

(A free translation of the original in Portuguese)

# **Ouro Fino Saúde Animal Participações S.A.**

**Quarterly Information (ITR) at  
September 30, 2016  
and report on review of  
quarterly information**



(A free translation of the original in Portuguese)

## **Report on review of quarterly information**

To the Board of Directors and Stockholders  
Ouro Fino Saúde Animal Participações S.A.

### **Introduction**

We have reviewed the accompanying parent company and consolidated interim accounting information of Ouro Fino Saúde Animal Participações S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2016, comprising the balance sheet at that date and the statements of income, comprehensive income, changes in equity and cash flows for the quarter and nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, "Interim Financial Reporting", of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and ISRE 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", respectively). A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion on the interim information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.



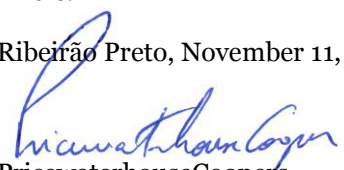
Ouro Fino Saúde Animal Participações S.A.

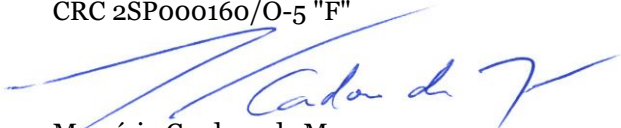
## **Other matters**

### **Statements of value added**

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended September 30, 2016. These statements are the responsibility of the Company's management, are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Ribeirão Preto, November 11, 2016

  
PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5 "F"

  
Maurício Cardoso de Moraes  
Contador CRC 1PR035795/O-1 "T" SP

(A free translation of the original in Portuguese)

## **Contents**

### **Interim accounting information**

Balance sheet	3
Statement of income	5
Statement of comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Statement of value added	9

### **Notes to the interim accounting information**

<b>Section A - General information</b>	<b>10</b>
1.1 Operations	10
1.2 Basis of preparation	11
1.3 Changes in accounting policies and disclosures	11
1.4 Consolidation	11
<b>Section B - Risks</b>	<b>12</b>
2 Critical accounting estimates, assumptions and judgments	12
3 Financial risk management	13
3.1 Financial risk factors	13
3.2 Capital management	17
3.3 Fair value estimation	18
<b>Section C - Segment reporting</b>	<b>19</b>
4 Segment reporting	19
<b>Section D - Group structure</b>	<b>21</b>
5 Investments (Parent company)	21
6 Business combinations	27
<b>Section E - Selected significant notes</b>	<b>29</b>
7 Financial instruments by category	29
8 Credit quality of financial assets	29
9 Cash and cash equivalents	30
10 Derivative financial instruments (consolidated)	31
11 Trade receivables (consolidated)	31
12 Inventories (consolidated)	33
13 Taxes recoverable	33
14 Current and deferred income tax and social contribution (consolidated)	34
15 Intangible assets (consolidated)	37
16 Property, plant and equipment (consolidated)	38
17 Trade payables (consolidated)	39
18 Borrowings (consolidated)	40
19 Provision for contingencies (consolidated)	41
20 Equity	42
21 Revenue (consolidated)	45
22 Costs and expenses by nature	45
23 Other income (expenses), net	47
24 Finance income and costs	47

25	Income tax and social contribution	49
26	Earnings per share	50
27	Employee benefit	50
28	Balances and transactions with related parties	51
29	Insurance	53
	<b>Section F - Accounting policies</b>	53
30	Summary of significant accounting policies	53
30.1	Consolidation	53
30.2	Foreign currency translation	54
30.3	Financial assets	54
30.4	Derivative financial instruments	55
30.5	Trade receivables	56
30.6	Inventories	56
30.7	Current and deferred income tax and social contribution	56
30.8	Intangible assets	57
30.9	Property, plant and equipment	58
30.10	Impairment of non-financial assets	58
30.11	Trade payables	58
30.12	Borrowings	58
30.13	Employee benefit	59
30.14	Revenue recognition	59
30.15	Distribution of dividends and interest on capital	59
30.16	New standards that are not yet effective	60

# Ouro Fino Saúde Animal Participações S.A.

## Balance sheet

All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Parent company		Consolidated	
		September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
<b>Assets</b>	<b>Note</b>				
Current assets					
Cash and cash equivalents	9	10	468	60,757	23,380
Trade receivables	11			196,418	225,740
Derivative financial instruments	10				22
Inventories	12			139,744	109,263
Taxes recoverable	13			6,644	7,471
Income tax and social contribution recoverable				1,763	1,020
Related parties	28	17	5,615	1,044	1,870
Other assets		11		5,609	9,611
		38	6,083	411,979	378,377
Non-current assets					
Long-term receivables					
Derivative financial instruments	10				1,713
Taxes recoverable	13	115	201	40,077	32,322
Deferred income tax and social contribution	14			12,836	5,558
Related parties		804		804	
Other assets				1,421	2,616
		919	201	55,138	42,209
Investments in subsidiaries	5	387,342	391,110		
Intangible assets	15			87,136	78,690
Property, plant and equipment	16			222,940	194,095
Total non-current assets		388,261	391,311	365,214	314,994
Total assets		388,299	397,394	777,193	693,371

# Ouro Fino Saúde Animal Participações S.A.

## Balance sheet

All amounts in thousands of reais

(continued)

		Parent company		Consolidated	
		September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Liabilities and equity	Note				
Current liabilities					
Trade payables	17			41,878	29,450
Derivative financial instruments	10			6,467	1,297
Borrowings	18			78,661	57,260
Salaries and social charges		111	99	22,873	24,333
Taxes payable		48	546	3,685	6,585
Income tax and social contribution payable				1,555	1,873
Dividends and interest on capital	28		16,433		16,433
Related parties	28	45	119	1,235	660
Sales commission				6,540	7,313
Other liabilities		62	16	9,717	4,790
		266	17,213	172,611	149,994
Derivative financial instruments	10			10,572	
Borrowings	18			202,466	159,227
Provision for contingencies	19			3,491	3,841
				216,529	163,068
Total liabilities		266	17,213	389,140	313,062
Equity	20				
Share capital		299,107	298,889	299,107	298,889
Capital reserve		(6,392)	(6,392)	(6,392)	(6,392)
Options granted		2,710	1,491	2,710	1,491
Revenue reserves		70,241	70,241	70,241	70,241
Carrying value adjustments		15,446	15,952	15,446	15,952
Retained earnings		6,921		6,921	
		388,033	380,181	388,033	380,181
Non-controlling interests				20	128
Total equity		388,033	380,181	388,053	380,309
Total liabilities and equity		388,299	397,394	777,193	693,371

The accompanying notes are an integral part of this quarterly information.

# Ouro Fino Saúde Animal Participações S.A.

## Statement of income

Periods ended September 30, 2016 and 2015

All amounts in thousands of reais unless otherwise stated

(A free translation of the original in Portuguese)

		Parent company			
		2016		2015	
	Note	Quarter	Nine-month period	Quarter	Nine-month period
General and administrative expenses	22	(738)	(2,225)	(476)	(1,274)
Equity in the results of investees	5	6,521	9,090	19,372	46,535
Other income, net	23	21	60	49	88
<b>Operating profit</b>		<b>5,804</b>	<b>6,925</b>	<b>18,945</b>	<b>45,349</b>
Finance income		12	26	1	4
Finance costs		(9)	(30)	(10)	(44)
<b>Finance result</b>	24	<b>3</b>	<b>(4)</b>	<b>(9)</b>	<b>(40)</b>
<b>Profit for the quarter/period</b>		<b>5,807</b>	<b>6,921</b>	<b>18,936</b>	<b>45,309</b>

		Consolidated			
		2016		2015	
	Note	Quarter	Nine-month period	Quarter	Nine-month period
Revenue	21	125,460	358,081	149,425	369,165
Cost of sales	22	(62,878)	(174,418)	(63,432)	(158,988)
<b>Gross profit</b>		<b>62,582</b>	<b>183,663</b>	<b>85,993</b>	<b>210,177</b>
Selling expenses	22	(43,074)	(130,247)	(43,345)	(117,577)
General and administrative expenses	22	(9,975)	(31,650)	(10,261)	(28,367)
Other income (expenses), net	23	(1,297)	(1,764)	(749)	120
<b>Operating profit</b>		<b>8,236</b>	<b>20,002</b>	<b>31,638</b>	<b>64,353</b>
Finance income		3,713	7,042	3,852	17,010
Finance costs		(8,099)	(37,450)	(3,307)	(9,707)
Foreign exchange variations, net		69	14,645	(5,855)	(15,107)
<b>Finance result</b>	24	<b>(4,317)</b>	<b>(15,763)</b>	<b>(5,310)</b>	<b>(7,804)</b>
<b>Profit before income tax and and social contribution</b>		<b>3,919</b>	<b>4,239</b>	<b>26,328</b>	<b>56,549</b>
Income tax and social contribution	25				
Current		(1,782)	(4,736)	(6,097)	(16,701)
Deferred		3,639	7,333	(1,296)	5,474
<b>Profit for the quarter/period</b>		<b>5,776</b>	<b>6,836</b>	<b>18,935</b>	<b>45,322</b>
<b>Attributable to:</b>					
Owners of the parent		5,807	6,921	18,936	45,309
Non-controlling interests		(31)	(85)	(1)	13
		<b>5,776</b>	<b>6,836</b>	<b>18,935</b>	<b>45,322</b>

<b>Earnings per share attributable to owners of the Company during the quarter/period (in reais)</b>	26				
Basic earnings per share		0.10764	0.12830	0.35104	0.83996
Diluted earnings per share		0.10743	0.12798	0.35046	0.83931

The accompanying notes are an integral part of this quarterly information.



# Ouro Fino Saúde Animal Participações S.A.

## Statement of comprehensive income Periods ended September 30, 2016 and 2015

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company			
	2016		2015	
	Quarter	Nine-month period	Quarter	Nine-month period
<b>Profit for the quarter/period</b>	5,807	6,921	18,936	45,309
<b>Other comprehensive income</b>				
<b>Items that will be reclassified to profit or loss</b>				
Exchange variation of investment in subsidiary located abroad	(33)	(506)	525	770
<b>Total comprehensive income for the quarter/period</b>	<u>5,774</u>	<u>6,415</u>	<u>19,461</u>	<u>46,079</u>
	Consolidated			
	2016		2015	
	Quarter	Nine-month period	Quarter	Nine-month period
<b>Profit for the quarter/period</b>	5,776	6,836	18,935	45,322
<b>Other comprehensive income</b>				
<b>Items that will be reclassified to profit or loss</b>				
Exchange variation of investment in subsidiary located abroad	(34)	(529)	546	800
<b>Total comprehensive income for the quarter/period</b>	<u>5,742</u>	<u>6,307</u>	<u>19,481</u>	<u>46,122</u>
<b>Attributable to:</b>				
Owners of the parent	5,774	6,415	19,461	46,079
Non-controlling interests	(32)	(108)	20	43
	<u>5,742</u>	<u>6,307</u>	<u>19,481</u>	<u>46,122</u>

The accompanying notes are an integral part of this quarterly information.

# Ouro Fino Saúde Animal Participações S.A.

## Statement of changes in equity

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Attributable to owners of the parent										
Revenue reserves										
	Share capital	Capital reserve	Options granted	Legal reserve	Profit retention reserve	Carrying value adjustments	Retained earnings	Total	Non-controlling interests	Total equity
Note										
At January 1, 2015	298,889	(6,275)		1,886	20,250	15,319		330,069	88	330,157
Comprehensive income for the period										
Profit for the period							45,309	45,309	13	45,322
Exchange variation of subsidiary located abroad						770		770	30	800
Total comprehensive income for the period						770	45,309	46,079	43	46,122
Contributions by owners										
Distribution of additional dividends for 2014					(3,931)			(3,931)		(3,931)
Share options granted	20 (e)		1,119					1,119		1,119
Borrowing costs	20 (b)	(117)						(117)		(117)
Total contributions by owners		(117)	1,119		(3,931)			(2,929)		(2,929)
At September 30, 2015	298,889	(6,392)	1,119	1,886	16,319	16,089	45,309	373,219	131	373,350
At January 1, 2016	298,889	(6,392)	1,491	5,346	64,895	15,952		380,181	128	380,309
Comprehensive income for the period										
Profit for the period							6,921	6,921	(85)	6,836
Exchange variation of subsidiary located abroad						(506)		(506)	(23)	(529)
Total comprehensive income for the period						(506)	6,921	6,415	(108)	6,307
Contributions by owners										
Capital increase	20 (a)	218						218		218
Special goodwill reserve on merger	1.1	54,433						54,433		54,433
Provision for loss on unrealized reserve	1.1	(54,433)						(54,433)		(54,433)
Share options granted	20 (e)		1,219					1,219		1,219
Total contributions by owners		218	1,219					1,437		1,437
At September 30, 2016	299,107	(6,392)	2,710	5,346	64,895	15,446	6,921	388,033	20	388,053

The accompanying notes are an integral part of this quarterly information.

# Ouro Fino Saúde Animal Participações S.A.

## Statement of cash flows Nine-month period ended September 30, 2016 and 2015

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2016	2015	2016	2015
<b>Cash flows from operating activities</b>				
<b>Profit before income tax and social contribution</b>	6,921	45,309	4,239	56,549
Adjustments for:				
Provision for impairment of trade receivables			6,739	27
Provision for inventory losses and write-offs			5,252	(700)
Equity in the results of investees	(9,090)	(46,535)		
Depreciation and amortization			16,178	14,406
Provision for impairment of intangible assets			609	
Result on disposal of property, plant and equipment			(100)	(167)
Write-off of intangible assets			481	
Interest and monetary and exchange variations, net			(8,704)	20,911
Derivative financial instruments			25,005	(11,303)
Provision for contingencies			(242)	139
Share options granted	12	16	1,219	1,119
Changes in working capital				
Trade receivables			20,700	(15,320)
Inventories			(39,214)	(47,325)
Taxes recoverable	86		(7,335)	(6,436)
Other assets	74	40	5,446	481
Trade payables			15,481	24,574
Taxes payable	(498)	(441)	(2,659)	(259)
Other liabilities	(15)	(247)	3,939	4,323
<b>Cash provided by (used in) operations</b>	(2,510)	(1,858)	47,034	41,019
Interest paid			(7,517)	(6,177)
Income tax and social contribution paid			(5,726)	(12,663)
<b>Net cash provided by (used in) operating activities</b>	(2,510)	(1,858)	33,791	22,179
<b>Cash flows from investing activities</b>				
Advances for future capital increase		(25,000)		
Purchase of investments				(387)
Investments in intangible assets			(17,040)	(13,894)
Purchase of property, plant and equipment			(38,963)	(22,738)
Receipts of dividends and interest on capital	18,267	39,746		
Proceeds from sale of property, plant and equipment			1,168	903
<b>Net cash provided by (used in) investing activities</b>	18,267	14,746	(54,835)	(36,116)
<b>Cash flows from financing activities</b>				
Capital increase	218		218	
Proceeds from borrowings			138,726	63,905
Repayment of borrowings			(55,397)	(103,173)
Payment of dividends and interest on capital	(16,433)	(12,889)	(16,433)	(12,889)
Realized derivative financial instruments			(7,529)	19,899
<b>Net cash provided by (used in) financing activities</b>	(16,215)	(12,889)	59,585	(32,258)
<b>Net increase (decrease) in cash and cash equivalents</b>	(458)	(1)	38,541	(46,195)
<b>Cash and cash equivalents at the beginning of the period</b>	468	11	23,380	72,453
<b>Exchange losses on cash and cash equivalents</b>			(1,164)	185
<b>Cash received for acquisition of investments</b>				385
<b>Cash and cash equivalents at the end of the period</b>	10	10	60,757	26,828

The accompanying notes are an integral part of this quarterly information.

# Ouro Fino Saúde Animal Participações S.A.

## Statement of value added Nine-month periods ended September 30, 2016 and 2015

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2016	2015	2016	2015
<b>Revenues</b>				
Gross sales and services			399,030	406,947
Other income			(1,340)	138
Income related to the construction of own assets			14,807	10,924
Provision for impairment of trade receivables			(6,739)	(27)
			405,758	417,982
<b>Inputs acquired from third parties</b>				
Cost of sales and services			(132,700)	(129,291)
Materials, electricity, third-party services and other	(1,058)	(542)	(104,580)	(95,655)
Losses on assets, net			(5,386)	956
	(1,058)	(542)	(242,666)	(223,990)
<b>Gross value added (distributed)</b>	(1,058)	(542)	163,092	193,992
Depreciation and amortization			(16,178)	(14,406)
<b>Net value added (distributed) generated by the entity</b>	(1,058)	(542)	146,914	179,586
<b>Value added received through transfer</b>				
Equity in the results of investees	9,090	46,535		
Finance income	26	4	27,704	25,121
Royalties	75	75	75	75
Other		26	210	1,019
<b>Total value added to distribute</b>	<b>8,133</b>	<b>46,098</b>	<b>174,903</b>	<b>205,801</b>
<b>Distribution of value added</b>				
Personnel				
Salaries and wages	966	611	75,904	69,926
Benefits	5	3	15,774	12,993
FGTS			6,890	5,397
Taxes, charges and contributions				
Federal	204	130	23,812	33,169
State	7	1	(2,257)	1,372
Municipal			207	203
Remuneration of third parties' capital				
Interest	30	44	43,956	32,893
Rentals			3,152	3,871
Other			629	655
Remuneration of own capital				
Profits reinvested	6,921	45,309	6,921	45,309
Non-controlling interests			(85)	13
<b>Value added distributed</b>	<b>8,133</b>	<b>46,098</b>	<b>174,903</b>	<b>205,801</b>

The accompanying notes are an integral part of this quarterly information.

(A free translation of the original in Portuguese)

## **Ouro Fino Saúde Animal Participações S.A.**

### **Notes to the quarterly information at**

**September 30, 2016**

**All amounts in thousands of reais unless otherwise stated**

---

### **Section A - General information**

#### **1.1 Operations**

Ouro Fino Saúde Animal Participações S.A. (the "Company") is a listed corporation headquartered in the city of Cravinhos, state of São Paulo. The Company's shares are traded on the São Paulo Futures, Commodities and Securities Exchange - BM&FBovespa S.A. ("BM&FBovespa") in the Novo Mercado (New Market) category.

The Company and its subsidiaries (together the "Group") operate in the animal health industry, specifically in the development, production and sale of veterinary drugs, vaccines and other products for production and companion animals.

At the Extraordinary General Meeting held on August 31, 2016, the stockholders approved the merger of General Atlantic Ouro Fino Participações S.A. ("GAOF"), based on the appraisal report at book value as of June 30, 2016 issued by independent appraisers on August 12, 2016.

On October 20, 2014, GAOF, an investment holding company, acquired approximately 14.27% of the capital of the Company for R\$ 200,000, resulting in goodwill based on expected future profitability (under the terms of Law 9,532/97) of R\$ 160,097, as described below:

Equity of Ouro Fino Saúde Animal Participações S.A. at September 30, 2014	227,784
Capital increase with issue of shares (IPO)	<u>51,923</u>
(a) Equity of Ouro Fino Saúde Animal Participações S.A. adjusted for determination of goodwill	279,707
(b) Interest acquired by General Atlantic Ouro Fino Participações S.A.	<u>14.27%</u>
(c) Equity acquired by General Atlantic Ouro Fino Participações S.A. (a x b)	39,903
(d) Amount paid	<u>200,000</u>
(e) Goodwill generated in the transaction (d - c)	<u>160,097</u>
(f) Tax benefit ((e) x 34%)	<u>54,433</u>

As provided for in CVM Instructions 319/99, 349/01 and 565/15, for purposes of downstream merger, the goodwill initially recorded by GAOF was reduced to the limit of the tax benefit expected from the likely future reduction in the Company's taxes.

After the merger, and considering that the realization of the tax benefit arising from the goodwill is not currently expected, management decided to record a provision in the full amount of the merged balance, with a corresponding entry in the same line item of the special goodwill reserve on merger where the benefit was initially recorded. In this context, there was no impact on the interim consolidated financial information

The issue of this parent company and consolidated interim accounting information was authorized by the Company's Board of Directors on November 10, 2016.

# **Ouro Fino Saúde Animal Participações S.A.**

## **Notes to the quarterly information at**

**September 30, 2016**

**All amounts in thousands of reais unless otherwise stated**

---

### **1.2 Basis of preparation**

The parent company and consolidated interim accounting information has been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and present all (and only) the significant information that is inherent to the accounting information, which is consistent with that used by management in its activities.

The main accounting policies applied in the preparation of this interim accounting information are set out in Note 30.

The interim accounting information was prepared in accordance with the Brazilian technical pronouncement CPC 21 - Interim Financial Reporting, and with international accounting standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and is presented in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of quarterly information (ITR).

The preparation of interim accounting information requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company and consolidated interim accounting information, are disclosed in Note 2.

The presentation of the parent company and consolidated Statement of value added is required by Brazilian corporate legislation and the accounting practices adopted in Brazil applicable to listed companies. The International Financial Reporting Standards (IFRS) do not require the presentation of this statement. Consequently, for IFRS purposes, this statement is presented as supplementary information.

### **1.3 Changes in accounting policies and disclosures**

In the nine-month period ended September 30, 2016, there was no amendments to existing standards or interpretations which could have a material effect on the Group's financial information.

### **1.4 Consolidation**

The Company consolidates all entities which it controls, as described in Note 5 (b), in accordance with the description in Note 30.1.

# Ouro Fino Saúde Animal Participações S.A.

## Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

---

### Section B - Risks

#### 2 Critical accounting estimates, assumptions and judgments

Critical accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on assumptions, the Group makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### (a) Fair value of derivative financial instruments

The fair value of derivative financial instruments is determined by using valuation techniques. The Group uses judgment to select among a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

##### (b) Provision for impairment of trade receivables

Impairment is established when there is objective evidence that the companies will not be able to recover all the amounts due. The calculation of the provision is based on a reasonable estimate to cover probable losses on the realization of receivables, taking into consideration the situation of each customer and respective guarantees.

##### (c) Deferred income tax and social contribution

The deferred income tax and social contribution assets, arising from income tax and social contribution losses, were recognized based on the expectation of future realization, supported by projections of results made by management, which consider the typical development of business and markets, according to the currently known scenarios.

##### (d) Impairment of property, plant and equipment

The recovery capacity of the assets that are used in the Group's activities is evaluated whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable based on future cash flows. If the carrying amount of these assets is higher than their recoverable value, the net value is adjusted and the useful lives revised to new levels.

##### (e) Provision for contingencies

The Group is a party to labor, civil and tax lawsuits at various court levels. Provisions for contingencies, to cover expected losses on proceedings in progress are established and updated based on management's assessment, according to the opinion of its legal counsel, and require a high level of judgment on the matters involved.

## **Ouro Fino Saúde Animal Participações S.A.**

### **Notes to the quarterly information at**

**September 30, 2016**

**All amounts in thousands of reais unless otherwise stated**

---

**(f) Fair value of the stock option plan**

The fair value attributed to the options granted was determined using the Black-Scholes-Merton pricing model, which takes into consideration the value of the share, the exercise price, the time to elapse up to the exercise of the option, the likelihood of the option to be exercised, the historical volatility, the dividend rate and the risk-free interest rate.

**(g) Impairment of intangible assets**

The Group annually tests product development balances in intangible assets for impairment, whenever possible through the discounted cash flow method, considering, among other aspects:

- (i)** Assumptions of future revenue generation, based on market size (current and estimated) and on the Group's expected market share;
- (ii)** Estimates of direct and indirect manufacturing costs; and
- (iii)** Trading expenditures, such as marketing, commission, freight and storage expenses.

The projection period covers five or more years as from the estimated launching date, depending on the estimates of the product's life cycle, market development and level of associated technological innovation. Provisions are recorded when the recoverable amount (net present value of cash flow) is below the amount of the recorded asset, pursuant to the Company's accounting policy presented in Note 30.8.

**(h) Provision for adjustment of the prices adopted in sales of vaccines against foot-and-mouth disease**

In line with the foot-and-mouth disease market practices where price negotiations are extended to the end of the corresponding vaccination campaign period, the Group assesses the market conditions on a quarterly basis, and determines, based on its experience, accumulated knowledge and information made available by the market and from its customer base, the need to adjust the prices adopted. As this is a price adjustment, if applicable, it is recorded in gross revenue in the statement of income for the period with a corresponding entry in trade receivables.

## **3 Financial risk management**

### **3.1 Financial risk factors**

The activities of the Group companies expose them to financial risks mainly related to foreign exchange variations, fluctuation in interest rates, credit and liquidity. The objective of risk management is to reduce potential unexpected variations in the results arising from the aforementioned risks. The Group manages financial risks as the basis for its growth strategy and satisfactory cash flows. The Group has a Finance Committee that establishes management strategies regarding such exposures, which could include the utilization of derivative or non-derivative financial instruments for hedging potential risks.

The Group monitors the levels of exposure to each market risk (foreign exchange variation and interest rate) through an analysis based on accounting exposure and future cash flow projections.



## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

**(a) Market risk**

**(i) Foreign exchange risk**

This risk arises from the possibility of the Group incurring unexpected losses due to fluctuations in foreign exchange rates which reduce the amount of assets and increase liabilities. The Group is mainly exposed to the fluctuation in the U.S. dollar exchange rate.

In order to protect from foreign exchange risks, when necessary, the Group utilizes derivative transactions, mainly exchange rate swap.

Swaps, classified as derivatives at fair value through profit or loss, were contracted to exchange the charges on borrowings initially obtained in foreign currency for charges based on the Interbank Deposit Certificate (CDI) rate variation (at December 31, 2015 also to exchange interest rates initially contracted as fixed for variable rates). Gains and losses are recognized in "Finance income and costs" in the statement of income.

The following table presents the consolidated accounting balances of the assets and liabilities denominated in U.S. dollars:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Assets in foreign currency		
Cash and cash equivalents	2,199	2,221
Trade receivables	12,228	18,941
Advances to suppliers	8,669	3,113
	<u>23,096</u>	<u>24,275</u>
Liabilities in foreign currency		
Borrowings (*)		810
Trade payables	22,393	12,826
Advances from customers	2,511	
	<u>24,904</u>	<u>13,636</u>
Net exposure - assets (liabilities)	<u>(1,808)</u>	<u>10,639</u>

(\*) The balance of borrowings in foreign currency does not consider working capital loans amounting to R\$ 95,223 (December 31, 2015 - R\$ 57,005), because exchange rate swap has been contracted.

Assets and liabilities denominated in foreign currency are regularly monitored through estimated cash flows of inflows and outflows related to foreign exchange assets and liabilities. The amount of assets and liabilities in foreign currency fluctuates during a year, which may or may not cause a mismatch. Consequently, in order to mitigate risks arising from any possible foreign exchange variations, whenever required, derivative transactions may be contracted.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

In the table below five scenarios are presented, considering the changes in the quotation of the real against the U.S. dollar.

		Impact of the appreciation/depreciation of the U.S. dollar on the portfolio balance					
		3.25	3.40	2.55	1.70	4.25	5.10
Assets/liabilities	Risk	September 30, 2016	Scenario 1 (probable)	Scenario 2 (US\$ depreciation - 25%)	Scenario 3 (US\$ depreciation - 50%)	Scenario 4 (US\$ appreciation - 25%)	Scenario 5 (US\$ appreciation - 50%)
Cash and cash equivalents	US\$ depreciation	2,199	105	(576)	(1,151)	576	1,151
Trade receivables	US\$ depreciation	12,228	582	(3,202)	(6,405)	3,202	6,405
Advances to suppliers	US\$ depreciation	8,669	412	(2,270)	(4,541)	2,270	4,541
Trade payables	US\$ appreciation	22,393	(1,065)	5,865	11,729	(5,865)	(11,729)
Advances from customers	US\$ appreciation	2,511	(119)	658	1,315	(658)	(1,315)
Net effect		(1,808)	(85)	475	947	(475)	(947)

#### (ii) Interest rate risk

This risk arises from the possibility that the Group may incur losses due to adverse fluctuations in interest rates. The Group's interest rate risk primarily arises from borrowings. Indebtedness is mainly subject to the fixed interest rates and the Interbank Deposit Certificate (CDI) rate. The Group seeks to maintain a stable relation between its long and short-term indebtedness, maintaining a higher proportion in the long-term. As regards financial investments, the index is the CDI rate.

The Group continuously monitors market interest rates in order to assess the need to contract new derivatives to hedge against the volatility risk of these rates.

The Group believes that currently there is a balance between fixed interest rates, which represent 44% (December 31, 2015 - 56.4%) and variable interest rates, which represent 56% (December 31, 2015 - 43.6%) of its borrowings, providing mitigation in risks associated with any fluctuations in interest rates.

#### (b) Credit risk

The Group is potentially subject to credit risk related to trade receivables, financial investments and derivatives. To limit the risk associated with financial assets, especially financial investments and derivatives contracts, the Group carries out transactions only with prime financial institutions.

The credit risk is mitigated through a broad customer base and careful selection of customers by business segment (production animals and companion animals), in addition to the utilization of guarantees, establishment of individual exposure limits and a well-defined credit policy that utilizes credit risk modeling, through which a rating and credit risk level is attributed to each customer, based on the Group's 29 years of experience in the market.

## **Ouro Fino Saúde Animal Participações S.A.**

### **Notes to the quarterly information at**

**September 30, 2016**

**All amounts in thousands of reais unless otherwise stated**

---

The Group has a Credit Committee that establishes guidelines and assesses and monitors the levels of credit risk that the Group is willing to accept in the course of its business.

In addition to the risk mitigations established in credit policies, the Group has credit insurance coverage contracted for a portion of its sales.

The Group classifies its customers' portfolio through risk evaluation methodologies developed internally, with the purpose of properly assess the real risk of its customers. Weights are attributed to each variable, including the history of payments, length of the business relationship with the Group, period during which the customer has been operating in the market and other variables, and a rating is defined for each customer based on their combination. This classification is defined according to ratings ranging from "AA" (the lowest risk) to "E" (the highest risk) (Note 8).

#### **(c) Liquidity risk**

The Group adopts a responsible policy for managing its financial assets and liabilities, which is monitored by the Chief Financial Officer through operating strategies to ensure liquidity, profitability and security.

Cash flow forecasting is based on the approved budget and subsequent adjustments, which takes into consideration, besides all the operating plans, the plan for raising funds to support planned investments and the maturity schedule of the debts. The treasury area monitors daily the forecasts included in the cash flow projections to ensure the Group has sufficient cash to meet operational needs. Additionally, the Group has pre-approved credit facilities available to increase and strengthen its liquidity position.

Cash and cash equivalents are primarily invested in Repurchase Agreements, corresponding to highly liquid instruments.

The Group maintains its gearing ratio in a manner that does not jeopardize its payment capacity and investments. As established by a guideline, the highest percentage of indebtedness should be allocated to the long-term.

The table below analyzes the financial liabilities into relevant maturity groupings, based on the remaining period between the balance sheet date up to the contractual maturity date.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Consolidated			
	Less than 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years
At September 30, 2016				
Trade payables	41,878			
Borrowings	78,661	125,955	51,789	24,722
Derivative financial instruments, net	6,467	10,572		
Other liabilities	45,605	1,047	2,444	
	<u>172,611</u>	<u>137,574</u>	<u>54,233</u>	<u>24,722</u>
At December 31, 2015				
Trade payables	29,450			
Borrowings	57,260	122,980	21,555	14,692
Derivative financial instruments, net	1,275	(1,713)		
Dividends and interest on capital	16,433			
Other liabilities	45,554	1,153	2,688	
	<u>149,972</u>	<u>122,420</u>	<u>24,243</u>	<u>14,692</u>

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for stockholders, maintaining a strong credit classification in order to support business and maximize value for the stockholders.

The Group manages the capital structure and adjusts it considering changes in the economic situation. The capital structure arises from the selection between own capital (capital contributions and profit retention) and third-party capital to finance the Group's operations. The Group monitors capital on the basis of the gearing ratio, which can be measured using several indexes.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

**September 30, 2016**

All amounts in thousands of reais unless otherwise stated

The gearing ratios at September 30, 2016 and December 31, 2015 are as follows:

	<b>Note</b>	<b>Consolidated</b>	
		<b>September 30, 2016</b>	<b>December 31, 2015</b>
Borrowings	18	281,127	216,487
Derivative financial instruments, net	10	17,039	(438)
Cash and cash equivalents	9	(60,757)	(23,380)
Net debt		237,409	192,669
Equity	20	388,053	380,309
Total capital		625,462	572,978
Gearing ratio (%)		37.96	33.63

### 3.3 Fair value estimation

The fair value of the financial instruments contracted by the Group is measured based on information obtained from the financial institutions and prices quoted in an active market based on the standard market pricing methodology, which comprises measuring their nominal value up to the due date and discounting this to present value at future market rates.

The Group assesses, at the balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired in relation to its recoverable value.

The carrying amounts of trade receivables, less provision for impairment, and trade payables are assumed to approximate their fair values, especially considering term and nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial instruments are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of hierarchy.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

All the Group's financial instruments have been classified as Level 2 "Other observable significant data", as shown below.

As per balance sheet	Classification	Consolidated	
		September 30, 2016	December 31, 2015
Assets - Derivative financial instruments			
Exchange rate swap	Level 2		1,735
Liabilities - Derivative financial instruments			
Exchange rate and interest rate swap	Level 2	(17,039)	(1,297)
		<u>(17,039)</u>	<u>438</u>

### Section C - Segment reporting

#### 4 Segment reporting

The Board of Directors is the chief decision-maker and has determined the operating segments based on strategic business decisions. The segments are:

- Production animals - sale in the domestic market of veterinary drugs, vaccines and other products for cattle, pigs, poultry, sheep, horses and goats.
- Companion animals - sale in the domestic market of veterinary drugs and other products for dogs and cats.
- International operations - sale in the foreign market, mainly to Latin American countries, of veterinary drugs, vaccines and other products for production and companion animals.

The manufacture of the products takes place at the Company's industrial facilities in the city of Cravinhos, State of São Paulo.

Sales are widely dispersed and, therefore, there are no customers representing more than 10% of net revenue.

Assets and liabilities, general and administrative expenses, other income (expenses), net, finance income and costs and income tax and social contribution are analyzed on a joint basis and, therefore, are not presented by business segment.

# Ouro Fino Saúde Animal Participações S.A.

## Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

The results by segment are as follows:

Quarter ended September 30, 2016				
Segment information				
	Production animals	Companion animals	International operations	Total
Revenue	102,459	11,169	11,832	125,460
Cost of sales	(53,181)	(4,219)	(5,478)	(62,878)
<b>Gross profit</b>	49,278	6,950	6,354	62,582
Selling expenses	(33,009)	(5,648)	(4,417)	(43,074)
<b>Result - Segmented</b>	<b>16,269</b>	<b>1,302</b>	<b>1,937</b>	<b>19,508</b>
Result - Not segmented				(13,732)
<b>Profit for the quarter</b>				<b>5,776</b>

Nine-month period ended September 30, 2016				
Segment information				
	Production animals	Companion animals	International operations	Total
Revenue	283,044	42,895	32,142	358,081
Cost of sales	(149,596)	(12,421)	(12,401)	(174,418)
<b>Gross profit</b>	133,448	30,474	19,741	183,663
Selling expenses	(97,824)	(17,118)	(15,305)	(130,247)
<b>Result - Segmented</b>	<b>35,624</b>	<b>13,356</b>	<b>4,436</b>	<b>53,416</b>
Result - Not segmented				(46,580)
<b>Profit for the period</b>				<b>6,836</b>

Quarter ended September 30, 2015				
Segment information				
	Production animals	Companion animals	International operations	Total
Revenue	120,312	17,598	11,515	149,425
Cost of sales	(54,971)	(4,506)	(3,955)	(63,432)
<b>Gross profit</b>	65,341	13,092	7,560	85,993
Selling expenses	(34,386)	(5,705)	(3,254)	(43,345)
<b>Result - Segmented</b>	<b>30,955</b>	<b>7,387</b>	<b>4,306</b>	<b>42,648</b>
Result - Not segmented				(23,713)
<b>Profit for the quarter</b>				<b>18,935</b>

Nine-month period ended September 30, 2015				
Segment information				
	Production animals	Companion animals	International operations	Total
Revenue	300,470	47,729	20,966	369,165
Cost of sales	(140,189)	(11,551)	(7,248)	(158,988)
<b>Gross profit</b>	160,281	36,178	13,718	210,177
Selling expenses	(95,612)	(14,873)	(7,092)	(117,577)
<b>Result - Segmented</b>	<b>64,669</b>	<b>21,305</b>	<b>6,626</b>	<b>92,600</b>
Result - Not segmented				(47,278)
<b>Profit for the period</b>				<b>45,322</b>

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

**September 30, 2016**

All amounts in thousands of reais unless otherwise stated

The composition, by country, of revenues from international operations is as follows:

	2016		2015	
	Quarter	Nine-month period	Quarter	Nine-month period
Mexico	2,410	9,018	3,363	6,754
Paraguay	2,260	6,690	1,365	1,410
Colombia	2,741	6,811	1,144	1,144
Bolivia	2,539	3,844	2,608	3,040
Ecuador	408	1,320	712	1,289
Other	1,474	4,459	2,323	7,329
	<u>11,832</u>	<u>32,142</u>	<u>11,515</u>	<u>20,966</u>

## Section D - Group structure

### 5 Investments (Parent company)

#### (a) Information on the investments

Name	Country	Business	Direct holding	Indirect holding
(i) Ouro Fino Saúde Animal Ltda.	Brazil	Research, development, production and sale of veterinary drugs, vaccines and other products. Sales in the domestic market are carried out through the companies mentioned in items (ii) and (iii) below. Sales in the foreign market are carried out directly with third parties and through the companies mentioned in items (iv) and (v) below. This company also provides manufacturing services to order from third parties.	99.99%	
(ii) Ouro Fino Agronegócio Ltda.	Brazil	Sales in the domestic market of veterinary drugs, vaccines and other products for production animals purchased from the company mentioned in item (i) and from third parties.	99.99%	
(iii) Ouro Fino Pet Ltda.	Brazil	Sales in the domestic market of veterinary drugs and products and related goods for companion animals purchased from the company mentioned in item (i) and from third parties.	99.99%	
(iv) Ouro Fino de México, S.A. de CV	Mexico	Sales, exclusively in Mexico, of veterinary drugs and other products purchased from the company mentioned in item (i).		96.43%
(v) Ouro Fino Colômbia S.A.S	Colombia	Sales, exclusively in Colombia, of veterinary drugs and other products purchased from the company mentioned in item (i).		100.00%



## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

#### (b) Changes in investments

	Parent company	
	September 30, 2016	December 31, 2015
Opening balance	391,110	231,169
Equity in the results of investees	9,090	71,332
Payment of capital through the advances for future capital increase (*)		132,660
Share options granted	1,207	1,470
Interest on capital		(5,539)
Dividends received	(13,559)	(40,615)
Foreign exchange variation of foreign investments	(506)	633
Closing balance	<u>387,342</u>	<u>391,110</u>

(\*) On February 10, 2015, an increase in the capital of the subsidiary Ouro Fino Agronegócio Ltda. from R\$ 79,772 to R\$ 80,622 was approved, with advances for future capital increase made by the Company in the amount of R\$ 850. On February 25, July 6 and December 31, 2015, increases in the capital of the subsidiary Ouro Fino Saúde Animal Ltda. from R\$ 87,064 to R\$ 218,874 were approved, with advances for future capital increase made by the Company in the amounts of R\$ 103,410, R\$ 25,000 and R\$ 3,400, respectively.

#### (c) Summarized financial information

Set out below is the summarized financial information for subsidiaries.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

#### (i) Summarized balance sheet

September 30, 2016				
Subsidiaries				
Direct			Indirect	
Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current				
Assets	225,253	213,976	33,367	9,484
Liabilities	(127,485)	(90,055)	(6,768)	(9,299)
Current assets (liabilities), net	97,768	123,921	26,599	185
Non-current				
Assets	333,301	24,560	743	362
Liabilities	(183,498)	(22,872)	(360)	
Non-current assets (liabilities), net	149,803	1,688	383	362
Equity (net capital deficiency)	247,571	125,609	26,982	547
December 31, 2015				
Subsidiaries				
Direct			Indirect	
Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Current				
Assets	176,630	217,371	26,915	11,273
Liabilities	(84,606)	(82,709)	(3,659)	(8,135)
Current assets (liabilities), net	92,024	134,662	23,256	3,138
Non-current				
Assets	288,616	24,040	569	439
Liabilities	(131,637)	(33,318)	(179)	
Non-current assets (liabilities), net	156,979	(9,278)	390	439
Equity (net capital deficiency)	249,003	125,384	23,646	3,577

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

#### (ii) Summarized statement of income

Quarter ended September 30, 2016				
Subsidiaries				
	Direct		Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V. Ouro Fino Colômbia S.A.S
Net sales revenue	104,618	100,296	13,066	2,411
Profit (loss) before income tax and social contribution	9,527	963	2,801	(895)
Income tax and social contribution	(252)	(318)	(524)	30
Profit (loss) for the quarter	9,275	645	2,277	(895)
Nine-month period ended September 30, 2016				
Subsidiaries				
	Direct		Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V. Ouro Fino Colômbia S.A.S
Net sales revenue	242,688	276,658	46,390	9,018
Profit (loss) before income tax and social contribution	(262)	731	14,802	(2,055)
Income tax and social contribution	1,786	(226)	(1,844)	(338)
Profit (loss) for the period	1,524	505	12,958	(2,393)

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

**September 30, 2016**

All amounts in thousands of reais unless otherwise stated

	Quarter ended September 30, 2015				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	93,872	112,985	18,834	3,363	424
Profit (loss) before income tax and social contribution	6,528	17,544	5,713	(21)	(824)
Income tax and social contribution	(1,741)	(5,964)	(715)	1	(2)
Profit (loss) for the quarter	4,787	11,580	4,998	(20)	(826)
	Nine-month period ended September 30, 2015				
	Subsidiaries				
	Direct		Indirect		
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Net sales revenue	214,742	288,634	50,585	6,754	424
Profit (loss) before income tax and social contribution	2,524	40,482	19,835	464	(824)
Income tax and social contribution	2,986	(13,772)	(2,094)	(111)	(2)
Profit (loss) for the period	5,510	26,710	17,741	353	(826)

### (iii) Statement of comprehensive income

	2016		2015	
	Quarter	Nine-month period	Quarter	Nine-month period
<b>Ouro Fino Saúde Animal Ltda. (direct subsidiary)</b>				
Profit for the quarter/period	9,275	1,524	4,787	5,510
Other comprehensive income	(33)	(506)	525	770
Total comprehensive income	9,242	1,018	5,312	6,280

# Ouro Fino Saúde Animal Participações S.A.

## Notes to the quarterly information at September 30, 2016

All amounts in thousands of reais unless otherwise stated

### (iv) Summarized statement of cash flows

	September 30, 2016				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Cash flows from operating activities					
Cash provided by (used in) operating activities	18,538	33,159	9,917	(6,169)	(5,904)
Interest paid	(5,746)	(1,638)		(114)	(19)
Income tax and social contribution paid		(3,962)	(1,189)	(575)	
Net cash provided by (used in) operating activities	12,792	27,559	8,728	(6,858)	(5,923)
Net cash used in investing activities	(53,997)	(1,777)	(307)	(159)	(30)
Net cash provided by (used in) financing activities	74,851	(19,814)	(9,684)	7,071	6,546
Net increase (decrease) in cash and cash equivalents	33,646	5,968	(1,263)	54	593
Cash and cash equivalents at the beginning of the period	10,820	5,155	5,263	1,370	305
Exchange losses on cash and cash equivalents	(1,130)	(34)			
Cash and cash equivalents at the end of the period	43,336	11,089	4,000	1,424	898

	September 30, 2015				
	Subsidiaries				
	Direct			Indirect	
	Ouro Fino Saúde Animal Ltda.	Ouro Fino Agronegócio Ltda.	Ouro Fino Pet Ltda.	Ouro Fino de México, S.A. de C.V.	Ouro Fino Colômbia S.A.S
Cash flows from operating activities					
Cash provided by (used in) operating activities	2,190	15,534	24,254	1,260	(361)
Interest paid	(3,857)	(2,320)			
Income tax and social contribution paid		(10,800)	(1,863)		
Net cash provided by (used in) operating activities	(1,667)	2,414	22,391	1,260	(361)
Net cash used in investing activities	(35,133)	(942)	(184)	(461)	(3)
Net cash provided by (used in) financing activities	11,950	(19,667)	(26,115)		324
Net increase (decrease) in cash and cash equivalents	(24,850)	(18,195)	(3,908)	799	(40)
Cash and cash equivalents at the beginning of the period	30,274	32,660	9,206	302	385
Exchange gains on cash and cash equivalents	99	86			
Cash and cash equivalents at the end of the period	5,523	14,551	5,298	1,101	345

# Ouro Fino Saúde Animal Participações S.A.

## Notes to the quarterly information at September 30, 2016

All amounts in thousands of reais unless otherwise stated

### (d) Reconciliation of financial information of investments

	Subsidiaries							
	Ouro Fino Saúde Animal Ltda.		Ouro Fino Agronegócio Ltda.		Ouro Fino Pet Ltda.		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Equity at January 1	249,003	106,476	125,384	99,364	23,646	28,163	398,033	234,003
Profit for the period	1,524	8,844	505	43,550	12,958	23,027	14,987	75,421
Capital increase with advances for future capital increase		131,810		850				132,660
Share options granted	1,006	1,240	140	159	61	71	1,207	1,470
Distribution of dividends and interest on capital	(3,456)		(420)	(18,539)	(9,683)	(27,615)	(13,559)	(46,154)
Foreign exchange variation of foreign investments	(506)	633					(506)	633
Equity at September 30	247,571	249,003	125,609	125,384	26,982	23,646	400,162	398,033
Percentage holding (%)	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%		
Share of investments	247,571	249,003	125,609	125,384	26,982	23,646	400,162	398,033
Unrealized profit in inventories	(12,820)	(6,923)					(12,820)	(6,923)
Carrying amount of the investment in the parent company	234,751	242,080	125,609	125,384	26,982	23,646	387,342	391,110

### 6 Business combinations

At September 15, 2015, the subsidiary Ouro Fino Saúde Animal Ltda. acquired all of the shares of Ouro Fino Colômbia S.A.S (formerly Bracol Agronegócio S.A.S) for R\$ 387. As a result of the acquisition, the Group expects to expand its share of the Colombian market, in line with its strategic growth plan for Latin America.

Goodwill of R\$ 618 arising from the acquisition is attributable to expected profitability in the investee. According to current legislation, the goodwill recognized is not expected to be deductible for income tax purposes.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

The following table summarizes the consideration paid for the investment acquired, the fair value on the acquisition date of the identifiable assets acquired, liabilities assumed and the goodwill determined:

			<b>Purchase price composition</b>
(a) Consideration paid			<u>387</u>
	<b>Carrying amounts</b>	<b>Adjustments to fair value</b>	<b>Adjusted values</b>
Fair values of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	385		385
Trade receivables	403		403
Inventories	591	262	853
Taxes recoverable	212		212
Deferred income tax and social contribution		417	417
Intangible assets	2	940	942
Property, plant and equipment	28		28
Other assets	276		276
Trade payables	(1,121)		(1,121)
Borrowings	(577)		(577)
Salaries and social charges	(11)		(11)
Taxes payable	(3)		(3)
Provision for contingencies		(1,204)	(1,204)
Other liabilities	(831)		(831)
(b) Total of assets and liabilities of the investee	<u>(646)</u>	<u>415</u>	(231)
(c) Interest acquired			100.00%
(d) Investment - (b x c)			<u>(231)</u>
(e) Goodwill arising from the acquisition (a - d)			<u>618</u>

# Ouro Fino Saúde Animal Participações S.A.

## Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

### Section E - Selected significant notes

#### 7 Financial instruments by category

	September 30, 2016		December 31, 2015	
	Parent company	Consolidated	Parent company	Consolidated
	Loans and receivables	Loans and receivables	Loans and receivables	Assets at fair value through profit or loss Loans and receivables
Assets as per balance sheet				
Cash and cash equivalents	10	60,757	468	23,380
Derivative financial instruments				1,735
Accounts receivable		196,418		225,740
Related parties	821	1,848	5,615	1,870
Other assets, except for prepaid expenses		4,104		10,124
	831	263,127	6,083	261,114

	September 30, 2016		December 31, 2015	
	Parent company	Consolidated	Parent company	Consolidated
	Other financial liabilities	Liabilities at fair value through profit or loss Other financial liabilities	Other financial liabilities	Liabilities at fair value through profit or loss Other financial liabilities
Liabilities as per balance sheet				
Trade payables		41,878		29,450
Derivative financial instruments				1,297
Borrowings		281,127		216,487
Dividends and interest on capital			16,433	16,433
Related parties	45	1,235	119	660
Sales commissions		6,540		7,313
Other liabilities	62	9,717	16	4,790
	107	340,497	16,568	275,133

#### 8 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The balances of bank current accounts and financial investments amounting to R\$ 60,701 (December 31, 2015 - R\$ 23,344) are held in prime financial institutions rated as BB by Standard & Poor's.



## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

The balances of trade receivables are evaluated as described in Note 3.1 (b), as follows:

	<b>Consolidated</b>	
	<b>September 30, 2016</b>	<b>December 31, 2015</b>
AA	64,005	70,081
A	74,451	83,036
B	29,598	32,773
C	15,495	21,910
D	10,099	17,631
E	11,913	3,069
	<b>205,561</b>	<b>228,500</b>

## 9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, as well as investments consisting in repurchase agreements earning up to 100.0% of the Interbank Deposit Certificate (CDI) rate variation.

	<b>Parent company</b>		<b>Consolidated</b>	
	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Cash				
In local currency			6	6
In foreign currency			50	30
			<b>56</b>	<b>36</b>
Banks				
In local currency	10	14	2,896	2,746
In foreign currency			2,149	2,191
	<b>10</b>	<b>14</b>	<b>5,045</b>	<b>4,937</b>
Financial investments				
Repurchase agreements		454	55,656	18,365
Other				42
		<b>454</b>	<b>55,656</b>	<b>18,407</b>
	<b>10</b>	<b>468</b>	<b>60,757</b>	<b>23,380</b>

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at September 30, 2016

All amounts in thousands of reais unless otherwise stated

#### 10 Derivative financial instruments (consolidated)

	September 30, 2016		December 31, 2015
	Liabilities	Assets	Liabilities
Exchange rate and interest rate swap	17,039	1,735	1,297
Non-current	(10,572)	(1,713)	
Current	6,467	22	1,297

The notional principal amounts of the exchange rate swap contracts at September 30, 2016 were US\$ 28,961 thousand (December 31, 2015 - US\$ 14,500 thousand) and of the interest rate swap contracts were R\$ 20,400 thousand at December 31, 2015.

#### 11 Trade receivables (consolidated)

	September 30, 2016	December 31, 2015
Domestic suppliers	190,547	209,559
Foreign suppliers	15,014	18,941
Provision for impairment of trade receivables	(9,143)	(2,760)
Current	196,418	225,740

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

**September 30, 2016**

All amounts in thousands of reais unless otherwise stated

The analysis of the maturity of trade receivables is as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
<b>Falling due</b>		
Up to 3 months	110,425	133,399
From 3 to 6 months	57,565	60,683
Over 6 months	14,843	17,954
	<u>182,833</u>	<u>212,036</u>
<b>Past due</b>		
Up to 3 months	11,838	7,631
From 3 to 6 months	2,470	2,079
Over 6 months	8,420	6,754
	<u>22,728</u>	<u>16,464</u>
	<u>205,561</u>	<u>228,500</u>

The analysis of the provision for impairment of trade receivables is made individually for each customer and, as a general rule, was constituted for receivables overdue for more than 180 days and without guarantees. Management maintains the appropriate collection procedures in relation to the other overdue receivables and believes that the Group will not incur losses. Changes in the provision were as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Opening balance	2,760	3,410
Addition	7,254	2,287
Reversal	(515)	(1,182)
Foreign exchange variation	(356)	
Final write-offs		(1,755)
Closing balance	<u>9,143</u>	<u>2,760</u>

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

#### 12 Inventories (consolidated)

	September 30, 2016	December 31, 2015
Finished products	72,107	49,386
Raw materials	35,601	34,403
Packaging materials	12,533	9,189
Semi-finished goods	9,099	6,288
Imports in transit	5,913	695
Advances to suppliers	5,382	4,382
Other	6,200	6,765
Provision for inventory losses	(7,091)	(1,845)
	<u>139,744</u>	<u>109,263</u>

#### 13 Taxes recoverable

	Parent company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
ICMS			40,713	32,108
ICMS, PIS and COFINS on acquisitions of property, plant and equipment			1,085	1,010
IRRF	115	201	2,016	3,747
IPI			939	703
PIS and COFINS			454	1,199
Other			1,514	1,026
	<u>115</u>	<u>201</u>	<u>46,721</u>	<u>39,793</u>
Non-current	<u>(115)</u>	<u>(201)</u>	<u>(40,077)</u>	<u>(32,322)</u>
Current			<u>6,644</u>	<u>7,471</u>

ICMS credits, which amounted to R\$ 39,333 at September 30, 2016 (December 31, 2015 - R\$ 31,698), are substantially generated by Ouro Fino Saúde Animal Ltda., and are not subject to monetary restatement. These credits are generated by exempted sales in domestic and foreign transactions and by sales with a sixty-percent reduction in the calculation basis in interstate transactions, with the full/partial maintenance of credits on inputs, pursuant to the ICMS Agreement 100/97.

After the rural funding files under the Coordinating Committee of Tax Administration Board (CAT) Ordinance 83/2009 are filed and approved by the tax authorities, the credit balances are converted into accumulated credits to be appropriated according to applicable legislation and, therefore, may be utilized in the purchase of inputs and machinery and equipment and/or transferred to other Group companies with which there is an interdependence relationship and which regularly calculate ICMS payable. Currently, Ouro Fino Saúde Animal Ltda. has been filing, on a retroactive basis, rural funding files (CAT Ordinance 83/2009), which must be submitted in chronological order to enable the transformation of the credit balance into accumulated credit, thus allowing its use as described above.

## **Ouro Fino Saúde Animal Participações S.A.**

### **Notes to the quarterly information at**

**September 30, 2016**

**All amounts in thousands of reais unless otherwise stated**

---

ICMS credits related to 2010, 2011, 2012 and 2013 amounting to R\$ 18,846 were approved by the tax authorities, and R\$ 11,048 was released for immediate use. The residual balance of R\$ 7,798 was temporarily withheld in relation to tax assessment notices which have been discussed at an administrative level and obligations related to the submission of electronic files under the terms of the Coordinating Committee of Tax Administration Board (CAT) Ordinance 83/2009. Up to September 30, 2016, all released credits had already been used.

The credit balance accounted for corresponds to the residual value of the years 2010 to 2013 relating to amounts withheld, and to all the credit balance of years 2014, 2015 and 2016; the requests for accumulated credits will be made by submitting the related file through the Electronic System for Management of the Accumulated Credit (e-CredAc), under the terms of the CAT Ordinance 83/2009, which have been consistently prepared by management on the dates established in law.

#### **14 Current and deferred income tax and social contribution (consolidated)**

The Company and its subsidiaries Ouro Fino Saúde Animal Ltda. and Ouro Fino Agronegócio Ltda. determine income tax and social contribution on the taxable profit method, calculated at the rates of 25% for income tax and 9% for social contribution, whereas Ouro Fino Pet Ltda. adopts the deemed profit method. The companies located in Mexico and Colombia calculate their taxes based on the regulations of those countries. Therefore, there is no direct correlation between the amounts presented in the consolidated statement of income and the results that would have been obtained by applying the standard rates mentioned above.

Deferred tax credits related to income tax and social contribution arise substantially from temporary differences.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

**(a) Composition, nature and realization of deferred taxes**

**(i) Deferred income tax and social contribution**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
<b>Tax credits on:</b>		
Accumulated income tax and social contribution losses	326	645
Tax benefit of goodwill merged (Note 1.1)	54,433	
Provision for unrealized tax benefit of goodwill merged (Note 1.1)	(54,433)	
Temporary differences		
Provisions	10,396	7,422
Unrealized profit in inventories	6,604	3,567
Foreign exchange variations - cash basis		738
Pre-operating expenses written-off	816	960
Derivative financial instruments	5,793	441
Appreciation - business combination	702	253
	<u>24,637</u>	<u>14,026</u>
<b>Tax liabilities on:</b>		
Temporary differences		
Deemed cost of land	(7,878)	(7,878)
Foreign exchange variations - cash basis	(3,923)	
Derivative financial instruments		(590)
	<u>(11,801)</u>	<u>(8,468)</u>
Total assets, net	<u>12,836</u>	<u>5,558</u>
<b>Total deferred tax credits</b>	<u>24,637</u>	<u>14,026</u>
<b>Total deferred tax liabilities</b>	<u>11,801</u>	<u>8,468</u>

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

**September 30, 2016**

All amounts in thousands of reais unless otherwise stated

The deferred income tax and social contribution are presented net, by entity, in the balance sheet.

The net changes in the deferred tax account were as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Opening balance	5,558	(1,892)
Pre-operating expenses written-off	(144)	(192)
Accumulated income tax and social contribution losses	(319)	645
Tax benefit of goodwill merged (Note 1.1)	54,433	
Provision for unrealized tax benefit of goodwill merged (Note 1.1)	(54,433)	
Derivative financial instruments	5,942	2,980
Provisions	2,974	270
Unrealized profit in inventories	3,037	2,107
Foreign exchange variations - cash basis	(4,661)	1,168
Appreciation - business combination	449	253
Accelerated depreciation		219
Closing balance	<u>12,836</u>	<u>5,558</u>

The amounts by estimated offset period are as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Deferred tax assets to be recovered		
within 1 year	19,028	12,080
from 2 to 5 years	<u>5,609</u>	<u>1,946</u>
	<u>24,637</u>	<u>14,026</u>
Deferred tax liabilities to be settled		
within 1 year	3,923	4
from 2 to 5 years		586
after 5 years	<u>7,878</u>	<u>7,878</u>
	<u>11,801</u>	<u>8,468</u>

# Ouro Fino Saúde Animal Participações S.A.

## Notes to the quarterly information at September 30, 2016

All amounts in thousands of reais unless otherwise stated

### 15 Intangible assets (consolidated)

	At January 1, 2015	Additions	Provision for impairme nt	Purchase of investme nts	Write - offs	Amortiza tion	At December 31, 2015
Goodwill on the acquisition of subsidiaries				618			618
Trademarks and licenses purchased	494			942		(759)	677
Development and registration of products	44,831	17,881	(407)		(1,354)	(3,374)	57,577
Computer software	19,811	3,820			(23)	(5,054)	18,554
Other	1,164	264				(164)	1,264
	<u>66,300</u>	<u>21,965</u>	<u>(407)</u>	<u>1,560</u>	<u>(1,377)</u>	<u>(9,351)</u>	<u>78,690</u>
	At January 1, 2016	Additions	Provision for impairme nt	Foreign exchange variation	Write - offs	Amortiza tion	September 30, 2016
Goodwill on the acquisition of subsidiaries	618						618
Trademarks and licenses purchased	677	4		(28)		(529)	124
Development and registration of products	57,577	14,898	(609)		(481)	(2,889)	68,496
Computer software	18,554	2,138			(1)	(3,854)	16,837
Other	1,264					(203)	1,061
	<u>78,690</u>	<u>17,040</u>	<u>(609)</u>	<u>(28)</u>	<u>(482)</u>	<u>(7,475)</u>	<u>87,136</u>

### December 31, 2015

	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on the acquisition of subsidiaries	618			618
Trademarks and licenses purchased	3,142		(2,465)	677
Development and registration of products	72,612	(1,285)	(13,750)	57,577
Computer software	29,696		(11,142)	18,554
Other	1,428		(164)	1,264
	<u>107,496</u>	<u>(1,285)</u>	<u>(27,521)</u>	<u>78,690</u>

### September 30, 2016

	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on the acquisition of subsidiaries	618			618
Trademarks and licenses purchased	3,118		(2,994)	124
Development and registration of products	87,029	(1,894)	(16,639)	68,496
Computer software	31,832		(14,995)	16,837
Other	1,333		(272)	1,061
	<u>123,930</u>	<u>(1,894)</u>	<u>(34,900)</u>	<u>87,136</u>

The development and registration of products substantially refer to expenditures incurred for new drugs of R\$ 68,496 (December 31, 2015 - R\$ 57,577) The amortization of intangible assets related to product development and registration was recognized within "Cost of sales".



## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

**September 30, 2016**

All amounts in thousands of reais unless otherwise stated

In the nine-month period ended September 30, 2016, the Group recognized an impairment loss of R\$ 609 (December 31, 2015 - R\$ 407).

The assumptions utilized to analyze evidence of impairment are disclosed in Note 30.8.

### 16 Property, plant and equipment (consolidated)

	At January 1, 2015	Additions	Acquisition of investee	Transfers	Write-offs	Depreciation	At December 31, 2015
Land	24,947	38					24,985
Buildings and improvements	74,589			1,735		(2,225)	74,099
Machinery and equipment and industrial facilities	54,369	8,379		3,722	(66)	(5,012)	61,392
Vehicles and tractors	5,062	2,058			(711)	(1,546)	4,863
Furniture and fittings	3,079	587		(168)	(14)	(564)	2,920
IT equipment	3,365	1,311			(33)	(1,078)	3,565
Construction in progress	3,029	21,268		(4,597)			19,700
Other	2,195	1,446	28	(692)	(50)	(356)	2,571
	<u>170,635</u>	<u>35,087</u>	<u>28</u>		<u>(874)</u>	<u>(10,781)</u>	<u>194,095</u>
	At January 1, 2016	Additions	Foreign exchange variation	Transfers	Write-offs	Depreciation	September 30, 2016
Land	24,985						24,985
Buildings and improvements	74,099	89		4,965	(111)	(1,661)	77,381
Machinery and equipment and industrial facilities	61,392	10,438		2,980	(50)	(4,138)	70,622
Vehicles and tractors	4,863	2,697	(118)	410	(900)	(1,336)	5,616
Furniture and fittings	2,920	220	(3)	10	(1)	(424)	2,722
IT equipment	3,565	399	(4)	17	(16)	(941)	3,020
Construction in progress	19,700	24,846		(7,730)	(49)		36,767
Other	2,571	274	(12)	(652)	(151)	(203)	1,827
	<u>194,095</u>	<u>38,963</u>	<u>(137)</u>		<u>(1,278)</u>	<u>(8,703)</u>	<u>222,940</u>
	<u>At December 31, 2015</u>			<u>At September 30, 2016</u>			
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net	Annual average depreciation rates
Land	24,985		24,985	24,985		24,985	
Buildings and improvements	88,359	(14,260)	74,099	92,760	(15,379)	77,381	2.21%
Machinery, equipment and industrial facilities	93,315	(31,923)	61,392	106,664	(36,042)	70,622	5.50%
Vehicles, tractors and aircraft	7,291	(2,428)	4,863	8,537	(2,921)	5,616	19.19%
Furniture and fittings	6,462	(3,542)	2,920	6,687	(3,965)	2,722	8.52%
IT equipment	9,654	(6,089)	3,565	9,912	(6,892)	3,020	19.48%
Construction in progress	19,700		19,700	36,767		36,767	
Other	4,914	(2,343)	2,571	3,662	(1,835)	1,827	11.42%
	<u>254,680</u>	<u>(60,585)</u>	<u>194,095</u>	<u>289,974</u>	<u>(67,034)</u>	<u>222,940</u>	

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

**September 30, 2016**

All amounts in thousands of reais unless otherwise stated

---

The balances of construction in progress refer substantially to the construction of the new plant of biological products (vaccines) amounting to R\$ 30,617 (December 31, 2015 - R\$ 10,444) and to the works related to the refurbishment/increase in the capacity of the plant for manufacturing vaccines against foot-and-mouth disease amounting to R\$ 1,842 (December 31, 2015 - R\$ 5,796).

The amounts related to operating and financial lease are not significant.

At September 30, 2016, borrowing costs totaling R\$ 636 (December 31, 2015 - R\$ 546) were capitalized, at an average rate of 4.34% (December 31, 2015 - 4.35%)

Land, buildings, machinery and equipment amounting to R\$ 89,267 (December 31, 2015 - R\$ 88,470) are pledged as collaterals for borrowings (Note 18).

#### 17 Trade payables (consolidated)

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Domestic suppliers	19,485	16,624
Foreign suppliers	22,393	12,826
	<u>41,878</u>	<u>29,450</u>

# Ouro Fino Saúde Animal Participações S.A.

## Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

### 18 Borrowings (consolidated)

		Financial charges incurred	Maturity	September 30, 2016	December 31, 2015
<b>In foreign currency</b>					
BNDES - FINEM		Average of exchange variations of funds obtained by BNDES and weighted average rate of 2.23% p.a. (December 31, 2015 - 2.37% p.a.)	2016		228
Export credit note		Exchange variation and weighted average rate of 4.65% p.a.	2017	8,238	
Working capital (i)		Exchange variation and Libor rate + 5.19% p.a.	2016		582
Working capital		Exchange variation and weighted average rate of 3.06% p.a. (December 31, 2015 - 2.97% p.a.)	2019	86,985	57,005
<b>In local currency</b>					
FINEP (Technological innovation)		Weighted average rate of 4.34% p.a. (December 31, 2015 - 4.35% p.a.)	2024	130,523	132,890
BNDES - FINEM		Weighted average rate of 10.3% p.a. (December 31, 2015 - 9.80% p.a.)	2016		1,151
BNDES - EXIM		Weighted average rate of 12.64%	2018	28,291	
BNDES - FINAME		Weighted average rate of 6.62% p.a. (December 31, 2015 - 6.09% p.a.)	2023	1,340	1,364
Export credit note		Weighted average rate of 15.26% p.a. (December 31, 2015 - 8% p.a.)	2016	10,607	22,306
Working capital (ii)	Mexican Interbank Equilibrium Interest Rate (TIE) + 1.5% p.a.		2017	6,547	
Working capital (ii)	DTF (Depósito a Término Fijo) + 3.5% p.a.		2017	5,648	
Finance lease		Weighted average rate of 17.41% p.a. (December 31, 2015 - 16.88% p.a.)	2019	2,948	961
				281,127	216,487
Current				(78,661)	(57,260)
Non-current				202,466	159,227

- (i) Borrowings obtained by the subsidiary Ouro Fino Colômbia S.A.S. in U.S. dollars.
- (ii) Borrowings obtained by the subsidiaries Ouro Fino de México, S.A de C.V in Mexican pesos and Ouro Fino Colômbia S.A.S in Colombian pesos.

#### (a) Guarantees for borrowings

The borrowings for research, innovation and development of products obtained from the Fund for Financing of Studies and Projects (FINEP) are guaranteed by a surety of the related parties Ouro Fino Participações e Empreendimentos S.A., Ouro Fino Saúde Animal Participações S.A. and bank guarantees totaling R\$ 27,714, in addition to the guarantee represented by the industrial facilities of animal health products located in the city of Cravinhos, state of São Paulo. No amounts are charged for the guarantees given.

Borrowings for purposes of working capital and leases are collateralized by sureties of the parent company and/or controlling stockholders. Borrowings from the Government Agency for Machinery and Equipment Financing (FINAME) are guaranteed through the statutory lien of the assets financed, in addition to sureties of the parent company and/or controlling stockholders.

The carrying amounts of borrowings approximate their fair values.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

The composition of non-current borrowings is as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
From 1 to 2 years	125,955	53,937
From 2 to 3 years	30,406	69,043
From 3 to 4 years	10,770	7,323
From 4 to 5 years	10,613	7,163
Over five years	24,722	21,761
	<u>202,466</u>	<u>159,227</u>

#### (b) Working capital borrowings in foreign currency

Exchange rate swap transactions were contracted for borrowings for working capital purposes denominated in foreign currency (US\$), which amounted to R\$ 95,223 (December 31, 2015 - R\$ 57,005), to exchange the charges on the borrowings for charges based on the Interbank Deposit Certificate (CDI) rate variation (Note 10), except for the borrowing obtained by the subsidiary Ouro Fino Colômbia S.A.S. amounting to R\$ 582 at December 31, 2015.

#### 19 Provision for contingencies (consolidated)

Some Group companies are parties to tax, civil and labor claims at various court levels. The provisions for contingencies against potentially unfavorable outcomes of litigation in progress are established and updated based on management's evaluation, as supported by external legal counsel. The provisions are as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Labor	2,795	2,981
Civil, social security and tax	696	860
	<u>3,491</u>	<u>3,841</u>

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

---

The changes in the provision for contingencies were as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Opening balance	3,841	2,664
Additions	843	1,521
Foreign exchange variation	(108)	
For acquisition of investee		1,204
Write-offs	(1,085)	(1,548)
Closing balance	<u>3,491</u>	<u>3,841</u>

In addition, some Group companies are parties to other judicial and administrative disputes, including those which were the object of tax assessments, involving risks of loss classified by management as possible, based on the evaluation of the legal advisors, for which no provision is necessary. Disputes for which a favorable outcome was considered as possible totaled R\$ 64,168 (December 31, 2015 - R\$ 44,761), and mainly corresponded to tax (ICMS) and labor claims.

## **20 Equity**

### **(a) Capital**

At a meeting held on July 12, 2016, the Company's Board of Directors approved a capital increase in the amount of R\$ 218, with the issue of 6,699 common shares at the issue price of R\$ 32.50 per subscribed share, in connection with the exercise of options under the Stock Option Plan of the Company.

At September 30, 2016, fully subscribed and paid-up capital comprised 53,949,006 common shares, with no par value.

### **(b) Capital reserve**

As described in Note 1.1, during the quarter ended September 30, 2016, the Company recorded special goodwill reserve on merger. Considering that the realization of the tax benefit arising from the goodwill is not currently expected, management decided to record a provision in the full amount of the merged balance, with a corresponding entry in the same line item of the special goodwill reserve on merger where the benefit was initially recorded.

The residual amounts considered as "Capital reserve" related to all expenditures incurred for the Initial Public Offering (IPO).

## **Ouro Fino Saúde Animal Participações S.A.**

### **Notes to the quarterly information at**

**September 30, 2016**

**All amounts in thousands of reais unless otherwise stated**

---

#### **(c) Allocation of profit**

According to the bylaws, profit will be allocated as follows:

- 5% to the legal reserve, limited to 20% of the capital;
- Minimum dividend of 25% of profit adjusted according to article 202 of Law 6,404; and
- The remaining balance will be distributed as resolved at a General Meeting by the stockholders representing not less than 2/3 (two-thirds) of the voting shares, in accordance with applicable legal provisions.

At the Annual General Meeting held on April 29, 2016, the stockholders decided on the appropriation of the profit for 2015.

#### **(d) Carrying value adjustments**

These refer to the effect of the adoption of the deemed cost method to record land in subsidiaries that took place on January 1, 2009, as well as to all foreign exchange rate differences resulting from the translation of the balance sheet and profit or loss of foreign subsidiaries.

#### **(e) Stock option plan**

The Group has a Stock Option Plan ("Plan") in place, aiming at: (i) stimulating the Company's growth, success and achievement of objectives; (ii) aligning the interests of the Company's stockholders with those of the eligible individuals; (iii) enabling attracting and retaining professionals and service providers, thus stimulating the generation of value for the Company, and (iv) sharing risks and gains equally among stockholders, management and employees.

The plan is managed by the Board of Directors and, according to its rules, the following are eligible as beneficiaries: members of management, employees and service providers of the Company or of other companies under its control. The total number of common shares for which options may be granted cannot exceed 1.5% of the total common shares of the Company's capital stock. Data on the Company's Stock Option Plan is available at the Brazilian Securities Commission (CVM).

The vesting period considers that the beneficiaries may exercise their right in installments of 1/5 (one fifth) of the total shares granted as from the end of the first year from the date of the signature of the Adhesion Agreement, and the same number of shares annually up to the end of the fifth year, provided that the beneficiaries remain continually linked to the Company.

The exercise price will be set based on the average price of the quotations of the Company's shares on the Securities Commodities & Futures Exchange (BM&FBOVESPA), weighted by the trading volume, within the 60 (sixty) trading sessions prior to the grant, monetarily restated for inflation according to the General Market Price Index (IGP-M).

The maximum term for the exercise of these options is 4 (four) years as from the end of the vesting period. Options not exercised according to the terms and conditions established will be automatically canceled, without any compensation.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

**September 30, 2016**

All amounts in thousands of reais unless otherwise stated

At December 30, 2014, the Board of Directors defined those elected for the first grant, totaling 809,135 stock options, distributed among 17 beneficiaries, as follows:

	<b>Vesting period closing</b>				
	<b>12/31/2015</b>	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2018</b>	<b>12/31/2019</b>
Number of options	161,827	161,827	161,827	161,827	161,827
Exercise price at launch (strike price)	28.22	28.22	28.22	28.22	28.22
Fair value of options granted	9.65	11.16	12.48	13.74	14.90
Maximum exercise date	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023

The fair value attributed to the options granted was determined using the Black-Scholes-Merton pricing model, which takes into consideration the value of the share, the exercise price, the time to elapse up to the exercise of the option, the likelihood of the option to be exercised, the historical volatility, the dividend rate and the risk-free interest rate, according to the assumptions below:

	<b>General assumptions and information on the evaluation</b>				
	<b>12/31/2015</b>	<b>12/31/2016</b>	<b>12/31/2017</b>	<b>12/31/2018</b>	<b>12/31/2019</b>
Vesting period closing					
Price of the share on the granting date	30.61	30.61	30.61	30.61	30.61
Estimated exercise price (strike price)	33.45	35.41	37.46	39.35	41.38
Estimated life time (in years)	3.0	4.0	5.0	6.0	7.0
Expected volatility	26.20%	26.20%	26.20%	26.20%	26.20%
Risk-free interest rate	12.80%	12.60%	12.40%	12.30%	12.20%

At September 30, 2016, expenses amounting to R\$ 1,219 (September 30, 2015 - R\$ 1,119) with stock options related to the first grant were recognized.

On September 28, 2016, the Board of Directors approved the grant of 40,000 stock options, with no impact on the Company's profit or loss for the period.

Changes in stock options are shown below:

	<b>Number of stock options</b>	
	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Balance at the beginning of the period	772,723	809,135
Number of options granted (i)	40,000	
Number of options exercised	(6,699)	
Number of options cancelled (ii)	(126,799)	(36,412)
Balance at the end of the period	679,225	772,723

(i) Refers to the additional grant for statutory officers approved on September 28, 2016.

(ii) Refers to terminated employees whose options were canceled as provided for by the Plan regulations.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

#### 21 Revenue (consolidated)

The reconciliation between gross sales and net sales revenue is as follows:

	2016		2015	
	Quarter	Nine-month period	Quarter	Nine-month period
<b>Domestic customers</b>				
Gross sales and services	132,597	377,075	155,204	391,598
Taxes and deductions on sales	(18,969)	(51,136)	(17,294)	(43,399)
	<u>113,628</u>	<u>325,939</u>	<u>137,910</u>	<u>348,199</u>
<b>Foreign customers</b>				
Gross sales	12,115	32,517	11,515	21,141
Taxes and deductions on sales	(283)	(375)		(175)
	<u>11,832</u>	<u>32,142</u>	<u>11,515</u>	<u>20,966</u>
	<u>125,460</u>	<u>358,081</u>	<u>149,425</u>	<u>369,165</u>

#### 22 Costs and expenses by nature

	2016		2015	
	Quarter	Nine-month period	Quarter	Nine-month period
<b>Parent company</b>				
General and administrative expenses				
Personnel expenses	405	1,166	341	732
Outsourced services	284	571	107	361
Travel expenses	18	25	5	22
Other	31	463	23	159
	<u>738</u>	<u>2,225</u>	<u>476</u>	<u>1,274</u>



## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

**September 30, 2016**

All amounts in thousands of reais unless otherwise stated

	Consolidated			
	2016		2015	
	Quarter	Nine-month period	Quarter	Nine-month period
Cost of sales				
Variable costs (raw and consumption materials)	34,478	101,926	40,846	102,838
Personnel expenses	12,310	33,632	11,487	27,681
Depreciation and amortization	3,382	9,973	3,023	8,528
Outsourced services	3,460	9,468	3,094	7,872
Provision for inventory losses	4,049	5,246	1,626	1,361
Electricity	1,389	4,242	1,815	4,116
Provision for impairment of intangible assets	498	609		
Other	3,312	9,322	1,541	6,592
	<u>62,878</u>	<u>174,418</u>	<u>63,432</u>	<u>158,988</u>
Selling expenses				
Personnel expenses	17,401	52,364	15,885	46,679
Sales team expenses	13,498	37,383	15,203	38,064
Outsourced services	3,909	11,580	3,881	11,433
Freight charges	3,959	10,913	3,546	10,417
Provision for impairment of trade receivables	966	6,739	212	391
Depreciation and amortization	1,185	3,584	1,142	3,291
Telecommunications and electricity	362	1,073	385	1,156
Other	1,794	6,611	3,091	6,146
	<u>43,074</u>	<u>130,247</u>	<u>43,345</u>	<u>117,577</u>
General and administrative expenses				
Personnel expenses	6,961	22,552	7,086	20,594
Outsourced services	1,087	2,768	1,125	1,989
Depreciation and amortization	873	2,621	899	2,587
Travel expenses	279	835	274	715
Telecommunications and electricity	210	613	204	628
Vehicle expenses	47	208	46	205
Donations and sponsorship	44	130	49	173
Other	474	1,923	578	1,476
	<u>9,975</u>	<u>31,650</u>	<u>10,261</u>	<u>28,367</u>
	<u>115,927</u>	<u>336,315</u>	<u>117,038</u>	<u>304,932</u>

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at September 30, 2016

All amounts in thousands of reais unless otherwise stated

#### 23 Other income (expenses), net

		Parent company	
		2016	2015
		Quarter	Nine-month period
		Quarter	Nine-month period
Gains on sales of scrap, rentals and other	23	68	49
Federal, state and municipal taxes and fees	(2)	(8)	(11)
	21	60	49
			88
		Consolidated	
		2016	2015
		Quarter	Nine-month period
		Quarter	Nine-month period
Gain (loss) on sale and write-off of PP&E	210	100	40
Gains (losses) on sales of scrap, rentals and other	(156)	(3)	117
Federal, state and municipal taxes and fees	(66)	(428)	(718)
Other losses	(1,285)	(1,433)	(188)
	(1,297)	(1,764)	(749)
			120

#### 24 Finance income and costs

		Parent company	
		2016	2015
		Quarter	Nine-month period
		Quarter	Nine-month period
Finance income			
Income from financial investments		3	1
Monetary variation	12	24	
Other		(1)	3
	12	26	4
Finance costs			
Interest payable			(2)
Other	(9)	(30)	(42)
	(9)	(30)	(44)
Finance result	3	(4)	(40)

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

**September 30, 2016**

All amounts in thousands of reais unless otherwise stated

	Consolidated			
	2016		2015	
	Quarter	Nine-month period	Quarter	Nine-month period
Finance income				
Gains on derivatives (foreign exchange variation)	2,172	3,879	2,980	12,968
Income from financial investments	762	1,814	562	3,242
Interest receivable	638	1,060	169	453
Monetary variation	183	224	109	260
Other	(42)	65	32	87
	<u>3,713</u>	<u>7,042</u>	<u>3,852</u>	<u>17,010</u>
Finance costs				
Losses on derivatives (foreign exchange variation)	(1,640)	(21,049)		
Losses on derivatives (interest)	(3,183)	(7,835)	(418)	(1,665)
Interest payable	(2,747)	(6,749)	(2,142)	(6,363)
Finance charges	(400)	(1,073)	(172)	(827)
Other	(129)	(744)	(575)	(852)
	<u>(8,099)</u>	<u>(37,450)</u>	<u>(3,307)</u>	<u>(9,707)</u>
Foreign exchange variations, net	<u>69</u>	<u>14,645</u>	<u>(5,855)</u>	<u>(15,107)</u>
Finance result	<u>(4,317)</u>	<u>(15,763)</u>	<u>(5,310)</u>	<u>(7,804)</u>

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at September 30, 2016

All amounts in thousands of reais unless otherwise stated

#### 25 Income tax and social contribution

The income tax and social contribution in the income statement is reconciled to the standard rates as shown below:

	Parent company			
	2016		2015	
	Quarter	Nine-month period	Quarter	Nine-month period
Profit before income tax and social contribution	5,807	6,921	18,936	45,309
Standard rates	34%	34%	34%	34%
	(1,974)	(2,353)	(6,438)	(15,405)
Reconciliation to the effective rate:				
Permanent differences:				
Equity in the results of investees	2,217	3,090	6,586	15,822
Deferred taxes, not recorded	(242)	(737)	(148)	(417)
Income tax and social contribution				
	Consolidated			
	2016		2015	
	Quarter	Nine-month period	Quarter	Nine-month period
Profit before income tax and social contribution	3,919	4,239	26,328	56,549
Standard rates	34%	34%	34%	34%
	(1,332)	(1,441)	(8,952)	(19,227)
Reconciliation to the effective rate:				
Permanent differences:				
R&D incentive	3,208	3,208	808	4,111
Adjustment related to the calculation of subsidiary taxed based on the deemed profit method	428	3,188	1,228	4,650
Adjustment related to the calculation of foreign subsidiary taxed based on the rate in effect in that country	(269)	(1,157)	(289)	(236)
Deferred taxes, not recorded	(242)	(737)	(148)	(417)
Other permanent differences	64	(464)	(41)	(108)
Income tax and social contribution	1,857	2,597	(7,393)	(11,227)
Reconciliation with the statement of income:				
Current	(1,782)	(4,736)	(6,097)	(16,701)
Deferred	3,639	7,333	(1,296)	5,474
	1,857	2,597	(7,393)	(11,227)

As required by Law 12,973/14, which became effective on January 1, 2015 (taking into consideration that the Company decided not to early adopt this law), sub-accounts were opened to record the positive and negative differences between the amounts of the assets measured according to the corporate legislation and the amounts measured in accordance with existing accounting policies at December 31, 2007 (Transitional Tax System - RTT), so that the tax effect of these adjustments is recognized only upon the realization of these assets.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

#### 26 Earnings per share

##### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the stockholders of the Company by the weighted average number of common shares during the period.

	2016		2015	
	Quarter	Nine-month period	Quarter	Nine-month period
Profit for the quarter/period attributable to owners of the parent	5,807	6,921	18,936	45,309
Weighted average number of common shares in the quarter/period	53,948	53,944	53,942	53,942
Basic earnings per share	0.10764	0.12830	0.35104	0.83996

##### (b) Diluted

Diluted earnings per share are calculated by dividing the profit attributable to the stockholders of the Company by the weighted average number of common shares during the period, adjusted by the weighted average number of instruments with dilutive effects.

	2016		2015	
	Quarter	Nine-month period	Quarter	Nine-month period
Profit for the quarter/period attributable to owners of the parent	5,807	6,921	18,936	45,309
Weighted average number of common shares in the quarter/period considering instruments with dilutive effects	54,055	54,078	54,032	53,984
Diluted earnings per share	0.10743	0.12798	0.35046	0.83931

#### 27 Employee benefit

##### (a) Private pension plan - defined contribution

The Group companies sponsor a defined contribution pension plan for their employees. The plan was implemented in August 2008 and is managed by Itaú Vida e Previdência S.A. The companies' contributions to the plan during the nine-month period ended September 30, 2016 totaled R\$ 863 (September 30, 2015 - R\$ 785).

##### (b) Profit sharing

The Group companies offer to their employees a variable remuneration program, calculated based on quantitative and qualitative goals established by management. For the nine-month period ended September 30, 2016, the amount of the profit-sharing provision was R\$ 1,062 (September 30, 2015 - R\$ 5,961), and was recorded based on the minimum amount established in the collective bargaining agreement.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

## 28 Balances and transactions with related parties

### (a) Main balances and transactions

	September 30, 2016			Parent company December 31, 2015		
	Current assets	Non-current assets	Current liabilities	Current assets	Current liabilities	
	Other assets (i)	Other assets (i)	Other liabilities (i)	Interest on capital	Other assets (i)	Dividends and interest on capital Other liabilities (i)
<b>Related parties:</b>						
Ouro Fino Saúde Animal Ltda.			28			41
Ouro Fino Agronegócio Ltda.				4,708		
Ouro Fino Química Ltda.	17				42	
Stockholders		387	17		448	16,433
Other		417			417	78
	<u>17</u>	<u>804</u>	<u>45</u>	<u>4,708</u>	<u>907</u>	<u>16,433</u>
						<u>119</u>

	September 30, 2016				Parent company September 30, 2015			
	Main transactions:				Main transactions:			
	Quarter	Nine-month period			Quarter	Nine-month period		
	Royalties	Reimbursement of CSC expenses (i)	Royalties	Reimbursement of CSC expenses (i)	Royalties	Reimbursement of CSC expenses (i)	Other expenses, net	
<b>Related parties:</b>								
Ouro Fino Saúde Animal Ltda.		(85)		(268)		(37)	(98)	(2)
Ouro Fino Agronegócio Ltda.		(1)		7		(1)	4	
Ouro Fino Pet Ltda.				3			6	
Ouro Fino Química Ltda.	25		75		25	75		
	<u>25</u>	<u>(86)</u>	<u>75</u>	<u>(258)</u>	<u>25</u>	<u>(38)</u>	<u>75</u>	<u>(2)</u>

	September 30, 2016				Consolidated December 31, 2015			
	Current assets	Non-current assets	Current liabilities		Current assets	Current liabilities		
	Other assets (i)	Other assets (i)	Borrowings	Other liabilities (i)	Other assets (i)	Dividends and interest on capital	Borrowings	Other liabilities (i)
<b>Related parties:</b>								
Ouro Fino Part. e Empreendimentos S.A.	15				29			
Ouro Fino Química Ltda.	188				952			582
Condomínio Rural Ouro Fino	841				24			
BNDES Participações S.A.			29,631				2,743	
Stockholders		387		678	448	16,433		78
Other		417		557	417			
	<u>1,044</u>	<u>804</u>	<u>29,631</u>	<u>1,235</u>	<u>1,870</u>	<u>16,433</u>	<u>2,743</u>	<u>660</u>

# Ouro Fino Saúde Animal Participações S.A.

## Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

Consolidated									
September 30, 2016									
Main transactions:					Main transactions:				
Quarter					Nine-month period				
Gross profit on the sales of goods	Reimbursement of CSC expenses (i)	Royalties	Other expenses, net	Finance result	Gross profit on the sales of goods	Reimbursement of CSC expenses (i)	Royalties	Other expenses, net	Finance result
Related parties:									
Ouro Fino Part. e Empreendimentos S.A.	3		29		11			67	
Ouro Fino Química Ltda.	634	25	(184)		2,047	75		(491)	
Condomínio Rural Ouro Fino	8		(38)		21			(725)	
Stockholders			(660)					(660)	
Other			(557)					(557)	
BNDES Participações S.A.				(417)					(483)
	8	637	25	(1,410)	(417)	21	2,058	75	(2,366)
									(483)
Consolidated									
September 30, 2015									
Main transactions:					Main transactions:				
Quarter					Nine-month period				
Gross profit on the sales of goods	Reimbursement of CSC expenses (i)	Royalties	Other expenses, net	Finance result	Gross profit on the sales of goods	Reimbursement of CSC expenses (i)	Royalties	Other expenses, net	Finance result
Related parties:									
Ouro Fino Part. e Empreendimentos S.A.	6		37		61			104	46
Ouro Fino Química Ltda.	527	25	(348)		2,119	75		(365)	
Condomínio Rural Ouro Fino	21		(116)		48			(466)	
BNDES Participações S.A.				(221)					(598)
	21	533	25	(427)	(221)	48	2,180	75	(727)
									(552)

### (i) Other assets and liabilities

The other assets and liabilities are represented by the reimbursement of expenses, especially incurred in the Shared Services Center ("CSC"), according to the expense sharing agreement entered into on June 30, 2014.

### (ii) Borrowings

These refer to borrowings from the related party BNDES Participações S.A., under conditions similar to those practiced with third parties (Note 18).

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

---

#### (b) Key management compensation

Key management personnel include members of the Board of Directors and directors appointed pursuant to the Company's bylaws, whose compensation is approved at the Annual General Meeting. The compensation paid or payable to key management for their services is described below:

	September 30, 2016	September 30, 2015
Salaries	2,357	1,882
Indemnity paid	1,765	
Share-based payments	411	386
Labor charges	219	128
Compensation and fringe benefits	165	106
Variable compensation	1	365
	<u>4,918</u>	<u>2,867</u>

Despite the fact that management does not consider share-based payments as compensation, the amounts under this heading are recorded in this Note, as required by the Technical Pronouncement CPC 05 - Related-party Disclosures.

#### 29 Insurance

The Group had insurance coverage for operating risks and comprehensive civil liability, with a maximum indemnity of R\$ 489,041 at September 30, 2016.

### Section F - Accounting policies

#### 30 Summary of significant accounting policies

The main accounting policies applied in the preparation of this interim accounting information are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

##### 30.1 Consolidation

The following accounting policies are applied in the preparation of the accounting information.

- (a) Subsidiaries are all entities over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Identifiable assets acquired and liabilities and contingent liabilities assumed for the acquisition of subsidiaries in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.



## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

---

- (b) Transactions, balances and unrealized gains between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

### 30.2 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the interim accounting information of each of the Group companies are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"), which is substantially the Brazilian real, except as mentioned in item (c) below. Therefore, the parent company and consolidated accounting information is presented in this currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation, when items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, as finance income or cost.

#### (c) Group companies with a functional currency different from the Brazilian real

The results and the financial position of Ouro Fino de México, S.A. de CV and Ouro Fino Colômbia S.A.S (subsidiaries of Ouro Fino Saúde Animal Ltda.), whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate of the balance sheet date.
- (ii) Income and expenses for each statement of income are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- (iii) All resulting exchange differences are recognized as a separate component of equity in "Carrying value adjustments".

### 30.3 Financial assets

#### 30.3.1 Classification

The Group classifies its financial assets, upon initial recognition, in the following categories: loans and receivables and measured at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired.

## **Ouro Fino Saúde Animal Participações S.A.**

### **Notes to the quarterly information at**

**September 30, 2016**

**All amounts in thousands of reais unless otherwise stated**

---

#### **(a) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and which are not classified in the "at fair value through profit or loss" category. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

#### **(b) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. All financial assets in this category are classified as current assets. Derivatives are also classified as "held for trading".

### **30.3.2 Recognition and measurement**

Normal purchases and sales of financial assets are recognized on the trade date. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are carried at amortized cost using the effective interest rate method.

### **30.3.3 Impairment of financial assets**

#### **Assets carried at amortized cost**

Management assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

### **30.4 Derivative financial instruments**

Derivative financial instruments are contracted with the purpose of hedging transactions against the risks of fluctuations in foreign exchange and interest rates, and are not used for speculative purposes. The Group mainly operates with exchange rate and interest rate swap contracts. Derivatives are recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Since the Group does not adopt hedge accounting, the changes in the fair value of derivative instruments are recognized immediately in the statement of income within "Finance income and costs".

## **Ouro Fino Saúde Animal Participações S.A.**

### **Notes to the quarterly information at**

**September 30, 2016**

**All amounts in thousands of reais unless otherwise stated**

---

#### **30.5 Trade receivables**

Trade receivables are stated at the original sales amount, plus, when applicable, monetary and foreign exchange variations, and less the provision for impairment of trade receivables. If collection is expected in one year or less, the receivables are classified as current assets. If not, they are presented as non-current assets.

#### **30.6 Inventories**

Inventories are stated at the lower of average cost of purchase or production and net realizable value. Cost is determined using the weighted average fixed method. The cost of finished products and work in process comprises raw materials, direct labor, other direct costs and related general production expenses (based on the normal operational capacity). Net realizable value is the estimated selling price in the ordinary course of business, less estimated completion costs and estimated selling expenses. Imports in transit are stated at the accumulated cost of each transaction.

#### **30.7 Current and deferred income tax and social contribution**

The income tax and social contribution for the period comprise current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity. In this case, the taxes are also recognized directly in equity.

The current and deferred income tax and social contribution are calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Group entities operate and generate taxable income. The currently defined tax rates in Brazil of 25% for income tax and 9% for social contribution are utilized to calculate deferred taxes.

The current and deferred income tax and social contribution are presented net, separated by taxpaying entity, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

Deferred income tax and social contribution are recognized on accumulated tax losses and temporary differences between the tax bases of assets and liabilities and their carrying amounts in the interim accounting information. They are determined based on tax rates in effect on the balance sheet date and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the temporary differences and/or tax losses can be utilized.

Ouro Fino Pet Ltda. calculates income tax and social contribution under the deemed profit method. The deemed profit system is a simplified taxation method to determine the calculation basis of corporate entities that are not required, in the calendar year, to use the taxable profit method, or whose total gross revenue is equal to or lower than R\$ 78,000.

## **Ouro Fino Saúde Animal Participações S.A.**

### **Notes to the quarterly information at**

**September 30, 2016**

**All amounts in thousands of reais unless otherwise stated**

---

#### **30.8 Intangible assets**

##### **(a) Research and development of products**

Research expenditures are recognized as expenses when incurred. Expenditures incurred in the development of products are recognized as intangible assets only if the cost can be reliably measured and when it is probable that they will bring future economic benefits.

The Group evaluates projects based on its own methodology, which considers various analysis structures, and that the projects will be successful from the development of "pilots" of the products made according to the requirements of regulatory bodies, accompanied by analyses of financial feasibility.

Capitalized development expenditures are amortized as from the beginning of the sale of the product, using the straight-line method over the period of the expected benefit, which is, on average, 10 years.

The finance charges on borrowings to finance a project are capitalized during the period required to develop the products.

##### **(b) Trademarks and licenses purchased**

Separately purchased trademarks and licenses are initially stated at historical cost. Since trademarks and licenses have a defined useful life, they are subsequently carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of approximately 10 years.

Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Amortization is calculated using the straight-line method over the estimated useful lives of between 10 and 18 months.

##### **(c) Computer software**

Computer software licenses acquired are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of five years on the straight-line method.

Costs associated with maintaining computer software are recognized as an expense, as incurred.

##### **(d) Goodwill on the acquisition of subsidiaries**

Goodwill arises from the acquisition of subsidiaries and represents the excess of (i) the consideration transferred, and (ii) the acquisition-date fair value of identifiable assets acquired and liabilities assumed. Goodwill on acquisitions of subsidiaries is included in "Intangible assets" in the consolidated interim accounting information. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## **Ouro Fino Saúde Animal Participações S.A.**

### **Notes to the quarterly information at**

**September 30, 2016**

**All amounts in thousands of reais unless otherwise stated**

---

#### **30.9 Property, plant and equipment**

Property, plant and equipment are stated at historical cost adjusted in subsidiaries to reflect the deemed cost of land on the date of transition to IFRS, less accumulated depreciation. Depreciation is calculated on the straight-line method, considering the estimated useful lives of the respective assets. The annual depreciation rates are disclosed in Note 16. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part or item is derecognized. All other repairs and maintenance are charged to the statement of income when incurred.

If the carrying amount of an asset is higher than its recoverable value, the Group records a provision for impairment to adjust the carrying amount to the estimated recoverable value.

The costs of borrowings used to finance the construction of property, plant and equipment are capitalized during the period necessary to construct and prepare the asset for its intended use.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within "Other income (expenses), net" in the statement of income.

#### **30.10 Impairment of non-financial assets**

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

#### **30.11 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business and are classified as current liabilities if payment is due in one year or less. If not, they are presented as non-current liabilities.

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recorded at the amount of the related invoice.

#### **30.12 Borrowings**

Borrowings are initially recognized on the receipt of funds, net of transaction costs, and are subsequently presented at cost plus charges and interest in proportion to the period elapsed, using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## **Ouro Fino Saúde Animal Participações S.A.**

### **Notes to the quarterly information at**

**September 30, 2016**

**All amounts in thousands of reais unless otherwise stated**

---

#### **30.13 Employee benefit**

##### **(a) Private pension plan**

The Group companies sponsor a defined contribution pension plan for their employees. In the defined contribution plan, the companies pay contributions to private pension plans on contractual bases. After the contributions have been made, the companies have no further obligations for additional payments. The regular contributions comprise the net periodic costs for the period in which they are due and are included in personnel expenses.

##### **(b) Profit sharing**

The provisions are calculated based on quantitative and qualitative targets established by management and are recorded as personnel expenses in the statement of income.

##### **(c) Share-based payments**

The Company has one share-based compensation plan (stock option plan), duly approved by the Board of Directors, under which it receives services from its executives and third parties as consideration for the stock options granted. The premium for these options, calculated on the grant date, is recognized as an expense against equity during the vesting period.

#### **30.14 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the activities. Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminating sales within the Group. Revenue is recognized when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of its activities. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales revenues are adjusted to reflect the effects of a significant financing component when it is expected, at the beginning of the contract, that the period between the sale of products and services and the time the customer pays for those products or services exceeds one year. Where applicable, the adjustment to present value in long-term sales transactions has a corresponding entry in "Trade receivables" and its realization is recorded in "Finance income," according to maturity.

#### **30.15 Distribution of dividends and interest on capital**

The distribution of dividends and interest on capital to stockholders is recognized as a liability in the interim accounting information based on the Company's bylaws. Any amount that exceeds the minimum required is only provisioned on the date it is approved by the stockholders at the Ordinary General Meeting.

The tax benefit of interest on capital is recognized in the statement of income, because in substance it represents a decrease in the effective rate of income tax and social contribution.

## Ouro Fino Saúde Animal Participações S.A.

### Notes to the quarterly information at

September 30, 2016

All amounts in thousands of reais unless otherwise stated

---

#### 30.16 New standards that are not yet effective

The following new standards were issued by IASB but are not effective at September 30, 2016. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

- IFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective as from January 1, 2018. It replaces the orientation included in IAS 39 related to the classification and measurement of financial instruments. IFRS 9 retains, but simplifies, the hybrid measurement model, and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. It also includes a new model for expected impairment losses on receivables, which replaces the current model of incurred losses. IFRS 9 mitigates the requirements of hedge effectiveness and requires an economic relationship between the hedged item and the hedging instrument, and that the hedge ratio be the same as that effectively used by management for risk management purposes. Management is assessing the full impact of the adoption of IFRS 9.
- IFRS 15 - "Revenue from Contracts with Customers" - This new standard introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. Its effective date is January 1, 2018 and it replaces IAS 11 - "Construction Contracts", IAS 18 - "Revenue" and related interpretations. Management is assessing the full impact of the adoption of IFRS 15.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's accounting information.

\* \* \*