

(A free translation of the original in Portuguese)

**Ouro Fino Saúde Animal
Participações S.A.**
**Quarterly Information (ITR) at
June 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 June 30, 2016, comprising the balance sheet as at that date and the statements of income, comprehensive income, changes in equity and cash flows for the quarter and six-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.



Ouro Fino Saúde Animal Participações S.A.

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 (ITR), and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 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, August 4, 2016

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

Maurício Cardoso de Moraes
Contador CRC 1PRO35795/O-1 "T" SP

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Ouro Fino Saúde Animal Participações S.A.

Balance sheet

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Assets					
Current assets					
Cash and cash equivalents	9	14	468	23,225	23,380
Trade receivables	11			191,232	225,740
Derivative financial instruments	10				22
Inventories	12			137,325	109,263
Taxes recoverable	13			7,182	7,471
Income tax and social contribution recoverable				2,471	1,020
Related parties	28	957	5,615	1,734	1,870
Other assets		23		6,799	9,611
		<u>994</u>	<u>6,083</u>	<u>369,968</u>	<u>378,377</u>
Non-current assets					
Long-term receivables					
Derivative financial instruments	10				1,713
Taxes recoverable	13	117	201	37,979	32,322
Deferred income tax and social contribution	14			9,180	5,558
Other assets				2,291	2,616
		<u>117</u>	<u>201</u>	<u>49,450</u>	<u>42,209</u>
Investments in subsidiaries	5	381,053	391,110		
Intangible assets	15			82,370	78,690
Property, plant and equipment	16			206,720	194,095
Total non-current assets		<u>381,170</u>	<u>391,311</u>	<u>338,540</u>	<u>314,994</u>
Total assets		<u><u>382,164</u></u>	<u><u>397,394</u></u>	<u><u>708,508</u></u>	<u><u>693,371</u></u>

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

Ouro Fino Saúde Animal Participações S.A.

Balance sheet

All amounts in thousands of reais

(continued)

	Note	Parent company		Consolidated	
		June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Liabilities and equity					
Current liabilities					
Trade payables	17			42,780	29,450
Derivative financial instruments	10			8,507	1,297
Borrowings	18			80,789	57,260
Salaries and social charges		108	99	22,670	24,333
Taxes payable		51	546	5,134	6,585
Income tax and social contribution payable				1,101	1,873
Dividends and interest on capital	28		16,433		16,433
Related parties	28	126	119	78	660
Sales commission				6,125	7,313
Other liabilities		194	16	7,217	4,790
		479	17,213	174,401	149,994
Derivative financial instruments	10			10,521	
Borrowings	18			137,885	159,227
Provision for contingencies	19			3,964	3,841
				152,370	163,068
Total liabilities		479	17,213	326,771	313,062
Equity	20				
Share capital		298,889	298,889	298,889	298,889
Capital reserve		(6,392)	(6,392)	(6,392)	(6,392)
Options granted		2,354	1,491	2,354	1,491
Revenue reserves		70,241	70,241	70,241	70,241
Carrying value adjustments		15,479	15,952	15,479	15,952
Retained earnings		1,114		1,114	
		381,685	380,181	381,685	380,181
Non-controlling interests				52	128
Total equity		381,685	380,181	381,737	380,309
Total liabilities and equity		382,164	397,394	708,508	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 June 30, 2016 and 2015

All amounts in thousands of reais unless otherwise stated

(A free translation of the original in Portuguese)

	Note	Parent company			
		2016		2015	
		Quarter	Six-month period	Quarter	Six-month period
General and administrative expenses	22	(919)	(1,487)	(321)	(798)
Equity in the results of investees	5	5,363	2,569	19,193	27,163
Other income, net	23	20	39	22	39
Operating profit		4,464	1,121	18,894	26,404
Finance income		1	14	1	3
Finance costs		(11)	(21)	(13)	(34)
Finance result	24	(10)	(7)	(12)	(31)
Profit for the period		4,454	1,114	18,882	26,373

	Note	Consolidated			
		2016		2015	
		Quarter	Six-month period	Quarter	Six-month period
Revenue	21	134,591	232,621	132,696	219,740
Cost of sales	22	(65,659)	(111,540)	(59,840)	(95,556)
Gross profit		68,932	121,081	72,856	124,184
Selling expenses	22	(43,674)	(87,173)	(41,115)	(74,232)
General and administrative expenses	22	(12,245)	(21,675)	(9,424)	(18,106)
Other income (expenses), net	23	(282)	(467)	824	869
Operating profit		12,731	11,766	23,141	32,715
Finance income		2,454	3,329	174	13,158
Finance costs		(16,116)	(29,351)	(2,632)	(6,400)
Foreign exchange variations, net		6,854	14,576	695	(9,252)
Finance result	24	(6,808)	(11,446)	(1,763)	(2,494)
Profit before income tax and social contribution		5,923	320	21,378	30,221
Income tax and social contribution	25				
Current		(234)	(2,954)	(9,256)	(10,604)
Deferred		(1,263)	3,694	6,760	6,770
Profit for the period		4,426	1,060	18,882	26,387
Attributable to:					
Owners of the parent		4,454	1,114	18,882	26,373
Non-controlling interests		(28)	(54)		14
		4,426	1,060	18,882	26,387
Earnings per share attributable to owners of the parent during the period (in reais)	26				
Basic earnings per share		0.08257	0.02065	0.35004	0.48891
Diluted earnings per share		0.08225	0.02059	0.34987	0.48872

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

Ouro Fino Saúde Animal Participações S.A.

Statement of comprehensive income Periods ended June 30, 2016 and 2015

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company			
	2016		2015	
	Quarter	Six-month period	Quarter	Six-month period
Profit for the period	4,454	1,114	18,882	26,373
Other components of comprehensive income				
Items that will be reclassified to profit or loss				
Exchange variation of investment in subsidiary located abroad	(318)	(473)	(194)	245
Total comprehensive income for the quarter	<u>4,136</u>	<u>641</u>	<u>18,688</u>	<u>26,618</u>
	Consolidated			
	2016		2015	
	Quarter	Six-month period	Quarter	Six-month period
Profit for the period	4,426	1,060	18,882	26,387
Other components of comprehensive income				
Items that will be reclassified to profit or loss				
Exchange variation of investment in subsidiary located abroad	(331)	(495)	(201)	254
Total comprehensive income for the quarter	<u>4,095</u>	<u>565</u>	<u>18,681</u>	<u>26,641</u>
Attributable to:				
Owners of the parent	4,136	641	18,688	26,618
Non-controlling interests	(41)	(76)	(7)	23
	<u>4,095</u>	<u>565</u>	<u>18,681</u>	<u>26,641</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)

Note	Attributable to owners of the parent										
	Share capital	Capital reserve	Options granted	Revenue reserves			Carrying value adjustments	Retained earnings	Total	Non-controlling interests	Total equity
				Legal reserve	Profit retention reserve						
At January 1, 2015	298,889	(6,275)		1,886	20,250		15,319		330,069	88	330,157
Comprehensive income for the quarter											
Profit for the period								26,373	26,373	14	26,387
Exchange variation of subsidiary located abroad							245		245	9	254
Total comprehensive income for the quarter							245	26,373	26,618	23	26,641
Contributions by owners											
Distribution of additional dividends for 2014									(3,931)		(3,931)
Share options granted	20 (e)		746						746		746
Borrowing costs	20 (b)	(117)							(117)		(117)
Total contributions by owners		(117)	746						(3,302)		(3,302)
At June 30, 2015	298,889	(6,392)	746	1,886	16,319		15,564	26,373	353,385	111	353,496
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								1,114	1,114	(54)	1,060
Exchange variation of subsidiary located abroad							(473)		(473)	(22)	(495)
Total comprehensive income for the period							(473)	1,114	641	(76)	565
Contributions by owners											
Share options granted	20 (e)		863						863		863
Total contributions by owners			863						863		863
At June 30, 2016	298,889	(6,392)	2,354	5,346	64,895		15,479	1,114	381,685	52	381,737

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

Ouro Fino Saúde Animal Participações S.A.

Statement of cash flows Six-month periods ended June 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
Cash flows from operating activities				
Profit before income tax and social contribution	1,114	26,373	320	30,221
Adjustments for:				
Changes in the provision for impairment of trade receivables			5,773	(394)
Provision for inventory losses and write-offs			1,298	138
Equity in the results of investees	(2,569)	(27,163)		
Depreciation and amortization			10,738	9,342
Provision for impairment of intangible assets			111	
Loss on disposal of property, plant and equipment			(44)	(127)
Write-off of intangible assets			481	
Interest and monetary and exchange variations, net			(12,382)	14,000
Derivative financial instruments			22,354	(8,741)
Provision for contingencies			258	163
Share options granted	11	11	863	746
Changes in working capital				
Trade receivables			26,069	2,777
Inventories			(32,818)	(32,097)
Taxes recoverable	84		(5,633)	(3,295)
Other assets	(74)	(55)	3,413	(1,342)
Trade payables			18,126	10,466
Taxes payable	(494)	(472)	(946)	(1,176)
Other liabilities	193	(272)	(778)	(1,709)
Cash provided by (used in) operations	(1,735)	(1,578)	37,203	18,972
Interest paid			(5,380)	(4,294)
Income tax and social contribution paid			(5,250)	(7,050)
Net cash provided by (used in) operating activities	(1,735)	(1,578)	26,573	7,628
Cash flows from investing activities				
Advances for future capital increase		(25,000)		
Investments in intangible assets			(9,283)	(9,729)
Purchase of property, plant and equipment			(19,593)	(11,544)
Receipts of dividends and interest on capital	17,714	39,482		
Proceeds from sale of property, plant and equipment			935	606
Net cash provided by (used in) investing activities	17,714	14,482	(27,941)	(20,667)
Cash flows from financing activities				
Proceeds from borrowings			59,857	43,500
Repayment of borrowings			(38,223)	(86,769)
Payment of dividends and interest on capital	(16,433)	(12,889)	(16,433)	(12,889)
Realized derivative financial instruments			(2,887)	16,463
Net cash provided by (used in) financing activities	(16,433)	(12,889)	2,314	(39,695)
Net increase (decrease) in cash and cash equivalents	(454)	15	946	(52,734)
Cash and cash equivalents at the beginning of the period	468	11	23,380	72,453
Exchange losses on cash and cash equivalents			(1,101)	(211)
Cash and cash equivalents at the end of the period	14	26	23,225	19,508

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

Ouro Fino Saúde Animal Participações S.A.

Statement of value added Six-month periods ended June 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
Revenues				
Gross sales and services			257,801	241,875
Other income			(96)	208
Income related to the construction of own assets			6,740	7,805
Provision for impairment of trade receivables			(5,773)	394
			258,672	250,282
Inputs acquired from third parties				
Cost of sales and services			(88,650)	(76,778)
Materials, electricity, third-party services and others	(725)	(407)	(64,072)	(57,737)
Losses on assets, net			(1,479)	(3)
	(725)	(407)	(154,201)	(134,518)
Gross value added (distributed)	(725)	(407)	104,471	115,764
Depreciation and amortization			(10,738)	(9,342)
Net value added (distributed) generated by the entity	(725)	(407)	93,733	106,422
Value added received through transfer				
Equity in the results of investees	2,569	27,163		
Interest income	14	3	22,067	17,042
Royalties	50	50	50	50
Others			184	990
Total value added to distribute	1,908	26,809	116,034	124,504
Distribution of value added				
Personnel				
Salaries and wages	630	326	49,399	45,397
Benefits	4	2	9,856	8,135
FGTS			3,826	3,546
Taxes, charges and contributions				
Federal	134	73	15,652	17,315
State	5	1	(45)	258
Municipal			195	183
Remuneration of third parties' capital				
Interest	21	34	33,702	19,764
Rentals			1,979	3,265
Others			410	254
Remuneration of own capital				
Profits reinvested	1,114	26,373	1,114	26,373
Non-controlling interests			(54)	
Value added distributed	1,908	26,809	116,034	124,504

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
June 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 Cravinhos, in the 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.

The issue of this parent company and consolidated interim accounting information was authorized by the Company's Board of Directors on August 2, 2016.

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.

Ouro Fino Saúde Animal Participações S.A.

Notes to the quarterly information at June 30, 2016

All amounts in thousands of reais unless otherwise stated

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 six-month period ended June 30, 2016, there were 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.

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.

Ouro Fino Saúde Animal Participações S.A.

Notes to the quarterly information at June 30, 2016

All amounts in thousands of reais unless otherwise stated

(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.

(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.
- (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.

Ouro Fino Saúde Animal Participações S.A.

Notes to the quarterly information at June 30, 2016

All amounts in thousands of reais unless otherwise stated

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.

(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, because hedge accounting is not currently adopted.

Ouro Fino Saúde Animal Participações S.A.

Notes to the quarterly information at June 30, 2016

All amounts in thousands of reais unless otherwise stated

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

	June 30, 2016	December 31, 2015
Assets in foreign currency		
Cash and cash equivalents	2,918	2,221
Trade receivables	13,240	18,941
Advances to suppliers	12,826	3,113
	<u>28,984</u>	<u>24,275</u>
Liabilities in foreign currency		
Borrowings (*)	482	810
Trade payables	24,437	12,826
	<u>24,919</u>	<u>13,636</u>
Net exposure - assets	<u>4,065</u>	<u>10,639</u>

(*) The balance of borrowings in foreign currency does not consider working capital amounting to R\$ 79,559 (December 31, 2015 - R\$ 57,005), because an 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.

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					
		3.21	3.45	2.59	1.73	4.31	5.18
Assets/liabilities	Risk	June 30, 2016	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
			<i>(pro bable)</i>	(US\$ depreciation - 25%)	(US\$ depreciation - 50%)	(US\$ appreciation - 25%)	(US\$ appreciation - 50%)
Cash and cash equivalents	US\$ depreciation	2,918	219	(784)	(1,568)	784	1,568
Trade receivables	US\$ depreciation	13,240	993	(3,558)	(7,117)	3,558	7,117
Advances to suppliers	US\$ depreciation	12,826	962	(3,447)	(6,894)	3,447	6,894
Borrowings	US\$ appreciation	482	(36)	130	259	(130)	(259)
Trade payables	US\$ appreciation	24,437	(1,834)	6,568	13,135	(6,568)	(13,135)
Net effect		<u>4,065</u>	<u>304</u>	<u>(1,091)</u>	<u>(2,185)</u>	<u>1,091</u>	<u>2,185</u>

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(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 understands that at present the fluctuations in interest rates do not significantly affect its finance result, since at June 30, 2016, 50.0% (December 31, 2015 - 56.4%) of its borrowings are subject to fixed 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, 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.

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 with the purpose of expressing the real risk of its customers. Weights are attributed to each indicator and a rating is defined based on their combination. The Group's synthetic credit risk rating for its customers 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.

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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.

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 June 30, 2016				
Trade payables	42,780			
Borrowings (*)	89,795	120,266	24,627	11,838
Derivative financial instruments, net	8,507	5,330	5,191	
Other liabilities	42,325	1,190	2,774	
	<u>183,407</u>	<u>126,786</u>	<u>32,592</u>	<u>11,838</u>
At December 31, 2015				
Trade payables	29,450			
Borrowings (*)	70,870	138,263	24,644	15,327
Derivative financial instruments, net	1,275	(1,713)		
Dividends and interest on capital	16,433			
Other liabilities	45,554	1,153	2,688	
	<u>163,582</u>	<u>137,703</u>	<u>27,332</u>	<u>15,327</u>

(*) As the amounts included in the table are the contractual undiscounted cash flows, and therefore include future financial charges, these amounts will not reconcile to the amounts disclosed in the balance sheet for borrowings.

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.

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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.

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

		Consolidated	
	Note	June 30, 2016	December 31, 2015
Borrowings	18	218,674	216,487
Derivative financial instruments, net	10	19,028	(438)
Cash and cash equivalents	9	(23,225)	(23,380)
Net debt		214,477	192,669
Equity	20	381,737	380,309
Total capital		596,214	572,978
Gearing ratio (%)		35.97	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.

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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	
		June 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	(19,028)	(1,297)
		<u>(19,028)</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, in the 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.

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The results by segment are as follows:

	Quarter ended June 30, 2016			
	Segment information			
	Production animals	Companion animals	International operations	Total
Revenue	105,814	17,625	11,152	134,591
Cost of sales	(57,991)	(4,384)	(3,284)	(65,659)
Gross profit	47,823	13,241	7,868	68,932
Selling expenses	(33,697)	(5,758)	(4,219)	(43,674)
Result - Segmented	14,126	7,483	3,649	25,258
Result - Not segmented				(20,832)
Profit for the period				4,426
	Six-month period ended June 30, 2016			
	Segment information			
	Production animals	Companion animals	International operations	Total
Revenue	180,585	31,726	20,310	232,621
Cost of sales	(96,415)	(8,202)	(6,923)	(111,540)
Gross profit	84,170	23,524	13,387	121,081
Selling expenses	(64,815)	(11,470)	(10,888)	(87,173)
Result - Segmented	19,355	12,054	2,499	33,908
Result - Not segmented				(32,848)
Profit for the period				1,060
	Quarter ended June 30, 2015			
	Segment information			
	Production animals	Companion animals	International operations	Total
Revenue	111,898	15,216	5,582	132,696
Cost of sales	(54,375)	(3,387)	(2,078)	(59,840)
Gross profit	57,523	11,829	3,504	72,856
Selling expenses	(33,976)	(4,832)	(2,307)	(41,115)
Result - Segmented	23,547	6,997	1,197	31,741
Result - Not segmented				(12,859)
Profit for the period				18,882
	Six-month period ended June 30, 2015			
	Segment information			
	Production animals	Companion animals	International operations	Total
Revenue	180,158	30,131	9,451	219,740
Cost of sales	(85,218)	(7,045)	(3,293)	(95,556)
Gross profit	94,940	23,086	6,158	124,184
Selling expenses	(61,226)	(9,168)	(3,838)	(74,232)
Result - Segmented	33,714	13,918	2,320	49,952
Result - Not segmented				(23,565)
Profit for the period				26,387

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

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	2016		2015	
	Quarter	Six-month period	Quarter	Six-month period
Mexico	3,855	6,608	1,837	3,391
Paraguay	1,688	4,430	45	45
Colombia	2,336	4,070		
Bolivia	885	1,305		432
Ecuador	578	912	330	577
Others	1,810	2,985	3,370	5,006
	<u>11,152</u>	<u>20,310</u>	<u>5,582</u>	<u>9,451</u>

Section D - Group structure

5 Investments

(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).	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%

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(b) Changes in investments

	Parent company	
	June 30, 2016	December 31, 2015
Opening balance	391,110	231,169
Equity in the results of investees	2,569	71,332
Payment of capital through the advances for future capital increase (*)		132,660
Share options granted	852	1,470
Interest on capital		(5,539)
Dividends received	(13,005)	(40,615)
Foreign exchange variation of foreign investments	(473)	633
Closing balance	<u>381,053</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.

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All amounts in thousands of reais unless otherwise stated

(i) Summarized balance sheet

	June 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	179,125	188,077	29,527	11,153	7,202
Liabilities	(136,088)	(61,466)	(4,885)	(3,345)	(7,295)
Current assets (liabilities), net	43,037	126,611	24,642	7,808	(93)
Non-current					
Assets	310,061	25,074	784	425	899
Liabilities	(115,055)	(26,768)	(189)	(6,766)	(1,106)
Non-current assets (liabilities), net	195,006	(1,694)	595	(6,341)	(207)
Equity (net capital deficiency)	<u>238,043</u>	<u>124,917</u>	<u>25,237</u>	<u>1,467</u>	<u>(300)</u>
	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	6,995
Liabilities	(84,606)	(82,709)	(3,659)	(8,135)	(8,040)
Current assets (liabilities), net	92,024	134,662	23,256	3,138	(1,045)
Non-current					
Assets	288,616	24,040	569	439	1,190
Liabilities	(131,637)	(33,318)	(179)		(2,205)
Non-current assets (liabilities), net	156,979	(9,278)	390	439	(1,015)
Equity (net capital deficiency)	<u>249,003</u>	<u>125,384</u>	<u>23,646</u>	<u>3,577</u>	<u>(2,060)</u>

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(ii) Summarized statement of income

	Quarter ended June 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	76,641	105,111	18,368	3,854	2,336
Profit (loss) before income tax and social contribution	409	(523)	6,967	(761)	(325)
Income tax and social contribution	(1,012)	201	(737)		81
Profit (loss) for the quarter	(603)	(322)	6,230	(761)	(244)
	Six-month period ended June 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	138,070	176,362	33,324	6,607	4,070
Profit (loss) before income tax and social contribution	(9,789)	(232)	12,001	(1,160)	(912)
Income tax and social contribution	2,038	92	(1,320)	(338)	154
Profit (loss) for the period	(7,751)	(140)	10,681	(1,498)	(758)

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	Quarter ended June 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.
Net sales revenue	68,593	108,408	16,056	1,837
Profit (loss) before income tax and social contribution	(623)	16,112	6,823	14
Income tax and social contribution	3,474	(5,480)	(684)	(27)
Profit (loss) for the quarter	2,851	10,632	6,139	(13)
	Six-month period ended June 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.
Net sales revenue	120,870	175,649	31,751	3,391
Profit (loss) before income tax and social contribution	(4,004)	22,938	14,122	485
Income tax and social contribution	4,727	(7,808)	(1,379)	(112)
Profit (loss) for the period	723	15,130	12,743	373

(iii) Statement of comprehensive income

	2016		2015	
	Quarter	Six-month period	Quarter	Six-month period
Ouro Fino Saúde Animal Ltda. (direct subsidiary)				
Profit (loss) for the quarter/period	(603)	(7,751)	2,851	723
Other comprehensive income	(318)	(473)	(194)	245
Total comprehensive income	(921)	(8,224)	2,657	968

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All amounts in thousands of reais unless otherwise stated

(iv) Summarized statement of cash flows

	June 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	9,705	26,433	10,117	(6,123)	(949)
Interest paid	(4,209)	(1,157)			(14)
Income tax and social contribution paid		(3,962)	(713)	(575)	
Net cash provided by (used in) operating activities	5,496	21,314	9,404	(6,698)	(963)
Net cash used in investing activities	(27,588)	(1,556)	(289)	(171)	(20)
Net cash provided by (used in) financing activities	19,024	(15,930)	(9,132)	7,071	1,437
Net increase (decrease) in cash and cash equivalents	(3,068)	3,828	(17)	202	454
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	(1,065)	(35)	(1)		
Cash and cash equivalents at the end of the period	6,687	8,948	5,245	1,572	759

	June 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.	
Cash flows from operating activities					
Cash provided by operating activities	3,758	10,691	21,937		627
Interest paid	(2,702)	(1,592)			
Income tax and social contribution paid		(5,727)	(1,324)		
Net cash provided by operating activities	1,056	3,372	20,613		627
Net cash used in investing activities	(19,654)	(768)	(169)		(75)
Net cash used in financing activities	(10,493)	(21,143)	(26,115)		
Net increase (decrease) in cash and cash equivalents	(29,091)	(18,539)	(5,671)		552
Cash and cash equivalents at the beginning of the period	30,274	32,660	9,206		302
Exchange gains on cash and cash equivalents	(197)	(14)			
Cash and cash equivalents at the end of the period	986	14,107	3,535		854

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(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 (loss) for the period	(7,751)	8,844	(140)	43,550	10,681	23,027	2,790	75,421
Capital increase with advances for future capital increase		131,810		850				132,660
Share options granted	719	1,240	93	159	40	71	852	1,470
Distribution of dividends and interest on capital	(3,455)		(420)	(18,539)	(9,130)	(27,615)	(13,005)	(46,154)
Foreign exchange variation of foreign investments	(473)	633					(473)	633
Equity at June 30	238,043	249,003	124,917	125,384	25,237	23,646	388,197	398,033
Percentage holding (%)	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%		
Share of investments	238,043	249,003	124,917	125,384	25,237	23,646	388,197	398,033
Unrealized profit in inventories	(7,144)	(6,923)					(7,144)	(6,923)
Carrying amount of the investment in the parent company	230,899	242,080	124,917	125,384	25,237	23,646	381,053	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 the current legislation, the goodwill recognized is not expected to be deductible for income tax purposes.

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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:

			Purchase price composition
(a) Consideration paid			<u>387</u>
	Carrying amounts	Adjustments to fair value	Adjusted values
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) Full value of assets and liabilities of the investee	<u>(646)</u>	<u>415</u>	<u>(231)</u>
(c) Interest acquired			100.00%
(d) Investment - (b x c)			<u>(231)</u>
(e) Goodwill arising from the acquisition (a - d)			<u>618</u>

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Section E - Selected significant notes

7 Financial instruments by category

	June 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	14	23,225	468		23,380
Derivative financial instruments				1,735	
Accounts receivable		191,232			225,740
Related parties	957	1,734	5,615		1,870
Other assets, except for prepaid expenses		6,251			10,124
	<u>971</u>	<u>222,442</u>	<u>6,083</u>	<u>1,735</u>	<u>261,114</u>

	June 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	Liabilities at fair value through profit or loss	Other financial liabilities
Liabilities as per balance sheet					
Trade payables		42,780			29,450
Derivative financial instruments				1,297	
Borrowings		218,674			216,487
Dividends and interest on capital			16,433		16,433
Related parties	126	78	119		660
Commissions on sales		6,125			7,313
Other liabilities	194	7,217	16		4,790
	<u>320</u>	<u>19,028</u>	<u>16,568</u>	<u>1,297</u>	<u>275,133</u>

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 repurchase agreements amounting to R\$ 23,169 (December 31, 2015 - R\$ 23,344) were held in prime financial institutions rated as BB by Standard & Poor's.

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

	Consolidated	
	June 30, 2016	December 31, 2015
AA	58,844	70,081
A	72,242	83,036
B	32,692	32,773
C	16,849	21,910
D	8,921	17,631
E	9,829	3,069
	<u>199,377</u>	<u>228,500</u>

9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, as well as investments consisting of repurchase agreements earning up to 99.5% of the Interbank Deposit Certificate (CDI) rate variation.

	Parent company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Cash				
In local currency			6	6
In foreign currency			50	30
			<u>56</u>	<u>36</u>
Banks				
In local currency	14	14	672	2,746
In foreign currency			2,868	2,191
	<u>14</u>	<u>14</u>	<u>3,540</u>	<u>4,937</u>
Financial investments				
Repurchase agreements		454	19,629	18,365
Others				42
		<u>454</u>	<u>19,629</u>	<u>18,407</u>
	<u>14</u>	<u>468</u>	<u>23,225</u>	<u>23,380</u>

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10 Derivative financial instruments

	June 30, 2016	
	Liabilities	
Exchange rate swaps	19,028	
Non-current	(10,521)	
Current	8,507	
	December 31, 2015	
	Assets	Liabilities
Exchange rate and interest rate swaps	1,735	1,297
Non-current	(1,713)	
Current	22	1,297

The notional principal amounts of the exchange rate swap contracts at June 30, 2016 were US\$ 24,438 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)

	June 30, 2016	December 31, 2015
Domestic customers	183,281	209,559
Foreign customers	16,096	18,941
Provision for impairment of trade receivables	(8,145)	(2,760)
Current	191,232	225,740

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

	June 30, 2016	December 31, 2015
Falling due		
Up to 3 months	120,257	133,399
From 3 to 6 months	51,407	60,683
Over 6 months	8,730	17,954
	<u>180,394</u>	<u>212,036</u>
Past due		
Up to 3 months	8,895	7,631
From 3 to 6 months	3,025	2,079
Over 6 months	7,063	6,754
	<u>18,983</u>	<u>16,464</u>
	<u><u>199,377</u></u>	<u><u>228,500</u></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:

	June 30, 2016	December 31, 2015
Opening balance	2,760	3,410
Additions	5,773	1,105
Foreign exchange variation	(388)	
Final write-offs		(1,755)
Closing balance	<u><u>8,145</u></u>	<u><u>2,760</u></u>

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12 Inventories (consolidated)

	June 30, 2016	December 31, 2015
Finished products	60,330	49,386
Raw materials	36,012	34,403
Packaging materials	11,120	9,189
Semi-finished goods	8,862	6,288
Imports in transit	8,955	695
Advances to suppliers	9,232	4,382
Others	5,949	6,765
Provision for inventory losses	(3,135)	(1,845)
	<u>137,325</u>	<u>109,263</u>

13 Taxes recoverable

	Parent company		Consolidated	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
ICMS			37,954	32,108
ICMS, PIS and COFINS on acquisitions of property, plant and equipment			986	1,010
IRRF	117	201	3,731	3,747
IPI			989	703
PIS and COFINS			151	1,199
Others			1,350	1,026
	117	201	45,161	39,793
Non-current	(117)	(201)	(37,979)	(32,322)
Current			<u>7,182</u>	<u>7,471</u>

ICMS credits, which amounted to R\$ 37,410 at June 30, 2016 (December 31, 2015 - R\$ 31,698), were substantially generated by Ouro Fino Saúde Animal Ltda., and are not subject to monetary restatement. These credits are generated by exempt sales on domestic and foreign transactions and sales with a sixty-percent reduction in the calculation basis on interstate transactions, with the full/partial maintenance of credits on inputs, pursuant to the ICMS Agreement 100/97.

After the credit balances were inspected, they were considered to be appropriate according to the applicable legislation and can be utilized in the purchase of inputs and machinery and equipment and/or transferred to other Group companies with an interdependence relationship and which regularly calculate ICMS payable. Currently, most of these credits have been subjected to regular inspection processes.

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ICMS credits related to 2010, 2011, 2012 and 2013 amounting to R\$ 18,846 were approved by the tax authorities, and R\$ 11,048 were released for immediate use. The residual balance of R\$ 7,798 was temporarily withheld in connection with 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 June 30, 2016, all released credits had already been used.

With respect to fiscal years 2014 and 2015, the requests for accumulated credits will be made through the submission of the related file in the Electronic System for Management of the Accumulated Credit (e-CredAc), under the terms of the Coordinating Committee of Tax Administration Board (CAT) Ordinance 83/2009, which have been prepared by the Company, 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.

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

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

	June 30, 2016	December 31, 2015
Tax credits on:		
Accumulated income tax and social contribution losses	1,298	645
Temporary differences		
Provisions	8,604	7,422
Unrealized profit in inventories	3,681	3,567
Foreign exchange variations - cash basis		738
Pre-operating expenses written-off	864	960
Derivative financial instruments	6,470	441
Appreciation - business combination	655	253
	<u>21,572</u>	<u>14,026</u>
Tax liabilities on:		
Temporary differences		
Deemed cost of land	(7,878)	(7,878)
Foreign exchange variations - cash basis	(4,514)	
Derivative financial instruments		(590)
	<u>(12,392)</u>	<u>(8,468)</u>
Total assets, net	<u>9,180</u>	<u>5,558</u>
Total deferred tax credits	<u>21,572</u>	<u>14,026</u>
Total deferred tax liabilities	<u>12,392</u>	<u>8,468</u>

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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:

	June 30, 2016	December 31, 2015
Opening balance	5,558	(1,892)
Pre-operating expenses written-off	(96)	(192)
Accumulated income tax and social contribution losses	653	645
Derivative financial instruments	6,619	2,980
Provisions	1,182	270
Unrealized profit in inventories	114	2,107
Foreign exchange variations - cash basis	(5,252)	1,168
Appreciation - business combination	402	253
Accelerated depreciation		219
Closing balance	<u>9,180</u>	<u>5,558</u>

The amounts by estimated offset period are as follows:

	June 30, 2016	December 31, 2015
Deferred tax assets to be recovered		
within 1 year	16,789	12,080
from 2 to 5 years	4,783	1,946
	<u>21,572</u>	<u>14,026</u>
Deferred tax liabilities to be settled		
within 1 year	4,514	4
from 2 to 5 years		586
after 5 years	7,878	7,878
	<u>12,392</u>	<u>8,468</u>

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15 Intangible assets

	At January 1, 2015	Additions	Provision for impairment	Purchase of investments	Write-offs	Amortization	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
Others	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 impairment	Foreign exchange variation	Write-offs	Amortization	June 30, 2016
Goodwill on the acquisition of subsidiaries	618						618
Trademarks and licenses purchased	677	2		(31)		(438)	210
Development and registration of products	57,577	8,037	(111)		(481)	(1,849)	63,173
Computer software	18,554	1,244				(2,558)	17,240
Others	1,264					(135)	1,129
	<u>78,690</u>	<u>9,283</u>	<u>(111)</u>	<u>(31)</u>	<u>(481)</u>	<u>(4,980)</u>	<u>82,370</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	(1,692)	(13,343)	57,577
Computer software	29,696		(11,142)	18,554
Others	1,428		(164)	1,264
	<u>107,496</u>	<u>(1,692)</u>	<u>(27,114)</u>	<u>78,690</u>

June 30, 2016

	Cost	Provision for impairment	Accumulated amortization	Net
Goodwill on the acquisition of subsidiaries	618			618
Trademarks and licenses purchased	3,114		(2,904)	210
Development and registration of products	78,772	(1,396)	(14,203)	63,173
Computer software	30,940		(13,700)	17,240
Others	1,333		(204)	1,129
	<u>114,777</u>	<u>(1,396)</u>	<u>(31,011)</u>	<u>82,370</u>

The development and registration of products substantially refer to expenditures incurred for new drugs of R\$ 63,173 (December 31, 2015 - R\$ 57,577). The amortization of intangible assets related to product development and registration was recognized within "Cost of sales".

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In the six-month period ended June 30, 2016, the Group recognized an impairment loss of R\$ 111 (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	For 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, 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
Others	2,195	1,446	28	(692)	(50)	(356)	2,571
	170,635	35,087	28		(874)	(10,781)	194,095
	At January 1, 2016	Additions	Foreign exchange variation	Transfers	Write-offs	Depreciation	At June 30, 2016
Land	24,985						24,985
Buildings and improvements	74,099	89		90	(111)	(1,092)	73,075
Machinery, equipment and industrial facilities	61,392	3,265		2,710	(31)	(2,727)	64,609
Vehicles and tractors	4,863	2,539	(107)	410	(749)	(904)	6,052
Furniture and fittings	2,920	179	(3)	11		(281)	2,826
IT equipment	3,565	387	(4)	17	(6)	(623)	3,336
Construction in progress	19,700	13,066		(2,800)	(48)		29,918
Others	2,571	68	(15)	(438)	(136)	(131)	1,919
	194,095	19,593	(129)		(1,081)	(5,758)	206,720
	At December 31, 2015			At June 30, 2016			
	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	87,886	(14,811)	73,075	2.22%
Machinery, equipment and industrial facilities	93,315	(31,923)	61,392	99,255	(34,646)	64,609	5.48%
Vehicles, tractors and aircraft	7,291	(2,428)	4,863	8,772	(2,720)	6,052	18.43%
Furniture and fittings	6,462	(3,542)	2,920	6,649	(3,823)	2,826	8.39%
IT equipment	9,654	(6,089)	3,565	10,045	(6,709)	3,336	18.81%
Construction in progress	19,700		19,700	29,918		29,918	
Others	4,914	(2,343)	2,571	3,683	(1,764)	1,919	11.38%
	254,680	(60,585)	194,095	271,193	(64,473)	206,720	

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The balances of construction in progress refer substantially to the construction of the new plant of biological products (vaccines) amounting to R\$ 18,745 (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\$ 6,328 (December 31, 2015 - R\$ 5,796).

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

At June 30, 2016, borrowing costs totaling R\$ 593 (December 31, 2015 - R\$ 546) were capitalized, at an average rate of 4.42% (December 31, 2015 - 4.35%).

Land, buildings, machinery and equipment amounting to R\$ 89,833 (December 31, 2015 - R\$ 88,470) are pledged as collaterals for borrowings (Note 18).

17 Trade payables

	June 30, 2016	December 31, 2015
Domestic suppliers	18,343	16,624
Foreign suppliers	24,437	12,826
	<u>42,780</u>	<u>29,450</u>

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18 Borrowings

		Finance charges incurred	Maturity	June 30, 2016	December 31, 2015
In foreign currency					
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	8,052	
Working capital (i)	Exchange variation and Libor rate + 5.19% p.a.		2016	482	582
Working capital	Exchange variation and weighted average rate of 3.14% p.a. (December 31, 2015 - 2.97% p.a.)		2019	71,507	57,005
In local currency					
FINEP (Technological innovation)	Weighted average rate of 4.42% p.a. (December 31, 2015 - 4.35% p.a.)		2024	117,034	132,890
BNDES - FINEM	Weighted average rate of 10.3% p.a. (December 31, 2015 - 9.80% p.a.)		2016	136	1,151
BNDES - FINAME	Weighted average rate of 6.58% p.a. (December 31, 2015 - 6.09% p.a.)		2023	1,410	1,364
Export credit note	Weighted average rate of 15.26% p.a. (December 31, 2015 - 8% p.a.)		2016	10,223	22,306
Working capital (ii)	Mexican Interbank Equilibrium Interest Rate (TIIE) + 1.5% p.a.		2017	6,765	
Finance lease	Weighted average rate of 17.22% p.a. (December 31, 2015 - 16.88% p.a.)		2019	3,065	961
				218,674	216,487
Current				(80,789)	(57,260)
Non-current				137,885	159,227

(i) Borrowings obtained by the subsidiary Ouro Fino Colômbia S.A.S. in U.S. dollars.

(ii) Borrowings obtained by the subsidiary Ouro Fino de México, S.A de C.V in Mexican 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, in the 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.

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The composition of non-current borrowings is as follows:

	June 30, 2016
07/2017 to 06/2018	47,086
07/2018 to 06/2019	58,090
07/2019 to 06/2020	7,317
07/2020 to 06/2021	7,099
07/2021 to 06/2022	7,095
07/2022 to 06/2023	7,082
07/2023 to 01/2024	4,116
	137,885

(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\$ 79,559 (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\$ 482 (December 31, 2015 - R\$ 582).

19 Provision for contingencies

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:

	June 30, 2016	December 31, 2015
Labor	3,286	2,981
Civil, social security and taxes	678	860
	3,964	3,841

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The changes in the provision for contingencies were as follows:

	June 30, 2016	December 31, 2015
Opening balance	3,841	2,664
Additions	408	1,521
Foreign exchange variation	(135)	
For acquisition of investee		1,204
Write-offs	(150)	(1,548)
Closing balance	<u>3,964</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\$ 61,436 (December 31, 2015 - R\$ 44,761), and mainly corresponded to tax (ICMS) and labor claims.

20 Equity

(a) Capital

At June 30, 2016, fully subscribed and paid-up capital comprised 53,942,307 common shares, with no par value.

(b) Capital reserve

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

(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.

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(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 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.

The Board of Directors has approved the Plan's Regulations and Adhesion Contracts, as well as defined those eligible for the first grant, totaling 809,135 stock options, distributed among 17 beneficiaries, as follows:

	Vesting period closing				
	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
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

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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:

	General assumptions and information on the evaluation				
	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
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 June 30, 2016, expenses amounting to R\$ 863 (June 30, 2015 - R\$ 746) with stock options were recognized.

21 Revenue

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

	2016		2015	
	Quarter	Six-month period	Quarter	Six-month period
Domestic customers				
Gross sales and services	141,946	244,478	142,446	236,394
Taxes and deductions on sales	(18,507)	(32,167)	(15,332)	(26,105)
	<u>123,439</u>	<u>212,311</u>	<u>127,114</u>	<u>210,289</u>
Foreign customers				
Gross sales	11,244	20,402	5,582	9,626
Taxes and deductions on sales	(92)	(92)		(175)
	<u>11,152</u>	<u>20,310</u>	<u>5,582</u>	<u>9,451</u>
	<u>134,591</u>	<u>232,621</u>	<u>132,696</u>	<u>219,740</u>

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22 Costs and expenses by nature

	Parent company			
	2016		2015	
	Quarter	Six-month period	Quarter	Six-month period
General and administrative expenses				
Personnel expenses	413	761	209	391
Outsourced services	152	287	87	254
Travel expenses	5	7	2	17
Others	349	432	23	136
	<u>919</u>	<u>1,487</u>	<u>321</u>	<u>798</u>
	Consolidated			
	2016		2015	
	Quarter	Six-month period	Quarter	Six-month period
Cost of sales				
Variable costs (raw and consumption materials)	39,502	68,227	39,140	61,703
Personnel expenses	12,795	21,568	10,430	16,194
Depreciation and amortization	3,447	6,591	3,021	5,505
Provision for impairment of intangible assets		111		
Outsourced services	3,702	6,077	4,339	4,778
Electricity	1,645	2,886	1,535	2,301
Others	4,568	6,080	1,375	5,075
	<u>65,659</u>	<u>111,540</u>	<u>59,840</u>	<u>95,556</u>
Selling expenses				
Personnel expenses	16,637	34,963	15,364	30,794
Sales team expenses	12,854	23,885	13,299	22,861
Outsourced services	4,268	7,671	4,672	7,552
Freight charges	4,147	6,954	4,048	6,871
Depreciation and amortization	1,216	2,399	1,084	2,149
Telecommunications and electricity	360	711	387	771
Provision for impairment of trade receivables	2,437	5,773	120	179
Others	1,755	4,817	2,141	3,055
	<u>43,674</u>	<u>87,173</u>	<u>41,115</u>	<u>74,232</u>
General and administrative expenses				
Personnel expenses	8,727	15,591	6,797	13,508
Depreciation and amortization	859	1,748	872	1,688
Outsourced services	1,049	1,681	572	864
Travel expenses	329	556	265	441
Telecommunications and electricity	200	403	214	424
Vehicle expenses	42	161	34	159
Donations and sponsorship	63	86	61	124
Others	976	1,449	609	898
	<u>12,245</u>	<u>21,675</u>	<u>9,424</u>	<u>18,106</u>
	<u>121,578</u>	<u>220,388</u>	<u>110,379</u>	<u>187,894</u>

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23 Other income (expenses), net

	Parent company			
	2016		2015	
	Quarter	Six-month period	Quarter	Six-month period
Gains on sales of scrap, rentals and other	22	45	25	50
Federal, State and Municipal taxes and fees	(2)	(6)	(3)	(11)
	<u>20</u>	<u>39</u>	<u>22</u>	<u>39</u>
	Consolidated			
	2016		2015	
	Quarter	Six-month period	Quarter	Six-month period
Gain (loss) on sale and write-off of PP&E	(163)	(110)	58	127
Gains (losses) on sales of scrap, rentals and other	(9)	153	177	205
Federal, State and Municipal taxes and fees	29	(362)	589	537
Other losses	(139)	(148)		
	<u>(282)</u>	<u>(467)</u>	<u>824</u>	<u>869</u>

24 Finance income and costs

	Parent company			
	2016		2015	
	Quarter	Six-month period	Quarter	Six-month period
Interest income				
Income from financial investments		3	1	1
Monetary variation	1	12		
Others		(1)		2
	<u>1</u>	<u>14</u>	<u>1</u>	<u>3</u>
Finance costs				
Interest payable				(2)
Finance charges			(12)	(21)
Others	(11)	(21)	(1)	(11)
	<u>(11)</u>	<u>(21)</u>	<u>(13)</u>	<u>(34)</u>
Finance result	<u>(10)</u>	<u>(7)</u>	<u>(12)</u>	<u>(31)</u>

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	2016		Consolidated 2015	
	Quarter	Six-month period	Quarter	Six-month period
Interest income				
Gains on derivatives (foreign exchange variation)	1,707	1,707	(980)	9,988
Income from financial investments	507	1,052	918	2,680
Interest receivable	208	422	145	284
Monetary variation		41	48	151
Others	32	107	43	55
	<u>2,454</u>	<u>3,329</u>	<u>174</u>	<u>13,158</u>
Finance costs				
Losses on derivatives (foreign exchange variation)	(10,819)	(19,409)		
Losses on derivatives (interest)	(2,648)	(4,652)	(180)	(1,247)
Interest payable	(2,011)	(4,002)	(2,043)	(4,221)
Finance charges	(340)	(673)	(407)	(733)
Others	(298)	(615)	(2)	(199)
	<u>(16,116)</u>	<u>(29,351)</u>	<u>(2,632)</u>	<u>(6,400)</u>
Foreign exchange variations, net	<u>6,854</u>	<u>14,576</u>	<u>695</u>	<u>(9,252)</u>
Finance result	<u>(6,808)</u>	<u>(11,446)</u>	<u>(1,763)</u>	<u>(2,494)</u>

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25 Income tax and social contribution expense

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

	Parent company			
	2016		2015	
	Quarter	Six-month period	Quarter	Six-month period
Profit before income tax and and social contribution	4,454	1,114	18,882	26,373
Standard rates	34%	34%	34%	34%
	(1,514)	(379)	(6,420)	(8,967)
Reconciliation to the effective rate:				
Permanent differences:				
Equity in the results of subsidiaries	1,823	873	6,526	9,235
Deferred taxes, not recorded	(309)	(494)		
Other permanent differences			(106)	(269)
Income tax and social contribution				
	Consolidated			
	2016		2015	
	Quarter	Six-month period	Quarter	Six-month period
Profit before income tax and social contribution	5,923	320	21,378	30,221
Standard rates	34%	34%	34%	34%
	(2,014)	(109)	(7,269)	(10,275)
Reconciliation to the effective rate:				
Permanent differences:				
R&D incentive			3,303	3,303
Adjustment related to the calculation of subsidiary taxed based on the deemed profit method	1,632	2,760	1,635	3,422
Adjustment related to the calculation of foreign subsidiary taxed based on the rate in effect in that country	(289)	(888)	(22)	53
Deferred taxes, not recorded	(309)	(495)	(106)	(269)
Other permanent differences	(517)	(528)	(37)	(68)
Income tax and social contribution	(1,497)	740	(2,496)	(3,834)
Reconciliation with the statement of income:				
Current	(234)	(2,954)	(9,256)	(10,604)
Deferred	(1,263)	3,694	6,760	6,770
	(1,497)	740	(2,496)	(3,834)

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 disclosed 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.

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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	Six-month period	Quarter	Six-month period
Profit for the quarter/period attributable to owners of the parent	4,454	1,114	18,882	26,373
Weighted average number of common shares in the quarter/period	53,942	53,942	53,942	53,942
Basic earnings per share	0.08257	0.02065	0.35004	0.48891

(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	Six-month period	Quarter	Six-month period
Profit for the quarter attributable to the owners of the parent	4,454	1,114	18,882	26,373
Weighted average number of common shares in the quarter/period considering instruments with dilutive effects	54,151	54,111	53,969	53,963
Diluted earnings per share	0.08225	0.02059	0.34987	0.48872

27 Employee benefits

(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 six-month period ended June 30, 2016 totaled R\$ 591 (June 30, 2015 - R\$ 526).

(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 quarter ended June 30, 2016, the amount of the profit-sharing provision was R\$ 733 (June 30, 2015 - R\$ 4,946), and was recorded based on the minimum amount established in the collective bargaining agreement.

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28 Balances and transactions with related parties

(a) Main balances and transactions

	June 30, 2016		Parent company December 31, 2015			
	Current assets	Current liabilities	Current assets		Current liabilities	
	Other assets (i)	Other liabilities (i)	Interest on capital	Other assets (i)	Dividends and interest on capital	Other liabilities (i)
Related parties:						
Ouro Fino Saúde Animal Ltda.		48				41
Ouro Fino Agronegócio Ltda.			4,708			
Ouro Fino Química Ltda.	92			42		
Stockholders	448	78		448	16,433	78
Others	417			417		
	<u>957</u>	<u>126</u>	<u>4,708</u>	<u>907</u>	<u>16,433</u>	<u>119</u>

	2016		Parent company 2015			
	Main transactions:		Main transactions:			
	Quarter	Six-month period	Quarter		Six-month period	
	Reimbursement of CSC Royalties expenses (i)	Reimbursement of CSC Royalties expenses (i)	Reimbursement of CSC Royalties expenses (i)	Reimbursement of CSC Royalties expenses (i)	Reimbursement of CSC Royalties expenses (i)	Other expenses, net
Related parties:						
Ouro Fino Saúde Animal Ltda.	(131)	(183)	(32)	(61)	(2)	
Ouro Fino Agronegócio Ltda.	(1)	8	5	5		
Ouro Fino Pet Ltda.		3	6	6		
Ouro Fino Química Ltda.	25	50	(2)	50		
	<u>25</u>	<u>(132)</u>	<u>25</u>	<u>(23)</u>	<u>50</u>	<u>(2)</u>

	June 30, 2016			Consolidated December 31, 2015			
	Current assets	Current liabilities		Current assets	Current liabilities		
	Other assets (i)	Borrowings	Other liabilities (i)	Other assets (i)	Dividends and interest on capital	Borrowings	Other liabilities (i)
Related parties:							
Ouro Fino Participações e Empreendimentos S.A.	15			29			
Ouro Fino Química Ltda.	297			952			582
Condomínio Rural Ouro Fino	557			24			
BNDDES Participações S.A.		1,546				2,743	
Stockholders	448		78	448	16,433		78
Others	417			417			
	<u>1,734</u>	<u>1,546</u>	<u>78</u>	<u>1,870</u>	<u>16,433</u>	<u>2,743</u>	<u>660</u>

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	Consolidated									
	2016									
	Main transactions:					Main transactions:				
	Quarter					Six-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.		4					8		38	
Ouro Fino Química Ltda.		701	25	(240)			1,413	50	(307)	
Condomínio Rural Ouro Fino	6			(621)		13			(687)	
BNDES Participações S.A.					(28)					(66)
	6	705	25	(861)	(28)	13	1,421	50	(956)	(66)
	Consolidated									
	2015									
	Main transactions:					Main transactions:				
	Quarter					Six-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.		26		22			55		67	46
Ouro Fino Química Ltda.		782	25	(2)			1,592	50	(17)	
Condomínio Rural Ouro Fino	19			(184)		27			(350)	
BNDES Participações S.A.					(88)					(377)
	19	808	25	(164)	(88)	27	1,647	50	(300)	(331)

(i) Other assets and liabilities

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

(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:

	June 30, 2016	June 30, 2015
Indemnity paid	1,765	
Salaries	1,553	1,137
Share-based payments	298	257
Variable compensation	140	308
Labor charges	128	72
Compensation and fringe benefits	120	67
	4,004	1,841

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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 cover

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

- (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.

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(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.

(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".

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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".

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.

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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 fixed weighted average 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 expenses 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 are of 25% for income tax and 9% for social contribution and 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 obliged, in the calendar year, to use the taxable profit method, or whose total gross revenue is equal to or lower than R\$ 78,000.

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.

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The Group evaluates projects based on its own methodology, which considers various analysis structures, and 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 years 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.

30.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Depreciation adjusted in subsidiaries to reflect the deemed cost of land on the date of transition to IFRS 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.

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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 disposals 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.

30.13 Employee benefits

(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.

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(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 grace 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, as described below. 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 provided 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.

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30.16 New standards that are not yet effective

The following new standards were issued by IASB but are not effective at June 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.

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