(A free translation of the original in Portuguese)

Management Report - 2016

To Stockholders:

The management of Ouro Fino Saúde Animal Participações S.A. (the “Company”) and its subsidiaries (jointly referred to as “Ourofino” or the “Group”) submits for your appreciation the Management Report, the parent company and consolidated financial statements for the year ended December 31, 2016 and the independent auditor's report.

These financial statements have been prepared in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

MESSAGE FROM MANAGEMENT

2016 was one of the most challenging years in the history of Ourofino. Externally, we faced strong pressure from adverse macroeconomic and market conditions. Internally, we made difficult decisions to adjust to the path that will lead to better results in 2017 and subsequent years.

In 4Q16, we initiated actions to lay groundwork for the resumption of historical growth and profitability, including the sales rationalization process, with adjustments to sales conditions, which resulted in a substantial drop in revenues during the quarter. We are 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.

In 2017, we expect to achieve the results of the change in the driver of the sales team, with an incentive program that is tied to an increase in gross margin; decrease in exposure in the poultry segment; rationalization of the cattle product portfolio; and the progressive reestablishment of lower inventory levels, thus improving working capital. We would also like to mention the actions aimed at rationalizing processes and optimizing expenditures, with the Falconi consulting firm beginning its work to identify opportunities for improvement with a 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 the actions taken to make the Company better prepared to take advantage of the gradual resumption of Brazil's economic growth, which is expected to take place during 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

We would like to thank all of you for your confidence in our work.

Jardel Massari
CEO

Kleber Gomes
CFO and Chief Investor Relations Officer

Management Report - 2016

Brief History

The Company is a listed corporation headquartered in Cravinhos, state of São Paulo, and registered with the São Paulo Futures, Commodities and Securities Exchange - BM&FBovespa S.A. ("BM&FBovespa") in the Novo Mercado (New Market) category. It was established on April 10, 2014, and its objective and main activity is the investment in companies operating in the animal health industry (production and sale of veterinary drugs, vaccines and other products) through three business segments:

- Production Animals: Represents the production and sale in the domestic market of veterinary drugs (anti-inflammatory and anticoccidial drugs, antibiotics, anti-mastitis drugs, ectoparasiticides, endectocides, endoparasiticides, hemoparasiticides, inoculants, therapeutic products, products for animal breeding (FTAI), vaccines, and also additives for improving performance, probiotics, and other products for cattle, pigs, poultry, sheep, horses and goats, and the rendering of processing services for other companies operating in the same segment;

- Companion Animals: Represents the production and sale in the domestic market of veterinary drugs (anesthetics, sedatives, anti-inflammatory drugs, antibiotics, antimicrobial drugs, ear and skin products, ectoparasiticides, endoparasiticides) and other products for dogs and cats; and

- International Operations: Represents the sale in the foreign market, mainly to Latin American countries, of veterinary drugs, vaccines and other products for production and companion animals. In the Mexican and Colombian markets we act with our own team through our subsidiaries.

To serve its customers the Company has a complete portfolio of animal health products, composed of 105 veterinary products (in all pharmaceutical forms, including solid, liquid, pills, semi-solid, oral and injectable drugs, and vaccines) and approximately 4,200 customers, including agricultural product resellers, cooperatives, agribusinesses, farmers and distributors that are present throughout the national territory and abroad. Among the customers, the largest one represents about 4% of the Company's revenue, and, therefore, there is no concentration that may result in dependence on specific customers.

The economic group of which the Company today is part was established in 1987 by its founding partners, Norival Bonamichi and Jardel Massari, initially exclusively for the production of veterinary drugs and other products for production animals (cattle, horses, poultry and pigs).

In the period from 1987 to 1999, the growth was organic and substantially in the production animals products. In 2000, Ourofino took the first step towards diversification by also operating in the companion animals market (dogs and cats).

From 2001 to 2004, based on the idea that innovation and technological development are distinguishing features of strategy, Ourofino invested in the construction, in the city of Cravinhos, state of São Paulo, of a new and modern information technology and industrial complex, considering that the former facilities were no longer appropriate for the expanded operations.

In 2007, investments for entering the biological segment started, with the beginning of the construction of a modern industrial plant (factory and biosafe laboratory) for the production of vaccines against foot-and-mouth

disease. Works were completed in October 2008, and certification by the Biosafety Committee of the Ministry of Agriculture, Cattle Breeding and Supply (MAPA) was granted in December of the same year. This certification entitled Ourofino to receive virus seeds and initiate the development of the vaccine. The license for selling the vaccine was granted by MAPA in October 2010, after two years of development.

Also in 2007, Ourofino initiated the construction of the industrial plant of hormonal therapeutic products, with the objective of developing a portfolio for full Fixed Time Artificial Insemination (FTAI) protocol. Construction of the plant was completed in early 2008 and the sales of the Company's own production started in the second half of that year.

In 2014, after complying with legal requirements, the Group completed the public offering process for the primary and secondary distribution of its common shares. The public offering was carried out on the OTC market, as established in CVM Instruction 400.

In 2015, we intensified our actions in the foreign market and (i) strengthened our presence in Mexico by increasing the number of sales team members and our customer base, and (ii) in September we completed the process for acquisition of our local distributor in Colombia, with a view to expanding the Company’s presence in that country.

About the market

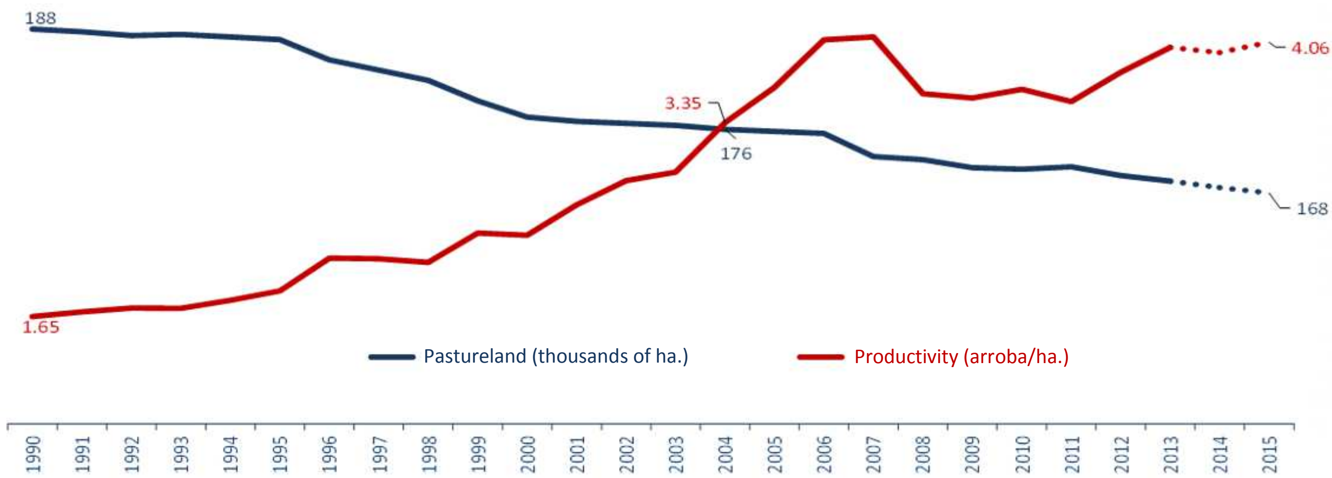
The animal health industry comprises the production and sale of veterinary drugs, vaccines and other products for production animals (ruminants, substantially beef and dairy cattle, poultry and pigs) and companion animals (dogs and cats). In this market, national and multinational companies operate, and the major multinational players also are (or have been) large companies of the pharmaceutical industry focusing on human health with global operations.

The seasonality in the sector derives mainly from factors such as the weather, the production and management system adopted, as well as regional characteristics. Considering also that in Brazil ruminants account for 54% of the total animal health market (Source: Market Information Committee (Coinf) / Brazilian Association of Animal Health Product Manufacturers (Sindan) - 2015), the seasonality is also noted due to national vaccination campaigns against foot-and-mouth disease in cattle (April/May and October/November), except for the state of Santa Catarina. Considering that vaccination is mandatory, the farmer usually tries to associate the application of other veterinary products with the FMD vaccine, thus streamlining the management of animals.

The veterinary industry segment operating in the animal protein market has excellent growth drivers. Despite being considered a developing country, the consumption of meat in Brazil is at a level similar to those observed in the wealthiest countries, and exceeds 100 kg per inhabitant per year. Until the 1970s, beef represented more than 50% of the total meat consumed by Brazilians. The second meat that was most bought was pork and chicken ranked third. As from the 1980s, however, the search for healthier food made the consumption of white meat increase. In the current decade, chicken meat has reached and even surpassed beef in the meal of Brazilians who eat, on average, 44 kg per year of this type of meat. Pork went then to the third position, considering that Brazilians consumes only 14 kg of this type of meat per year. The increase in chicken consumption as compared to the other two type of meat also related to the relatively lower price. Brazil has a great potential domestic market for meat consumption. For example, pork, when compared to the other two types of meat, is the least consumed at a country level, thus having a market to be conquered and expanded. In developed countries, the consumption of pork is approximately 70 kilos per inhabitant per year.

Beef cattle breeding is present in the national economic scenario since colonial times. In the last decades, it has developed through the expansion of the agricultural frontier, with the incorporation of new land, most of which lacking infrastructure and presenting soil erosion due to the intensive grain production system adopted. Production in Brazil has always been characterized by the extensive system. Today, there is a change in the occupation of land, as there is a strong process to expand the agricultural frontier over the area previously intended for cattle breeding. This expansion of the agricultural limits, together with the increase in land prices, will lead to a reduction in extensive cattle breeding, requiring farmers to increasingly use technology to get the best results in their properties. In this context, the increase in the search for technology becomes essential for farmers to maintain their businesses competitive in terms of profitability, considering the opportunities presented by agriculture. In recent years, with the adoption of new technologies aimed at increasing productivity, intensive production systems have developed in some regions, the so-called confinements or semi-confinements.

To measure the development of cattle breeding and its technification, it is worth analyzing the "little land" effect. With the same productivity of 1990, 419 million hectares would be required to produce the same amount of meat estimated for 2014. In 2017, we continue to believe in the development of this trend for increasing productivity.



Source: Agroconsult (2015)

The veterinary industry is set within in this environment of improved productivity, where the demand for veterinary products has potential growth as a result of the factors already described, including the low rate of technification of the farms. The use of technologies in farms relates to curative treatments and more and more based on the use of preventive therapies, when the producer who seeks higher productivity rates uses a prophylactic management through the vaccination of the livestock. In addition, another potential for spreading is the potential for genetic improvement of the Brazilian livestock, and the use of breeding protocols with Fixed Time Artificial Insemination (FTAI).

With respect to the use of FTAI protocols, which increase the productivity of the producers, there is an increasing adoption of this type of technology. The offtake rate, that is, the production in arrobas or heads in any given period in relation to the initial livestock, is an indicator of this evolution. Fifteen years ago, this rate was around 25% and today it is 39%*. It is still a low rate when compared to more developed countries, that is, the higher the offtake rate, the higher the livestock's internal production. Therefore, encouraging the use of reproductive

techniques such as FTAI presents advantages, like a greater control over management in the farms by reducing the interval between births, optimizing the use of labor, systemic monitoring of the livestock, less disposal of animals for lack of pregnancy, factors that are directly related to productivity in farms. There is, therefore, room for expansion of the market and the Company.

Source: Center for Advanced Studies on Applied Economics - Luiz de Queiroz School of Agriculture index (CEPEA – ESALQ) CEPEA (average in Brazil)

Combining products and services is a marketing trend and Ourofino considers it already in its mission, when it proposes to provide the market with the best solutions in animal health, contributing to the high performance of the protein production chain. Therefore, all the investment in technology must be accompanied by investments in labor qualification, another market opportunity explored by Ourofino through its Technical Consultant team that, among other activities, provides training courses to farmers and day visits to the field, give lectures to sales clerks, offer assisted application of the products and follow-up on the results. This team generates the demand of the Company's products for the final consumer and is also responsible for raising the needs and opportunities in the field, presenting solutions and implementing sanitary protocols and calendars.

In addition, the Brazilian livestock has undergone a genetic improvement with the increase of the use of European breeds, which bring precocity, meat quality and increased production of milk, among other advantages. The spreading of this genetics generates the use of more inputs, including veterinary drugs, considering the greater susceptibility of these animals to the sanitary challenges currently faced in Brazil.

For companion animals, the factors to be considered are the increased number of companion animals in Brazilian homes: the age group of the population that grows faster is that between 30 and 49 years; the average number of children per woman has fallen dramatically; the number of elderly has increased; the share of single-person households has risen, according to the National Household Sample Survey (PNAD), and the total number of pets in Brazil has achieved 74 million (Source: Pnad and the National Health Survey (PNS)). In addition, according to the Annual Report of the American Pet Product Association (APPA), the U.S. pet product market in 2015 was US$ 60.3 billion, and the Brazilian market, according to the Brazilian Association of Pet Product Manufacturers (Abinpet) was R$ 5.4 billion in 2015. Notwithstanding the fact that pets in the United States total 144 million, there is still a great potential to be explored in the Brazilian market. In addition to market potential, there is the fact that the relationship between families and their pets have become increasingly emotional. The change of status of pets is clear. They are no longer seen as pets, but have become family members, and no one leaves a “dear one” without basic items such as food, bath, health care, vaccines, etc.

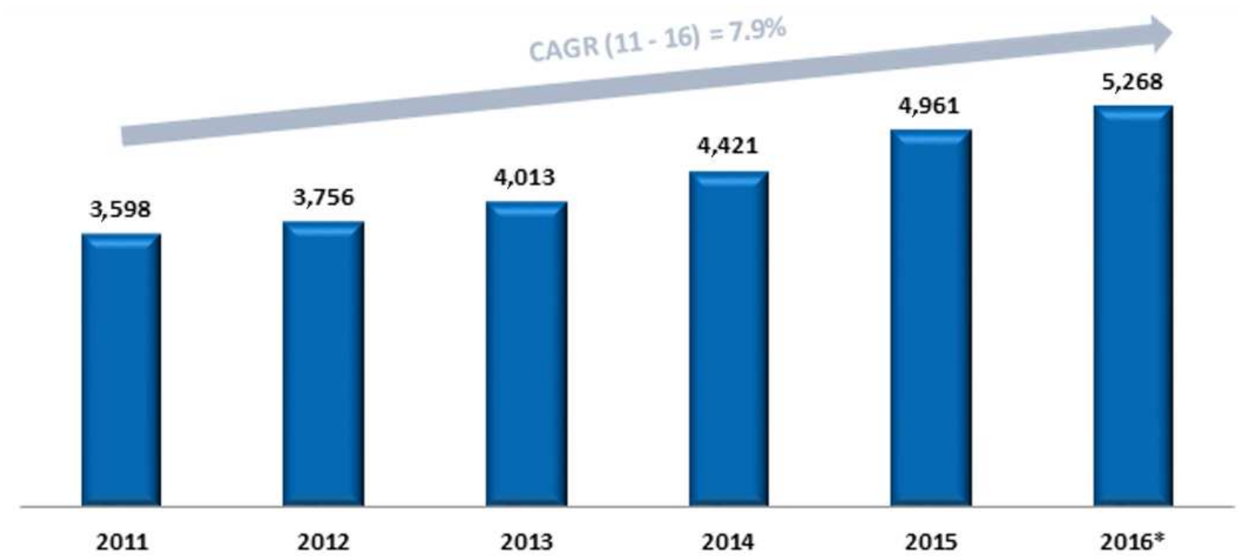
In its mission, Ourofino states that it works for the longevity of companion animals and is directly set within the context.

This scenario and change in the population profile has led to a significant expansion of the pet market, which increased by an average rate of approximately 18.4% between 2011 and 2015 (Source: Sindan).

Net Sales in the Veterinary Market

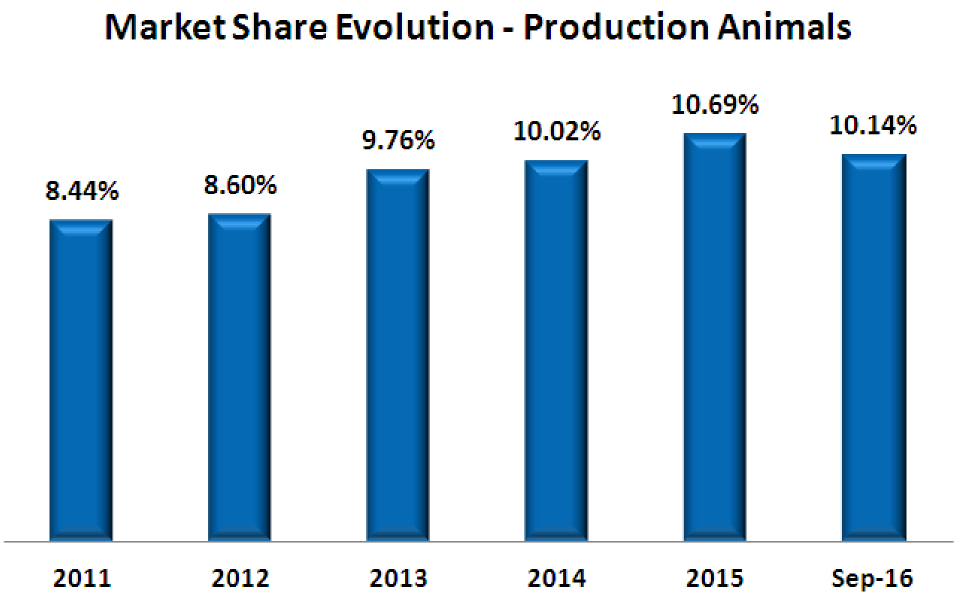
Despite an average annual growth rate of 8.4% in the last five years, and an increase of 12.2% when comparing 2015 with the previous year, sales in 2016 have been modest and likely will result in an evolution below the historic average, and shall be between 5% and 7%, according to the Company's estimates. The factors that explain this slowdown include a deteriorating market for vaccines against foot-and-mouth disease, and producers in the poultry and pork market facing difficulties in passing the costs of grains (corn and soybean) on to the prices of proteins. As for the companion animals market, there was an impact on consumption due to the Brazilian macroeconomic scenario.

Brazilian animal health industry - R$ million

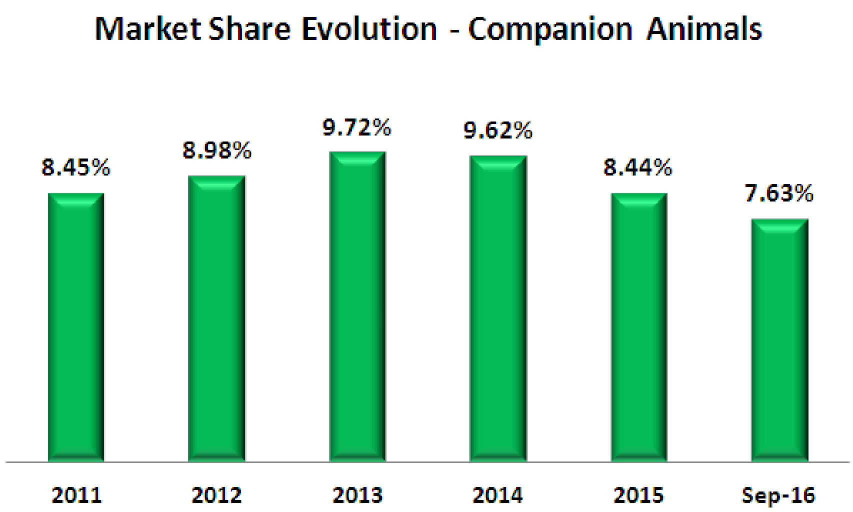


*Source: 2011 to 2015: Sindan (website); *2016: Company estimate*

Market Share Evolution



Source: PPE Sindan (Ourofino)



Source: PPE Sindan (Ourofino)

Economic and financial performance

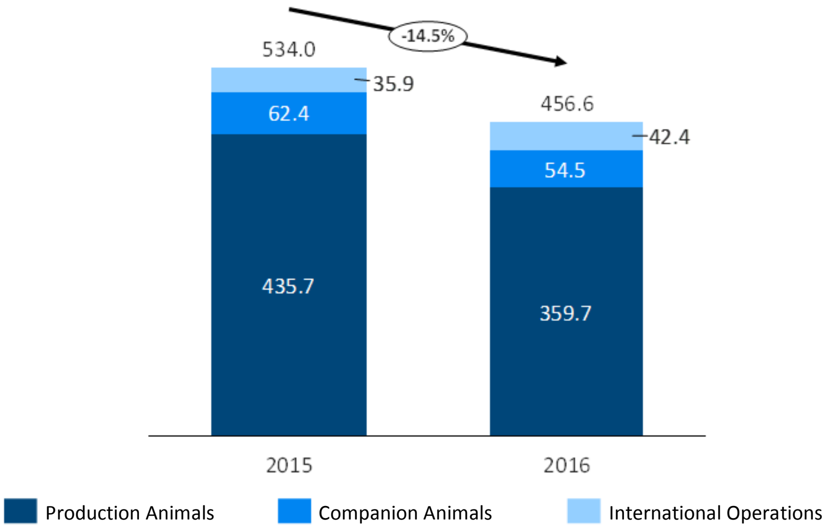
Financial performance

R$ million	2015	2016	Variation %
Net revenue	534.0	456.6	-14.5%
Cost of sales	(236.6)	(230.5)	-2.6%
Gross profit	**297.4**	**226.1**	**-24.0%**
(gross margin)	*55.7%*	*49.5%*	*-6.2 p.p.*
Expenses*	(199.5)	(207.3)	3.9%
Operating profit (loss)	**97.9**	**18.8**	**-80.8%**
(operating margin)	*18.3%*	*4.1%*	*-14.2 p.p.*
Finance result, net	(10.6)	(22.2)	109.4%
Income tax and social contribution*	(18.1)	5.7	-131.5%
Adjusted profit (loss)	**69.2**	**2.3**	**-96.7%**
(adjusted profit (loss) margin)	*13.0%*	*0.5%*	*-12.5 p.p.*
Adjusted EBITDA	**119.1**	**44.4**	**-62.7%**
(adjusted EBITDA margin)	*22.3%*	*9.7%*	*-12.6 p.p.*

(*) Does not include non-recurring expenses (provision for impairment of trade receivables of Venezuela, termination of statutory officers and restructuring measures) and their related tax effects.

Net revenue

R$ million	2015	2016	Variation %
Net sales revenue	**534.0**	**456.6**	**-14.5%**
Production animals	435.7	359.7	-17.4%
Companion animals	62.4	54.5	-12.7%
International operations	35.9	42.4	18.1%



The Company presented a net revenue of R$ 456.6 million in 2016, a decrease of 14.5% in comparison with 2015. Please find below our comments on the performance of the segments in which we operate:

- The **Production Animals** segment presented a net revenue of R$ 359.7 million in 2016, with a decrease of 17.4% in comparison with 2015. This decrease was mainly caused by drops in the prices of the vaccine against foot-and-mouth disease, and lower prices and volumes in the poultry and pig products, especially poultry products. As regards cattle products, except for vaccines against foot-and-mouth disease, there was a decrease in the volume of most therapeutic classes, partially offset by price gains, except for reproduction products, which experienced gains in price and volume.

- The **Companion Animals** segment presented a net revenue of R$ 54.5 million in 2016, with a decrease of 12.7% in comparison with 2015. This result reflects the macroeconomic situation, with lower prices and volume losses on the therapeutic class of ectoparasiticides, due to an increase in the sales of ecto tablets by the other market players. These results were partially offset by price and volume gains in wormers, and price gains in the remaining therapeutic classes.

- The **International Operations** segment presented a net revenue of R$ 42.4 million in 2016, an increase of 18.1% in comparison with 2015, which is in line with the Company's long-term strategic planning. It is important to highlight the negative impacts of the depreciation of local currencies, especially the Mexican peso, and the appreciation of the Brazilian real in relation to the U.S. dollar.

Gross profit and gross margin

R$ million	2015	2016	Variation %
Gross profit	**297.4**	**226.1**	**-24.0%**
(gross margin)	55.7%	49.5%	*-6.2 p.p.*
Gross profit - production animals	226.5	163.0	-28.0%
(gross margin - production animals)	*52.0%*	*45.3%*	*-6.7 p.p.*
Gross profit - companion animals	47.1	38.3	-18.7%
(gross margin - companion animals)	*75.5%*	*70.3%*	*-5.2 p.p.*
Gross profit - international operations	23.8	24.8	4.2%
(gross margin - international operations)	*66.3%*	*58.5%*	*-7.8 p.p.*

- The **Production Animals** segment presented a gross margin of 45.3% in 2016, a decrease of 6.7 p.p. in comparison with 2015. The decrease in the margin was mainly due to drops in the prices of the pig and poultry products and vaccines against foot-and-mouth disease, and a less favorable mix. There was also the negative impact of the provisions for impairment and plant idleness.

- The **Companion Animals** segment presented a gross margin of 70.3% in 2016, a decrease of 5.2 p.p. in comparison with 2015. This drop was caused by lower prices in ectoparasiticides. There was also the negative impact of the provisions for impairment.

- The **International Operations** segment presented a gross margin of 58.5% in 2016, a decrease of 7.8 p.p. in comparison with 2015. This drop reflects the impact of a less favorable exchange rate, combined with increased sales of vaccines against foot-and-mouth disease.

Selling, general and administrative expenses

R$ million	2015	2016	Variation %
Selling, general and administrative and other expenses	**(199.5)**	**(207.3)**	**3.9%**
Percentage on net revenue	*37.4%*	*45.4%*	*8.0 p.p.*

In 2016, selling, general and administrative expenses totaled R$ 207.3 million against R$ 199.5 million in 2015, already showing some of management efforts to reduce the Company's expenses'.

EBITDA and EBITDA margin

R$ million	2015	2016	Variation %
Adjusted profit (loss)	**69.2**	**2.3**	**-96.7%**
(+) Non-recurring expenses, net of IRPJ/CSLL*		(7.6)	
Profit (loss) for the period	**69.2**	**(5.3)**	**-107.7%**
(+) Finance result, net	10.6	22.2	109.4%
(+) Income tax and social contribution	18.1	(8.0)	-144.2%
(+) Depreciation and amortization	20.1	21.9	9.0%
EBITDA	**118.0**	**30.8**	**-73.9%**
(+) Non-recurring expenses *		9.9	
(+) Other	1.1	3.7	236.4%
Adjusted EBITDA	**119.1**	**44.4**	**-62.7%**
Net sales revenue	534.0	456.6	-14.5%
EBITDA margin	***22.1%***	***6.7%***	***-15.4 p.p.***
adjusted EBITDA margin	***22.3%***	***9.7%***	***-12.6 p.p.***

(*) Non-recurring expenses include the provision for impairment of trade receivables of Venezuela, termination of statutory officers and restructuring measures, in addition to their related tax effects.

Adjusted EBITDA in 2016 totaled R$ 44.4 million with adjusted EBITDA margin of 9.7%, a decrease of 12.6 p.p. in comparison with 2015. The factors that influenced this result include a reduction in net revenues with a decrease in gross margin and the resulting loss on dilution of selling, general and administrative expenses, as mentioned above.

Finance result

R$ million	2015	2016	Variation %
Finance result, net	**(10.6)**	**(22.2)**	**109.4%**

In 2016, net finance costs totaled R$ 22.2 million, an increase of 109.4% in comparison with 2015. This increase reflects the increase in bank debt caused by the investments made in 2016 mostly in the new plant for biological products. Also, the funds for those investments were assured by an R$ 106 million agreement with the Fund for Financing of Studies and Projects (FINEP) with a below the market interest rate, but the final R$ 42 million related to this agreement were released in December 2016, thus impacting the financial result.

Income tax and social contribution

R$ million	2015	2016	Variation %
Income tax and social contribution	**(18.1)**	**5.7**	**-131.5%**
Percentage on profit before income tax and social contribution	*-20.7%*	*-167.6%*	*-146.9 p.p.*

In 2016, income tax and social contribution was positive by R$ 5.7 million against an expense of R$ 18.1 million in 2015. The effect determined in 2016 is due to lower profitability, combined with a greater impact of temporary tax differences.

Profit

R$ million	2015	2016	Variation %
Adjusted profit (loss)	**69.2**	**2.3**	**-96.7%**
(profit margin)	*13.0%*	*0.5%*	*-12.5 p.p.*

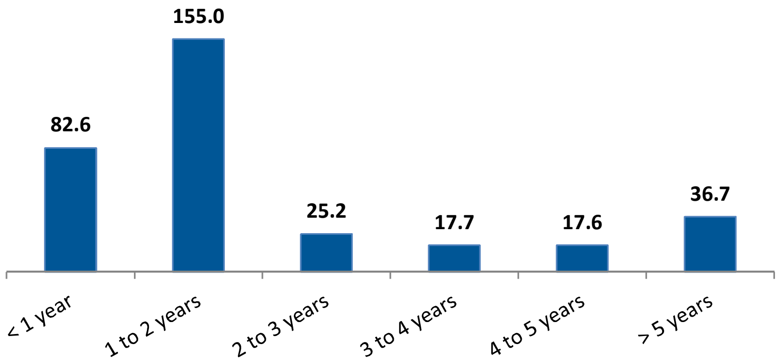
In 2016, adjusted profit reached R$ 2.3 million, with a decrease of 96.7% in comparison with 2015. This result reflects a drop in adjusted EBITDA and increase in net finance costs partially offset by the effect of income tax and social contribution.

Indebtedness

In R$ million	December 31, 2015	December 31, 2016
Current	57.3	73.6
Non-current	159.2	241.9
Gross debt	**216.5**	**315.5**
(-) Derivative financial instruments, net	0.4	(19.4)
Derivatives net debt	**216.1**	**334.9**
(-) Cash and cash equivalents	23.4	70.3
Net debt	**192.7**	**264.6**
Average cost of debt (year)[1]	**7.98%**	**8.80%**
Net debt/Adjusted annual EBITDA	**1.62**	**5.96**

[1] Net bank debt considering related derivative instruments

Bank debt aging



Debt aging considers the period between January 1 and December 31 and debt plus derivatives.

Industrial Units

Our plants are located in Cravinhos, São Paulo, and are as follows:

- Animal health drugs plant, considered one of the most modern in Latin America, with a built area of approximately 24,840m². The project was conceived in compliance with the “Good Manufacturing Practices (GMP)”. It complies with the standards applicable by the Ministry of Agriculture and Supply (MAPA) and includes the world strictest regulatory rules, such as those issued by the Food and Drugs Administration (FDA) in the United States and the European Medicines Agency (EMA) in the European Union.

- A plant for the production of the FMD vaccine, with a built area of approximately 5,651m², which is equipped with a biosafety level laboratory (BSL-4), certified by MAPA.

- A plant for Biological Products, with a built area of approximately 6,842m². It complies with the provisions of applicable standards issued by MAPA, including the world strictest regulatory rules, such as those issued by the Food and Drug Administration (FDA) and the U.S. Department of Agriculture (USDA), both in the United States, and the European Medicines Agency (EMA) in the European Union, scheduled to be licensed at the beginning of 2017.

Research, Development and Innovation (RD&I)

One of the main targets of the Group is to remain at the technological forefront of the segment, continuously investing in research, development and innovation. The RD&I structure has 5 internal laboratories for the development of new products and an internal team of approximately 110 people, made up of managers, pharmacists, chemists, veterinarians, biologists and biotechnicians.

Furthermore, the Group has partnerships with renowned universities (University of São Paulo (USP), State University of Campinas (UNICAMP), Federal University of São Carlos (UFSCAR), Federal University of Ouro Preto (UFOP), Federal University of Viçosa (UFV) and São Paulo State University (UNESP)) and research centers (Brazilian Agricultural Research Corporation (EMBRAPA) and Oswaldo Cruz Foundation (FIOCRUZ)). Partnerships and agreements provide access to significant intellectual capital, innovation and technology, and help recycling methods used in processing our products.

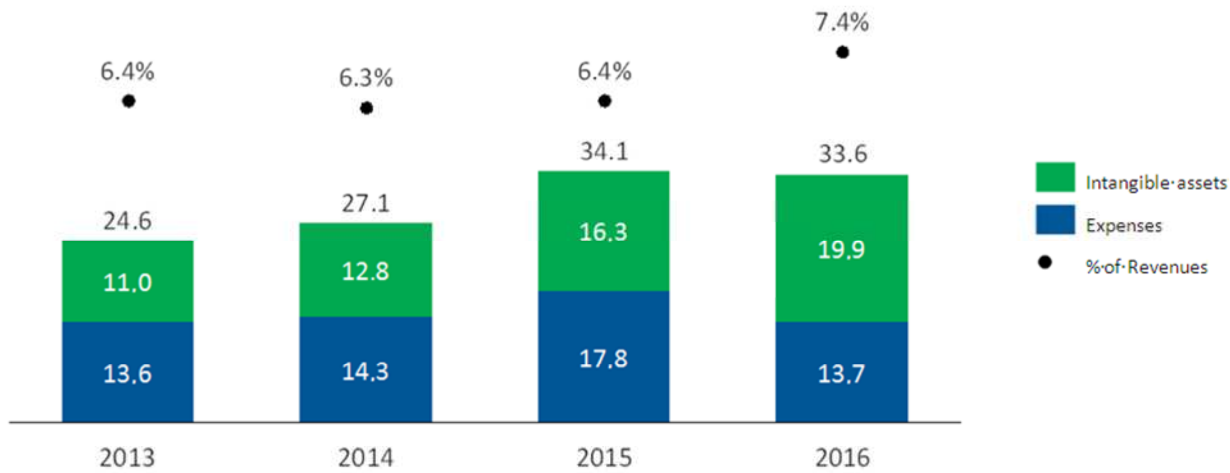
In line with these investments, we launched nine products in 2016:

Launches in 2016

	NAME	Description	Therapeutic class	Segment	Launched in
	**Saligold**	Salinomycin-based granular product. Maximizes the zootechnical performance of poultry by controlling the challenges of coccidiosis.	Antimicrobial	Production Animals	Nov/16
	**Nicargold**	Maximizes the zootechnical performance of poultry by controlling the challenges of coccidiosis.	Antimicrobial	Production Animals	Oct/16
	**Gallipro**	Probiotic additive that helps to maintain the equilibrium of the intestinal flora of animals. For weight gain and improvement of the feed efficiency of broilers and breeding chickens.	Nutritional	Production Animals	Sep/16
	**Mgold 20**	Based on the concentration of 20% of monensin, safely and effectively prevents coccidiosis in broilers and replacement pullets, with zero-day withdrawal time.	Antimicrobial	Production Animals	Aug/16
	**Mgold 40**	Prevents coccidiosis in broilers and replacement pullets and maximizes the zootechnical performance of poultry. It is based on the concentration of 40% of momensin and has a zero-day withdrawal time.	Antimicrobial	Production Animals	Jul/16
	**Evol**	Broad-spectrum endectocide for cattle; its formulation is based on ivermectin and albendazole sulfoxide	Endectocide	Production Animals	Jun/16

	**Nulli**	Tramadol-based pain reliever for dogs and cats in the oral form.	Therapeutic product	Companion Animals	Apr/16
	**Resolutor**	Antibiotic prescribed for the quick treatment of respiratory diseases in animals, producing effects 30 minutes following application.	Antimicrobial	Production Animals	Feb/16
	**Ourovac Raiva**	Vaccine against rabies in cattle	Biological product	Production Animals	Jan/16

In 2016, approximately 7.4% of the net revenue was invested in RD&I, totaling R$ 33.6 million. The chart below shows the Company's total investments from 2013 to 2016.



Corporate Governance

New market: In October 2014, we conducted the initial public offering (IPO) of the Company's shares on the São Paulo Futures, Commodities and Securities Exchange - BM&FBovespa S.A. ("BM&FBovespa") in the Novo Mercado (New Market) category, which imposes the highest requirements for 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 stockholders, and also of a more transparent and comprehensive information disclosure policy.

Board of Directors/Statutory Board: The Board of Directors consists of five members, including two external and independent members, according to the new market provisions. The Company's Statutory Executive Board consists of two officers. A list with the name, job description and a brief résumé of our directors and officers can be found in the Company's Reference Form, in the Investor Relations section on our Website at www.ourofino.com/ri.

Statutory Audit Board: The Statutory Audit Board is an independent oversight body of the Executive Board and the Board of Directors, which seeks, through the principles of transparency, fairness and accountability, to contribute to the better performance of the organization. It consists of three independent external members and their duties are established in Article 163 of Law 6,404/76 and the Company's Bylaws.

Statutory Audit Committee: An advisory body linked directly to the Board of Directors, for the purposes of: (I) examining the engagement and termination of independent auditors, (ii) reviewing and supervising the activities of internal and external audit, (iii) monitoring the quality and integrity of the mechanisms of internal controls and accounting information, (iv) evaluating and monitoring risk exposure, and (v) reviewing and monitoring, together with management and the internal auditor the appropriateness of transactions with related parties. Currently, the Audit Committee consists of three independent external members elected by the Board of Directors and is chaired by an independent member of the Board of Directors.

Human resources committee: This Committee assists the Board of Directors in defining the compensation and benefit policy for directors and officers. The Human Resources Committee has three members elected by the Board of Directors, of which 2 are external members, and is chaired by an independent member of the Board of Directors.

Relationship with independent auditors: In accordance with CVM Instruction 381/03, the Company and its subsidiaries adopt as formal procedure, prior to hiring other professional services not related to external audit, to consult with the independent auditors, in order to ensure that the execution of these other services does not affect the independence and objectivity that are necessary for the performance of independent audit services. In this context, during the year ended December 31, 2016, no additional services were contracted.

Arbitration: Under the New Market's regulations and the Company's bylaws, the controlling stockholder, the management, the Company itself and the members of the Statutory Audit Board must undertake to resolve any and all dispute or controversy related to or resulting from the New Market Regulations, the Agreement to Participate in the New Market, the Arbitration Commitment Clauses, especially as regards their application, validity, effectiveness, interpretation, breach and related effects, through arbitration. The differences related to the sale of the Company's control shall also be resolved through arbitration.

Statement of Statutory Board: In compliance with item VI of Article 25 of the Brazilian Securities Commission (CVM) Regulatory Instruction 480/09, Ourofino's officers represent that they have reviewed and discussed and are in agreement with the financial statements for the year ended December 31, 2016 and the opinions expressed in the independent auditors' report thereon.

Human Resources

The well-being of our employees is very important for us and our greatest competitive advantage. Once satisfied, our employees become motivated to generate value to the business. In this context, the Human Resources policies are based on a set of actions founded on principles aimed at attracting and retaining diverse professionals, according to the demands of the business through providing proper remuneration, constant professional development, security and quality of life to employees. In 2016, the number of employees was approximately 1,160, characterized by a diverse, young and dynamic profile, of which 29.8% are 30 years old or younger.

The benefits offered include pension plan, staple food basket, dental and medical plans, chartered transportation and day care center allowance.

It is worth mentioning their good educational level, considering that 62% have bachelor's or higher degrees. Management, specifically, consists of professionals with recognized professional experience in the market and with ongoing development in the Company.

In order for our employees to be better prepared and aligned with our entrepreneurial and innovative attitude, we offer educational grants in the accomplishment of several training courses and languages, which are in accordance with our business strategy.

Social Responsibility

In 2016, we continued to develop procedures that could align us with social responsibility requirements based on standard SA 8000, with the structuring of mechanisms to prioritize the investments made according to our business model.

The objective of the Management System is to define and guide Ourofino's commitment in line with a Sustainability policy. This commitment implies the definition of monitoring criteria, both internally (controllable aspects that can be influenced by Ourofino), and in terms of the compliance standards expected from its customers, suppliers and sub-suppliers, with the issuance of a Code of Ethics for business partners. Our efforts are for our management of and commitment with social responsibility to be continually improved, covering the entire Company value chain.

We are aware of our role in the social and economic development of the environment in which we operate. In this regard, we allocated own resources, or those arising from tax incentive laws to various social and educational projects, thus contributing to social inclusion and improving the community's quality of life.

In 2016, we got involved in several social programs and projects, thus maintaining our commitment to working close to the community.

Ourofino is a children-friendly company. Through membership with the ABRINQ Foundation and also through tax incentives, in 2016 we supported several initiatives, including Judô Corpore Association, Guará Women's Polo Training Center, Municipal Elderly Fund of Ribeirão Preto, the Bonecos Urbanos Project, Minaz Theater Company and the Olhar Project from the interior to São Paulo through museums.

Environment

Considering everything we have achieved over the years, the objective of Ourofino now is to ensure the continuity of the business coupled with environmental protection. Our efforts are linked to both internal actions, with the management of environmental aspects and impacts, and external actions, with the development of new products and markets.

In carrying out our activities we comply with all applicable environmental laws and seek to reduce the main ecological "footprints", by encouraging energy and water efficiency, and reducing waste generation and emissions. The result of this search can be seen in the daily practices of our employees, as well as in investments in more efficient equipment and processes.

In 2016, we began mapping and accounting for Greenhouse Gas (GHG) emission sources. We believe that by knowing and monitoring emissions, we will be able to position ourselves in relation to climate change management through short, medium and long-term targets, such as to change from using LPG gas to CNG gas in our production activities in the adjustment phase.

The Brazilian agricultural sector is at the center of several environmental sensitive and important issues, such as illegal pastureland expansion over areas of high biodiversity (such as the deforestation of the Amazon and the *Cerrado* region) and the relation with the increased greenhouse gas emissions, due to increased livestock. Operating in this market, we direct our efforts to develop products that increase production efficiency and minimize impacts. We understand this challenge and consider in our business vision the development of an agricultural sector with less environmental impact. This vision won us, for example, in 2016, a distinguishing position in the 25th Embanews Award. The creative, sustainable and practical proposal for the packaging of endectocide Voss Performa resulted in the product receiving the Best Packaging of the Year award, the highest category of the event

Working in this way allows value generation in products, because reducing the environmental impact of livestock producers is made through increasing performance, that is, producing more in smaller areas and using fewer resources. To accomplish this, we are close to the producer through our commercial team and different communication channels, promoting the understanding of the improvements in performance when properly using the products offered.

Acting in the value chain, understanding the real and significant impacts of rural production, in addition to being able to measure them, will be the challenge and the commitment we make for the coming years. We continue directing our efforts to reducing environmental risks in the value chain, spreading the conditions for improved productivity, measuring and monitoring the effectiveness of these actions and obtaining the environmental results in an analytical and accurate manner.

Our main challenge will be to stimulate a market culture that understands the value of environmental protection for the prosperity of the agricultural sector, allowing the reduction of the numerous environmental risks to which we are exposed when neglecting the value of natural resources and ecosystems.

Final comments

Ourofino management maintains its commitment and focus on continuous efforts for a sustainable growth. In our continuous search for business excellence, we thank our customers, suppliers, financing agents, stockholders and employees for their trust in the actions carried out by Ourofino.