

(A free translation of the original in Portuguese)

Results for 3Q18 and 9M18

(A free translation of the original in Portuguese)



Our Purpose

Reimagining
animal health

- Strong increase in revenues and continuous profit improvement.
- Net revenue increased by 23% in the quarter with a gross margin of 57%.
- Adjusted EBITDA in the quarter increased by 41% with a margin of 26%.
- Adjusted profit increased by 84% with a net margin of 15% in the quarter, that is, an increase of 5 p.p.
- Adjusted cumulative EBITDA for the 12-month period totaled R\$ 136 million, at one of the lowest historical leverage levels.

Conference Call

In Portuguese with simultaneous translation into English

November 7, 2018

3:00 p.m. (BRT) / 12:00 p.m. (US EST)

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Cravinhos, November 6, 2018 – Ouro Fino Saúde Animal Participações S.A. (the “Company” or “Ourofino”) (B3: 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 September 30, 2018 (3Q18 and 9M18).

Message from management

In the third quarter of 2018, the Company continued to show consistency in its results, with growth in revenues, increase in gross margin and dilution of expenses, thus achieving higher performance indicators, such as adjusted EBITDA margin of 26% and adjusted net margin of 15%. In addition, financial leverage continues at low levels of net debt/adjusted EBITDA of 1.7x, as a result of good cash generation from operations in the year, even considering the strategic decision to maintain higher levels of inventories, mainly raw materials, and also the resumption of the calculation of adjusted EBITDA for 12 months, which totaled R\$ 136 million.

With respect to the production animals segment, net revenue increased by 22% in the quarter and totaled R\$ 127 million, with a gross margin of 55%, an increase of 2 p.p. in comparison with 3Q17. These results show better product prices, as well as our successful participation in 2018 in Expointer, one of the most important fairs in the sector. We would also like to mention the excellent work of our sales team, which has been crucial for these achievements, and the improvement of our demand generation program, including visits of our team of veterinarians to farms throughout Brazil.

As regards the companion animals segment, operations were performed as planned and net revenues reached R\$ 18 million in the quarter, an increase of 12% in comparison with 3Q17, even considering that the macroeconomic conditions in Brazil are still in the recovery phase. Our team of technical advisors continues to make visits to veterinarians, which has proved to be important to foster dealers' sell-out, thus helping to maintain their inventories at healthy levels.

With regard to international operations, net revenue totaled R\$ 16 million, an increase of 52% in comparison with 3Q17, which is in line with the Company's growth plan and launches of products. Mexico and Colombia already represent more than 2/3 of the revenues from international operations, which is in line with the implementation of our strategic internationalization plan. It is important to highlight that the growth presented took place substantially in local currency and also resulted from favorable foreign exchange rates.

We remain confident that these results can continue to add value together with the strong growth drivers of the animal health market, which have been materializing. In addition, we emphasize that the entire team is very committed to continue implementing the Company's business plan in the coming periods. We thank you for your confidence in our work.

Jardel Massari
CEO

Kleber Gomes
CFO and IRO

Financial performance

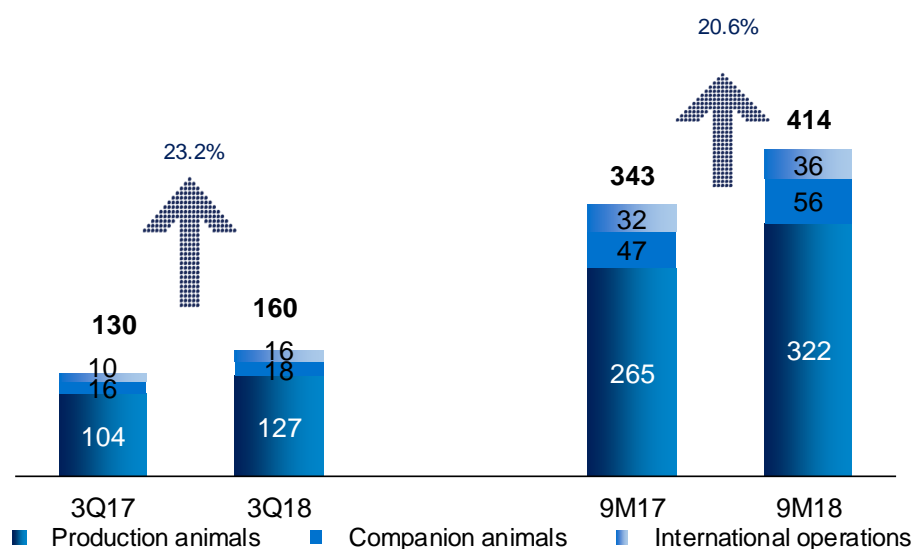
R\$ million	3Q17	3Q18	Variation %	9M17	9M18	Variation %
Net revenue	130.2	160.4	23.2%	343.3	413.9	20.6%
Cost of sales	(58.9)	(69.3)	17.7%	(160.6)	(183.9)	14.5%
Gross profit	71.3	91.1	27.8%	182.7	230.0	25.9%
(gross margin)	54.8%	56.8%	2.0 p.p.	53.2%	55.6%	2.4 p.p.
Expenses*	(47.0)	(56.0)	19.1%	(137.3)	(154.1)	12.2%
Operating profit	24.3	35.1	44.4%	45.4	75.9	67.2%
(operating margin)	18.7%	21.9%	3.2 p.p.	13.2%	18.3%	5.1 p.p.
Finance result, net	(4.0)	(3.1)	-22.5%	(12.6)	(10.4)	-17.5%
Income tax and social contribution*	(6.8)	(7.2)	5.9%	(10.3)	(16.0)	55.3%
Adjusted profit	13.5	24.8	83.7%	22.5	49.5	120.0%
(adjusted profit margin)	10.4%	15.5%	5.1 p.p.	6.6%	12.0%	5.4 p.p.
Adjusted EBITDA	29.8	42.1	41.3%	63.3	95.2	50.4%
(adjusted EBITDA margin)	22.9%	26.2%	3.3 p.p.	18.4%	23.0%	4.6 p.p.

(*) In 9M17, does not include non-recurring expenses related to the consulting services from Falconi or restructuring expenditures. In 9M18, does not include the provision for extemporaneous tax contingencies related to prior years. The related tax effects of these events were included.



Net revenue

R\$ million	3Q17	3Q18	Variation %	9M17	9M18	Variation %
Net sales revenue	130.2	160.4	23.2%	343.3	413.9	20.6%
Production animals	104.2	127.2	22.1%	264.5	321.6	21.6%
Companion animals	15.7	17.6	12.1%	46.5	55.9	20.2%
International operations	10.3	15.6	51.5%	32.3	36.4	12.7%



In 3Q18, the Company presented net revenues of R\$ 160.4 million, an increase of 23.2% in comparison with 3Q17. In 9M18, net revenue was R\$ 413.9 million, an increase of 20.6% in comparison with 9M17.

- The Production Animals segment presented a net revenue of R\$ 130.2 million in 3Q18, an increase of 22.1% in comparison with 3Q17. In 9M18, net revenue was R\$ 321.6, an increase of 21.6%. These increases were due to increases in volumes and price gains in the product line.
- The Companion Animals segment presented a net revenue of R\$ 17.6 million in 3Q18, an increase of 12.1% in comparison with 3Q17. In 9M18, net revenue was R\$ 55.9 million, an

increase of 20.2% in comparison with 9M17. These increases were due to increases in volumes and price gains in the product line.

- The International Operations segment presented a net revenue of R\$ 15.6 million in 3Q18, an increase of 51.5% in comparison with 3Q17. In 9M18, net revenue was R\$ 36.4 million, an increase of 12.7%, with an impact on the sales of vaccines against foot-and-mouth disease to customers in Bolivia and Paraguay, which amounted to R\$ 5.3 million in 2017, and did not occur in 2018. In both periods, the growth of revenues in local currency was very important for such results, which were also supported by favorable foreign exchange rates.

Gross profit and gross margin

R\$ million	3Q17	3Q18	Variation %	9M17	9M18	Variation %
Gross profit	71.3	91.1	27.8%	182.7	230.0	25.9%
(gross margin)	54.8%	56.8%	2.0 p.p.	53.2%	55.6%	2.4 p.p.
Gross profit - production animals	54.7	69.5	27.1%	133.0	166.9	25.5%
(gross margin - production animals)	52.5%	54.6%	2.1 p.p.	50.3%	51.9%	1.6 p.p.
Gross profit - companion animals	10.8	11.8	9.3%	32.7	39.6	21.1%
(gross margin - companion animals)	68.8%	67.0%	-1.8 p.p.	70.3%	70.8%	0.5 p.p.
Gross profit - international operations	5.8	9.8	69.0%	17.0	23.4	37.6%
(gross margin - international operations)	56.3%	62.8%	6.5 p.p.	52.6%	64.3%	11.7 p.p.

In 3Q18, gross margin was 56.8%, an increase of 2.0 p.p. in comparison with 3Q17. In 9M18, gross margin was 55.6%, an increase of 2.4 p.p. in comparison with 9M17.

- The Production Animals segment presented a gross margin of 54.6% in 3Q18, an increase of 2.1 p.p. in comparison with 3Q17. In 9M18, gross margin was 51.9%, an increase of 1.6 p.p. These results show price gains in the periods, especially in the lines of antiparasitic products.
- The Companion Animals segment presented a gross margin of 67.0% in 3Q18, a decrease

of 1.8 p.p. in comparison with 3Q17, as a result of a less favorable mix. In 9M18, gross margin was 70.8%, an increase of 0.5 p.p., showing price gains in 9M18.

- The International Operations segment presented a gross margin of 62.8% in 3Q18, an increase of 6.5 p.p. in comparison with 3Q17. In 9M18, gross margin was 64.3%, an increase of 11.7 p.p. These results show a better mix in the periods and gains from favorable foreign exchange rates.



Selling, general and administrative expenses

R\$ million	3Q17	3Q18	Variation %	9M17	9M18	Variation %
Selling, general and administrative and other expenses	(47.0)	(56.0)	19.1%	(137.3)	(154.1)	12.2%
Percentage of net revenue	36.1%	34.9%	-1.2 p.p.	40.0%	37.2%	-2.8 p.p.

In 3Q18, selling, general and administrative expenses totaled R\$ 56.0 million, with a dilution of 1.2 p.p. in comparison with 3Q17. In 9M18, these expenses totaled R\$ 154.1 million, with a dilution of 2.8 p.p. in comparison with 9M17.

These figures continue to show the results of the cost optimization strategy adopted by the Company during the last two years, combined with a continuous increase in revenues in prior quarters.

EBITDA and EBITDA margin

R\$ million	3Q17	3Q18	Variation %	9M17	9M18	Variation %
Adjusted profit	13.5	24.8	83.7%	22.5	49.5	120.0%
(+) Non-recurring results, net of IRPJ/CSLL*	(4.3)	(2.9)	-32.6%	(7.2)	0.3	-104.2%
Profit for the period	9.2	21.9	138.0%	15.3	49.8	225.5%
(+) Finance result, net	4.0	3.1	-22.5%	12.6	10.4	-17.5%
(+) Income tax and social contribution	4.6	5.7	23.9%	6.6	16.1	143.9%
(+) Depreciation and amortization	5.5	7.0	27.3%	17.9	19.3	7.8%
EBITDA	23.3	37.7	61.8%	52.4	95.6	82.4%
Non-recurring effects*	6.5	4.4	-32.3%	10.9	(0.4)	-103.7%
Adjusted EBITDA	29.8	42.1	41.3%	63.3	95.2	50.4%
Net sales revenue	130.2	160.4	23.2%	343.3	413.9	20.6%
EBITDA margin	17.9%	23.5%	5.6 p.p.	15.3%	23.1%	7.8 p.p.
Adjusted EBITDA margin	22.9%	26.2%	3.3 p.p.	18.4%	23.0%	4.6 p.p.

(*) In 9M17, does not include non-recurring expenses related to the consulting services from Falconi or restructuring expenditures. In 9M18, does not include the provision for extemporaneous tax contingencies related to prior years. The related tax effects of these events were included.

In 3Q18, adjusted EBITDA totaled R\$ 42.1 million, with a margin of 26.2%, an increase of 3.3 p.p. in comparison with 3Q17. In 9M18, adjusted EBITDA was R\$ 95.2 million, with a margin of 23.0%, an increase of 4.6 p.p.

in comparison with 9M17. These results show an increase in revenues with increased gross margin, combined with the dilution of selling, general and administrative expenses.

Finance result

R\$ million	3Q17	3Q18	Variation %	9M17	9M18	Variation %
Finance result, net	(4.0)	(3.1)	-22.5%	(12.6)	(10.4)	-17.5%

In 3Q18, net finance costs totaled R\$ 3.1 million, a decrease of 22.5% in comparison with 3Q17. In 9M18, net finance costs totaled R\$ 10.4

million, a decrease of 17.5% in comparison with 9M17. The average cost of debt decreased from 7.2% p.a. in 3Q17 to 7.0% p.a. in 3Q18.

Income tax and social contribution

R\$ million	3Q17	3Q18	Variation %	9M17	9M18	Variation %
Income tax and social contribution	(6.8)	(7.2)	5.9%	(10.3)	(16.0)	55.3%
Percentage of profit before IRPJ and CSLL	-33.5%	-22.5%	11.0 p.p.	-31.4%	-24.4%	7.0 p.p.

In 3Q18, income tax and social contribution totaled R\$ 7.2 million in comparison with R\$ 6.8 million in 3Q17. In 9M18, income tax and social contribution totaled R\$ 16.0 million, against R\$ 10.5 million in 9M17. It should be noted that

the calculation of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) is carried out on tax bases that differ from the accounting result.

Profit

R\$ million	3Q17	3Q18	Variation %	9M17	9M18	Variation %
Adjusted profit	13.5	24.8	83.7%	22.5	49.5	120.0%
profit margin	10.4%	15.5%	5.1 p.p.	6.6%	12.0%	5.4 p.p.

In 3Q18, profit totaled R\$ 24.8 million, with a gross margin of 15.5%, an increase of 5.1 p.p. in comparison with 3Q17. In 9M18, profit was R\$ 49.5 million, with a net margin of 12.0%, an increase of 5.4 p.p. in comparison with 9M17.

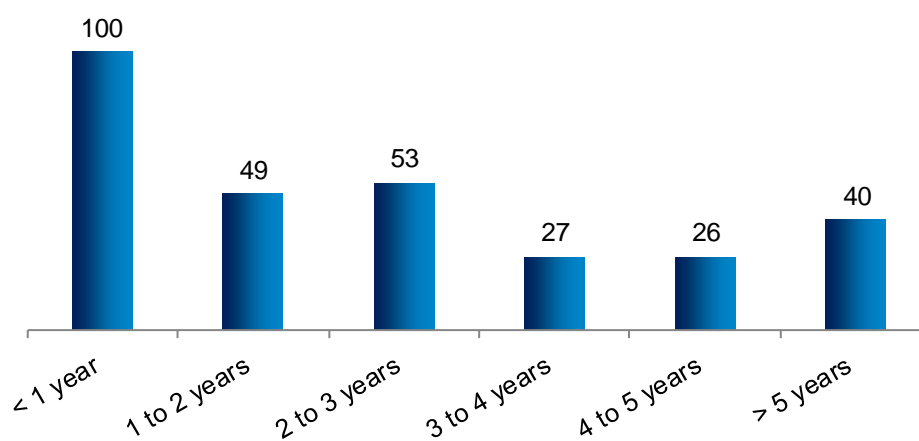
These results show an increase in EBITDA due to the previously mentioned factors, and a decrease in both net finance costs and IRPJ and CSLL rates in the periods.

Indebtedness

In R\$ million	September 30, 2017	September 30, 2018
Current	151.1	100.2
Non-current	150.8	194.7
Gross debt	301.9	294.9
Related derivative financial instruments	15.1	
Gross debt considering related derivatives	317.0	294.9
(-) Cash and cash equivalents	111.8	65.7
Net debt	205.2	229.2
Average cost of debt (year) ¹	7.23%	6.99%
Net debt/Adjusted annual EBITDA (LTM)	3.21	1.69

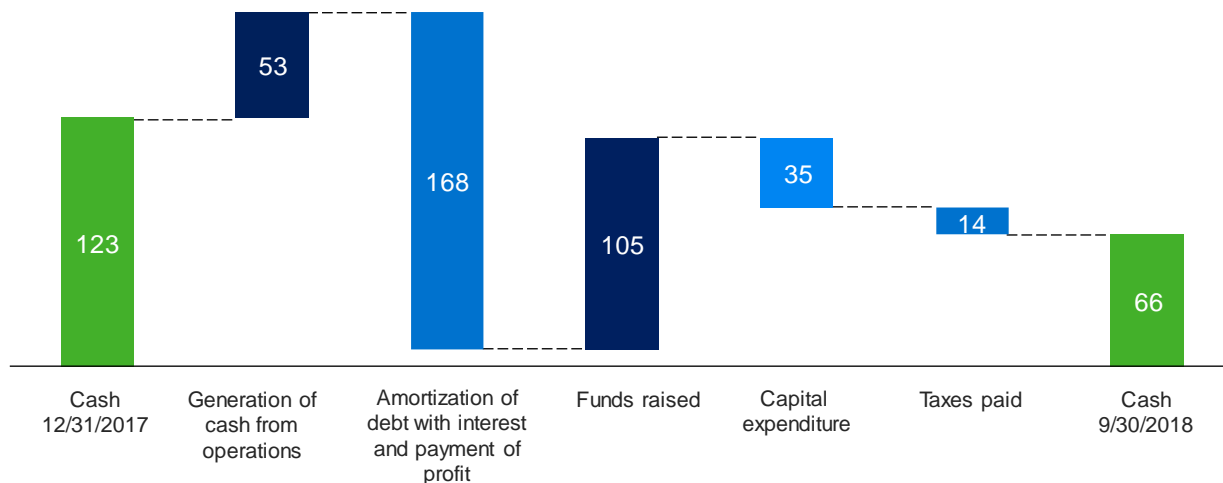
¹ Net bank debt considering related derivatives and bank guarantee costs.

Bank debt aging*



*Considers the period between October 1 and September 30 and debt plus derivatives.

Cash position



In 9M18, there was a generation of cash from operations of R\$ 53 million, which felt the impact of the increase in the volumes of inventories due to the higher purchases of inputs in China and the production of pilot batches of the new vaccines against foot-and-mouth disease (2ml dose) in 2Q18, as commented on in the previous quarter. We would also emphasize the

amortization of debts, payment of interest and profit totaling R\$ 168 million. Funds raised totaled R\$ 105 million, with debt rollover and improvement of its profile with long-term indebtedness reaching 2/3 of total gross debt. At September 30, 2018, the average cost of debt was 6.99% p.a., considering the costs of derivatives and associated guarantees.



Launches in 2018

Pareun

Indications: Prescribed for the treatment of bacterial infections and joint problems that affect the horses. Available in 100ml packages. This innovative product represents a big technological leap for the market.



The first Amikacin for veterinary use in Brazil.

Therapeutic class:
Antimicrobial

Segment:
Horses

Launched in:
February 2018

Under the R&D model in accordance with the open innovation approach we established strategic partnerships. In this respect, we launched SiloSolve MC, resulting from the partnership with the Danish company Chr. Hansen.

SiloSolve® MC

Science-based, research-proven bacterial inoculant formulated to improve fermentation, leading to:
Reduced pathogenic microorganisms in silage;
Improved recovery of dry matter;
Increased palatability of silage;
Increased efficiency of milk or meat production.



Keeps silage fresher and profits on the rise for longer.

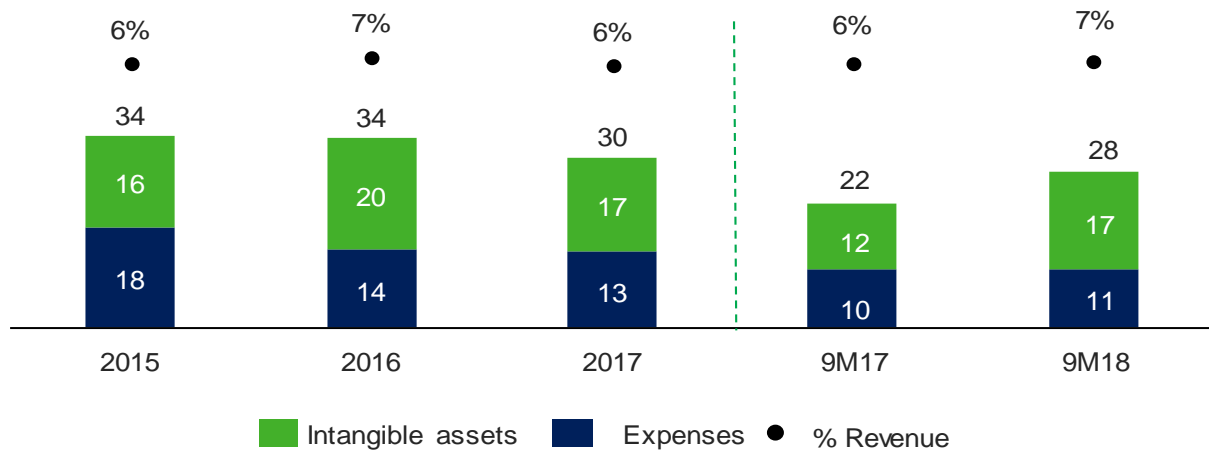
Therapeutic class:
Nutritional

Segment:
Cattle

Launched in:
June 2018

Investments in research and development

In 9M18, 7% of the net revenue was invested in R&D, totaling R\$ 28 million. The chart below shows the Company's total investments in R&D from 2015 to 2018.



Adjusted statement of income (R\$ thousands)	3Q17	9M17:	3Q18	9M18
Revenue	130,138	343,256	160,356	413,897
Cost of sales*	(58,907)	(160,637)	(69,306)	(183,922)
Gross profit	71,231	182,619	91,050	229,975
Selling expenses*	(38,399)	(113,780)	(45,351)	(122,944)
General and administrative expenses*	(8,241)	(25,595)	(9,932)	(29,952)
Other income (expenses), net*	(371)	2,103	(678)	(1,138)
Operating profit	24,220	45,347	35,089	75,941
Finance income	2,586	5,689	1,510	5,010
Finance costs	(4,401)	(12,834)	(5,271)	(15,722)
Derivative financial instruments, net	(4,729)	(7,790)	724	5,738
Foreign exchange variations, net	2,614	2,382	(63)	(5,466)
Finance result	(3,930)	(12,553)	(3,100)	(10,440)
Profit before income tax and social contribution	20,290	32,794	31,989	65,501
Current and deferred income tax and social contribution*	(6,825)	(10,284)	(7,199)	(16,008)
Profit for the period (adjusted)	13,465	22,510	24,790	49,493

(*) Does not include non-recurring expenses and their related tax effects.

Corporate statement of income (R\$ thousands)	3Q17	9M17	3Q18	9M18
Revenue	130,138	343,256	160,356	413,897
Cost of sales	(58,907)	(161,629)	(69,306)	(183,922)
Gross profit	71,231	181,627	91,050	229,975
Selling expenses	(38,399)	(113,780)	(45,351)	(122,944)
General and administrative expenses	(8,917)	(29,715)	(9,932)	(29,952)
Other income (expenses), net	(6,187)	(3,713)	(5,092)	(742)
Operating profit	17,728	34,419	30,675	76,337
Finance income	2,586	5,689	1,510	5,010
Finance costs	(4,401)	(12,834)	(5,271)	(15,722)
Derivative financial instruments, net	(4,729)	(7,790)	724	5,738
Foreign exchange variations, net	2,614	2,382	(63)	(5,466)
Finance result	(3,930)	(12,553)	(3,100)	(10,440)
Profit before income tax and social contribution	13,798	21,866	27,575	65,897
Current and deferred income tax and social contribution	(4,617)	(6,568)	(5,699)	(16,143)
Profit for the period	9,181	15,298	21,876	49,754

Statement of cash flows (R\$ thousands)	9M17	9M18
Cash flows from operating activities		
Profit before income tax and social contribution	21,866	65,897
Adjustments for:		
Provision for impairment of trade receivables	431	212
Provision for inventory losses and write-offs	5,898	9,407
Reversal of the provision for sales returns	(1,618)	(448)
Changes in the provision for bonuses to customers	586	(1,072)
Depreciation and amortization	17,945	18,570
Provision for impairment and write-off of intangible assets	(279)	712
Reversal of the provision for discounts on sales of vaccines against foot-and-mouth disease	(2,443)	
Result on disposal of property, plant and equipment	(6)	(154)
Result on disposal of intangible assets	(1,472)	(73)
Interest and monetary and exchange variations, net	9,504	21,981
Derivative financial instruments	7,790	(5,738)
Provision for contingencies	(185)	3,893
Stock options granted	854	510
Changes in working capital		
Trade receivables	41,338	14,462
Inventories	(5,908)	(63,974)
Taxes recoverable	(6,518)	(12,751)
Other assets	(2,178)	(93)
Trade payables	2,257	(3,436)
Taxes payable	(158)	(1,017)
Other liabilities	7,288	6,137
Cash provided by (used in) operations	94,992	53,025
Interest paid	(10,287)	(13,816)
Income tax and social contribution paid	(2,263)	(13,705)
Net cash inflow (outflow) from operating activities	82,442	25,504
Cash flows from investing activities		
Investments in intangible assets	(12,339)	(17,566)
Purchases of property, plant and equipment	(9,532)	(18,830)
Proceeds from sale of property, plant and equipment	656	1,380
Proceeds from sale of intangible assets	5,711	220
Net cash inflow (outflow) from investing activities	(15,504)	(34,796)
Cash flows from financing activities		
Proceeds from borrowings	39,950	105,353
Repayment of borrowings	(53,201)	(138,394)
Payment of dividends and interest on capital		(10,847)
Realized derivative financial instruments	(12,133)	(4,724)
Net cash inflow (outflow) from financing activities	(25,384)	(48,612)
Net increase (decrease) in cash and cash equivalents	41,554	(57,904)
Cash and cash equivalents at the beginning of the year	70,325	123,360
Exchange losses on cash and cash equivalents	(84)	239
Cash and cash equivalents at the end of the year	111,795	65,695

Balance sheet (R\$ thousands)	12/31/2017	9/30/2018
Assets		
Current assets	407,296	394,088
Cash and cash equivalents	123,360	65,695
Trade receivables	160,663	148,496
Derivative financial instruments		11
Inventories	108,578	164,048
Taxes recoverable	4,748	5,890
Income tax and social contribution recoverable	4,177	3,610
Related parties	256	362
Other assets	5,514	5,976
Non-current assets	402,931	435,356
Long-term receivables	69,343	81,056
Taxes recoverable	49,664	61,023
Deferred income tax and social contribution	12,412	12,760
Inventories	5,137	5,627
Other assets	2,130	1,646
Permanent assets	333,588	354,300
Intangible assets	86,721	95,039
Property, plant and equipment	246,867	259,261
Total assets	810,227	829,444
Liabilities and equity		
Current liabilities	276,517	171,077
Trade payables	27,915	24,969
Derivative financial instruments	9,179	
Borrowings	190,233	100,247
Salaries and social charges	22,180	30,378
Taxes payable	4,153	3,156
Income tax and social contribution payable	578	1,104
Dividends and interest on capital	9,051	
Related parties	168	256
Commissions on sales	4,931	4,989
Other liabilities	8,129	5,978
Non-current liabilities	128,074	203,757
Derivative financial instruments	1,272	
Borrowings	122,867	194,654
Provision for contingencies	3,935	8,074
Deferred income tax and social contribution		1,029
Total liabilities	404,591	374,834
Total equity	405,879	454,588
Non-controlling interests	(243)	22
Total liabilities and equity	810,227	829,444

