



# Management Report

# 2020

# Summary

1. Message from Management .....	3
2. About us .....	4
Our Purpose .....	5
Our values .....	6
3. About the Market .....	7
Production Animals .....	7
Companion Animals .....	8
Veterinary Market Revenues .....	9
4. Financial Performance .....	11
Net Revenue per segment .....	11
Gross Profit and Gross Margin .....	12
Selling, General and Administrative Expenses .....	13
EBITDA and EBITDA Margin .....	14
Finance Result .....	14
Income Tax and Social Contribution .....	15
Adjusted Net Profit .....	15
Cash Position and Financial Cycle .....	15
Indebtedness .....	16
5. Animal health drug production facility.....	17
6. Research and Development .....	18
7. Corporate governance .....	19
8. Human Resources and Sustainability .....	21
9. Social Responsibility .....	22
10. Health, Safety and Environment .....	23
11. Final comments .....	25

# 1. Message from Management

For us, from Ourofino Group, it was paramount to make the most of one of our most outstanding characteristics: our agility in decision making with a focus on results. This is how we have taken all the necessary care, prioritizing the health of our employees, without slowing down the pace of our deliveries as a company, and also being devoted to the care of our partners and customers.

The relentless work and dedication of our employees allowed the delivery of a historic year in results, guided by the execution of the new strategic planning cycle reviewed in late 2019, by the broadening of our actions aimed at the sustainability of our value chain and for social action in our community, impacted by the effects of the pandemic.

We believe that the challenge of producing food, on a sustainable basis, for a population expected to reach 9.7 billion people in 2050, according to an estimate by the FAO (Food and Agriculture Organization of the United Nations), will demand from all the links in agribusiness the ability to review how to produce and relate to customers and society. Thus, we increasingly invest in solutions that maximize productivity with a minimum environmental impact, prioritizing prevention over curative treatment and contributing to the adoption of new technologies, the evolution of production systems, the efficiency of management and the improvement of the customer experience, in addition to enhancing the knowledge of producers.

Walking together with the need to feed the world with safety and quality, we have the growing search for care for people's emotional health, a scenario stepped up by the pandemic. In the midst of this, the inclusion of companion animals in our lives grows year after year and, in 2020, has proved to be even more important against the backdrop of social isolation. Along with this context, we find

the behavior of people living alone, couples deciding not to have children, among other factors of the current society that influence the increase in the number of animals at home.

In 2020, Brazil reached the position of the world's second largest market of companion animals, according to data from Euromonitor International. This is the result of a growing sector, driven by the "humanization" of these animals and the appreciation of the benefits of this relationship between people and pets. Our role in understanding this form of affection is to stand alongside owners, veterinarians, retailers, and distributors in promoting solutions that contribute to the health, well-being, and longevity of companion animals.

Finally, aware of the challenges and the importance of our team to overcome them, we invested in a journey of evolution of our organizational culture, in line with our personality as a young, agile and entrepreneurial company. Consistent with this culture, we defined three core values that bring together and materialize our way of acting based on behaviors that will lead our team to the achievement of all these goals.

To those who seek to better understand Ourofino Group, we are a company that values the relationship with people and that continuously challenges conventional thinking in the search for innovative solutions to increase productivity in the animal production chain and in the welfare and longevity of companion animals. We believe in the continuous improvement of the economy, driven largely by agribusiness, and with that, in the materialization of a new year of opportunities for our business and for people in general. 2020 brought us much learning to become more understanding and thoughtful in caring for each other, and thus improve the world, starting with what is around us.

  
**Jardel Massari**  
Chairman of the Board  
of Directors

  
**Kleber Gomes**  
CEO

## 2. About us

The Company is a publicly-held corporation, listed in the Novo Mercado of B3 S.A. - Brasil, Bolsa, Balcão, headquartered in Cravinhos, state of São Paulo. It was incorporated on April 10, 2014 and its corporate purpose and core activity is the shareholding in companies operating in the animal health industry (production and sale of veterinary drugs, vaccines and other veterinary products) through three business segments:

### Companion animals

Represented by the manufacture of veterinary solutions for dogs and cats, distributed in the domestic market. The current portfolio comprises anesthetics, sedatives, anti-inflammatory, antibiotic, antimicrobial, dermatological, ectoparasiticide, endoparasiticide, dermocosmetic and otological products.



### Production animals

Operation in Brazilian market with the manufacture and sale of veterinary drugs, vaccines, in addition to performance enhancing additives, probiotics and other veterinary solutions for cattle, pigs, poultry, sheep, horses and goats and also the provision of industrialization services for other companies in the sector, as outsourcing. The portfolio includes anti-inflammatories, antibiotics, anticoccidials, anti-mastitis, ectoparasiticides, endectocides, endoparasiticides, hemoparasiticides, inoculants, therapeutics and products for animal reproduction.



### International operations

This unit is responsible for the sale of veterinary drugs on the foreign market, mainly for Latin America. These are vaccines and other veterinary products for production and companion animals. In Colombian and Mexican markets, the Company operates with its own team through the two subsidiaries mentioned above. In other countries, the Company has commercial partners with national coverage in its markets.



The service to the operating segments is carried out through a complete product portfolio for animal health, consisting of 106 products, 73 of which are for Production Animals and 33 for Companion Animals (in all pharmaceutical forms: solid, liquid, tablets, semi-solid, oral and injectable, as well as vaccines) and more than 4,000 customers, including resellers, cooperatives, wholesalers, agribusiness, rural producers and distributors. The largest customer accounts for about 3.5% of the Company's revenue; therefore, there is no concentration that may generate depen-

dence on specific customers.

The economic group in which the Company operates was incorporated in 1987 by its founding partners Norival Bonamichi and Jardel Massari, initially with businesses focused exclusively on the manufacture of drugs and other veterinary products for production animals (cattle, horses, poultry and pigs). Throughout our success history, the growth of our operations has always occurred organically, and in 2018 we became the largest Brazilian multinational in the animal health segment.

## Our Purpose

### Reimagining animal health

To be recognized as the most admired animal health company in Latin America, inspiring practices that raise the level of productivity in the animal protein production chain and the longevity and well-being of companion animals.

## Our values

- **PLAY TO WIN:**

It means having an ownership mindset, and being aware that the best results are achieved when we work as a team. It means putting into practice the entrepreneurial stance, planning, seeking and achieving bold and sustainable goals. And, above all, respecting differences and the environment. The Ourofino Group values teamwork, but for it to be carried out with integrity and success, each employee seeks evolution day after day, always keeping an eye on the changes and adaptations of the world so that the transformation happens in the business and in the people. The focus is on the long term, but we also work to challenge the now and reimagine tomorrow.

- **CARE FOR PEOPLE:**

At Ourofino Group, it is about going further. It is looking closely at each person and giving voice to differences. It is listening to make the best decisions. It is building relationships of trust and transparency with employees, customers and partners, from all profiles and generations. Transforming our plural, diverse and inclusive environment means adding cultures and different communities, building an environment much more conducive to growth. The different skills and experiences are the drivers of the Company. The continuous development of each person is valued, as well as learning through dialogue. Whether an employee or a customer, your voice shall be heard.

- **CONNECTED WITH THE WORLD:**

It means acting in an entrepreneurial and digital way to build alliances and innovate. The speed of things is extraordinary, but nothing goes unnoticed by Ourofino Group team. The team is creative, agile, adaptable and with 360 degrees. Every day, innovative solutions are sought to further disrupt the sector. Being connected with the world means being connected to the trends and needs of contemporary society, seeking new technologies and solutions to simplify processes, improve learning and breakthrough products and services even more. The Group encourages the search for digitalization and the use of technology to create connections, build long-lasting and trustworthy alliances and partnerships.



## Our personality

- With the definition of values, the unfolding of the work of cultural evolution occurred through the encouragement of desired behaviors as a way of valuing stances that reinforce the profile of agility and simplicity that have been part of the Company's DNA since its foundation, as well as the constant search for innovation and business evolution. To guide these behaviors, the team's mindset must be of growth and guided by watching the context and focusing on impact, speed, autonomy and learning.

### 3. About the Market

The animal health industry comprises the manufacture and sale of solutions for production animals (ruminants, substantially beef cattle, dairy cattle, as well as poultry, pigs and horses) and companion animals (dogs and cats). Domestic and multinational companies operate in this market, and the

main multinational players are also (or were) large companies in the human health pharmaceutical industry with global operations. Some of these corporations have segregated assets through spin-offs with subsequent IPO of the resulting veterinary companies.

#### Production Animals

The veterinary industry linked to the animal protein market boast solid growth parameters. Despite being considered a developing country, meat consumption in Brazil is at levels seen in more developed nations, exceeding the amount of 100 kilos per inhabitant per year. Until the 1970s, beef represented over 50% of the total meat consumed by Brazilians. The second most consumed protein source was pork, and chicken was in third position. Since the 1980s, however, the search for a healthier diet has caused the consumption of so-called white meats to increase. In the current decade, chicken meat reached and even exceeded beef in the diet of Brazilians, who consume, on average, 45 kilos a year. On the other hand, pigs went to the third position, since the population consumes about 16 kilos of this meat per year. The increase in chicken consumption as compared to the other two meats is also linked to the relatively lower price, enabling the access for the lower income population.

Thus, Brazil still has a large potential domestic market for meat consumption. Pigs,

for example, when compared to the other two types of meat, is the least consumed at the domestic level, thus having a market to be tapped and expanded. In developed countries, pig consumption is approximately 70 kilos per inhabitant per year.

According to Agroconsult, the farmers' profitability increases according to their level of technification, i.e., the more arrobas per hectare the producer can produce, the higher their investments in technification, and the higher their profitability in return.

The veterinary industry is inserted in this background of productivity improvement, where the demand for veterinary products has potential growth due to the points already mentioned, highlighting the still low level of technification in the properties. The use of technologies within the properties is linked to curative treatments and, more and more, on the use of preventive therapies, in which the producer seeking higher levels of productivity uses prophylactic management through vaccination of the herd. In addition, other potential for dissemination is the genetic impro-



vement of the herd using reproduction protocols, a market in which Ourofino Group offers the most complete portfolio in the segment.

Combining products with services is a market trend and one of the guidelines of the Company's strategic planning that enforces this principle and proposes to offer the market the best solutions in animal health, contributing to the high performance of the protein production chain.

According to Athenagro, Brazil is expected

to continue increasing its production and exports of the three animal proteins (beef, pig and chicken) in 2021. In addition, expectations of GDP improvement and the entire macro economy bring good prospects for the short, medium and long term for the chain. Farmers are expected to increasingly seek property management solutions (new generation x and availability of technology) to control risks and increase productivity.

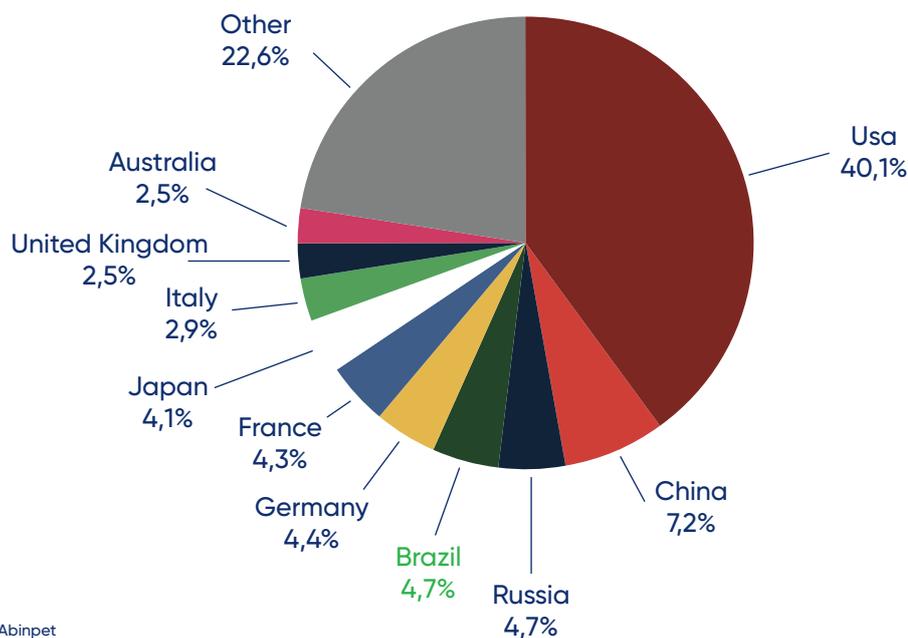
## Companion Animals

For the companion animals segment, the factors to be considered as growth drivers are the increase in the number of pets in Brazilian homes; the average number of children per woman, which fell dramatically; the increase in the number of elderly people; increase in single-person households; and companion animals being increasingly inserted in the formation of families, due to the so-called humanization of pets. According to the National Household Sample Survey (PNAD/IBGE) and Abinpet (Brazilian Association of the Pet Products Industry), the total number of dogs and

cats in Brazil is as high as 78.1 million, of which 54.2 million are dogs and 23.9 million cats. The country still boasts the second largest population of dogs, cats and songbirds and ornamental birds on the planet.

According to Instituto Pet Brasil, the revenue from retail sales in the companion animals sector worldwide reached approximately US\$ 131.1 billion in 2019 (until the release of this report the 2020 data have not yet been published). The top ten pet markets in the world represent 77.4% of the total.

Figure 1: Global companion animals industry in 2019



Sources: Euromonitor and Abinpet

The United States market stands out, accounting for more than 40% of retail sales in the sector worldwide.

Brazil ranks as the fourth main market, with a 4.7% share of total revenues in U.S. dollars in the sector in 2019.

The change in pets' status is clear. They are no longer seen as "pets", they became mem-

bers of the family, as companions, positioning them also as a priority in the necessary care for health and well-being.

In its purpose of Reimagining Animal Health, Ourofino Group works to develop solutions that contribute to the longevity of companion animals.

## Veterinary Market Revenues

According to Sindan - National Union of the Animal Health Products Industry, in 2019 the veterinary market showed a 9.4% evolution as compared to 2018, with a net nominal result of over R\$ 6.5 billion for the sector. Cattle breeding accounts for the largest share in these revenues, with 52% of the total, followed by dogs and cats, with 22%, poultry (13%), pig (11%) horses (2%) - until the release of this report data for 2020 had not yet been released.

The result is slightly higher than the average annual historical growth of the last ten years, which was 9.3% per year. This is in line with expectations for the year that had a bullish start, but that over the months showed concern with the postponement of the approval of some important reforms for the country's economy. However, the market turned out to be quite buoyant in the final third of 2019, mainly due to the increase in protein exports and the improvement of the economy as a whole, bringing a tone of optimism to the sector.

The increase in animal protein exports also proves to be a powerful lever to boost

the growth of the animal health sector. Since 2018, China was consolidated as the main destination for Brazilian beef due to the drastic reduction of its swine herd (to less than 50% with the constant outbreaks of African Swine Fever), which provided room to increase Brazilian exports of all types of meat for the country. In addition, with the health crisis caused by the coronavirus, the external demand for proteins of animal origin has opened 24 new consumer markets, totaling more than 180 countries to which Brazil exports its meat, according to the report of the Federal Inspection Service, SIF, released in December 2020. According to Outlook Fiesp 2020, 2019 recorded an increase of over 22% in the net amount of beef exported, almost 16% in the net amount of pig exported and 2.7% in chicken exports. For 2020 (partial balance until the closing of this report) the numbers remain promising, contributing to the expectation of an average annual increase in net exported quantities of 5.1% for beef, 2.5% for pig and 2.4% for chicken over the next 10 years.

## Evolution of the Company's Market Share

Following is the historical series of Ourofino Group market share in the production and companion animal segments as compared to the Brazilian market, having as reference its

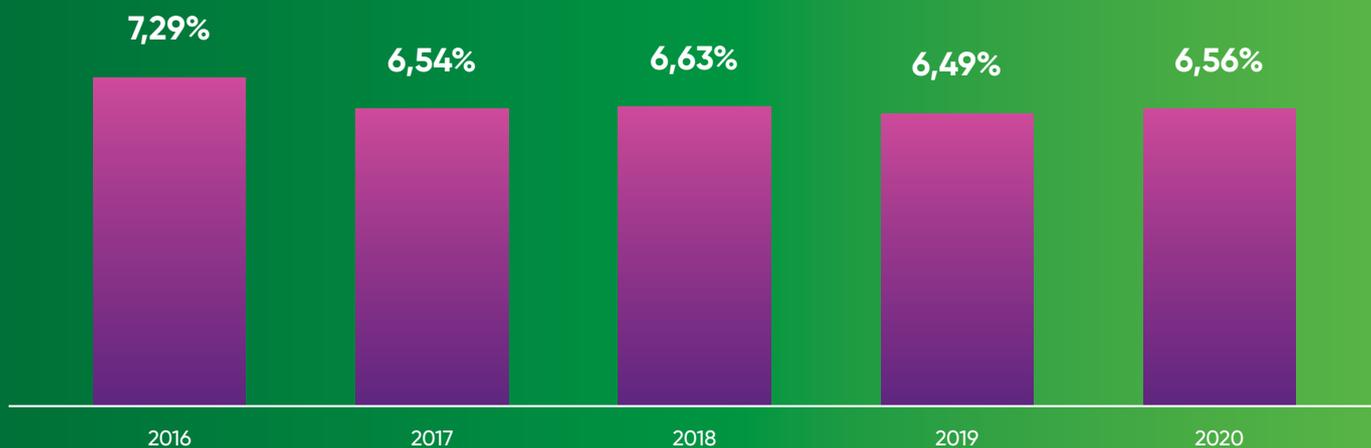
market performance in September 2020, so that each year considers the month of October of the year prior to September of the current year.

Figure 2: Evolution of Ourofino Group market share for production animals (cattle, pigs, poultry and horses).



Sources: IQVIA/SINDAN - market revenue panels

Figura 3: Histórico de *market share* Grupo Ourofino para animais de companhia:



Fontes: IQVIA/SINDAN - painéis de faturamento do mercado

## 4. Financial Performance

R\$ Million	12M19	12M20	Var %
Net revenue	619,6	730,1	17,8%
Cost of goods sold	(308,2)	(356,1)	15,5%
Gross profit	311,4	374,0	20,1%
(gross margin)	50,3%	51,2%	0,9 p.p.
Net expenses*	(238,6)	(278,7)	16,8%
Operating profit	72,8	95,3	30,9%
(operating margin)	11,7%	13,1%	1,4 p.p.
Net finance result	(13,8)	(8,3)	-39,9%
Income tax and social contribution	(12,4)	(1,5)	-87,9%
Adjusted profit	46,6	85,5	83,5%
(adjusted profit margin)	7,5%	11,7%	4,2 p.p.
Adjusted EBITDA**	107,2	142,4	32,8%
(Adjusted EBITDA margin)	17,3%	19,5%	2,2 p.p.

(\*) In 2019 excluding non-recurring expenses with EY consultancy, expenses with defending the tax assessment notice in 2014, provision for non-realization of advance to supplier and extemporaneous tax credits (both from previous years). In 2020 excluding non-recurring expenses with EY consultancy, extemporaneous tax credits from previous years, expenses with corporative building refurbishment and expenses with Follow on. Respective tax effects of these events were considered.  
 (\*\*) Excluding expenses related to intangible asset projects.

### Net Revenue per segment

R\$ Million	12M19	12M20	Var %
Net revenue from sales	619,6	730,1	17,8%
Production animals	467,1	543,3	16,3%
Companion animals	88,2	100,1	13,5%
International operations	64,3	86,7	34,8%

In 2020, revenue growth was 17.8% yoy reaching R\$ 730.1 million. Below are the comments on the performance for the three segments:

- **Production animals:** in 2020, revenues increased 16.3% and reached R\$ 543.3 million. The increased investments in animal health by the producer, especially in the reproductive line, fueled by the positive scenario of protein prices, has driven the effort of our commercial team that, in line with our values, reinvented itself and invested even more in technological alternatives to improve the relationship strength, achieving higher customer positivation compared to 2019, even with a lower visitation rate, ensuring the growth of net revenue.

- **Companion animals:** this segment reached R\$ 100.1 million revenue, with 13.5% increase versus the previous year. The increase in domesticated pets and even the increased care to the animal needs by the owners who are now staying at home longer, has driven the growth in sales in the companion animals market. A very positive volume of sell-out was seen, with a proper level of inventories at distributors, growth in sales points mainly in the north and northeast regions of the country and more customer positivation as compared to the previous year, mainly enabled by the work of the team for generating demand, even if remotely.
- **International Operations:** in 2020, growth was 34.8% or 12.2%, excluding the positive impact of the exchange rate. In the year, there was a 25% increase in net revenue in Colombia and 3% in Mexico, particularly due to the favorable exchange rate.
- In other countries, the 78% net revenue growth in the year is the result of increased volume and favorable foreign exchange rates, enhanced by the work to improve partnership relations with distributors.

## Gross Profit and Gross Margin

R\$ Million	12M19	12M20	Var %
Gross profit	311,4	374,0	20,1%
(gross margin)	50,3%	51,2%	0,9 p.p.
Gross profit - production animals	212,4	248,6	17,0%
(gross margin - production animals)	45,5%	45,8%	0,3 p.p.
Gross profit - companion animals	61,1	69,7	14,1%
(gross margin - companion animals)	69,3%	69,6%	0,3 p.p.
Gross profit - international operations	37,9	55,7	47,0%
(gross margin - international operations)	58,9%	64,2%	5,3 p.p.

In 2020, a 0.9 p.p. margin increase was recorded, to 51.2%, substantially positively impacted by the increase in gross margin in the international operations segment.

- **Production animals:** in 2020, the segment reached 0.3 p.p. accumulated growth in the year to 45.8%. There was an increase in sales and price gains, with a margin improvement also due to the positive impact of the dollar on the poultry and pig sub-segment (part of sales are pegged to the dollar), which offset the increase in costs of products sold.
- **Companion animals:** in 2020, the growth was 0.3 p.p. to 69.6%. Price and volume gains were enough to fully offset the increase in costs.
- **International operations:** gross margin reached 64.2% in the year, a 5.3 p.p. increase when compared to 12M19. The positive result is mainly due to the favorable foreign exchange rate, but also as a result of the volume and price increase.

## Selling, General and Administrative Expenses

R\$ Million	12M19	12M20	Var %
Selling, general and administrative expenses and others	(238,6)	(278,7)	16,8%
Percentages on net revenue	38,5%	38,2%	-0,3 p.p.

Selling, general and administrative expenses in 2020 amounted to R\$ 278.7 million, a 16.8% increase when compared to the previous year, keeping virtually the same relation with net revenue for both periods.

As to the growth in expenses versus the previous year, we highlight the amounts resulting from the management's decision to

reward the teams for the year's results and for the exceeded goals, with an impact of R\$ 6 million in expenses.

Excluding the effect of these rewards on expenses, it should be noted that the dilution of the percentage of selling, general and administrative expenses in relation to net revenues was 1.2 p.p. versus 2019.

R\$ Million	12M19	12M20	Var %
Selling, general and administrative expenses and others	(238,6)	(272,7)	14,3%
Percentages on net revenue	38,5%	37,3%	-1,2 p.p.

## EBITDA and EBITDA Margin

R\$ Million	12M19	12M20	Var %
Adjusted profit	46,6	85,5	83,5%
(+) Non-recurring results*	(0,4)	4,2	-1150,0%
Profit for the period	46,2	89,7	94,2%
(+) Net finance result	13,8	8,3	-39,9%
(+) Income tax and social contribution	11,7	4,1	-65,0%
(+) Depreciation and amortization	24,9	26,4	6,0%
EBITDA	96,6	128,5	33,0%
(+) Non-recurring effects*	1,1	(6,8)	-718,2%
(+) Others**	9,5	20,7	117,9%
Adjusted EBITDA	107,2	142,4	32,8%
Net revenue from sales	619,6	730,1	17,8%
EBITDA margin	15,6%	17,6%	2,0 p.p.
Adjusted EBITDA margin %	17,3%	19,5%	2,2 p.p.

(\*) In 2019 excluding non-recurring expenses with EY consultancy, expenses with defending the tax assessment notice in 2014, provision for non-realization of advance to supplier and extemporaneous tax credits (both from previous years). In 2020 excluding non-recurring expenses with EY consultancy, extemporaneous tax credits from previous years, expenses with corporative building refurbishment and expenses with Follow on. Respective tax effects of these events were considered.

(\*\*) Excluding expenses related to intangible asset projects.

Adjusted EBITDA in 2020 amounted to R\$ 142.4 million, with 2.2 p.p. increase versus 2019. The increase is due to the improvement in gross margin both in the quarter and in the year, as well as the dilution of selling, general and administrative expenses.

## Finance Result

R\$ Million	12M19	12M20	Var %
Net finance result	(13,8)	(8,3)	-39,9%

Net finance result in 2020 amounted to R\$ 8.3 million, a 39.9% reduction versus 2019. The reduction is due to the lower cost of capital, following indicators such as CDI and TJLP, and due to the impact of the foreign exchange variation and periodic adjustments to derivative financial instruments contracted.

## Income Tax and Social Contribution

R\$ Million	12M19	12M20	Var %
Income tax and social contribution	(12,4)	(1,5)	-87,9%
Percentage on profit before IT and SC	-21,0%	-1,7%	19,3 p.p.

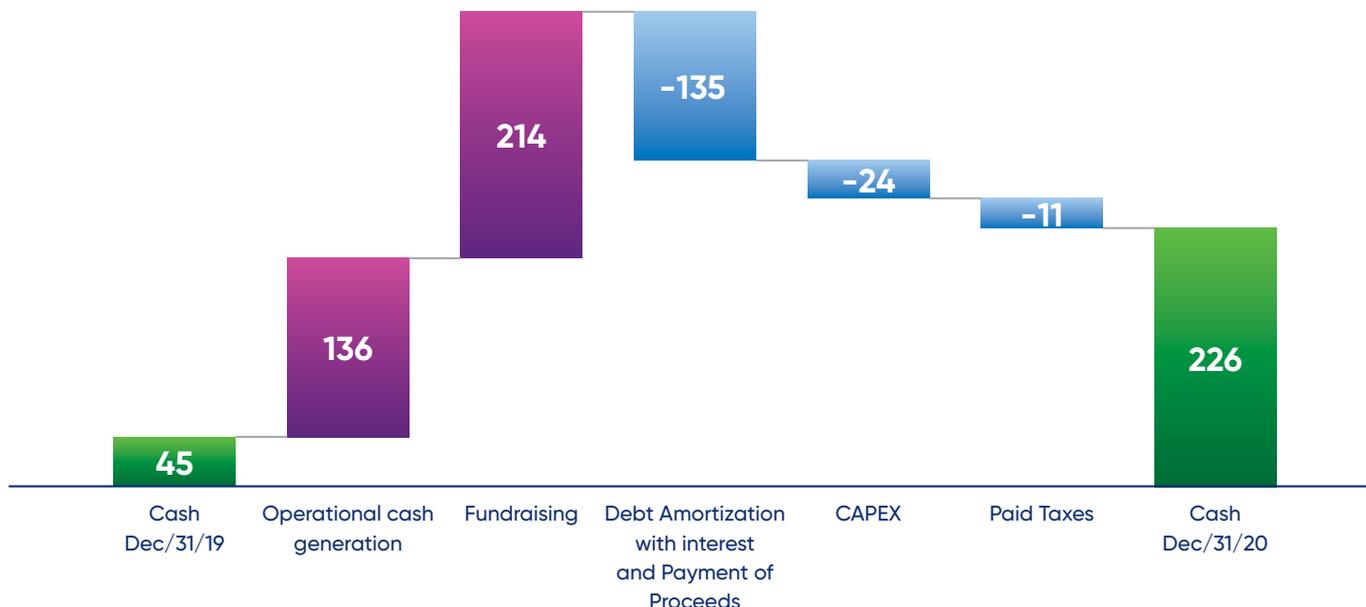
In 2020, income tax and social contribution was R\$ 1.5 million. It should be noted that the calculation of income tax and social contribution is carried out on tax bases other than the accounting profit or loss.

## Adjusted Net Profit

R\$ Million	12M19	12M20	Var %
Adjusted net profit	46,6	85,5	83,5%
margin	7,5%	11,7%	4,2 p.p.

Year-to-date, net income amounted to R\$ 85.5 million, with 4.2 p.p. increase versus 2019. This result is due to the gain in gross margin during the year, the low dilution of SG&A and the positive impacts of the financial result and income tax and social contribution in the period.

## Cash Position and Financial Cycle



In 12M20, cash generated from operations amounted to R\$ 136 million, 57,3% higher than the same period in 2019. In order to mitigate any liquidity risk due to the pandemic, the Company raised funds from banks in the first half of the year, which helped in meeting its financial obligations and increased security throughout the year. Such transactions underwent a renegotiation to extend terms and conditions in the second half, leading to a

better debt profile for the Company. In addition, the contracting of a new financing line for innovation with FINEP enabled a positive financing flow of R\$ 91,5 million.

Cash generated from operations, associated with non-strategic expenses and investments constraint, allowed the 38% reduction in net debt in the year, equivalent to R\$ 89,9 million, to R\$ 148,5 million.

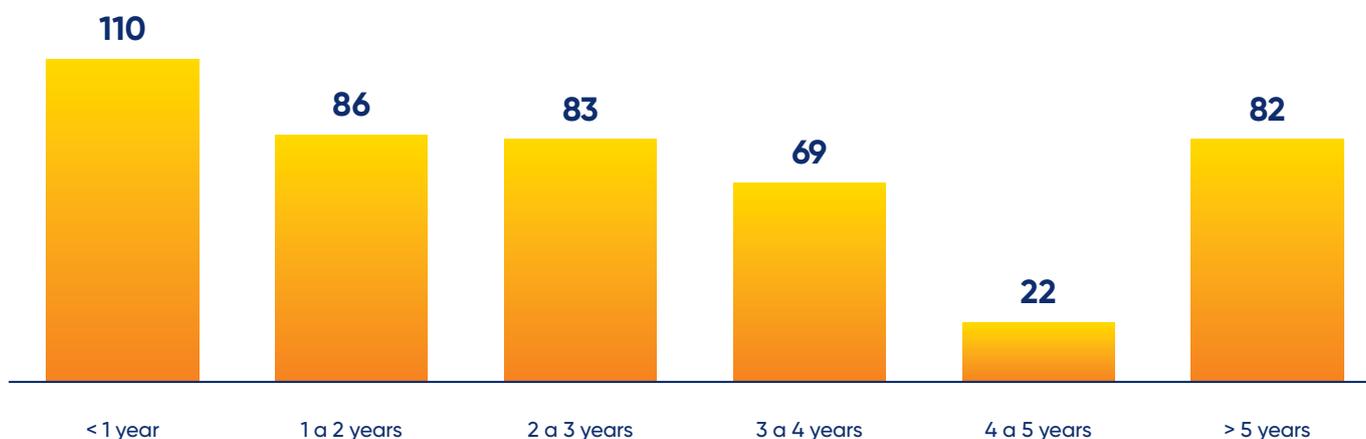
# Indebtedness

R\$ million	December 31, 2019	December 31, 2020
Current	118,2	96,6
Non-current	162,9	297,8
Gross Debt	281,1	394,4
Related derivative financial instruments	2,3	(2,3)
Gross Debt considering related derivatives	283,4	392,1
(-) Cash, Cash equivalents and Financial Application	45,0	243,6
Net Debt	238,4	148,5
Average cost of debt (year) <sup>1</sup>	5,91%	5,04%
LTM net debt/adjusted annual EBITDA	2,22	1,04

<sup>1</sup>Net debt with banks considering related derivatives and bank-issued guarantee costs.

## Aging of bank indebtedness\*

(\*) Amounts include future financial burdens and therefore, differ from the balances disclosed in the Balance Sheet.



Year-to-date, the aging of bank indebtedness reflected the transactions contracted at the beginning of the pandemic and subsequent extension negotiated in the second half, with short-term debts amounting to R\$ 90 million, with a compound rate of CDI + 2.34%, which were changed for long-term and maturity in four years. An additional R\$ 40 million was raised, flowing to the Company's cash in October, maturing in four years and with a rate of CDI + 2.38%. Also in October, the contracting of a credit line with Finep

in the amount of R\$ 180 million was concluded, intended to the financing of R&D projects, with first release occurring in December in the amount of R\$ 54 million. The achievement of pioneering innovation classification in this project by Finep, intended to Strategic Innovation Plans presenting a high level of innovation and relevance to the benefited economic sector, allowed the financing to be framed at the TJLP rate + 0.71%, with a total term of 12 years and grace period of 36 months.

## 5. Animal health drug production facility

Considered one of the most modern and fully equipped production facilities in Latin America, with approximately 23,500 m<sup>2</sup> of built area. It features all the pharmaceutical forms of production: Foot-and-mouth disease vaccine, with grade four (4) in bio-safety, one of the highest levels in the world. Production of solid veterinary Drugs (tablets and powders), semi-solids (creams and ointments), liquids (solutions), injectables, hormones and the newest achievement, the

production of Biological Vaccines.

The project was conceived according to the principles of "Good Manufacturing Practices (GMP)". Concepts of the applicable rules of the Ministry of Agriculture (MAPA) are met, incorporating concepts from the most stringent global regulatory standards such as those issued by the "Food and Drugs Administration - FDA", from the United States, and "European Medicines Agency - EMA" of the European Union.

Pharmaceutical  
production  
facility  
8.557 m<sup>2</sup>

Hormone  
production  
facility  
1.060 m<sup>2</sup>

Foot-and-  
mouth disease  
vaccine  
production  
facility  
4.221 m<sup>2</sup>

Biological and  
Quality Control  
production  
facility  
7.449 m<sup>2</sup>

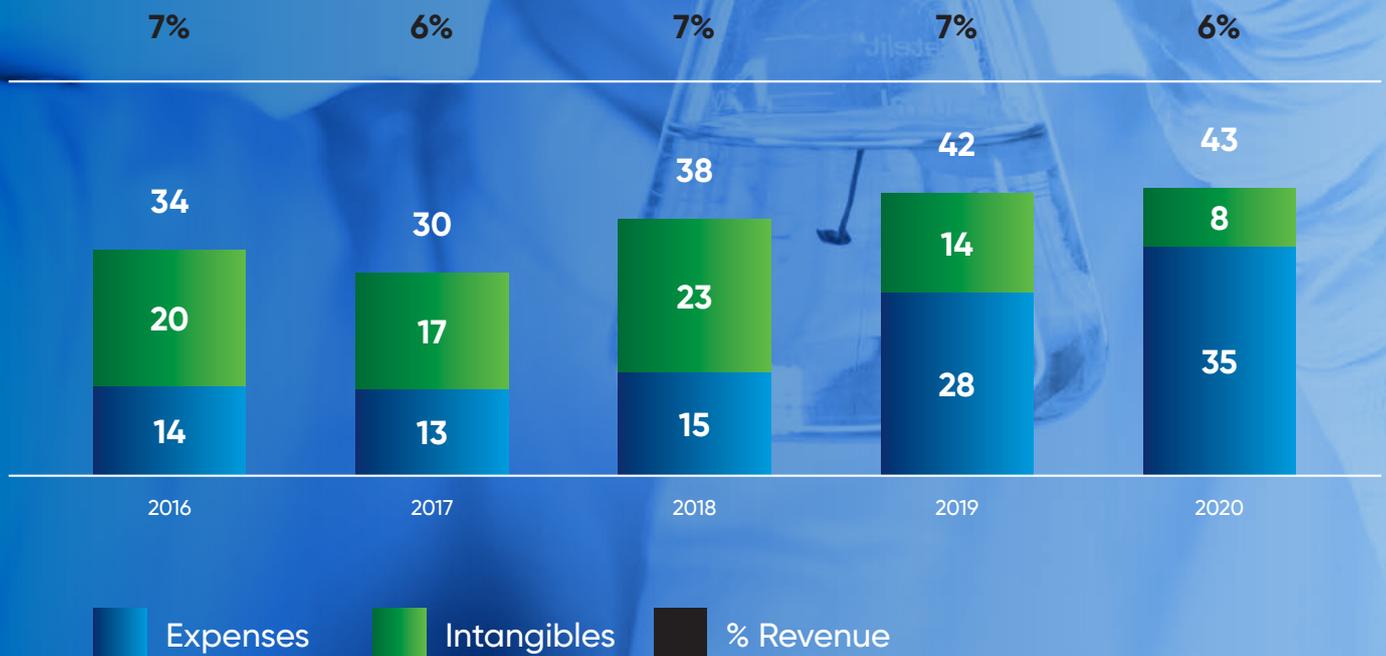
Animal  
defensives  
production  
facility  
2.221 m<sup>2</sup>

## 6. Research and Development

One of the Group's main goals is to remain at the technological forefront in the industry, continuously investing in research and development. The R&D structure features internal laboratories for the research and development of new products and an internal multidisciplinary team with approximately 110 people, comprising veterinarians, pharmacists, chemists, biologists, biotechnologists, engineers and administrators.

### Investments in Research and Development

In 12M20, 6% of net revenues was invested in R&D, in line with the Company's history, amounting to R\$ 43 million. The graph below shows the Company's total R&D investments from 2016 to 2020:



## 7 . Corporate governance

### Novo Mercado

We carried out our initial public offering of shares (IPO) in October 2014, joining B3's Novo Mercado, the stock exchange segment with the highest requirements in relation to transparency and corporate governance practices. Listing in this special segment implies the adoption of a set of corporate rules that broaden the rights of shareholders, in addition to the adoption of a more transparent and comprehensive information disclosure policy.

### Board of Directors/ Statutory Executive Board

The board of directors is composed of six (6) members, of which four are external and independent, according to Novo Mercado's regulations. The Company's statutory executive board is composed of two officers. The complete list with detailed information can be found on the Company's Reference Form, in the investor relations section on the website [www.ourofino.com/ri](http://www.ourofino.com/ri).

### Fiscal Council

The fiscal council is a supervisory body, independent from the executive board and the board of directors, which seeks, through the principles of transparency, equity and accountability, to contribute to the better performance of the organization. It consists of three (3) effective members and three (3) external and independent alternates and their duties are provided for in article 163 of Law 6.404/76 and in the Company's Bylaws. The complete list with detailed information can be found on the Company's Reference Form, in the investor relations section on the website [www.ourofino.com/ri](http://www.ourofino.com/ri).

### Statutory Audit Committee

Advisory and consulting body, directly linked to the board of directors, with the duties of: (i) analyzing the hiring and dismissal of the independent audit, (ii) reviewing and supervising the activities of the internal and external audit, (iii) monitoring the quality and integrity of internal control mechanisms and accounting information, (iv) assessing and monitoring risk exposure, and (v) assessing and monitoring, together with Management and internal audit, the adequacy of transactions with related parties. Currently, the audit committee comprises three (3) members, of which two (2) are external and independent members, elected by the board of directors and one (1) member of the board of directors.

## Human resources committee

It assists the board of directors in defining the compensation and benefits policies for directors and officers. The Human Resources Committee has three (3) members elected by the board of directors, of which two are external and independent, chaired by an independent member of the board of directors.

## Relationship with independent auditors

In compliance with CVM Instruction 381/03, the Company and its subsidiaries adopt as a formal procedure, prior to contracting additional professional services other than those related to external accounting auditing, to consult the independent auditors, in order to ensure that the provision of such additional services does not affect their independence and objectivity, which are necessary for the performance of the independent audit services. In this context, during the year ended December 31, 2020, no additional services were contracted.

## Arbitration

Pursuant to Novo Mercado Regulation and the Company's Bylaws, the controlling shareholder, the management, the Company itself and the members of the fiscal council are required to undertake to solve any and all disputes or controversies related to or arising from the rules of Novo Mercado Regulation, Novo Mercado Participation Agreement, Arbitration Clauses, in particular, as to their application, validity, effectiveness, interpretation, violation and their effects, through arbitration. Disputes regarding the disposal of the Company's control shall also be settled by arbitration.

## Statutory board statement

In compliance with item VI of Article 25 of CVM Instruction 480/09, the officers of Ourofino declare that they have discussed, reviewed and agreed with the opinions expressed in the independent auditors' opinion and with the financial statements for the fiscal year ended December 31, 2020.

## 8. Human Resources and Sustainability

In 2020, the Human Resources and Sustainability Department (RHS) carried out actions integrated in the business agenda and in line with the new strategic planning cycle. Consistent with the growth strategy, RHS achievements focused on promoting the evolution of organizational culture. The pillars of culture, leadership and learning were defined as a priority and focus for the next 3 years, with culture and leadership at the core of 2020 actions.

The year began with conducting the succession process promoted by the board of directors that defined Kleber Gomes, then Vice President of Finance and Products, as successor to Jardel Massari, founding partner and CEO, who then took over as Chairman of the Board. The succession process has led to an acceleration of the growth strategy and triggered a renewal in senior leadership, with executives coming from the market, as well as others promoted internally.

In March, with the start of the new Coronavirus pandemic, a crisis committee was created, aimed to carry out resolutions in a simple and agile manner and address any and all demands from the various stakeholders, ensuring the safety of people and the continuity of the business, considered essential. Health and safety protocols were adopted and the good implementation ensured business continuity throughout the year.

As of April, the parameters of the desired culture were defined, in addition to continuous improvement of programs and processes (program of ideas, for example). The new management model, which encourages protagonism, flexibility and agility, was promoted based on a survey that mapped the levels of entropy/unproductivity and each area

can be structured to promote its journey of evolution. Three core values and target behaviors were defined to assure the execution of the vision of leading the animal health ecosystem in Latin America, being the fastest growing company, the one with the highest product launches, and the most admired for its practices with people.

The first value, Play to Win, brings the essence of the owner's mindset, the entrepreneurial DNA, optimized by the appreciation of team work. The second value, Caring for People, brings the essence of a competitive advantage of the organization, the quality of relationships with customers, employees or the community. This value even challenges conventional thinking by proposing that care is expressed in solving problems through constructive dialogue and social actions that promote the evolution of the ecosystem. The third value, Connect with the world, brings the proposal of sponsoring innovation, integrated in all links of the chain, the establishment of partnerships and strategic connections and the leverage brought by digital. The practice of values, based on the role modeling of leadership, was a key success factor for 2020. Business results - even with all the complexity of the pandemic context - are evidence in this sense. Leadership's involvement has even taken place in reviewing the approach to attracting, integrating, and managing performance and career in the light of Culture.

Under the motto of "We are Ourofino and Ourofino is each of us", the evolution journey continues in 2021, with metrics of the climate and high performance culture, promotion of growth mindset and ambidextrous leadership, with a focus on building the strategic future.

## 9. Social Responsibility

Caring for People is one of Ourofino Group's values. Thus, the Company understands its social role in relation to its audiences and the community. The approach of this work is based on society development actions and donations that allow us to impact the places where our operations are located.

In a year globally impacted by the new Coronavirus pandemic, Ourofino Group remained active with investments in social projects and volunteering actions.

The Company sponsored two live broadcasts with country singers in support of social causes; also, we donated over 10,000 liters of alcohol gel, 875 food baskets and 1,176 hygiene kits for regional communities and other parts of the country.

Also in the community, Ourofino Group sought to support the business of seamstresses who started to work in producing fabric masks as a source of income. Thus, the Companion Animals Business Unit sponsored the making of 10,000 masks as a way of valuing their work. The masks were given to customers, and were sent to distributors, points of sale, veterinarians and other professionals.

In this period, volunteer work was a highlight for Social Investment. The Company carried out several campaigns for the collection and donation of approximately 6,200 different items, such as food, clothing, shoes and toys.

Other action during the period, in an attempt to mitigate the effects of the fires that devastated Brazil between the months of September and October, was the donation of drugs to be used in animals rescued in the Pantanal and by the Municipal Grove of the city of Ribeirão Preto-SP.

Ourofino Group also carries out periodical donations to partner NGOs, such as the CãoPaixão (Ribeirão Preto-SP) and Paraíso dos Focinhos (Rio de Janeiro-RJ). These donations are mainly intended to care for the health, well-being and longevity of companion animals as a way of encouraging the adoption of pets rescued by these two organizations.

The company continues to invest in this business model and envisions to keep on moving forward with actions focused on the reduction of social and environmental impacts and risks.

### 2020 numbers:

Social projects (via federal tax incentive laws)	R\$ 355.553,00
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Social projects (via state tax incentive laws)	R\$ 181.637,29
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Social projects (private investment)	R\$ 23.000,00
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Donations	R\$ 114.459,67
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# 10. Health, Safety and Environment

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

In 2020, we continued monitoring Greenhouse Gas (GHG) emissions and carried out our 1st Mitigation Plan.

Seeking to improve and add value to the Company, the environment area works with companies in the market that combine excellence in providing services at acceptable costs. The goal is to unify, whenever possible, the compliance with the laws concerning waste management, with revenue generation for the company. Investments were also made in the wastewater treatment system, adapting its facilities to absorb and treat future demands arising from the expansion of production.

Pursuant to the National Solid Waste Policy, created by Law No. 12.305/10 and also as set forth by SMA State Resolution No. 45/15, manufacturers, importers, distributors and merchants are required to structure and implement a reverse logistics system for packaging after use, irrespective of the availability of the public urban cleaning service. To this end, companies associated with SINDAN (National Union of the Industry of Animal Health Products) together with FIESP (Federation of Industries of the State of São Paulo) and Eu Reciclo have entered into an Instrument of Commitment for Reverse Logistics - TCLR initially covering the State of São Paulo. In 2020, Ourofino expanded the scope of implementation of the reverse logistics system, offset-

ting and collecting 22% of post-consumer packaging in the states of Rio de Janeiro and Mato Grosso do Sul.

The collection and proper treatment of post-consumer packaging contributes to the preservation of natural resources and reduces any potential occupational damage. We keep our business model close to the producer through our commercial team and different communication channels, thus promoting an understanding of performance improvements resulting from the correct use of products and bringing higher efficiency and care in handling.

We submitted to the Executive Board the Executive Project for the Modernization of the Wastewater Treatment Station, seeking approval for the project implementation. The company understood that investing resources in this sector is feasible and strategic, whereby gains go beyond the company's limits, preserving and benefiting the environment in which it operates, as well as the natural resources.

The prevention of occupational risks is restless and has brought positive results involving the awareness of employees regarding safe practices: use of personal protection equipment (PPE), collective protection equipment (CPEs), specific training for the various activities performed, in addition to complying with safety procedures in line with production processes.

We carry out the Occupational Hazards and Risks Survey (LPRO) aiming to map all hazards and risks of the facilities, generating an action plan for their mitigation and even elimination.

Regarding the improvement of the qua-

lity of life of our employees, we have actions in the health area, such as the family doctor who serves in the company, in order to anticipate situations of health risk and therefore promote well-being.

In addition, we included Sustainability actions in the Internal Week for the Prevention of Accidents at Work and the Environment - SIPATMAS, promoting even more awareness and sensitization of our employees through involvement in campaigns for health, accident prevention, occupational diseases, the environment and sustainability. We mapped out more accurately the risks in the areas, and involved employees in the company's Emergency Plan.

During the Internal Week for the Prevention of Work Accidents, Environment and Sustainability (SIPATMAS), the 2nd Health, Work Safety and Environment Workshop was held with themes dedicated to leadership, with strong action in the awareness and engagement of top management.

All the actions mentioned above are in line with the People Master Plan (PDP) defined under the Health, Safety and Environment scope, where the strategic planning is prepared for the area, following the connections with the market and always acting in the prevention of accidents, occupational diseases and promoting the health and emotional balance of our employees.

For 2020, we had the corona virus pande-

mic, thus some actions were implemented in the company's units (BRA/MEX/COL) related to COVID-19 prevention: Prevention campaigns were held internally in order to disseminate preventive measures to employees to be applied and extended to their families.

In Brazil, some actions were taken at our headquarters: individual sanitization of all areas; distances in the cafeteria and standardization of fixed times per area (sector) to have their meals with changes in meal services, such as individual food services, excluding the self-service mode. Acrylic protections were installed dividing the tables, reducing the possibility of spread among employees. The number of public transportation for employees was increased so as not to cause crowding during the journey.

For all units (BRA/MEX/COL), the work from home scheme was implemented, for employees in administrative positions and frequent monitoring of employees in the Commercial area, so that they only work in areas authorized by local governments, always complying with the guidelines of each zone framing, according to the World Health Organization (WHO).

Among the adjustments made, the company maintains the monitoring of its employees in order to ensure that they enjoy good physical and emotional conditions to be able to successfully perform their job responsibilities.

## 11. Final comments

Ourofino's Management sticks to its commitment and focus on continuing its efforts for sustainable growth. In the constant search for business excellence, Ourofino thanks its customers, suppliers, financing agents, shareholders and employees for the trust placed in its actions.

