(A free translation of the original in Portuguese)

Management Report 2017

ourofino
animal health

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, 2017 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

We are pleased with the results for 2017. As reported throughout the year, we were able to regain the Company’s historical profit levels after facing major challenges in 2016. Net revenues grew by 11% in the year and reached R$ 505 million, our adjusted EBITDA grew by 134% and reached R$ 104 million, with a margin above 20%. Our adjusted profit totaled R$ 45 million, with a 9% margin, and we doubled the generation of cash from operations to R$ 120 million, reducing our leverage level (adjusted net debt/EBITDA) to below 2x.

With respect to production animals, net revenue was R$ 398 million, with an increase of 11% in comparison with 2016, and gross margin was above 50%. We have reaped the benefits of our work focused on increasing profitability, including a reduction in the volumes of products with lower margin and price gains in the whole product line, and experienced a better moment in the market of vaccines against foot-and-mouth disease.

As for companion animals, net revenue was R$ 61 million, an increase of 12% in comparison with 2016. Macroeconomic conditions have improved since the beginning of the second half of 2017 and a reduction in distributors’ inventory levels was also noted, bringing good growth prospects for the segment.

As regards international operations, net revenue increased by 10%, feeling the negative impacts of foreign exchange rate effects. Also, we followed our product registration strategy in Mexico and Colombia, which will increase our portfolio, thus creating conditions for growth in these markets.

We are confident that 2018 will be a great year, and the team remains enthusiastic about accelerating business growth, attentive to all the actions that made 2017 a year in which the Company's values were restored. Our processes will continue to be performed in a fast and simple manner, in line with our purpose of Reimagining Animal Health.

We are grateful for the trust placed in us during the restructuring process we have gone through and reaffirm our commitment to maintaining the Company's value generation.

Jardel Massari
CEO

Kleber Gomes
CFO and Chief Investor Relations Officer

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Brief History

The Company is a listed corporation headquartered in Cravinhos, state of São Paulo, and its shares are traded on B3 S.A. - Brasil, Bolsa, Balcão in the Novo Mercado (New Market) segment. 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:

This segment 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 industry;

Companion Animals:

This segment 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:

This segment 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 have acted with our own team through our subsidiaries.

To serve its customers the Company has a complete portfolio of animal health products, comprising 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 in 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 to be made, 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.

2016 and 2017 were marked by major structural changes that aimed at regaining the Company's historical profit levels. The results of such changes have already been noticed.

About the Market

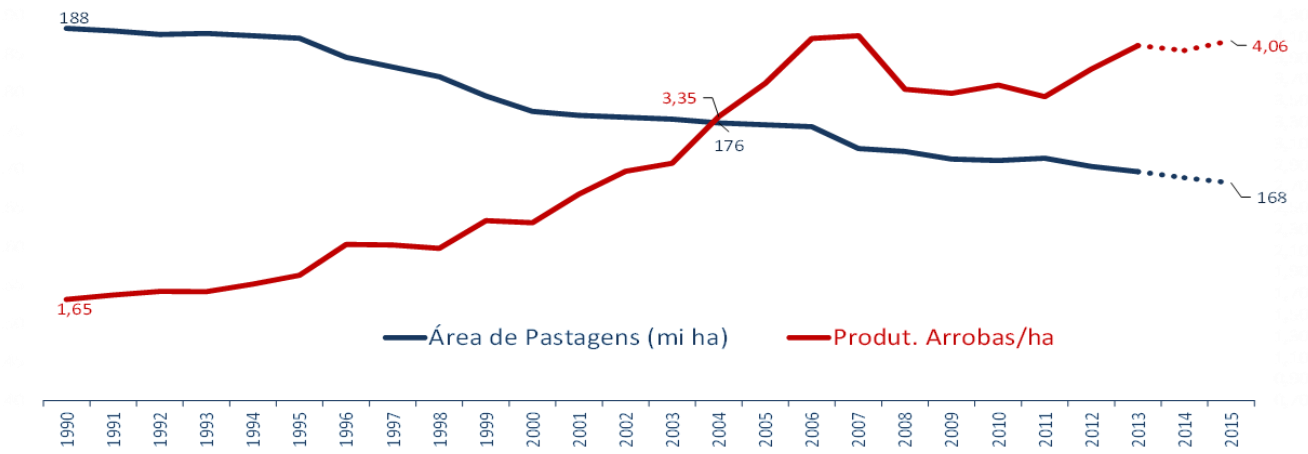
The animal health industry comprises the production and sale of veterinary drugs, vaccines and other products for production animals (ruminants, substantially beef and dairy cattle, poultry and pigs) and companion animals (dogs and cats). In this market, national and multinational companies operate, 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 55% of the total animal health market (Source: Market Information Committee (Coinf) / Brazilian Association of Animal Health Product Manufacturers (Sindan)), 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 strong growth drivers. Despite the fact that Brazil is 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 eat approximately 15 kg of this type of meat per year. The increase in chicken consumption as compared to the other two types of meat was also due to the relatively lower price of chicken meat, which allows low-income people to have access to this source of protein. 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 developed and expanded. In developed countries, the consumption of pork is approximately 70 kg 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.

To measure the development of cattle breeding and its technification, it is important to consider 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 2018, we continue to believe in the development of this trend for increasing productivity.



Source: Agroconsult (2015)

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, in addition to the ILPF (Integrated Crop-Livestock-Forest) breeding system, which is a strategy aimed at a sustainable production that integrates agricultural, livestock and forestry activities that are carried out in the same area through intercropping, crop succession or crop rotation, and takes advantage of the synergetic effects among the components of the agroecosystem, taking into consideration environmental adequacy, appreciation of men and economic feasibility.

According to Agroconsult, the profitability of the farmer increases according to their technification level, that is, the more arrobas per hectare the producer can produce, the higher their investments in technification and the greater their profitability.

The veterinary industry is part of this environment of improved productivity, where the demand for veterinary products has a 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 is more and more based on the use of preventive therapies, and 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 farmers, there has been 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 brings 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 (CEPEA) (average in Brazil).

Combining products and services is a marketing trend and Ourofino takes this statement seriously and 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 for the Company's products by the final consumer and is also responsible for raising the needs and opportunities in the field, presenting solutions and implementing sanitary protocols and calendars.

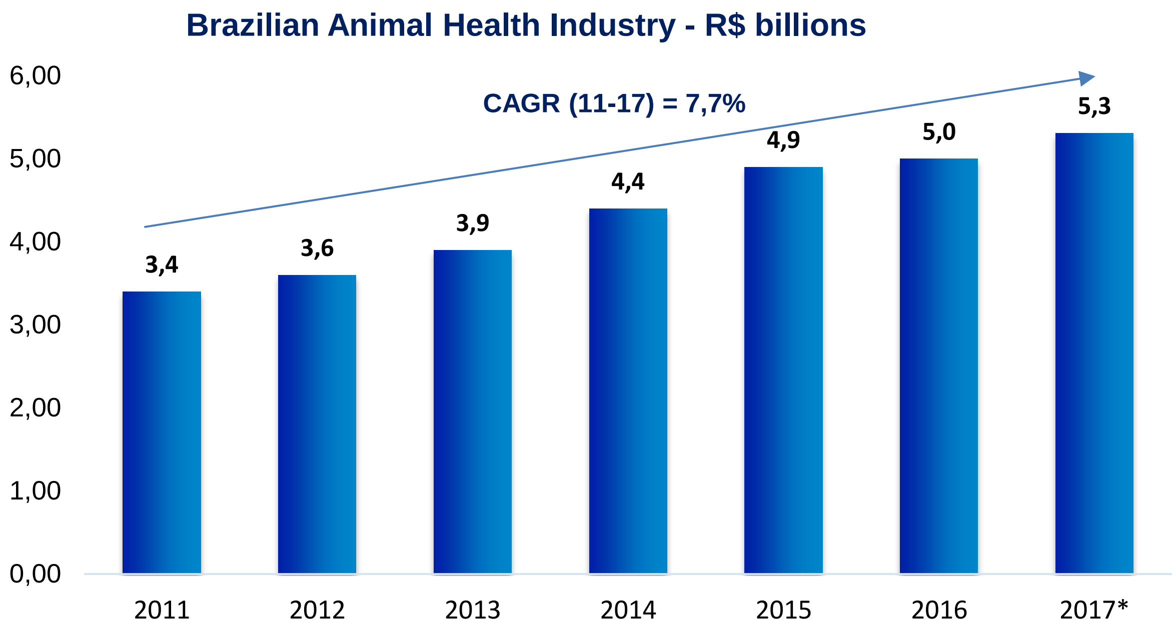
In addition, the Brazilian livestock has undergone a genetic improvement with the increase of the use of European breeds, which bring precocity, meat quality and increased production of milk, among other advantages. The spreading of this genetics generates the use of more inputs, including veterinary 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 number 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)). Also, 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 purpose of Reimagining Animal Health, Ourofino has worked for the longevity of companion animals in search of continuous innovation and is directly set within the context.
This scenario and the change in the population profile have led to a significant expansion of the pet market, which increased by an ANNUAL average rate of approximately 17.4% between 2011 and 2016 (Source: Sindan).

Sales in the Veterinary Market

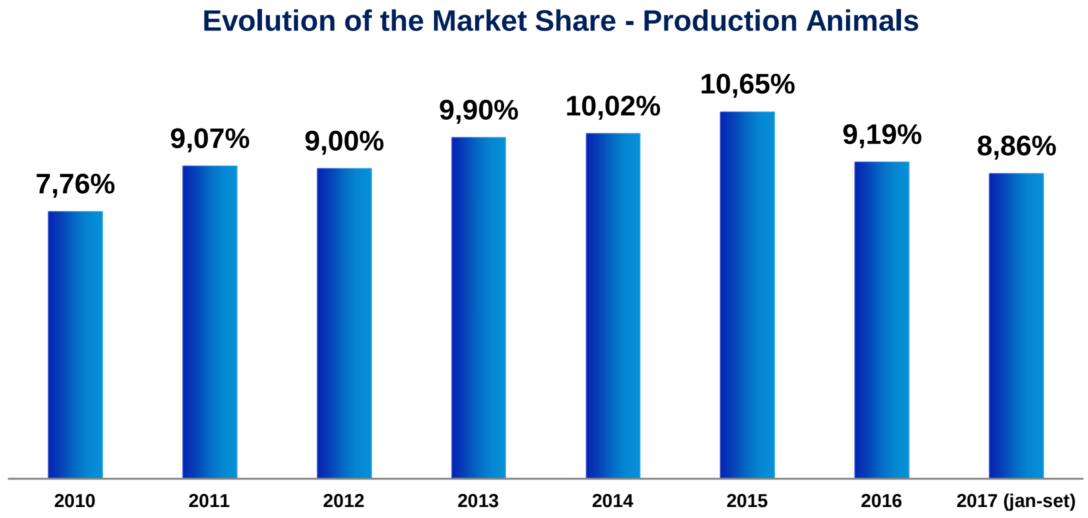
In 2016, the industry had one of the worst developments ever recorded. With a 2% evolution in comparison with 2015, the veterinary market was also adversely affected by the macroeconomic environment in Brazil. Although there are no official data for 2017, an evolution of more than 6% in comparison with 2016 has been projected, indicating the resumption of historical growth levels for the coming years.

Even with some instability in the price of foot-and-mouth disease vaccines and the poultry and pig market under pressure of grain prices, the improvement in domestic consumption (protein) with the reversal of the crisis and the opening of new foreign markets has brought better expectations to the sector. Also, the improvement in the purchasing power of the population, which reflects directly on the care for companion animals, must be considered.

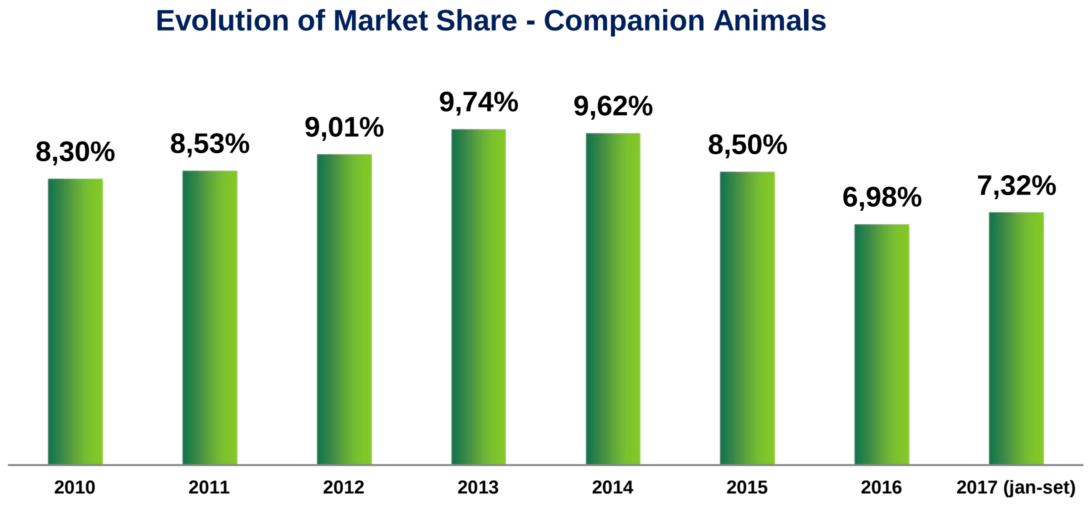


Source: 2011 to 2016, Sindan (website); 2017* Company estimate.

Market Share Evolution



Source: PPE Sindan (Ourofino)



Source: PPE Sindan (Ourofino)

Economic and financial performance

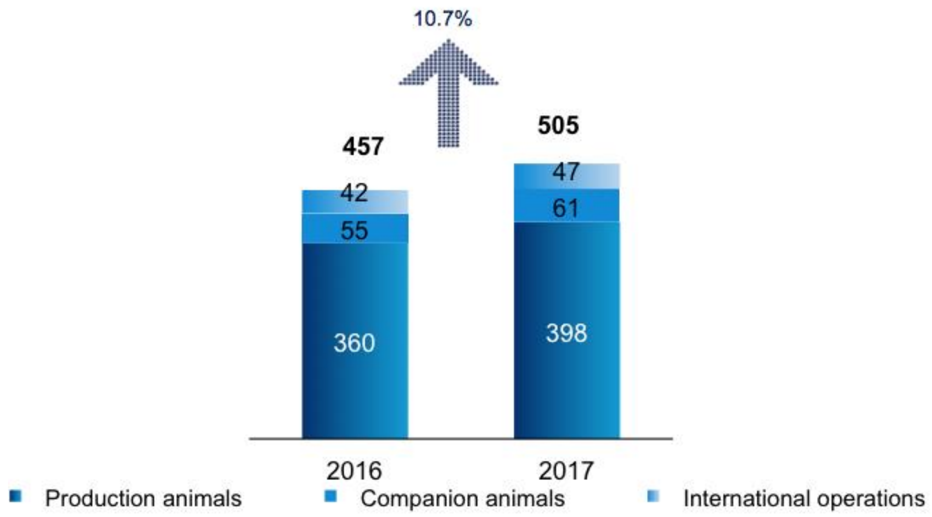
Financial performance

R$ million	2016	2017	Variation %
Net revenue	456,6	505,3	10,7%
Cost of sales	(230,5)	(237,7)	3,1%
Gross profit	226,1	267,6	18,4%
(gross margin)	49,5%	53,0%	3,5 p.p.
Expenses*	(207,3)	(189,8)	-8,4%
Operating profit	18,8	77,8	313,8%
(operating margin)	4,1%	15,4%	11,3 p.p.
Finance result, net	(22,2)	(16,8)	-24,3%
Income tax and social contribution*	5,7	(15,6)	-373,7%
Adjusted profit	2,3	45,4	1873,9%
(adjusted profit margin)	0,5%	9,0%	8,5 p.p.
Adjusted EBITDA	44,4	103,7	133,6%
(adjusted EBITDA margin)	9,7%	20,5%	10,8 p.p.

(*) In 2016, does not include non-recurring expenses related to the provision for impairment of trade receivables of Venezuela, termination of statutory officer and restructuring costs. In 2017, does not include non-recurring expenses related to consulting services by Falconi, settlement of tax assessment notices for previous years and restructuring costs. These events gave rise to their related tax effects.

Net revenue

R$ million	2016	2017	Variation %
Net sales revenue	456,6	505,3	10,7%
Production animals	359,7	397,7	10,6%
Companion animals	54,5	61,0	11,9%
International operations	42,4	46,6	9,9%



In 2017, the Company presented a net revenue of R$ 505.3 million, an increase of 10.7% in comparison with 2016. 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$ 397.7 million in 2017, an increase of 10.6% in comparison with 2016. This increase reflected the effects of the actions taken by the new management.

- The Companion Animals segment presented a net revenue of R$ 61.0 million in 2017, an increase of 11.9% in comparison with 2016. This result shows market recovery with proper inventory levels at distributors.

- The International Operations segment presented a net revenue of R$ 46.6 million in 2017, an increase of 9.9% in comparison with 2016, which was adversely affected by foreign exchange rates.

“Net revenue grows 11% and reaches R$ 505 millions”

Gross profit and gross margin

R$ million	2016	2017	Variation %
Gross profit	226,1	267,6	18,4%
(gross margin)	49,5%	53,0%	3,5 p.p.
Gross profit - production animals	163,0	201,0	23,3%
(gross margin - production animals)	45,3%	50,5%	5,2 p.p.
Gross profit - companion animals	38,3	42,7	11,5%
(gross margin - companion animals)	70,3%	70,0%	-0,3 p.p.
Gross profit - international operations	24,8	23,9	-3,6%
(gross margin - international operations)	58,5%	51,3%	-7,2 p.p.

In 2017, gross margin was 53.0%, an increase of 3.5 percentage points in comparison with 2016.

- The Production Animals segment presented a gross margin of 50.5% in 2017, an increase of 5.2 percentage points in comparison with 2016. Increase in margins was result of a better mix in the segment
- The Companion Animals segment presented a gross margin of 70.0% in 2017, with a slight decrease of 0.3 percentage points in comparison with 2016.
- The International Operations segment presented a gross margin of 51.3% in 2017, a decrease of 7.2 percentage points in comparison with 2016. This decrease was substantially due to price losses arising from foreign exchange effects in the period.

Selling, general and administrative expenses

R$ million	2016	2017	Variation %
Selling, general and administrative and other expenses	(207,3)	(189,8)	-8,4%
Percentage of net revenue	45,4%	37,6%	-7,8 p.p.

In 2017, selling, general and administrative expenses totaled R$ 189.8 million, with a dilution of 7.8 percentage points in comparison with 2016. This dilution reflects an increase in net revenues and the Company's efforts to optimize expenses.

EBITDA and EBITDA margin

R$ million	2016	2017	Variation %
Adjusted profit	2,3	45,4	1873,9%
(+) Non-recurring expenses, net of IRPJ/CSLL*	(7,6)	(7,5)	**-1,3%**
Profit for the period	(5,3)	37,9	-815,1%
(+) Finance result, net	22,2	16,8	-24,3%
(+) Income tax and social contribution	(8,0)	11,7	-246,3%
(+) Depreciation and amortization	21,9	24,9	13,7%
EBITDA	30,8	91,3	196,4%
(+) Non-recurring expenses*	9,9	11,4	15,2%
(+) Other	3,7	1,0	-73,0%
Adjusted EBITDA	44,4	103,7	133,6%
Net sales revenue	456,6	505,3	10,7%
EBITDA margin	6,7%	18,1%	11,4 p.p.
Adjusted EBITDA margin	9,7%	20,5%	10,8 p.p.

(*) In 2016, the following are considered non-recurring expenses: provision for impairment of trade receivables of Venezuela, termination of statutory officer and restructuring costs. In 2017, these expenses relate to consulting services by Falconi, settlement of the tax assessment notices for previous years and restructuring costs.

In 2017, adjusted EBITDA totaled R$ 103.7 million, with a margin of 20.5%, an increase of 10.8 percentage points in comparison with 2016.

The increase in gross margin and dilution of selling, general and administrative expenses were responsible for EBITDA improvement.

Finance Result

R$ million	2016	2017	Variation %
Finance result, net	(22,2)	(16,8)	-24,3%

In 2017, net finance costs amounted to R$ 16.8 million, a decrease of 24,3% in comparison with 2016. This decrease was due to a higher cash generation in 2017. As a result, there was a reduction in net debt, which was R$ 264.6 million in 2016 and totaled R$ 200.2 million in 2017.

Income tax and social contribution

R$ million	2016	2017	Variation %
Income tax and social contribution	5,7	(15,6)	-373,7%
Percentage of profit before IRPJ and CSLL	-167,6%	-25,6%	142,0 p.p.

In 2017, income tax and social contribution totaled R$ 15.6 million. The effect determined was due to higher profitability.

Profit

R$ million	2016	2017	Variation %
Adjusted profit	2,3	45,4	1873,9%
profit margin	0,5%	9,0%	8,5 p.p.

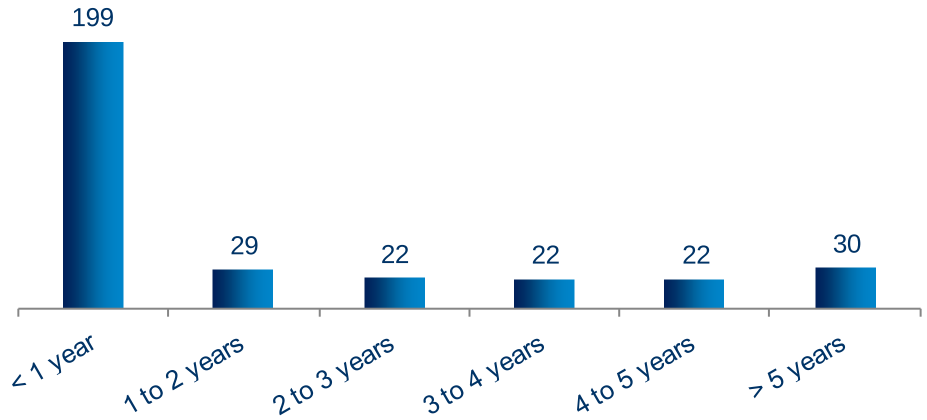
In 2017, adjusted profit was R$ 45.4 million against R$ 2.3 million in 2016. This result reflects an increase in EBITDA due to the previously mentioned factors, and a decrease in net finance costs.

Indebtedness

In R$ million	December 31, 2016	December 31, 2017
Current	73.6	190.2
Non-current	241.9	122.9
Gross debt	315.5	313.1
Related derivative financial instruments	19.4	10.5
Gross debt arising from related derivatives	334.9	323.6
(-) Cash and cash equivalents	70.3	123.4
Net debt	264.6	200.2
Average cost of debt (year)[1]	9.11%	6.84%
Adjusted annual Net debt/EBITDA (LTM)	5.96	1.93

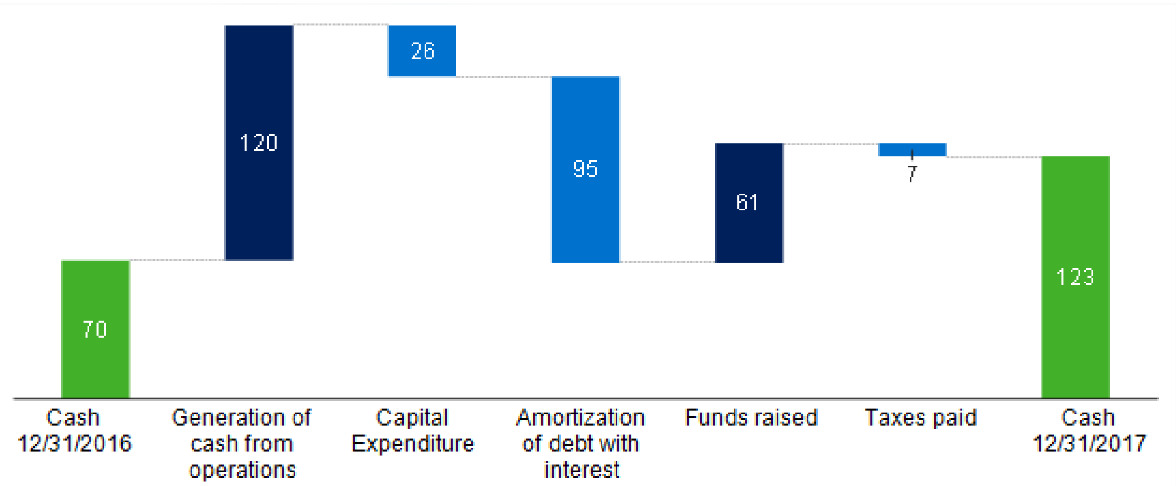
[1] Net bank debt considering related derivatives and bank guarantee costs

*Bank debt aging**



*Considers the period between January 1 and December 31 and debt plus derivatives.

Cash Position



In 2017, there was a generation of cash from operations of R$ 120 million, doubling the volume in comparison with 2016, and in line with the Company's efforts to reduce the average term of receivables from sales that decreased to 116 days, in comparison with 130 days in 2016 and 154 days in 2015.

We would also emphasize the repayment of debt and payment of interest totaling R$ 95 million plus raising of funds of R$ 61 million, with impact on the average cost of debt, which decreased from 9.1% at December 31, 2016 to 6.8% at December 31, 2017.

Industrial Units

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

A plant for the production of animal health drugs,

which is considered as one of the most modern plants of this type in Latin America, with a built area of approximately 24,840m². The project was conceived in compliance with the “Good Manufacturing Practices (GMP)”. It also 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 Drug 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 the production of 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. Licensing with MAPA occurred in 2017, and the final tests for the beginning of operations took place in 2018.

Research, Development and Innovation (RD&I)

One of the main goals 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 7 internal laboratories for the development of new products and an internal team of approximately 100 people, made up of managers, pharmacists, chemists, veterinarians, biologists and biotechnicians.

Launches in 2017

As a result of our R&D efforts, there were launches in line with our pipeline, such as that of Regepil, for companion animals, and Superhion in 5-liter containers for production animals.

Regepil

Indications: General and chronic wounds in areas of difficult healing;
Surgical wounds helping reducing dehiscence rate;
Contribute and accelerate the healing process in animals with physiological impairment arising from a preexisting sickness.

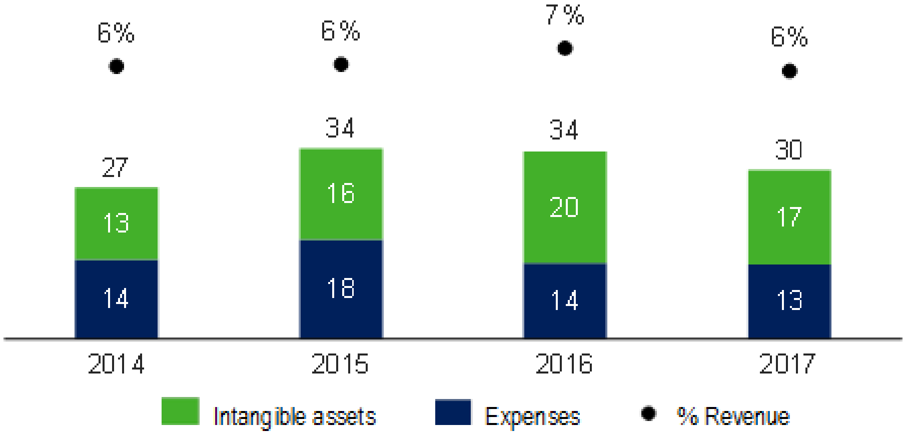
Therapeutic class:	Segment::	Launched in:
Skin product	Companion animals	Junho de 2017

Superhion 5L

Indications: Superhion is a pour-on ectoparasiticide for cattle, composed by the association between Fipronil and Fluazuron, recommended for the strategic control of ticks and horn flies and for the treatment against botflies and myiasis.

Therapeutic class:	Segment:	Launched in:
Ectopara-siticida	Production animals	August 2017

In 2017, approximately 6% of the net revenue was invested in RD&I, totaling R$ 30 million. The chart below shows the Company's total investments from 2014 to 2017.



Corporate Governance

New market:

In October 2014, we conducted the initial public offering (IPO) of the Company's shares on B3 S.A. - Brasil, Bolsa, Balcão in the Novo Mercado (New Market) segment, which imposes the highest requirements for transparency and corporate governance practices. Listing on this special segment entails 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 six members, including four 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, not related to the Executive Board or 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 in 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, two of whom 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 a 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 performance of any other services does not affect their independence and objectivity, which are required for the provision 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 CVM 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, 2017 and the opinions expressed in the independent auditor's report thereon.

Human Resources

In 2017, the Human Resources and Sustainability Board underwent a comprehensive restructuring process aimed at restoring the Company's distinguishing features that make individual competencies to be strengthened for teamwork, bringing even more results to all those involved, together with a strategic HR department that is prepared to act in the most diverse conditions the Company may face.

HR has played a key role in the process of incorporating the purpose of the Company as it prepares and includes people in the business strategy. As a result, in 2017 we started a process to implement necessary changes focused on integrating areas and improving performance and, consequently, the internal climate.

We conducted a diligent process aiming at internal public commitment through the "HR Dialogues" program, whereby we mapped the main needs of our internal public and acted on them, with a view to producing an impact on the results achieved by our team.

Also, we have invested our efforts in an extensive review of jobs and positions focused on developing an even more robust career and compensation plan that will enable us to improve our people development and management processes.

This year we also further developed the performance evaluation process, implemented in 2016, focused on developing important business development skills, investing in attracting and retaining talent, including the development of leaders whose profile be consistent with the organization requirements and the provision of training courses focused on meeting the Company's diverse needs.

This process involving many changes in recent years has allowed us to count on a team of 1011 employees that are prepared to reimagine animal health, and who are covered by a broad package of benefits that considers basic needs, such as dental and medical care and food and chartered transportation; this coverage also includes support to special needs, such as scholarship, day care center allowance and gym; and it also includes future planning, with the possibility of enrollment by the employee in the corporate supplementary pension plan, so that the best team can achieve the best performance.

Social Responsibility

Building and nurturing relationships are part of the Company's purpose and are considered in the manner how Ourofino understands its social role in relation to its stakeholders. Aiming at always improving this process, in 2017 we continued to develop the process of restructuring procedures and practices, based on the SA8000 standard and market best practices.
This approach led us to the creation of a Sustainability Policy that will guide not only Social Responsibility processes, but all our actions focused on sustainable development as from 2018.

Some actions have already been implemented in 2017. We have reviewed our entire donation process, including the issue of contributions through incentive laws, and started to follow up on these projects more closely, ensuring that their implementation be aligned with our purpose and that they are capable of generating the expected value for society.

In 2017, we supported several social projects, including: Judô Corpore Association, Guará Women's Polo Training Center, Municipal Elderly Fund of Ribeirão Preto, Minaz Theater Company, Biking for the Future Project, Viola Enluarada Cultural Project, Association for the Visually Impaired of Ribeirão Preto, Cycling Team of the Federation of the state of São Paulo, among other projects.
We have connected our employees to our social projects and actions through the formation of a group of volunteers, and we are already preparing internal procedures to guarantee a transparent and balanced management to protect the rights of employees and of our entire value chain.
The Company continues to invest in this business model and plans to continue implementing more and more actions focused on reducing social and environmental impacts and risks.

Occupational health, safety and environment

We remain committed to developing actions focused on reducing material environmental impacts and identifying occupational hazards and risks in our operations and throughout our value chain, by strengthening our commitment to promoting sustainable growth in a conscious and transparent manner, adding value to the business.

In 2017, we continued monitoring Greenhouse Gas (GHG) emissions and focusing on this, we identified an opportunity to improve the energy efficiency of processes, reducing emissions. Therefore, in 2017 the plant was adapted for the change from using LPG gas to CNG gas, with a significant reduction in GHG Scope 1 emissions in the osmosis process, thus compensating part of the increase in emissions generated in the beginning of operations of the new plant for biological products.

Aiming at continuously improving waste management in 2017, we increased the provision of training courses and intensified awareness of employees on the importance of conscious consumption and consequent proper waste disposal. As a result, we had a reduction in the volume generated of approximately 30% in comparison with related data for 2016. Also, investments in the wastewater treatment system were made, so as to adapt the Company’s units to receive and handle future needs arising from increased production.

We have worked together with the labor union in an effective way, in the discussions related to the establishment of reverse logistics, and we have sought to qualify the team responsible for environmental management, maintaining their procedures up to date and supported by sustainable practices. Accordingly, we have generated value for the Company, because we have used available human, natural or financial resources in a rational and balanced way. We maintain our business model close to the producer through our sales team and different communication channels, by fostering an understanding of the improvement in performance when products are properly used, generating greater efficiency and care in management.

The prevention of occupational risks has been continuous and has led to positive results involving employees' awareness of safe practices: use of personal protective equipment (PPE), specific training courses for the various activities developed, and compliance with safety procedures aligned with production processes. These efforts brought satisfactory results in relation to the rate of severity and frequency of occupational accidents, with a significant reduction in days of absence and number of accidents, in comparison with the results for the previous year.

In addition to the preventive safety actions, we focused on actions aimed at improving the quality of life of employees, extended the actions of the family doctor aiming at providing medical services at the company in order to anticipate situations of risk to health and promote well-being, mapped more accurately the risks in the Company’s areas, conducted simulations of emergency situations to qualify the emergency brigade, and also involved employees in the Company's Emergency Plan. We conducted the Internal Accident Prevention and Environment Week, further fostering and raising awareness by our employees with the objective of having them continuously involved in campaigns related to occupational health, accident prevention and occupational diseases in all our activities.

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.