

(A free translation of the original in Portuguese)

Results for 2Q18 and 1H18

(A free translation of the original in Portuguese)



Our Purpose

Reimagining
animal health

- Net revenue increased by 17% in the quarter and reached R\$ 162 million
- Adjusted EBITDA in the quarter increased by 26% and totaled R\$ 41 million with an EBITDA margin of 25%
- Accumulated EBITDA for the 12-month period totaled R\$ 124 million
- Gross margin increased by 1.4 p.p. and reached 53% in the quarter

Conference Call

In Portuguese with simultaneous translation into English

August 8, 2018

3:00 p.m. (BRT) / 2:00 p.m. (US EST)

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Cravinhos, August 7, 2018 – Ouro Fino Saúde Animal Participações S.A. (the “Company” or “Ourofino”) (B3: OFSA3), which is mainly engaged in the research, development, production and sale of veterinary drugs, vaccines and other products for production and companion animals, announces its financial results for the period ended June 30, 2018 (2Q18 and 1H18).

Message from management

We are pleased to deliver robust financial results for one more quarter, showing a strong growth in our net revenues, improvement in gross margin, dilution of expenses, and EBITDA and net margins at levels that are among the highest we have ever recorded. Our net revenues rose for the fifth quarter in a row. EBITDA in the second quarter of 2018 equaled that for the fourth quarter in 2017, as the highest in the Company’s history, even considering the typical seasonality of the industry, according to which the second half and especially the fourth quarter always show the highest figures. EBITDA in the last 12 months reached the highest level during the Company’s 31 years of operations.

With respect to the production animals segment, net revenue increased by 21% in the quarter and totaled R\$ 129 million, and this result was due to higher sales volumes combined with an increase in prices put in place the beginning of 2018. It should be noted that the sales policies reestablished in the last two years were maintained, ensuring the sustainability of the indicators achieved. Our sales team was fundamental to this result and we would like to publicly highlight its importance.

As regards the companion animals segment, we delivered a 34% increase in net revenues in the quarter. This increase occurred both in volume - as a result of our demand generation strategy, with a growth in veterinary visitation teams - and in the prices of our products. In addition, we have noted that the gradual improvement in the macroeconomic scenario has had a positive impact on this segment.

With regard to international operations, in line with the Company's internationalization plan, operations in Mexico and Colombia increased by 48% in net revenues in the quarter and accounted for more than 70% of revenues from this segment in the year. We remain optimistic about the growth opportunities in these countries, considering that we still have products in the registration phase and the investments to increase the sales team are expected to improve current results.

The improvements in net revenue, EBITDA and profit assure us that all the management actions that were implemented are in fact adding value to the Company. The achievements in recent quarters combined with the expansion of the market, which has strong growth drivers, have been the fuel for us to continue working hard to achieve the goals that were set. We thank you all for your confidence in our work.

Jardel Massari
CEO

Kleber Gomes
CFO and IRO

Financial performance

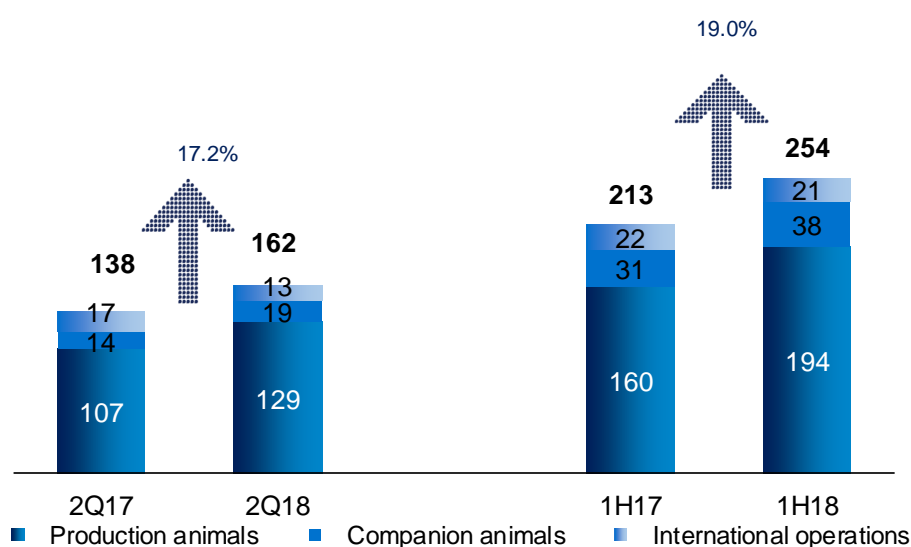
R\$ million	2Q17	2Q18	Variation %	1H17	1H18	Variation %
Net revenue	137.9	161.6	17.2%	213.1	253.5	19.0%
Cost of sales	(66.2)	(75.3)	13.7%	(101.7)	(114.6)	12.7%
Gross profit	71.7	86.3	20.4%	111.4	138.9	24.7%
(gross margin)	52.0%	53.4%	1.4 p.p.	52.3%	54.8%	2.5 p.p.
Expenses*	(46.4)	(52.4)	12.9%	(90.3)	(98.1)	8.6%
Operating profit	25.3	33.9	34.0%	21.1	40.8	93.4%
(operating margin)	18.3%	21.0%	2.7 p.p.	9.9%	16.1%	6.2 p.p.
Finance result, net	(2.8)	(3.8)	35.7%	(8.6)	(7.3)	-15.1%
Income tax and social contribution*	(7.6)	(9.0)	18.4%	(3.5)	(8.8)	151.4%
Adjusted profit	14.9	21.1	41.6%	9.0	24.7	174.4%
(adjusted profit margin)	10.8%	13.1%	2.3 p.p.	4.2%	9.7%	5.5 p.p.
Adjusted EBITDA	32.3	40.7	26.0%	33.5	53.1	58.5%
(adjusted EBITDA margin)	23.4%	25.2%	1.8 p.p.	15.7%	20.9%	5.2 p.p.

(*) In 1H17, does not include non-recurring expenses related to the consulting services from Falconi and restructuring expenditures. In 1H18, does not include extemporaneous tax credits related to prior years. These events gave rise to their related tax effects.



Net revenue

R\$ million	2Q17	2Q18	Variation %	1H17	1H18	Variation %
Net sales revenue	137.9	161.6	17.2%	213.1	253.5	19.0%
Production animals	106.5	129.4	21.5%	160.3	194.4	21.3%
Companion animals	14.4	19.3	34.0%	30.8	38.3	24.4%
International operations	17.0	12.9	-24.1%	22.0	20.8	-5.5%



In 2Q18, the Company presented net revenues of R\$ 161.6 million, an increase of 17.2% in comparison with 2Q17. In 1H18, net revenue was R\$ 253.5 million, an increase of 19.0% in comparison with 1H17. Please find below our comments on the performance of the segments in which we operate:

- The Production Animals segment presented a net revenue of R\$ 129.4 million in 2Q18, an increase of 21.5% in comparison with 2Q17. In 1H18, net revenue was R\$ 194.4 million, an increase of 21.3%. These increases were due to increases in volumes and price gains in the product line.
- The Companion Animals segment presented a net revenue of R\$ 19.3 million in 2Q18, an increase of 34.0% in comparison with 2Q17.

In 1H18, net revenue was R\$ 38.3, an increase of 24.4% in comparison 1H17. These results were due to increases in volumes and price gains in the product line.

- The International Operations segment presented a net revenue of R\$ 12.9 million in 2Q18, a decrease of 24.1% in comparison with 2Q17. In 1H18, net revenue was R\$ 20.8 million, a decrease of 5.5%. The increase in combined revenues in Mexico and Colombia was 48% in the quarter and 51% in the six-month period. The decrease related to sales of vaccines against foot-and-mouth disease to customers in Bolivia and Paraguay, which amounted to R\$ 5.3 million in 2017, and did not occur in 2018.

Gross profit and gross margin

R\$ million	2Q17	2Q18	Variation %	1H17	1H18	Variation %
Gross profit	71.7	86.3	20.4%	111.4	138.9	24.7%
(gross margin)	52.0%	53.4%	1.4 p.p.	52.3%	54.8%	2.5 p.p.
Gross profit - production animals	53.2	63.2	18.8%	78.3	97.4	24.4%
(gross margin - production animals)	50.0%	48.8%	-1.2 p.p.	48.8%	50.1%	1.3 p.p.
Gross profit - companion animals	10.3	14.3	38.8%	21.9	27.8	26.9%
(gross margin - companion animals)	71.5%	74.1%	2.6 p.p.	71.1%	72.6%	1.5 p.p.
Gross profit - international operations	8.2	8.7	6.1%	11.2	13.6	21.4%
(gross margin - international operations)	48.2%	67.4%	19.2 p.p.	50.9%	65.4%	14.5 p.p.

In 2Q18, gross margin was 53.4%, an increase of 1.4 p.p. in comparison with 2Q17. In 1H18, gross margin was 54.8%, an increase of 2.5 p.p. in comparison with 1H17.

- The Production Animals segment presented a gross margin of 48.8% in 2Q18, a decrease of 1.2 p.p. in comparison with 2Q17, as a result of a mix with a higher share of vaccines against foot-and-mouth disease. In 1H18, the gross margin was 50.1%, an increase of 1.3 p.p., which shows price gains in the six-month period.
- The Companion Animals segment presented a gross margin of 74.1% in 2Q18, an

increase of 2.6 p.p. in comparison with 2Q17. In 1H18, gross margin was 72.8%, an increase of 1.5 p.p. These results show price gains in the periods.

- The International Operations segment presented a gross margin of 67.4% in 2Q18, an increase of 19.2 p.p. in comparison with 2Q17. In 1H18, gross margin was 65.4%, an increase of 14.5 p.p.. These results show a better mix, since revenues from vaccines against foot-and-mouth disease were recorded in 2017 only, in addition to foreign exchange gains.



Selling, general and administrative expenses

R\$ million	2Q17	2Q18	Variation %	1H17	1H18	Variation %
Selling, general and administrative and other expenses	(46.4)	(52.4)	12.9%	(90.3)	(98.1)	8.6%
Percentage of net revenue	33.6%	32.4%	-1.2 p.p.	42.4%	38.7%	-3.7 p.p.

In 2Q18, selling, general and administrative expenses totaled R\$ 52.4 million, with a dilution of 1.2 p.p. in comparison with 2Q17. In 1H18, these expenses totaled R\$ 98.1 million, with a dilution of 3.7 p.p. in comparison with 1H17.

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

EBITDA and EBITDA margin

R\$ million	2Q17	2Q18	Variation %	1H17	1H18	Variation %
Adjusted profit	14.9	21.1	41.6%	9.0	24.7	174.4%
(+) Non-recurring results, net of IRPJ/CSLL*	(1.9)	3.2	-268.4%	(2.9)	3.2	-210.3%
Profit for the period	13.0	24.3	86.9%	6.1	27.9	357.4%
(+) Finance result, net	2.8	3.8	35.7%	8.6	7.3	-15.1%
(+) Income tax and social contribution	6.6	10.6	60.6%	2.0	10.4	420.0%
(+) Depreciation and amortization	7.0	6.8	-2.9%	12.4	12.3	-0.8%
EBITDA	29.4	45.5	54.8%	29.1	57.9	99.0%
Non-recurring effects*	2.9	(4.8)	-265.5%	4.4	(4.8)	-209.1%
Adjusted EBITDA	32.3	40.7	26.0%	33.5	53.1	58.5%
Net sales revenue	137.9	161.6	17.2%	213.1	253.5	19.0%
EBITDA margin	21.3%	28.2%	6.9 p.p.	13.7%	22.8%	9.1 p.p.
Adjusted EBITDA margin	23.4%	25.2%	1.8 p.p.	15.7%	20.9%	5.2 p.p.

(*) In 1H17, does not include non-recurring expenses related to the consulting services from Falconi and restructuring expenditures. In 1H18, does not include extemporaneous tax credits related to prior years. These events gave rise to their related tax effects.

In 2Q18, adjusted EBITDA totaled R\$ 40.7 million, with a margin of 25.2%, an increase of 1.8 p.p. in comparison with 2Q17. In 1H18, adjusted EBITDA was R\$ 53.1 million, an increase of 58.5% in comparison with 1H17.

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

Finance result

R\$ million	2Q17	2Q18	Variation %	1H17	1H18	Variation %
Finance result, net	(2.8)	(3.8)	35.7%	(8.6)	(7.3)	-15.1%

In 2Q18, net finance costs totaled R\$ 3.8 million, in line with net finance costs in 1Q18, which was R\$ 3.5 million. In 1H18, net finance costs totaled R\$ 7.3 million, a decrease of 15.1% in

comparison with 1H17, and in line with the decrease in the average cost of debt from 7.9% p.a. to 7.1% p.a. in the periods.

Income tax and social contribution

R\$ million	2Q17	2Q18	Variation %	1H17	1H18	Variation %
Income tax and social contribution	(7.6)	(9.0)	18.4%	(3.5)	(8.8)	151.4%
Percentage of profit before IRPJ and CSLL	-33.8%	-29.9%	3.9 p.p.	-28.0%	-26.3%	1.7 p.p.

In 2Q18, income tax and social contribution was R\$ 9.0 million in comparison with R\$ 7.6 million in 2Q17. In 1H18, income tax and social contribution was R\$ 8.8 million, against R\$ 3.5 million in 1H17. It should be noted that the

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

Profit

R\$ million	2Q17	2Q18	Variation %	1H17	1H18	Variation %
Adjusted profit	14.9	21.1	41.6%	9.0	24.7	174.4%
profit margin	10.8%	13.1%	2.3 p.p.	4.2%	9.7%	5.5 p.p.

In 2Q18, profit totaled R\$ 21.1 million, an increase of 41.6% in comparison with 2Q17. In 1H18, profit was R\$ 24.7 million, an increase of 174.4% in comparison with 1H17. These results

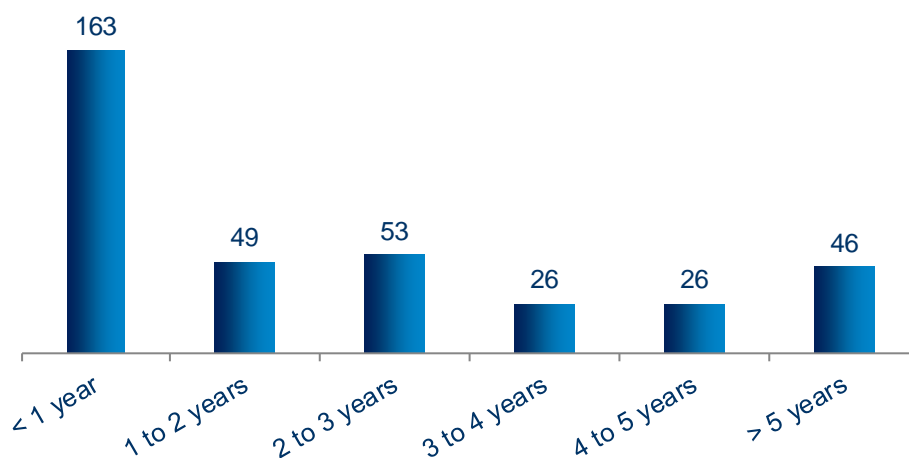
show an increase in EBITDA due to the previously mentioned factors, and a decrease in net finance costs in the six-month period.

Indebtedness

In R\$ million	6/30/2017	6/30/2018
Current	97.2	164.5
Non-current	216.3	200.8
Gross debt	313.5	365.3
Related derivative financial instruments	12.0	(1.8)
Gross debt considering related derivatives	325.5	363.5
(-) Cash and cash equivalents	110.1	135.5
Net debt	215.4	228.0
Weighted average cost of debt (year) ¹	7.90%	7.14%
Net debt/Adjusted annual EBITDA (LTM)	4.24	1.84

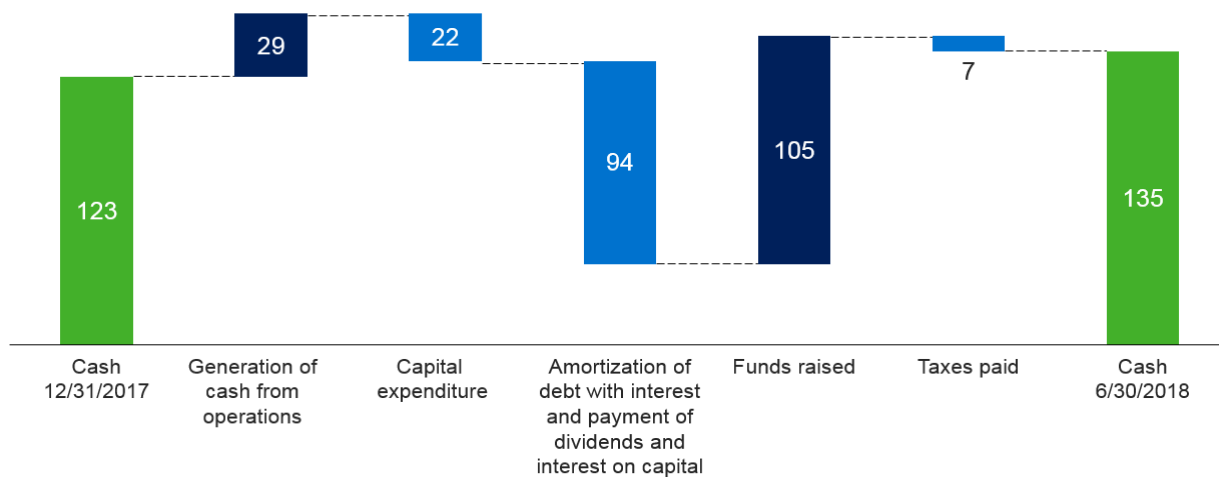
¹ Net bank debt considering related derivatives and bank guarantee costs

Bank debt aging*



*Considers the period between July 1 and June 30 and debt plus derivatives.

Cash position



In 1H18, there was a generation of cash from operations of R\$ 29 million, which felt the impact of the increase in the volumes of inventories due to the higher purchases of inputs in China and the production of pilot batches of the new vaccines against foot-and-mouth disease (2ml dose), which are required to be approved by

MAPA. We would also emphasize the amortization of debts, payment of interest, dividends and interest on capital totaling R\$ 94 million, in addition to the raising of funds of R\$ 105 million. At June 30, 2018, the average cost of debt was 7.14%, considering the costs of derivatives and associated guarantees.



Launches in 2018

Pareun

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



The first Amikacin for veterinary use in Brazil.

Therapeutic class:
Antimicrobial

Segment:
Horses

Launched in:
February 2018

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

SiloSolve® MC

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



Therapeutic class:
Nutritional

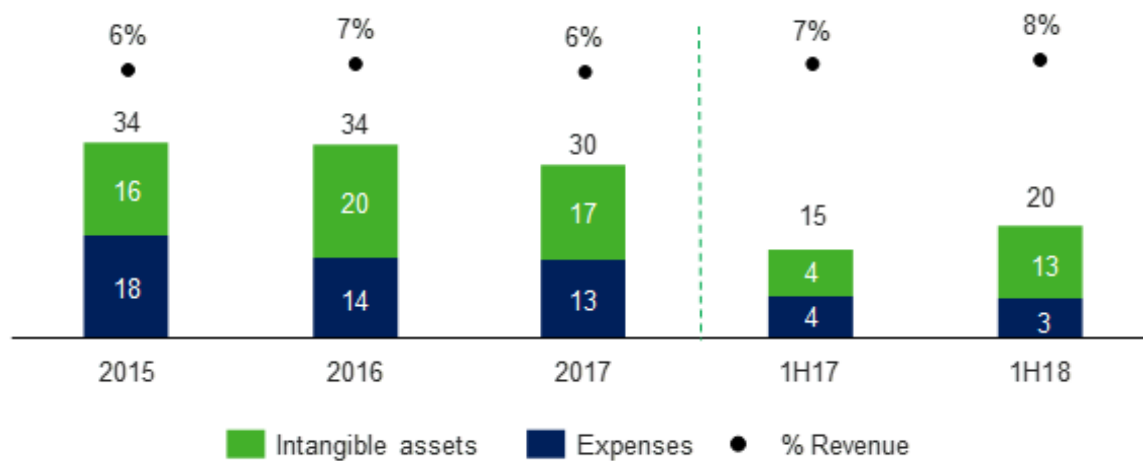
Segment:
Cattle

Launched in:
June 2018

Keeps silage fresh and profits on the rise for longer.

Investments in research and development

In 1H18, 8% of the net revenue was invested in R&D, totaling R\$ 20 million. The chart below shows the Company's total investments in R&D from 2015 to 2018.



Adjusted statement of income (R\$ thousands)	2Q17	1H17	2Q18	1H18
Revenue	137,932	213,118	161,603	253,541
Cost of sales*	(66,277)	(101,730)	(75,231)	(114,616)
Gross profit	71,655	111,388	86,372	138,925
Selling expenses*	(40,174)	(75,381)	(42,151)	(77,593)
General and administrative expenses*	(8,250)	(17,354)	(9,862)	(20,020)
Other income (expenses), net*	2,030	2,474	(394)	(460)
Operating profit	25,261	21,127	33,965	40,852
Finance income	1,805	3,103	1,364	3,500
Finance costs	(4,370)	(8,433)	(5,220)	(10,451)
Derivative financial instruments, net	2,641	(3,061)	6,329	5,014
Foreign exchange variations, net	(2,842)	(232)	(6,307)	(5,403)
Finance result	(2,766)	(8,623)	(3,834)	(7,340)
Profit before income tax and social contribution	22,495	12,504	30,131	33,512
Current and deferred income tax and social contribution*	(7,541)	(3,459)	(9,052)	(8,809)
Adjusted profit for the period	14,954	9,045	21,079	24,703

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

Corporate statement of income (R\$ thousands)	2Q17	1H17	2Q18	1H18
Revenue	137,932	213,118	161,603	253,541
Cost of sales	(67,269)	(102,722)	(75,231)	(114,616)
Gross profit	70,663	110,396	86,372	138,925
Selling expenses	(40,174)	(75,381)	(42,151)	(77,593)
General and administrative expenses	(10,159)	(20,798)	(9,862)	(20,020)
Other income, net	2,030	2,474	4,416	4,350
Operating profit	22,360	16,691	38,775	45,662
Finance income	1,805	3,103	1,364	3,500
Finance costs	(4,370)	(8,433)	(5,220)	(10,451)
Derivative financial instruments, net	2,641	(3,061)	6,329	5,014
Foreign exchange variations, net	(2,842)	(232)	(6,307)	(5,403)
Finance result	(2,766)	(8,623)	(3,834)	(7,340)
Profit before income tax and social contribution	19,594	8,068	34,941	38,322
Current and deferred income tax and social contribution	(6,555)	(1,951)	(10,687)	(10,444)
Profit for the period	13,039	6,117	24,254	27,878

Statement of cash flows (R\$ thousands)	1H17	1H18
Cash flows from operating activities		
Profit before income tax and social contribution	8,068	38,322
Adjustments for:		
Provision for impairment of trade receivables	148	125
Provision for inventory losses and write-offs	7,024	5,166
Changes in the provision for sales returns	(2,863)	167
Reversal of the provision for bonuses to customers	(780)	(967)
Depreciation and amortization	12,417	12,109
Provision for impairment of intangible assets	(279)	
Reversal of the provision for discounts on sales of vaccines against foot-and-mouth disease	(2,443)	
Result on disposal of property, plant and equipment	(52)	110
Result on disposal of intangible assets	(1,476)	170
Interest and monetary and exchange variations, net	8,262	16,189
Derivative financial instruments	3,061	(5,014)
Provision for contingencies	(320)	(206)
Stock options granted	655	361
Changes in working capital		
Trade receivables	52,163	18,106
Inventories	(11,657)	(57,510)
Taxes recoverable	(4,049)	(10,626)
Other assets	256	(805)
Trade payables	5,076	14,570
Taxes payable	(1,127)	(1,993)
Other liabilities	2,408	1,017
Cash provided by (used in) operations	74,492	29,291
Interest paid	(6,837)	(9,149)
Income tax and social contribution paid	(1,695)	(7,247)
Net cash inflow (outflow) from operating activities	65,960	12,895
Cash flows from investing activities		
Investments in intangible assets	(8,335)	(13,132)
Purchases of property, plant and equipment	(7,733)	(9,764)
Proceeds from sale of property, plant and equipment	618	969
Proceeds from sale of intangible assets	4,254	220
Net cash inflow (outflow) from investing activities	(11,196)	(21,707)
Cash flows from financing activities		
Proceeds from borrowings	39,950	105,353
Repayment of borrowings	(44,494)	(66,487)
Payment of dividends and interest on capital		(10,847)
Realized derivative financial instruments	(10,466)	(7,282)
Net cash inflow (outflow) from financing activities	(15,010)	20,737
Net increase (decrease) in cash and cash equivalents	39,754	11,925
Cash and cash equivalents at the beginning of the year	70,325	123,360
Exchange losses on cash and cash equivalents	(10)	166
Cash and cash equivalents at the end of the year	110,069	135,451

Balance sheet (R\$ thousands)	12/31/2017	6/30/2018
Assets		
Current assets	407,296	460,485
Cash and cash equivalents	123,360	135,451
Trade receivables	160,663	143,858
Derivative financial instruments		1,845
Inventories	108,578	162,050
Taxes recoverable	4,748	6,162
Income tax and social contribution recoverable	4,177	4,319
Related parties	256	465
Other assets	5,514	6,335
Non-current assets	402,931	425,861
Long-term receivables	69,343	78,108
Taxes recoverable	49,664	59,534
Deferred income tax and social contribution	12,412	11,257
Inventories	5,137	5,607
Other assets	2,130	1,710
Permanent assets	333,588	347,753
Intangible assets	86,721	93,658
Property, plant and equipment	246,867	254,095
Total assets	810,227	886,346
Liabilities and equity		
Current liabilities	276,517	247,938
Trade payables	27,915	43,482
Derivative financial instruments	9,179	
Borrowings	190,233	164,455
Salaries and social charges	22,180	26,457
Taxes payable	4,153	2,872
Income tax and social contribution payable	578	783
Dividends and interest on capital	9,051	
Related parties	168	173
Commissions on sales	4,931	4,082
Other liabilities	8,129	5,634
Non-current liabilities	128,074	206,343
Derivative financial instruments	1,272	
Borrowings	122,867	200,781
Provision for contingencies	3,935	3,941
Deferred income tax and social contribution		1,621
Total liabilities	404,591	454,281
Total equity	405,879	432,046
Non-controlling interests	(243)	19
Total liabilities and equity	810,227	886,346

