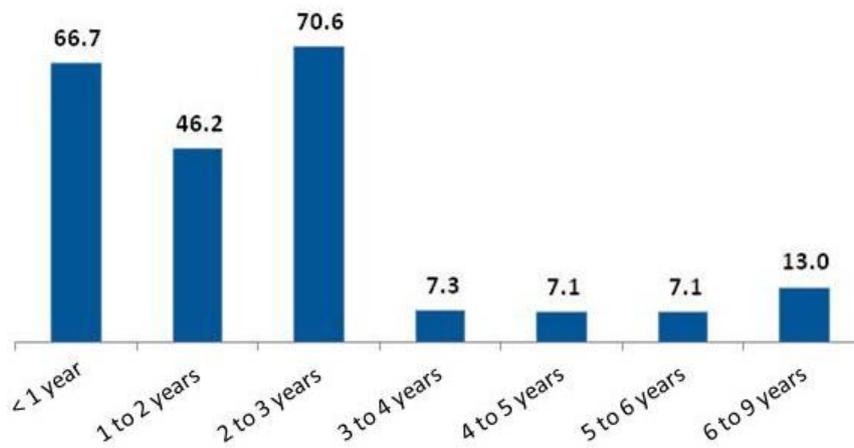
## Earnings Release 1Q16

### Indebtedness

In R\$ million	March 31, 2015	March 31, 2016
Current	87.8	66.7
Non-current	126.0	151.4
<b>Gross debt</b>	<b>213.8</b>	<b>218.1</b>
(-) Derivative financial instruments, net	7.6	(7.9)
<b>Derivatives net debt</b>	<b>206.2</b>	<b>226.0</b>
(-) Cash and cash equivalents	79.2	43.1
<b>Net debt</b>	<b>127.0</b>	<b>182.9</b>
<b>Average cost of debt (year)<sup>1</sup></b>	<b>6.10%</b>	<b>8.98%</b>
<b>Net debt/Adjusted annual EBITDA</b>	<b>1.27</b>	<b>1.64</b>

Note<sup>1</sup>: Average cost calculated on the net debt of derivatives.

### Aging of bank debt



Aging of debt considers the year between April 1 and March 30.



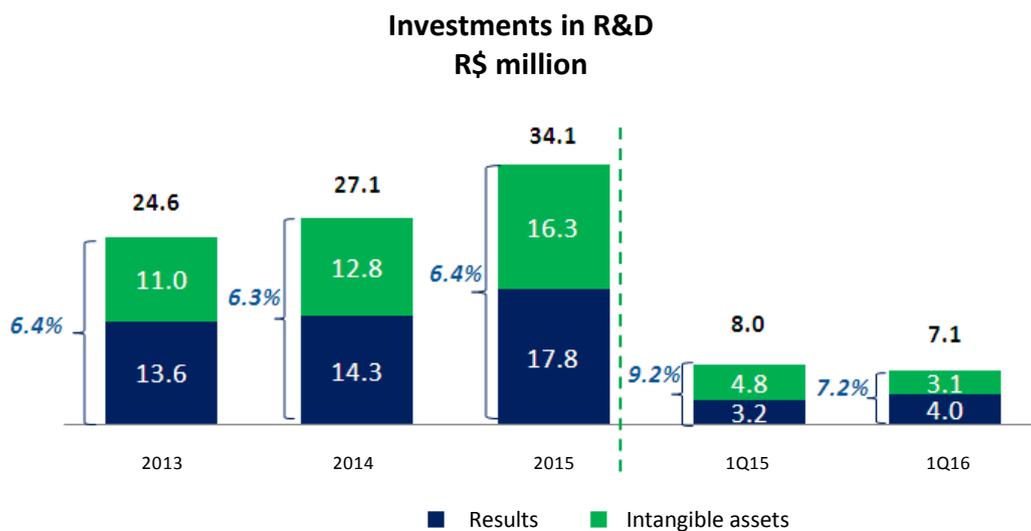
## Earnings Release 1Q16

### Launches of products

Launches in 1Q16					
	NAME	Description	Theurapetic class	Segment	Launched in
	<b>Ourovac Raiva</b>	Vaccine that stimulates an immune response to rabies infection.	Biological	Production animals	Jan/16
	<b>Resolutor</b>	Antibiotic prescribed for the quick treatment of animals, producing effects 30 minutes following application.	Antimicrobial	Production animals	Feb/16

### Investments in research and development

In 1Q16, approximately 7.2% of the net revenue was invested in R&D, totaling R\$ 7.1 million. The chart below shows the Company's total investments in R&D from 2013 to 1Q16.





## Earnings Release 1Q16

### PERFORMANCE OF THE SHARES

Ourofino shares started to be traded on the São Paulo Stock Exchange (BM&F Bovespa) on October 21, 2014 under the ticker OFSA3, at the initial price of R\$27.00. The chart below presents the behavior of the share between the first trading day (10/21/2014) and the last day of 1Q16 (03/31/2016).

OFSA3 closed the trading session on 3/31/2016 at R\$ 43.80, with a variation of 62.2% since the beginning of the session. In the same period, Ibovespa presented a devaluation of 7.8%.

**OFSA3: + 62.2%**  
**IBOV: - 7.8%**





## Earnings Release 1Q16

Statement of operations (R\$ thousands)	1Q15	1Q16
Revenue	87,044	98,030
Cost of sales	(35,716)	(45,881)
<b>Gross profit</b>	<b>51,328</b>	<b>52,149</b>
Selling expenses*	(33,117)	(41,140)
General and administrative expenses	(8,682)	(9,430)
Other income (expenses), net	45	(185)
<b>Operating profit</b>	<b>9,574</b>	<b>1,394</b>
Finance income	12,984	875
Finance costs	(3,768)	(13,235)
Foreign exchange variations, net	(9,947)	7,722
Finance result	(731)	(4,638)
<b>Profit (loss) before income tax and social contribution</b>	<b>8,843</b>	<b>(3,244)</b>
Current and deferred income tax and social contribution*	(1,338)	1,435
<b>Adjusted profit (loss)</b>	<b>7,505</b>	<b>(1,809)</b>

(\*) Does not consider expenses with the provision for impairment of trade receivables, which are considered non-recurring.



## Earnings Release 1Q16

Statement of cash flows (R\$ thousand)	1Q15	1Q16
<b>Cash flows from operating activities</b>		
<b>Profit (loss) before income tax and social contribution</b>	<b>8,843</b>	<b>(5,603)</b>
Adjustments for:		
Provision for impairment of trade receivables	60	3,336
Changes in the provision for inventory losses and write-offs	(771)	920
Depreciation and amortization	4,365	5,216
Provision for impairment of intangible assets		111
Gains (losses) on disposal of property, plant and equipment and intangible assets	(69)	428
Interest and monetary and exchange variations, net	12,065	(6,229)
Unrealized derivative financial instruments	(7,562)	10,594
Changes in the provision for contingencies	(399)	32
Share options granted	373	432
Changes in working capital		
Trade receivables	23,178	36,623
Inventories	(28,199)	(20,541)
Taxes recoverable	(466)	(2,188)
Other assets	(384)	1,957
Trade payables	15,258	(467)
Taxes and charges payable	(1,761)	(1,370)
Other liabilities	(2,501)	3,329
<b>Cash from operations</b>	<b>22,030</b>	<b>26,580</b>
Interest paid	(2,206)	(3,857)
Income tax and social contribution paid	(749)	(1,873)
<b>Net cash provided by operating activities</b>	<b>19,075</b>	<b>20,850</b>
<b>Cash flows from investing activities</b>		
Investments in intangible assets	(5,670)	(3,555)
Purchase of property, plant and equipment	(3,670)	(7,804)
Proceeds from sale of property, plant and equipment	324	387
<b>Net cash used in investing activities</b>	<b>(9,016)</b>	<b>(10,972)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	42,774	42,402
Repayment of borrowings	(55,596)	(29,485)
Realized derivative financial instruments	9,201	(2,259)
<b>Net cash provided by (used in) financing activities</b>	<b>(3,621)</b>	<b>10,658</b>
<b>Increase in cash and cash equivalents, net</b>	<b>6,438</b>	<b>20,536</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>72,453</b>	<b>23,380</b>
<b>Foreign exchange gains (losses) on cash and cash equivalents</b>	<b>291</b>	<b>(789)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>79,182</b>	<b>43,127</b>



## Earnings Release 1Q16

Balance Sheet (R\$ thousands)	12/31/2015	03/31/2016
<b>Assets</b>		
<b>Current assets</b>	<b>378,377</b>	<b>372,218</b>
Cash and cash equivalents	23,380	43,127
Trade receivables	225,740	184,967
Derivative financial instruments	22	
Inventories	109,263	127,510
Taxes recoverable	7,471	7,329
Income tax and social contribution recoverable	1,020	1,020
Related parties	1,870	1,499
Other assets	9,611	6,766
<b>Non-current assets</b>	<b>314,994</b>	<b>327,401</b>
<b>Long-term receivables</b>	<b>42,209</b>	<b>49,428</b>
Derivative financial instruments	1,713	894
Taxes recoverable	32,322	34,574
Deferred income tax and social contribution	5,558	10,494
Other assets	2,616	3,466
<b>Permanent assets</b>	<b>272,785</b>	<b>277,973</b>
Intangible assets	78,690	79,295
Property, plant and equipment	194,095	198,678
<b>Total assets</b>	<b>693,371</b>	<b>699,619</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>	<b>149,994</b>	<b>162,464</b>
Trade payables	29,450	27,557
Derivative financial instruments	1,297	4,025
Borrowings	57,260	66,705
Salaries and social charges	24,333	26,565
Taxes payable	6,585	5,526
Income tax and social contribution payable	1,873	2,329
Dividends and interest on capital	16,433	16,433
Related parties	660	81
Commissions on sales	7,313	6,422
Other liabilities	4,790	6,821
<b>Non-current liabilities</b>	<b>163,068</b>	<b>159,944</b>
Derivative financial instruments		4,766
Borrowings	159,227	151,353
Provision for contingencies	3,841	3,825
<b>Total liabilities</b>	<b>313,062</b>	<b>322,408</b>
<b>Total equity</b>	<b>380,181</b>	<b>377,118</b>
Non-controlling interests	128	93
<b>Total liabilities and equity</b>	<b>693,371</b>	<b>699,619</b>