Blau Farmacêutica S.A.

Financial statements
December 31, 2015 and 2014

(With the independent auditors' report thereon)

(A free translation of the original report issued in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil)

KPDS 153387

Contents

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Independent auditors' report on financial statements

To the
Board of Directors and Shareholders of
Blau Farmacêutica S.A.
Cotia - SP

We have audited the accompanying individual and consolidated financial statements of Blau Farmacêutica S.A. ("the Company"), which comprise the individual and consolidated balance sheets as at December 31, 2015, the individual and consolidated statements of profit or loss and other comprehensive income, changes in shareholders´ equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the independent auditors
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Blau FArmacêutica S.A. as at December 31, 2015, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

São Paulo, May 06, 2016

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Leonardo Augusto Giusti
Accountant CRC 1SP203952/O-9

Blau Farmacêutica S.A.

Balance sheets at December 31, 2015 and 2014

(In thousands of reais)

		Consolidated		Parent company	
Assets	**Notes**	**2015**	**2014**	**2015**	**2014**
Cash and cash equivalents	4	10,044	12,277	350	499
Trade accounts receivable	5	90,175	78,436	85,830	70,941
Inventories	6	90,699	71,809	87,165	67,385
Recoverable taxes	7	1,807	859	1,807	859
Other receivables		7,101	8,352	6,686	9,529
Total current assets		199,826	171,733	181,838	149,213
Judicial deposits		1,076	1,100	1,076	1,100
Loans receivable - related parties	11	10,061	15,498	10,061	15,498
Recoverable taxes	7	12,242	7,523	12,242	7,207
Deferred income and social contribution taxes	13	1,045	-	-	-
		24,424	24,121	23,379	23,805
Investments	8	9	9	24,417	15,371
Biological assets		306	306	306	306
Property, plant and equipment	9	68,670	55,560	67,332	54,692
Intangible assets	10	10,010	10,381	2,793	3,182
		78,995	66,256	94,848	73,551
Total non-current assets		103,419	90,377	118,227	97,356
Total assets		**303,245**	**262,110**	**300,065**	**246,569**

		Consolidated		Parent company	
Liabilities	**Notes**	**2015**	**2014**	**2015**	**2014**
Suppliers	12	34,240	23,364	33,554	22,796
Loans and financing	14	116,850	118,231	116,337	113,343
Tax liabilities	7	1,175	1,729	1,440	1,020
Income and social contribution taxes	13	13,067	10,561	13,067	10,561
Labor obligations		9,870	7,908	9,598	8,111
Other accounts payable		2,737	1,162	1,026	715
Total current liabilities		177,939	162,955	175,022	156,546
Loans and financing	14	35,464	9,481	35,338	9,481
Deferred income and social contribution taxes	13	182	5,176	182	5,176
Provisions for contingencies	15	5,964	3,913	5,827	3,890
Total non-current liabilities		41,610	18,570	41,347	18,547
Shareholders' equity	16				
Paid-in capital		56,070	36,135	56,070	36,135
Profit reserves		19,090	27,113	19,090	27,113
Equity evaluation adjustments		6,390	7,852	6,390	7,852
Other comprehensive income		2,146	376	2,146	376
Total shareholders' equity of controlling shareholders		83,696	71,476	83,696	71,476
Interest of minority shareholders		-	9,109	-	-
Total shareholders' equity		83,696	80,585	83,696	71,476
Total liabilities and shareholders' equity		**303,245**	**262,110**	**300,065**	**246,569**

See the accompanying notes to the financial statements.

Blau Farmacêutica S.A.

Statements of profit or loss

Years ended December 31, 2015 and 2014

(In thousands of reais)

		Consolidated		Parent company	
	Notes	2015	2014	2015	2014
Net operating revenue	17	378,515	299,073	365,646	278,846
Cost of goods and products sold	18	(216,088)	(175,058)	(209,479)	(167,771)
Gross income		**162,427**	**124,015**	**156,167**	**111,075**
Selling expenses	19	(22,263)	(16,927)	(14,864)	(12,561)
General and administrative expenses	19	(85,649)	(61,367)	(82,129)	(59,162)
Other operating income, net		2,108	3,296	1,901	3,099
Total operating expenses, net		(105,804)	(74,998)	(95,092)	(68,624)
Income before financial income (expenses) and taxes		**56,623**	**49,017**	**61,075**	**42,451**
Financial income	20	4,785	9,917	4,522	9,637
Financial expenses	20	(39,176)	(28,653)	(37,377)	(27,343)
Net financial expenses		(34,391)	(18,736)	(32,855)	(17,706)
Equity in investees at the equity method, net of taxes	8	-	-	(5,706)	1,712
Income before taxes		**22,232**	**30,281**	**22,514**	**26,457**
Current income and social contribution taxes	13	(5,102)	(12,889)	(5,102)	(10,962)
Deferred income and social contribution taxes	13	4,874	1,382	4,874	1,382
Income and social contribution taxes		**(228)**	**(11,507)**	**(228)**	**(9,580)**
Net income for the year		**22,004**	**18,774**	**22,286**	**16,877**
Income (loss) attributed to:					
Controlling shareholders		22,286	16,877		
Non-controlling shareholders		(282)	1,897		
Net income for the year		**22,004**	**18,774**		

See the accompanying notes to the financial statements.

Blau Farmacêutica S.A.

Statements of other comprehensive income

Years ended December 31, 2015 and 2014

(In thousands of reais)

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Net income for the year	22,004	18,774	22,286	16,877
Other comprehensive income:				
Cumulated translation adjustment in subsidiaries	1,657	1,126	1,770	577
Total comprehensive income	**23,661**	**19,900**	**24,056**	**17,454**
Controlling shareholders	24,056	17,454		
Non-controlling shareholders	(395)	2,446		
Total comprehensive income	**23,661**	**19,900**		

See the accompanying notes to the financial statements.

Blau Farmacêutica S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2015 and 2014

(In thousands of reais)

		Profit reserves								
	Paid-in capital	**Legal reserves**	**Investment reserves**	**Profit reserves**	**Equity evaluation adjustments**	**Other comprehensive income**	**Retained earnings**	**Total shareholders' equity – parent company**	**Interest of non-controlling shareholders**	**Total shareholders' equity - Consolidated**
Balance at January 1, 2014	18,500	1,201	6,134	23,274	9,334	953	-	59,396	7,761	67,157
Capital increase with profit reserves	17,635	-	-	(17,635)	-	-	-	-	-	-
Reversal of investment reserve	-	-	(1,001)	1,001	(1,482)	-	1,482	-	-	-
Net income for the year	-	-	-	-	-	-	16,877	16,877	1,897	18,774
Minimum dividends	-	-	-	-	-	-	(876)	(876)	-	(876)
Dividends payable	-	-	-	(3,344)	-	-	-	(3,344)	-	(3,344)
Formation of reserves	-	844	-	16,639	-	-	(17,483)	-	-	-
Accumulated translation adjustment in subsidiary	-	-	-	-	-	(577)	-	(577)	(549)	(1,126)
Balance at December 31, 2014	36,135	2,045	5,133	19,935	7,852	376	-	71,476	9,109	80,585
Capital increase with profit reserves	19,935	-	-	(19,935)	-	-	-	-	-	-
Reversal of income and social contribution taxes	-	-	-	-	-	-	1,954	1,954	-	1,954
Realization of equity valuation adjustments	-	-	-	-	(1,462)	-	1,462	-	-	-
Net income for the year	-	-	-	-	-	-	22,286	22,286	(282)	22,004
Acquisition of non-controlling interest	-	-	-	(12,732)	-	-	-	(12,732)	(8,714)	(21,446)
Minimum dividends	-	-	-	-	-	-	(1,058)	(1,058)	-	(1,058)
Formation of reserves	-	1,115	-	23,529	-	-	(24,644)	-	-	-
Accumulated translation adjustment in subsidiary	-	-	-	-	-	1,770	-	1,770	(113)	1,657
Balance at December 31, 2015	56,070	3,160	5,133	10,797	6,390	2,146	-	83,696	-	83,696

See the accompanying notes to the financial statements.

Blau Farmacêutica S.A.

Statements of cash flows

Years ended December 31, 2015 and 2014

(In thousands of reais)

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Cash flows from operating activities				
Income before income taxes	22,233	30,281	22,514	26,457
Adjustment to reconcile the income for the year with cash from operating activities:				
Depreciation and amortization	7,660	7,310	7,492	7,242
Write-offs in property, plant and equipment and intangible assets	122	435	121	341
Financial charges on financing	19,957	2,435	19,957	2,435
Unrealized foreign exchange variation in loans	6,807	-	6,807	-
Unrealized foreign exchange variation in suppliers and clients	4,298	-	4,298	-
Equity in net income of subsidiaries	-	-	5,706	(1,712)
Allowance for doubtful accounts, net	1,417	167	800	139
(Reversal) of provision for inventory losses, net	(628)	3,420	(2,247)	3,395
Others (reversals), net	(1,346)	-	(649)	-
Provision for contingencies, net	2,051	1,895	1,937	1,919
	62,571	45,943	66,736	40,216
(Increase) decrease in assets and liabilities				
Trade accounts receivable	(14,146)	907	(16,679)	3,218
Inventories	(18,262)	(20,800)	(17,533)	(20,136)
Recoverable taxes	(5,667)	(3,694)	(5,983)	(3,697)
Other receivables	1,251	2,889	2,843	1,060
Judicial deposits	24	245	24	245
Related parties	5,437	(4,344)	5,437	(4,345)
(Increase) decrease in liability accounts				
Suppliers	7,568	1,374	7,450	927
Labor obligations	115	149	141	125
Tax liabilities	(554)	(293)	420	(624)
Provision for income tax	-	(2,150)	-	1,362
Salaries and charges payable	1,025	420	846	522
Other accounts payable	1,575	(607)	311	(979)
Labor provisions	822	748	500	1,097
Cash generated from operating activities	41,759	20,787	44,513	18,991
Income and social contribution taxes paid	-	(6,566)	-	(6,566)
Net cash flow from operating activities	41,759	14,221	44,513	12,425
Cash flows from investing activities				
Additions in property, plant and equipment	(20,150)	(14,939)	(19,576)	(14,112)
Payment final installment acquisition in interest	(21,908)	(3,138)	(21,908)	(3,138)
Advance for future capital increase in investee	-	-	(3,919)	-
Increase in intangible assets	(371)	(192)	(288)	(154)
Cash flow used in investing activities	(42,429)	(18,269)	(45,691)	(17,404)
Cash flows from financing activities				
Dividends and interest on own capital	(1,058)	(4,248)	(1,058)	(4,220)
Loans and financing	335,233	144,876	333,968	140,538
Payments of loans and financing - principal	(316,670)	(123,210)	(311,191)	(122,868)
Payments of loans and financing - interest	(20,725)	(14,157)	(20,690)	(14,157)
Net cash (used in) from financing activities	(3,220)	3,261	1,029	(707)
Net decrease in cash and cash equivalents	(3,890)	(787)	(149)	(5,686)
Cash and cash equivalents at January 1	12,277	14,191	499	6,185
Effect of foreign exchange rate on the balance of cash and cash equivalents	(1,657)	1,127	-	-
Cash and cash equivalents at December 31	10,044	12,277	350	499
Net decrease in cash and cash equivalents	(3,890)	(787)	(149)	(5,686)

See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of Reais, unless otherwise indicated)

1 Operations

Blau Farmacêutica S.A., hereinafter denominated ("Blau", the "Company" or the "Group") is a privately-held corporation headquartered in the municipality of Cotia, São Paulo State, at Rodovia Raposo Tavares km 30.5, and is engaged in:

(i) **Unit I – Building 100 – Head Office:** wholesale trading, distributing, importing and exporting medicine and drugs for human use, pharmaceutical products, national or foreign inputs for production of medicines and raw materials; wholesale trading, distributing, importing and exporting health products, including diagnosis tests, condoms, and hospital and dental articles; and holding interest in other organizations established in Brazil or abroad as partner, quotaholder or shareholder, as controlling or minority party;

(ii) **Branch 01:** industrializing pharmaceutical products, medicines and similar products for human use, medical, hospital, and dental materials, perfumery, cosmetics, importing, exporting, and trading of national or foreign products and industrializing for third parties;

(iii) **Branch 02:** manufacturing allopathic and biological medicines for human use, including manufacturing of pharmaceutical specialties (allopathic and homeopathic) and raw materials; manufacturing of health products, medical-hospital and dental materials, perfumery articles and cosmetics, importing, exporting, trading and distributing national or foreign products, including medicines and drugs for human use, pharmaceutical products, inputs for production of medicine and raw materials; manufacturing and quality control for third parties; research, development and innovation in inputs, including raw materials and allopathic, homeopathic, biological, biopharmaceutical and biotechnological medicines;

(iv) **Branch 03:** contact office for rental of equipment and vehicles (rental not included in lease law);

(v) **Branch 04:** Administrative office, exclusively for contacts of sellers and commercial representatives;

(vi) **Branch 05:** manufacturing of medicine for human use, including manufacturing of pharmaceutical specialties and raw materials, manufacturing of health products, importing, exporting, trading and distributing health products, importing, exporting, trading and distributing national or foreign products, including medicines and drugs for human use, pharmaceutical products, inputs for production of medicines and raw materials; manufacturing and quality control for third parties; research, development and innovation in inputs, including raw materials and biological biopharmaceutical and biotechnological medicines;

(vii) **Branch 06:** warehouse for primary and secondary packaging, semi-finished condoms, material for retention of pharmaceutical products and similar products of manufacturing units I and II, obsolete equipment and material for incineration of production and shipment items, and warehouse of packaging materials;

(viii) **Branch 07:** warehouse for primary and secondary packaging, semi-finished condoms, material for retention of pharmaceutical products and similar products of manufacturing units I and II, obsolete equipment and material for incineration of production and shipment items, and warehouse of packaging materials; and

(ix) **Branch 08**: industrializing, transporting, importing and exporting pharmaceutical, chemical, biological, dietary, alimentary, agricultural and veterinarian products, hygiene, sanitizing and household cleaning products, cosmetic, toilette, perfumery materials and articles, as well as similar articles, non-woven fabric disposable articles, plastics, paper for personal, medical and hospital use, surgical and hospital materials and articles, and general fixtures.

Subsidiaries

Company	Country	Interest	
		12/31/2015	12/31/2014
Blau Farmacéutica Colombia S.A.S.	Colombia	100%	50.98%
Blau Farma Uruguay S.A.	Uruguay	100%	100%

Blau Farmacéutica Colombia S.A.S.
Blau Farmacéutica Colombia is a subsidiary established in the city of Bogotá, Colombia, which is engaged in producing and trading pharmaceutical medicines for human consumption and biopharmaceutical materials and operates in all main pharmaceutical segments. The Company's main activity is the import of products from the Company to be distributed in Colombia and other countries.

Blau Farma Uruguay S.A.
Blau Farma Uruguay S.A. is a subsidiary established in the city of Montevideo, Uruguay, which is engaged in trading pharmaceutical medicines for human consumption and biopharmaceutical materials, and operates in all main pharmaceutical and cosmetic segments.

Transactions in the prior year

Acquisition of additional interest in subsidiary
Based on its expansion project, on March 31, 2015, the Company acquired whole residual interest of 49.02% held by a minority shareholder of Blau Farmacêutica Colômbia SAS for the value of R$ 21,908 (equivalent to USD 6,798 thousand), thus assuming control of 100% of the company's capital. Blau recognized:

- An increase in investments in the amount of R$ 9,176; and
- A reduction in profit reserve of R$ 12,732.

The book value of Blau Colombia's net assets in financial statements as at the acquisition date was R$ 9,176.

A summary of effects from changes in interests at Blau Colombia is presented below.

Acquisition of interest Blau Colombia	2015
Payment for acquisition of 49.02%	21,908
Value of shareholders' equity at fair value of Blau Colombia on March 31, 2015	9,176
Goodwill from acquisition of additional interest in subsidiary	12,732
Total	21,908

In accordance with ICPC 09 (R2) – Individual Financial Statements, Separate Statements, Consolidated Statements and Application of the Equity Method if a parent company acquires additional shares of an entity that it already controls, must consider this value as a reduction of its shareholders' equity (individual and consolidated), including with the characteristic that possible goodwill in this acquisition shall also be considered as part of shareholders' equity reduction. Accordingly, as determined by ICPC 09 (R2), the Company recorded the amount of R$ 9,176 as an increase in investment in subsidiary Blau Colombia, and R$ 12,732 as a reduction to shareholders' equity.

2 Basis for preparation of the financial statements

a. Statement of conformity

The individual and consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil.

The issuance of individual and consolidated financial statements was authorized by the Board of Directors on May 6, 2016.

b. Functional currency and presentation currency

The individual and consolidated financial statements are being presented in Brazilian Real, which is the functional currency of the Company. All financial information presented in Brazilian Real has been rounded to the nearest value, except otherwise indicated.

c. Use of estimates and judgments

In the preparation of these individual and consolidated financial statements, management used judgments, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are revised on an ongoing basis. Reviews of estimates are recognized on a prospective basis.

- Uncertainties on assumptions and estimates

Information on uncertainties as to assumptions and estimates that pose a high risk of resulting in a material adjustment as of and for the year ending December 31, 2016 are included in the following notes:

- **Note 5** - Trade accounts receivable – allowance for doubtful accounts;
- **Note 6** - Provision for inventory losses;
- **Note 9** - Property, plant and equipment – depreciation;
- **Note 10** - Intangible Assets – goodwill amortization and realization;
- **Note 14** - Loans and financing – classification of lease; and
- **Note 15** - Provision for contingencies.

Measurement of fair value

A series of Group's accounting policies and disclosures requires the measurement of fair value, for financial and non-financial assets and liabilities.

Significant evaluation issues are reported to the Company's management.

When measuring fair value of an asset or a liability, the Company uses observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

- **Level 1**: Prices quoted (not adjusted) in active markets for identical assets and liabilities.
- **Level 2**: Inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).
- **Level 3**: Inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

Additional information on the assumptions adopted in the measurement of fair values is included in the following notes:

- **Note 21** - Financial instruments.

d. Measuring basis

The individual and consolidated financial statements were prepared based on the historical cost, except for non-derivative financial instruments, designated at fair value through profit or loss and measured at fair value.

3 Summary of significant accounting policies

The accounting policies described below have been consistently applied to all the years presented in these individual and consolidated financial statements.

a. Basis of consolidation

(i) Business combination

Business combinations are recorded using the acquisition method on acquisition date, that is, when control is transferred to the Company. Control is defined as the ability to govern the entity's financial and operating policies in order to benefit from its activities. When determining that its control is in place, the Company takes into account the currently exercisable potential voting rights.

The Company calculates goodwill in the date of acquisition considering:

- the fair value of transferred consideration; plus
- the recognized amount of any non-controlling interest in the acquiree; less
- the net amount (generally at fair value) of identifiable assets acquired and liabilities assumed.

When the value is negative, gains from bargain purchase are recognized directly in profit or loss for the year.

The transferred payment does not include amounts related to payment of pre-existing relationships. Those amounts are usually recognized to profit of loss for the year.

Transaction costs, except costs for issuing debt or equity instruments, incurred by the Company in connection with business combinations, are recorded in profit or loss as incurred.

(ii) Interest of non-controlling shareholders

For each business combination, the Company chooses to measure any minority interest in the acquired company using one of the following criteria:

- at fair value; or
- by proportional interest of identifiable net assets of the acquiree, which are generally at fair value.

Changes to the Company's interest in a subsidiary that do not result in loss of control are accounted for as transactions with shareholders, in the capacity of shareholders. Adjustments to minority interest are based on a proportional amount of the subsidiary's net assets. No adjustment is made to goodwill based on future profitability and no gain or loss is recognized in profit or loss for the year.

(iii) Subsidiaries

The financial statements of the subsidiaries are included in the consolidated financial statements as from the date they start to be controlled by the Company until the date such control ceases. The accounting policies of the subsidiaries are aligned with the policies adopted by the Company.

The financial information of subsidiaries is recognized under the equity method in the individual financial statements.

(iv) Transactions eliminated in the consolidation

Intragroup balances and transactions, and any unrealized income or expenses derived from intragroup transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains originating from transactions with investees recorded using the equity method are eliminated against the investment in the proportion of the Company's interest. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to impairment.

b. Operating revenue

Operating revenue is recognized when (i) the most significant risks and rewards inherent to the ownership of the assets have been transferred to the purchaser, (ii) it is probable that the financial economic benefits will flow to the Group, (iii) the costs related and potential return of goods can be reliably estimated, (iv) there is no continued involvement with the goods sold, and (v) the amount of revenue can be reliably measured. Revenue is measured net of returns, trade discounts and bonus.

c. Financial income and expenses

The Group's financial income and expenses include:

- interest income;
- discounts obtained;
- interest expense;
- expenses with IOF;
- commissions and bank expenses;
- gains/losses, net of financial assets measured at fair value through profit or loss; and
- net gains/losses in exchange variation of financial assets and liabilities.

Interest income and expenses are recognized in profit or loss at the effective interest rate method.

d. Foreign currency

(i) Foreign currency transactions

Transactions in foreign currency are translated into the respective functional currency of the Company at the exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Exchange gain or loss in monetary items is the difference between the amortized cost of the functional currency at the beginning of the year, adjusted by effective payments during the year, and the amortized cost in foreign currency at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the foreign exchange rate on the date the fair value was determined. Foreign currencies differences arising from reconversion are usually recognized in profit or loss.

(ii) Foreign operations

Foreign transactions' assets and liabilities, including adjustments to fair value resulting in the acquisition, are translated into Brazilian Real (the functional currency) at the exchange rate prevailing on presentation date. Foreign transactions' income and expenses are translated into Real at exchange rates prevailing on transaction dates.

The differences in foreign currencies generated for the translation into the presentation currency are recognized in other comprehensive income and included in the shareholders' equity account. However, if the subsidiary is not a wholly-subsidiary, then the corresponding portion of the translation difference is allocated to the non-controlling shareholders.

When a foreign operation is sold, the amount recorded in an account for translation accumulated adjustment is reclassified to profit or loss as part of the sale´s net result. When the sale is only part of the investment of a subsidiary that includes a foreign operation, so that control is maintained, that portion of such accumulated value is reassigned to the interest of non-controlling shareholders. In any other partial sale related to a foreign operation, the portion corresponding to the sale is reclassified to profit or loss.

Foreign exchange gains or losses arising from monetary item receivable, or payable, due to a foreign operation, whose settlement was neither planned nor is likely to occur in the predictable future, are considered part of the net investment in foreign operation and are recognized in other comprehensive income, presented in shareholders' equity.

e. Employee benefits

Short-term employee benefits
Obligations for short-term employee benefits are recognized as personnel expenses as the related service is rendered. Liability is recognized at the amount of expected payment in case the Group has a legal or constructive obligation of paying this amount as a result of service provided by the employee in the past and obligation may be reliably estimated.

f. Income and social contribution taxes

The income and social contribution taxes of the year, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax and 9% on net income for social contribution, and consider the offsetting of tax loss carryforward and negative basis of social contribution, limited to 30% of the taxable income for the year.

Income and social contribution taxes expenses comprise both current and deferred income and social contribution taxes. Current and deferred taxes are recognized in profit or loss unless they are related to a business combination, or items directly recognized in shareholders' equity or other comprehensive income.

(i) Expenses with income and social contribution taxes - Current
Current taxes expenses are the tax payable or receivable on the taxable income or loss for the year and any adjustment to taxes payable in relation to prior years. The amount of current taxes payable or receivable is recognized in the balance sheet as a tax asset or liability at the best estimate of taxes amount to be paid or received that reflects uncertainties related to its calculation, if any. It is measured based on tax rates enacted at the balance sheet date.

Current taxes assets and liabilities are offset only if certain criteria are met.

(ii) Deferred income and social contribution taxes expenses
Deferred taxes assets and liabilities are recognized in relation to temporary differences between asset and liability values for financial statement purposes and those used for taxation purposes. Changes in deferred taxes assets and liabilities for the year are recognized as deferred income and social contribution taxes expenses. Deferred taxes are not recognized for:

- temporary differences related to investment in subsidiaries, to the extent in which the Group is able to control the time of temporary difference reversal and is probable that temporary difference will not be reversed in a predictable future; and

- taxable temporary differences arising from the initial recognition of goodwill.

Deferred taxes assets and liabilities are measured at tax rates expected to be applied to temporary differences when they are reversed, based on rates that were enacted up to the balance sheet date.

The measurement of deferred taxes assets and liabilities reflects the tax consequences that would derive from the manner in which the Group expects to recover or settle assets and liabilities.

Deferred taxes assets and liabilities are offset only if some criteria are met.

g. Biological assets

Biological assets are measured at fair value less selling costs, and any changes are recognized in profit or loss.

They are comprised of animal cells and bacteria and recognized at cost, which are substantially comprised of acquisition of clones and scientific development.

h. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost criteria and includes expenditure incurred in acquiring the inventories, production or conversion costs, as well as other costs incurred in bringing them to their current location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

The net realizable value is the estimated price at which inventories can be realized in the normal course of business, less the estimated completion costs and selling expenses.

The cost of assets transferred from biological assets is its fair value less selling expenses, calculated at the cutoff date.

i. Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment items are stated at historical acquisition or construction cost, net of accumulated depreciation and impairment losses. Cost of some items of property, plant and equipment on January 1, 2009, date of adoption of CPCs, was determined based on their fair value on that date.

(iii) Subsequent costs

Subsequent expenditures are capitalized in accordance with the probability that future economic benefits may be earned by the Group.

(iv) Depreciation

Depreciation is calculated to amortize the cost of items of property, plant and equipment, net of their estimated residual values, using the straight-line method based on estimated useful lives of such items. The depreciation is recognized in profit or loss.

Estimated useful lives for current and prior years are as follow:

	In years
Machinery and equipment	10–13
Aircraft and vehicles	10
Furniture and fixtures	10
Facilities in use	10
IT equipment	5–6
Other	4

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate.

In accordance with Technical Pronouncement CPC 20, the Company capitalizes borrowing costs that are directly attributable to acquisition, construction or production of qualified asset as part of the its cost, provided that it is probable that the Company will benefit from future economic results and also if they can be reliably measured.

j. Intangible assets and goodwill

Goodwill
Goodwill is measured at cost, less accumulated impairment losses.

Subsequent measurements
Goodwill is measured at cost, less accumulated impairment losses. For investees recorded at the equity method, the carrying amount of goodwill is included in investment, and impairment losses are assigned to book value of the entire investment.

Other intangible assets
Other intangible assets acquired by the Company and its subsidiaries with finite useful lives are carried at cost, net of accumulated amortization and any accumulated impairment losses.

Amortization
Except for goodwill, intangible assets are amortized on the straight-line method and the amortization is recognized in income based on the estimated useful life of the assets as of the date they are available for use.

k. Financial instruments

The Group classifies non-derivative financial instruments in the following categories: financial assets measured at fair value through profit or loss, and loans and receivables.

The Group classifies non-derivative financial liabilities in the following categories: financial liabilities measured at fair value through profit or loss and other financial liabilities.

(i) Non-derivative financial assets and liabilities – Recognition and derecognition

The Group initially recognizes the loans, receivables and debt instruments on the date that they were originated. All other financial assets and liabilities are recognized on the date of the negotiation under which the it becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flow of the asset expires, or when the Group transfers the rights to collect the contractual cash flows over a financial asset in a transaction in which essentially all the risks and benefits of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are settled, canceled or expire.

Financial assets or liabilities are offset and net value presented in the balance sheet only when there is a legally enforceable right of the Group to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets - Measurement

Financial assets measured at fair value through profit or loss
A financial asset is classified as measured at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. The transaction costs are recognized in profit or loss as incurred. They are measured at fair value and changes in the fair value, including gains with interest and dividends, are recognized in the profit or loss for the year.

Loans and receivables
Such assets are initially measured at fair value plus any transaction costs directly assignable. After their initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents cover balances of cash and financial investments with original maturities of three months or less from the date of the contract, and that are readily converted into known amounts of cash and are subject to an insignificant risk of changes in value and are used by the Company and its subsidiaries in the management of short-term liabilities.

(iii) Non-derivative financial liabilities - Measurement

A financial liability is classified as measured at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. The transaction costs are recognized in profit or loss as incurred. Financial liabilities recorded at fair value through profit or loss are measured at fair value and changes in the fair value of such liabilities, including gains with interest, are recognized in the profit or loss for the year.

Other non-derivative financial liabilities are initially measured at fair value less any transaction costs directly assignable. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

(iv) Capital

Common shares
The Company’s paid-in capital is 100% comprised by common, nominative shares with no par value.

Common shares are classified in the shareholders' equity. The minimum mandatory dividends, as established in the By-laws, are recognized as liability.

l. Impairment

(i) Non-derivative financial assets

Financial assets not classified as financial assets at fair value through profit or loss, including investments accounted for under the equity method, are evaluated at each balance sheet date to determine if there are objective evidence of impairment.

Objective evidences of financial assets' impairment include:

- debtor's default or delays;
- restructuring of an amount owed to the Group under conditions not considered as normal;
- indications that the debtor or issuer will face bankruptcy/court-ordered reorganization;
- negative changes in payment situation of debtors or issuers;
- the disappearance of an active market for an instrument due to financial distress; or
- observable data indicating that expected cash flow measurement of a group of financial assets decreased.

Investees recorded under the equity method of accounting
A loss by a reduction to recoverable value referring to an investee valued under the equity method is measured by comparing the investment's recoverable value to its book value. An impairment loss is recognized in the statement of profit or loss and is reversed if there has been a favorable change in the estimates used to determine the recoverable value.

(ii) Non-financial assets

The book values of the non-financial assets of the Company and its subsidiaries, except for inventories, biological assets and deferred income and social contribution taxes are reviewed at each reporting date for indication of impairment. If such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable value. Impairment losses are recorded in the statement of profit or loss.

The recoverable value of an asset or cash generating unit is the greater of its value in use and its fair value less selling expenses. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment as to the recoverability period of capital and specific risks of the asset or cash generating unit. For the purpose of impairment testing, assets that cannot be individually tested are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets or cash generating units.

For the years ended December 31, 2015 and 2014, the Company and its subsidiaries did not identify indicators of loss in the value of its non-financial assets.

m. Leases

(i) Leased assets

Assets maintained as lease by the Company and its subsidiaries and that substantially transfer all ownership risks and benefits are classified as financial lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the balance sheet of the Company and its subsidiaries.

(ii) Lease payments

Payments for operating leases are charged to profit or loss on the straight-line method over the lease period. Lease incentives received are recognized as an integral part of total lease expenses, over the lease contractual term.

Minimum lease payments made under financial leasing are apportioned between financial expenses and reduction of the outstanding liability. Financial expenses are allocated in each period over the lease period in order to produce a continuous and periodic compounding interest rate over the remaining liability balance.

n. Provisions

A provision is recognized if the Company and its subsidiaries have a legal or constructive obligation as a result of a past event, which can be reliably estimated, and it is probable that an outflow of resources will be required to settle the obligation.

o. New standards and interpretations not yet effective

Several new standards or amendments to standards and interpretations will be effective for the years starting on or after January 1, 2016. The Group did not adopt these changes for preparation of these financial statements. The Group does not plan to early adopt these standards.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces guidelines of IAS 39 Financial Instruments: Recognition and Measurement (Financial Instruments: Recognition and Measurement). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the hedge accounting requirements. The regulation maintains the IAS 39 guidelines about recognition and derecognition of financial instruments. IFRS 9 is effective for years beginning on or after January 1, 2018. The Company is evaluating the potential effects that IFRS 9 will have on its financial statements and corresponding disclosures.

IFRS 15 Revenue from Contracts with Clients

The IFRS 15 requires an entity to recognize the amount of revenue reflecting the consideration that it expects to receive in exchange for control of the goods or services. When adopted, this new standard will replace most detailed guidelines on revenue recognition that currently exists in IFRS and accounting principles generally accepted in the United States of America ("U.S. GAAP"). The new standard is applicable beginning on or after January 1, 2018. The standard may be adopted retrospectively, adopting a cumulative effects approach.

The Company is evaluating the potential effects that IFRS 15 will have on its financial statements and corresponding disclosures.

However, the Accounting Pronouncements Committee has not issued accounting pronouncement or changed prevailing pronouncements corresponding to these standards. Early adoption is not permitted and the Company does not intend to early adopt them.

In addition, the following new standards or changes are not expected to have a significant impact on the Group's consolidated financial statements.

- Accounting for Aquisitions of Interests in Joint Operations (changes of CPC 19 / IFRS 11)
- Acceptable Methods of Depreciation and Amortization (changes in CPC 27 / IAS 16 and CPC 04 / IAS 38)
- Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Transfer or Contribution of Assets between an Investor and its Associate or Jointly-Owned Project) (changes in CPC 36 / IFRS 10 and CPC 18 / IAS 28)
- Annual improvements of 2012-2014 IFRS's - several standards
- Investment Entities: Consolidation Exception (Investment Entities: Consolidation Exception) (Changes in CPC 36 / IFRS 10, CPC 45 / IFRS 12 and CPC 18 / IAS 28).
- Disclosure Initiative (Changes in CPC 26 / IAS 1).

4 Cash and cash equivalents

	Consolidated		**Parent company**	
	2015	**2014**	**2015**	**2014**
Cash equivalent in US Dollar	18	5	18	5
Cash equivalent in Euro	10	21	10	21
Cash in Brazilian Real	13	17	4	12
	41	**43**	**32**	**38**
Bank checking accounts	4,568	1,157	318	461
Interest earnings bank deposits	5,435	11,077	-	-
	10,003	**12,234**	**318**	**461**
Total cash and cash equivalents	**10,044**	**12,277**	**350**	**499**

Highly liquid short-term interest earning bank deposits are promptly convertible into a known sum of cash and subject to an insignificant risk of change in value. The Company and its subsidiaries have the option of early redeeming the financial investments, whose average interest rate is 8.4% p.a., without penalties or loss of profitability.

The Company's exposure to interest rate and foreign exchange variation risks is disclosed in note no. 21.

5 Trade accounts receivable

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Domestic	76,939	72,809	76,939	60,195
Foreign	12,446	1,450	2,998	1,450
Related parties (note no. 11)	5,595	7,565	8,917	11,520
Subtotal	94,980	81,824	88,854	73,165
(-) Allowance for doubtful accounts	(4,805)	(3,388)	(3,024)	(2,224)
	90,175	**78,436**	**85,830**	**70,941**

Aging of balances of trade accounts receivable:

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Falling due	73,062	69,295	66,936	60,636
Overdue	21,918	12,529	21,918	12,529
1–30	3,187	3,125	3,187	3,125
31–60	5,341	984	5,341	984
61–180	978	2,379	978	2,379
>181	12,412	6,041	12,412	6,041
Subtotal	94,980	81,824	88,854	73,165
(-) Allowance for doubtful accounts	(4,805)	(3,388)	(3,024)	(2,224)
Total	**90,175**	**78,436**	**85,830**	**70,941**

The Company records an allowance for doubtful accounts for private clients' overdue trade receivables, except related parties, which have already been listed for collection in administrative sphere. No provision is recorded for receivables from public agencies.

Changes in the allowance for doubtful accounts are as follows:

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Provision initial balance	(3,388)	(3,554)	(2,224)	(2,363)
Recorded	(2,002)	(615)	(1,148)	(450)
Used/Reversed	585	781	348	589
Provision final balance	**(4,805)**	**(3,388)**	**(3,024)**	**(2,224)**

6 Inventories

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Finished goods	16,756	10,420	13,859	7,104
Products for resale	637	568	-	-
Semi-finished products	13,821	15,957	13,821	15,957
Work in process	230	218	230	218
Raw materials	25,758	16,348	25,758	16,348
Packaging materials	19,289	15,800	19,289	15,800
Materials at third parties	83	1,031	83	1,031
Imports in progress	27	769	27	229
Advance for imports	14,098	10,698	14,098	10,698
	90,699	**71,809**	**87,165**	**67,385**

In 2015, provision for obsolescence and slow moving, to take inventories down to their net realizable values, totaled R$ 1,597 in the parent company and R$ 3,362 in the consolidated financials (R$ 3,844 in the parent company and R$ 3,991 in the consolidated financials as of December 31, 2014). Recognition of provision in the year and reversal of provision recognized in prior years are included in selling costs.

Changes in provision for inventory losses:

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Opening balance	(3,991)	(571)	(3,844)	(449)
Recorded	(2,668)	(3,556)	(742)	(3,450)
Used/Reversed	3,297	136	2,989	55
Closing balance	**(3,362)**	**(3,991)**	**(1,597)**	**(3,844)**

7 Recoverable taxes

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Current				
ICMS	1,202	517	1,202	517
IPI	148	109	148	109
Taxes withheld	447	233	447	233
Other	10	-	10	-
Total current	**1,807**	**859**	**1,807**	**859**
Non-current				
CIAP	358	417	358	417
PIS	2,183	1,319	2,183	1,319
COFINS	9,701	5,471	9,701	5,471
Other	-	316	-	-
Total non-current	**12,242**	**7,523**	**12,242**	**7,207**
Total	**14,049**	**8,382**	**14,049**	**8,066**

8 Investments

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Interest Blau Farmacêutica Colômbia S.A.S	-		17,841	9,024
Goodwill in investment Blau Colômbia S.A.S (i)	-	-	6,800	6,800
Advances for future capital increase			32	-
Total Investment Blau Colômbia S.A.S	**-**	**-**	**24,673**	**15,824**
Interest of Blau Farma Uruguay S.A.	-	-	(4,414)	(724)
Goodwill in investment Blau Farma Uruguay S.A (i)			271	271
Advances for future capital increase			3,887	-
Total Investment Blau Farma Uruguay S.A	**-**	**-**	**(256)**	**(453)**
Other investments	9	9	-	-
	9	**9**	**24,417**	**15,371**

(i) For consolidation purposes, carrying amounts of goodwill of Blau Colômbia R$ 6,800 and Blau Uruguay R$ 271 were reclassified to intangible assets, see note no. 10.

Changes in investments:

	Blau Colombia	Blau Uruguay	Total
Balance as of January 1, 2014	7,158	7	7,165
Equity in net income of subsidiaries	2,049	(683)	1,366
Unrealized profit	346	-	346
Total equity in investees, net	**2,395**	**(683)**	**1,712**
Translation adjustment	(529)	(48)	(577)
Balance at December 31, 2014	**9,024**	**(724)**	**8,300**
Equity in net income of subsidiaries	(1,554)	(3,322)	(4,876)
Unrealized profit	(830)	-	(830)
Total equity in investees, net	**(2,384)**	**(3,322)**	**(5,706)**
Acquisition of additional interest	9,176	-	9,176
Translation adjustment	2,025	(368)	1,657
Balance at December 31, 2015	**17,841**	**(4,414)**	**13,427**

Blau Farma Uruguay effectively started its operation in 2015, after registering products, contracting employees and acquiring assets, which caused frequent remittances of financial funds as advances for future capital increase, totaling 1,338 million of US Dollars in 2015, translated into its functional currency per R$ 3,887 / 1 US Dollar.

In compliance with CPC 45 – disclosure of interest in other organizations, summary financial information of Blau Colombia e Blau Uruguay is disclosed in the chart below:

	2015		2014	
	Blau Colombia	**Blau Uruguay**	**Blau Colombia**	**Blau Uruguay**
Current assets	21,336	1,358	28,243	205
Non-current assets	1,444	1,094	248	755
Total assets	22,780	2,452	28,491	960
Current liabilities	3,996	2,941	10,311	382
Non-current liabilities	227	37	23	1,303
Shareholders' equity	18,557	(526)	18,157	(725)
Total liabilities	22,780	2,452	28,491	960
Net operating revenue	26,192	263	35,377	-
(Loss) / net income for the year	(1,627)	(3,322)	3,870	(607)

9 Property, plant and equipment

	Consolidated								
Cost	**2013**	**Addition**	**Transf.**	**Write-off**	**2014**	**Addition**	**Transf.**	**Write-off**	**2015**
Land and buildings	1,118	-	-	-	1,118	198	1,057	-	2,373
Machinery and equipment	43,699	1,739	508	(53)	45,893	6,644	-	(77)	52,460
Aircraft and vehicles	2,684	-	-	(884)	1,800	414	-	(82)	2,132
Furniture and fixtures	4,974	208	44	(7)	5,219	271	-	(1)	5,489
Facilities in use	6,038	745	-	-	6,783	213	828	-	7,824
IT equipment	1,985	203	-	-	2,188	406	-	(4)	2,590
Construction in progress	9,511	9,076	(552)	-	18,035	10,552	(5,102)	-	23,485
Other	379	-	-	-	379	427	3,217	(11)	4,012
Advances assets future delivery	-	2,969	-	-	2,969	1,025	-	-	3,994
Total cost	**70,388**	**14,940**	**-**	**(944)**	**84,384**	**20,150**	**-**	**(175)**	**104,359**
Depreciation									
Land and buildings	(50)	(26)	-	-	(76)	(26)	-	-	(102)
Machinery and equipment	(12,615)	(4,778)	-	-	(17,393)	(5,151)	-	10	(22,534)
Aircraft and vehicles	(2,055)	(266)	-	550	(1,771)	(216)	-	28	(1,959)
Furniture and fixtures	(2,925)	(647)	-	-	(3,572)	(498)	-	11	(4,059)
Facilities in use	(3,649)	(624)	-	-	(4,273)	(684)	-	-	(4,957)
IT equipment	(1,477)	(262)	-	-	(1,739)	(343)	-	4	(2,078)
Total accumulated depreciation	**(22,771)**	**(6,603)**	**-**	**550**	**(28,824)**	**(6,918)**	**-**	**53**	**(35,689)**
Net balance	**47,617**	**8,337**	**-**	**(394)**	**55,560**	**13,232**	**-**	**(122)**	**68,670**

	Parent company								
Cost	**2013**	**Addition**	**Transf.**	**Write-off**	**2014**	**Addition**	**Transf.**	**Write-off**	**2015**
Land and buildings	1,118	-	-	-	1,118	198	1,057	-	2,373
Machinery and equipment	44,676	1,665	508	(1)	46,848	6,621	-	(77)	53,392
Aircraft and vehicles	2,593	-	-	(862)	1,731	123	-	(82)	1,772
Furniture and fixtures	3,890	155	44	(7)	4,082	248	-	(1)	4,329
Facilities in use	6,038	745	-	-	6,783	156	-	-	6,939
IT equipment	1,904	196	-	-	2,100	351	-	-	2,451
Construction in progress	9,526	8,373	(552)	-	17,347	10,427	(4,274)	-	23,500
Other	324	-	-	-	324	427	3,217	-	3,968
Advances assets future delivery	-	2,978	-	-	2,978	1,025	-	-	4,003
Total cost	**70,069**	**14,112**	**-**	**(870)**	**83,311**	**19,576**	**-**	**(160)**	**102,727**
Depreciation									
Land and buildings	(50)	(26)	-	-	(76)	(26)	-	-	(102)
Machinery and equipment	(12,927)	(4,762)	-	-	(17,689)	(5,119)	-	10	(22,798)
Aircraft and vehicles	(1,752)	(265)	-	529	(1,488)	(203)	-	29	(1,662)
Furniture and fixtures	(2,690)	(647)	-	-	(3,337)	(498)	-	-	(3,835)
Facilities in use	(3,737)	(624)	-	-	(4,361)	(666)	-	-	(5,027)
IT equipment	(1,417)	(251)	-	-	(1,668)	(303)	-	-	(1,971)
Total accumulated depreciation	**(22,573)**	**(6,575)**	**-**	**529**	**(28,619)**	**(6,815)**	**-**	**39**	**(35,395)**
Net balance	**47,496**	**7,537**	**-**	**(341)**	**54,692**	**12,761**	**-**	**(121)**	**67,332**

Property, plant and equipment in progress totals R$ 23,485, and R$13,056 refers to a new warehouse to store inventories. The Company expects to complete the construction in the second semester of 2016.

10 Intangible assets

	Consolidated					
Cost	**2013**	**Addition**	**Write-off**	**2014**	**Addition**	**2015**
Software	3,349	154	-	3,503	298	3,801
Brands	877	-	-	877	-	877
Patent	29	-	(29)	-	21	21
Sanitary registration	199	38	(16)	221	52	273
Goodwill (i)	7,071	-	-	7,071	-	7,071
Total cost	**11,525**	**192**	**(45)**	**11,672**	**371**	**12,043**
Amortization						
Software	(531)	(667)	-	(1,198)	(695)	(1,893)
Sanitary registration	(56)	(41)	4	(93)	(47)	(140)
Total accumulated amortization	**(587)**	**(708)**	**4**	**(1,291)**	**(742)**	**(2,033)**
Net balance	**10,938**	**(516)**	**(41)**	**10,381**	**(371)**	**10,010**

	Parent company					
Cost	**2013**	**Addition**	**Write-off**	**2014**	**Addition**	**2015**
Software	3,349	154	-	3,503	288	3,791
Brands	877	-	-	877	-	877
Total cost	**4,226**	**154**	**-**	**4,380**	**288**	**4,668**
Amortization						
Software	(531)	(667)	-	(1,198)	(677)	(1,875)
Total accumulated amortization	**(531)**	**(667)**	**-**	**(1,198)**	**(677)**	**(1,875)**
Net balance	**3,695**	**(513)**	**-**	**3,182**	**(389)**	**2,793**

(i) Goodwill is comprised of records on acquisition of investees Blau Colômbia, in the amount of R$ 6,800, and Blau Uruguay, in the amount of R$ 271, which are being classified in intangible assets in the consolidated financials, as determined by the corresponding accounting standards, see note no. 8.

Impairment test - Intangible assets

The Company evaluated the recoverability of goodwill using the concept of “value in use” through discounted cash flow models at each Cash Generating Unit (“CGU”) estimate, representing sets of tangible assets and intangible assets recorded in the subsidiary that generated goodwill.

Determination of CGU recoverability based on Value in Use involves assumptions, judgments and estimates on cash flows, such as income, costs and expenses growth rates, investment and future working capital estimates and discount rates. Assumptions on growth projections, cash flow and future cash flows are based on best Management estimates, as well as on market comparable data, economic conditions that will exist during economic life of assets that provide cash flow generation. Future cash flows have been discounted based on a rate representing capital cost.

Based on annual test of impairment of intangible assets prepared based on projections made on financial statements, growth perspectives at that time and follow-up of projections and operating results during the period, no possible losses or indication of losses were identified, as value in use is higher than net book value on the evaluation date. Main assumptions used for determination of the discounted future cash flows are as follows:

Sale of products	Considering net sales of taxes and returns
Hospital line	Growth by 9% p.a.
Oncology line	Growth by 10% p.a.
Biological line	Growth by 14% p.a.
Sutures	Growth by 9% p.a.
Operating expenses	
Fixed	Linear growth of 6% p.a.
Variables	Proportional to Net Operating Income at December 31, 2015
FDC - Financial cost	11.7% p.a. capitalized

11 Related parties

a. Ultimate parent company

During 2015, no new shares were issued. Final controlling party remains being Mr. Marcelo Hahn, who holds most of the Company's shareholding interest.

b. Remuneration of key management personnel

Management key personnel remuneration includes salaries and direct benefits such as medical and dental care and meals. The Company does not provide non-cash benefits to directors, nor contributes to a post-employment defined benefit plan. The Company does not have a stock option plan.

	2015	**2014**
Directors' remuneration	2,166	1,272

Balances and transactions with related parties

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Current assets				
Trade accounts receivable (note no. 5)				
Kollimed Com. Mat. Hospitalares Ltda.	407	2,153	407	2,153
The Package Store Imp. Com. Distr. Emb. Ltda.	690	533	690	533
Blau Farmacêutica Colômbia S.A.S	-	-	2,638	3,955
Blau Farma Uruguay S.A	-	-	684	-
Preserv S.A.	4,093	4,474	4,093	4,474
Ariston Inds. Quimicas e Farmacêutica Ltda.	405	405	405	406
Total	**5,595**	**7,565**	**8,917**	**11,521**
Other receivables				
Hahn Participações	-	1,627	-	1,627
Total	**-**	**1,627**	**-**	**1,627**
Investments (note no. 8)				
AFAC Blau Uruguay	-	-	3,887	-
AFAC Blau Colombia	-	-	32	-
Total	**-**	**-**	**3,919**	**-**
Non-current				
Loans receivable				
Shareholders	4,411	14,659	4,411	14,659
Preserv S.A.	-	839	-	839
Ariston Inds. Quimicas e Farmacêutica Ltda. (a)	5,650	-	5,650	-
Total	**10,061**	**15,498**	**10,061**	**15,498**
Total assets	**15,656**	**24,690**	**22,897**	**28,646**

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Current liabilities				
Suppliers				
Preserv S.A.	3	6	3	6
Kollimed Com. Mat. Hospitalares Ltda.	35	-	35	-
Total – Suppliers (note no. 12)	**38**	**6**	**38**	**6**

Profit or loss – revenue and costs

	Consolidated			
	2015		2014	
	Income	Cost	Income	Cost
Kollimed Com. Mat. Hospitalares Ltda.	19,159	25,432	24,768	25,704
The Package Store Imp. Com. Distr. Emb. Ltda.	2,064	898	943	512
Preserv S.A.	2,457	982	4,154	2,707
Total revenue from related parties	**23,680**	**27,312**	**29,865**	**28,923**

	Parent company			
	2015		2014	
	Income	Cost	Income	Cost
Kollimed Com. Mat. Hospitalares Ltda.	19,159	25,432	24,768	25,704
The Package Store Imp. Com. Distr. Emb. Ltda.	2,064	898	943	512
Blau Farmacêutica Colômbia S.A.S	13,384	8,377	15,150	9,497
Blau Uruguay S.A.	758	698	-	-
Preserv S.A.	2,457	982	4,154	2,707
Total revenue from related parties (c)	**37,822**	**36,387**	**45,015**	**38,420**

(a) In 2015, former LH Laboratório Hospitalar changes its name to Ariston Inds. Químicas e Farmacêuticas Ltda. Loan amount stated in current assets will be received in 2016.

Profit or loss - Other operations

(i) Leases with Hahn Participações
The Company has a rental contract with the related party Hahn Participações Eireli for production branches of São Paulo, Cotia Building 200, Head Office and a piece of land that in 2015 impacted general and administrative expenses with rent expenditures in the amount of R$ 24,899 (R$ 20,775 in 2014).

(ii) Contracting of legal services from Giannetto e Faccio Advogados Associados
Currently, the Company has a statutory Legal Officer that has interest in a law firm called Giannetto Faccio Advogados Associados, which provides legal advisory services relating to labor and civil disputes, and the amount of general and administrative legal expenses recognized amounted to R$ 377 in 2015 (R$ 445 in 2014).

Acquisition of additional interest in subsidiary

In the beginning of 2015, the Company decided to acquire residual interest of 49.02% held by the minority shareholder of Blau Farmacêutica Colômbia SAS, whose value negotiated and paid in 2015 amounted to R$ 21,908 (equivalent to 6,798 thousand US Dollars), thus assuming control of 100% of the company's capital.

12 Suppliers

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Domestic	6,385	4,154	6,385	4,039
Foreign	27,817	19,204	27,131	18,751
Subtotal	**34,202**	**23,358**	**33,516**	**22,790**
Related parties (note no. 11)	**38**	**6**	**38**	**6**
Total suppliers	**34,240**	**23,364**	**33,554**	**22,796**

13 Income and social contribution taxes

Current

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Income tax	9,329	7,775	9,329	7,775
Social contribution	3,738	2,786	3,738	2,786
Total	**13,067**	**10,561**	**13,067**	**10,561**

Changes in income and social contribution taxes payable

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Opening balance	10,561	6,185	10,561	6,185
Provision	5,102	11,093	5,102	11,093
Interest	134	635	134	635
Compensation	(2,730)	(786)	(2,730)	(786)
Tax paid	-	(6,566)	-	(6,566)
Closing balance	**13,067**	**10,561**	**13,067**	**10,561**

Effective rate in parent company

Reconciliation of Income Tax and Social Contribution	2015	2014
Income before income and social contribution taxes	22,514	26,457
Combined Income and Social Contribution taxes rate	34%	34%
Income Tax / Social Contribution amount on accounting income	7,655	8,995
Additions:	8,612	15,670
Adjustment RTT	-	7,466
Profit Blau Farmacêutica Colômbia SAS	74	-
Transfer price tax adjustment	-	832
Tax incentives	349	200
Negative result of the equity method	5,094	682
Non-deductible provisions	2,978	6,317
Other	117	173
Exclusions**:**	15,286	9,886
Reversal of provisions	2,990	1,412
Technological innovation R&D expenditures Law no. 11,196	5,695	6,080
Positive result of the equity method	74	2,394
Unrealized SWAP positive result	3,534	-
Expenditures with added development	1,333	-
Other	2,494	-
Taxable income	**15,006**	**32,241**
Combined Income and Social Contribution taxes rate	34%	34%
Current income and social contribution taxes	(5,102)	(10,962)
Deferred income and social contribution taxes	4,874	1,382
Income and social contribution taxes	(228)	(9,580)
Effective rate	***1.4%***	***30%***

Deferred income and social contribution taxes, net

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Liabilities				
Income tax	(2,714)	(3,806)	(2,714)	(3,806)
Social contribution	(976)	(1,370)	(976)	(1,370)
Subtotal	**(3,690)**	**(5,176)**	**(3,690)**	**(5,176)**
Assets				
Income tax	3,347	-	2,579	-
Social contribution	1,206	-	929	-
Subtotal	**4,553**	**-**	**3,508**	**-**
Total – assets (liabilities)	**863**	**(5,176)**	**(182)**	**(5,176)**

Changes in deferred income and social contribution taxes

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Opening balance	(5,176)	(6,760)	(5,176)	(6,760)
Income and social contribution taxes on equity valuation adjustments	1,366	1,382	1,366	1,382
Unearned income and social contribution taxes from inventories	120	202	120	202
Income Tax / Social Contribution on provision for inventory losses	543	-	543	-
Income Tax / Social Contribution on reserve for contingencies	2,028	-	2,028	-
Others	937	-	937	-
Total – liabilities	**(182)**	**(5,176)**	**(182)**	**5,176**
Income Tax / Social Contribution on tax losses of Blau Colômbia social contribution negative basis	1,045	-	-	-
Total – assets	**1,045**	**-**	**-**	**-**
Total – assets (liabilities)	**863**	**(5,176)**	**(182)**	**(5,176)**

Deferred income and social contribution taxes balance in the parent company and consolidated substantially refer to valuation adjustment to equity recognized in 2010 due to first-time adoption of Law no. 11,638.

In addition, the Company has calculation basis for deferred taxes assets from temporary differences on allowance for doubtful accounts, provision for inventory losses and reserve for contingencies. Deferred taxes assets were not accounted for due to lack of future income study as determined by CPC 32 (R1).

14 Loans and financing

			Consolidated		Parent company	
Description	**Average rate**	**Guarantee**	**2015**	**2014**	**2015**	**2014**
ACC (Advance on exchange contract)	US$ + 3.5% p.a.	Endorsement	8,929	7,826	8,929	7,826
Leases	11% p.a..	Lien	89	-	-	-
Loan	5% p.a..	-	130	-	-	-
Working capital	18% p.a., 20% p.a.	Receivables Public/Private customers	109,852	115,604	109,432	110,716
Working capital	17% p.a. (SWAP)	-	33,314	-	33,314	-
Finimp	libor + 0.75% p.a.	30% Receivables + Surety	-	4,282	-	4,282
Total			**152,314**	**127,712**	**151,675**	**122,824**
Current			116,850	118,231	116,337	113,343
Non-current			35,464	9,481	35,338	9,481
Total			**152,314**	**127,712**	**151,675**	**122,824**

Breakdown by maturity of long-term loans and financing

	Consolidated		Parent company	
Year	**2015**	**2014**	**2015**	**2014**
2016	-	3,618	-	3,618
2017	35,423	5,863	35,338	5,863
2018	41	-	-	-
Total	**35,464**	**9,481**	**35,338**	**9,481**

There are no covenants to be complied with.

15 Provisions for contingencies

The Company and its subsidiaries, in the ordinary course of their businesses, are subject to judicial proceedings of tax, labor and civil nature. Management, based on its legal advisors' opinion and, whenever applicable, grounded on specific opinion issued by experts, assesses the expectation of the outcome of the proceeding in course and determines the need or not for constituting a provision for contingencies. Based on this evaluation, the following provisions were made:

	Consolidated						
	2013	**Addition**	**Write-off**	**2014**	**Addition**	**Write-off**	**2015**
Labor proceedings	950	2,719	-	3,669	1,119	(23)	4,765
Civil proceedings	804	53	(877)	- 20	950	-	930
ANVISA processes	264	-	-	264	12	(144)	132
Commercial contingency	-	-	-	-	137	-	137
Total	**2,018**	**2,772**	**(877)**	**3,913**	**2,218**	**(167)**	**5,964**

	Parent company						
	2013	**Addition**	**Write-off**	**2014**	**Addition**	**Write-off**	**2015**
Labor proceedings	903	2,719	-	3,622	1,119	-	4,741
Civil proceedings	804	77	(877)	4	950	-	954
ANVISA processes	264	-	-	264	12	(144)	132
Total	**1,971**	**2,796**	**(877)**	**3,890**	**2,081**	**(144)**	**5,827**

a. Provision for possible losses

The Company is a party to other lawsuits evaluated by legal advisors as possible likelihood of loss, in the amount of R$ 12,295 as of December 31, 2015 (R$ 4,309 as of December 31, 2014). No provision was recognized for contingencies classified as possible.

16 Shareholders' equity

a. Paid-in capital

The Company's subscribed and paid-up capital, in accordance with statute registered with JUCESP, is represented by 18,500,000 (18,500,000 in 2014) common, nominative shares with no par value totaling R$ 56,070 (R$ 36,135 in 2014). On April 30, 2015, the shareholders decided to increase the paid-in capital by applying the amount of R$ 19,935 from earnings reserve balance.

Shareholding structure is as follows:

	2015			
Shareholders	**Number of shares**	**Capital**	**Shareholders' equity**	**%**
Marcelo Rodolfo Hahn	16,650,000	50,463	75,326	90%
Joyce Marrie Hahn	1,850,000	5,607	8,370	10%
Total	**18,500,000**	**56,070**	**83,696**	**100%**
Value per share	**18,500,000**	**R$3.03**	**R$4.52**	

	2014			
Shareholders	**Number of shares**	**Capital**	**Shareholders' equity**	**%**
Marcelo Rodolfo Hahn	16,650,000	32,522	64,329	90%
Joyce Marrie Hahn	1,850,000	3,613	7,147	10%
Total	**18,500,000**	**36,135**	**71,476**	**100%**
Value per share	**18,500,000**	**R$1.95**	**R$3.86**	

b. Profit reserve

Comprised of legal reserve and reserve for investments. The legal reserve is formed in conformity with the Brazilian Corporation Law, on the basis of 5% of the net income of each year until it reaches 20% of the paid-in capital.

c. Allocation of net income

Pursuant to the terms of the Bylaws, shareholders holding common shares are entitled to dividends of at least 5% on adjusted net income for the year, after offsetting values of interim dividends and interest on equity.

As of December 31, 2015, considering the net income for the year and the Company's Bylaws, the minimum mandatory dividend is R$ 1,058 (R$ 876 in 2014) and interest on own capital is R$ 1,245 in 2015.

17 Net operating revenue

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Revenue from sale of products - Domestic market	355,619	294,000	355,619	257,540
Revenue from sale of products - Foreign market	36,096	4,568	8,163	4,568
Revenue from sale to related parties (note no. 11)	23,680	29,865	37,822	45,015
	415,395	328,433	401,604	307,123
(-) Taxes	(28,150)	(22,903)	(28,150)	(22,903)
(-) Discounts granted	(766)	-	(766)	-
(-) Returns	(7,964)	(6,457)	(7,042)	(5,374)
	(36,880)	(29,360)	(35,958)	(28,277)
Total	**378,515**	**299,073**	**365,646**	**278,846**

18 Cost of goods and products sold

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Costs with materials (raw materials and packaging)	(181,989)	(129,760)	(175,379)	(122,473)
Labor	(17,050)	(8,388)	(17,050)	(8,389)
Depreciation and amortization	(5,076)	(5,884)	(5,076)	(5,816)
Other production expenses	(11,973)	(31,026)	(11,974)	(31,093)
	(216,088)	**(175,058)**	**(209,479)**	**(167,771)**

19 Selling, general and administrative expenses per function

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Personnel expenses	(35,499)	(24,888)	(30,976)	(21,344)
Transportation expenses	(5,420)	(7,501)	(5,420)	(7,501)
Rendering of services	(5,407)	(7,038)	(4,515)	(6,250)
Advertising and promotions	(2,107)	(1,542)	(2,097)	(1,542)
General expenses	(16,509)	(5,093)	(15,614)	(4,664)
Rent and condominiums	(27,164)	(22,358)	(26,484)	(21,994)
Taxes and rates	(1,116)	(1,442)	(844)	(1,117)
Loss in the realization of credits	(2,835)	(856)	-	(402)
Travel and representations	(1,661)	(2,036)	(1,377)	(1,917)
Management fees	(1,698)	(1,190)	(1,469)	(848)
Depreciation	(2,599)	(1,426)	(2,430)	(1,322)
Maintenance	(1,417)	(253)	(1,403)	(228)
Expenses with materials	(2,841)	(868)	(2,841)	(868)
Utilities	(431)	(437)	(431)	(437)
Regulatory expenses	(1,208)	(1,366)	(1,092)	(1,289)
	(107,912)	**(78,294)**	**(96,993)**	**(71,723)**
Selling expenses	(22,263)	(16,927)	(14,864)	(12,561)
General and administrative expenses	(85,649)	(61,367)	(82,129)	(59,162)
	(107,912)	**(78,294)**	**(96,993)**	**(71,723)**

20 Net financial expenses

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Asset foreign exchange fluctuation	-	9,101	-	9,075
Interest received	326	515	326	515
Gains from SWAP transactions, net	537	-	537	-
Gains with provision of unrealized transactions MTM, net	3,534	-	3,534	-
Other	263	254	-	-
Discounts obtained	125	47	125	47
Total financial income	**4,785**	**9,917**	**4,522**	**9,637**
Liability foreign exchange fluctuations	(14,797)	(12,340)	(14,025)	(11,075)
Interest paid	(21,265)	(14,489)	(21,265)	(14,489)
IOF	(1,309)	(897)	(1,309)	(897)
Commissions and bank expenses	(666)	(784)	(639)	(775)
Other	(1,115)	(143)	(115)	(107)
Discounts granted	(24)	-	(24)	-
Total financial expenses	**(39,176)**	**(28,653)**	**(37,377)**	**(27,343)**
Net financial expenses	**(34,391)**	**(18,736)**	**(32,855)**	**(17,706)**

21 Financial instruments

Individual and consolidated financial instruments are substantially the same, therefore, the Company is presenting only consolidated information.

a. Accounting classification and fair values

The following table shows the carrying and fair values of financial assets and liabilities, including their fair value classifications. It does not include information on the fair value of financial assets and liabilities not measured at fair value if the book value is a reasonable approximation of fair value.

Consolidated – December 31, 2015

				Fair value			
	Stated at fair value through profit or loss	**Loans and receivables**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	5,435	4,609	10,044	4,609	5,435	-	10,044
Trade accounts receivable	-	90,175	90,175	90,175	-	-	90,175
Other receivables	3,681	3,420	7,101	3,420	3,681	-	7,101
Loans receivable - related parties	-	10,061	10,061	10,061	-	-	10,061
	9,116	108,265	117,381	108,265	9,116	-	117,381

	Stated at fair value through profit or loss	Liabilities at amortized cost	Total	Fair value Level 1	Level 2	Level 3	Total
Suppliers	-	34,240	34,240	34,240	-	-	34,240
Loans and financing	147	152,167	152,314	152,167	147	-	152,314
Other accounts payable	-	2,737	2,737	2,737	-	-	2,737
	147	189,144	189,291	189,144	147	-	189,291

Consolidated – December 31, 2014

	Stated at fair value through profit or loss	Loans and receivables	Total	Fair value Level 1	Level 2	Level 3	Total
Cash and cash equivalents	11,077	1,200	12,277	1,200	11,077	-	12,277
Trade accounts receivable	-	78,436	78,436	78,436	-	-	78,436
Other receivables	-	8,352	8,352	8,352	-	-	8,352
Loans receivable - related parties	-	15,498	15,498	15,498	-	-	15,498
	11,077	103,486	114,563	103,486	11,077	-	114,563

	Stated at fair value through profit or loss	Liabilities at amortized cost	Total	Fair value Level 1	Level 2	Level 3	Total
Suppliers	-	23,364	23,364	23,364	-	-	23,364
Loans and financing	-	127,712	127,712	127,712	-	-	127,712
Other accounts payable	-	1,162	1,162	1,162	-	-	1,162
	-	152,238	152,238	152,238	-	-	152,238

b. Measurement of fair value

Evaluation techniques and non-observable significant inputs

The table below presents the valuation technique used for measurement of Level 2 fair value, as well as non-observable significant inputs used.

Financial instruments measured at fair value

Type	**Valuation technique**	**Non-observable significant inputs**	**Relation between non-observable significant inputs and measurement at fair value**
Forward exchange agreements and interest rate swap	Market comparison technique: Fair values are based on brokerage companies' quotations. Similar contracts are negotiated in active markets and quotations reflect current transactions with similar instruments.	Not applicable.	Not applicable.

c. Financial risk management

The Group is exposed to the following risks resulting from financial instruments:

- Credit risk;
- Liquidity risk, and
- Market risk.

(i) Credit risks

Credit risk is the risk of the Group to incur financial losses if a customer or counterparty in a financial instrument fails to perform their contractual obligations. Such risk is mainly due to trade accounts receivable, and of Group's financial instruments.

The carrying amounts of financial assets classified as loans and receivables represent the maximum credit exposure.

Accounts receivable and other receivables

The Group's exposure to credit risks is influenced mainly by the individual characteristics of each customer. However, Management also considers factors that may influence credit risk of its customers' base, including the risk of the industry it operates overall and country in which client operates.

As of December 31, 2015 and 2014, the maximum exposure to credit risk was as follows:

	Consolidated		Parent company	
	2015	**2014**	**2015**	**2014**
Cash and cash equivalents	10,044	12,277	350	499
Trade accounts receivable	90,175	78,436	85,830	70,941
Other receivables	7,101	8,352	6,686	9,529
	107,320	**99,065**	**92,866**	**80,969**

Cash and cash equivalents

The Group held cash and cash equivalents in the amount of R$ 10,044 on December 31, 2015 (R$ 12,277 in 2014). Cash and cash equivalents are maintained with banks and prime line financial institutions of the market.

(ii) Liquidity risk

Liquidity risk is the risk of the Company and its subsidiaries encounter difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Group's approach for managing liquidity is to guarantee, as far as possible, that it will always have sufficient liquidity to comply with its obligations on maturity, both at regular conditions and stress conditions, without causing unacceptable losses or running the risk of damaging the Group's reputation.

The Group monitors expected level of cash receipts from "Trade accounts receivable and other receivables" together with expected cash disbursements related to "Trade accounts payable and other accounts payable"

Exposure to liquidity risk
Contractual maturities of financial liabilities on financial statements date is shown below.

	Consolidated – 2015 - in years		
	Up to 1	**Up to 2**	**Total**
Suppliers	34,240	-	34,240
Loans and financing	116,850	35,464	152,314
Other accounts payable	2,737	-	2,737
	153,827	**35,464**	**189,291**

	Consolidated – 2014 - in years		
	Up to 1	**Up to 2**	**Total**
Suppliers	23,364	-	23,364
Loans and financing	118,231	9,481	127,712
Other accounts payable	1,162	-	1,162
	142,757	**9,481**	**152,238**

(iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group’s earnings or the value of its financial instruments. The objective of market risk management is to manage and control exposures to market risks, within acceptable parameters, and at the same time to optimize the return.

The Group uses derivatives to manage market risks.

Foreign exchange rates risk
The Group is exposed to foreign exchange rates risk deriving from differences between currencies in which sales, purchases and loans are denominated and respective functional currencies of the Group’s entities. Basically, the Group’s functional currencies are the Brazilian Real (R$), Colombian Peso (COP) and Uruguayan Peso (UYU). Currencies in which the Group’s transactions are primarily denominated are as follows: R$, US Dollar, COP and UYU.

In general, loans are denominated in currencies equal to the cash flows generated by the Group's commercial operations, mainly in Brazilian Real, but also in US Dollar.

In relation to other monetary assets and liabilities denominated in foreign currency, the Group’s policy is to guarantee that its net exposure is maintained at an acceptable level, through purchase or sale of foreign currencies in cash, when necessary, to cover short-term mismatches.

Exposure to foreign exchange risk
A summary of the Group's exposure to foreign exchange rates risk is as follows:

	Consolidated – 2015		Consolidated – 2014	
	US Dollar thousand	**Real**	**US Dollar thousand**	**Real**
Trade accounts receivable	3,188	12,446	525	1,450
Suppliers (a)	(6,957)	(27,131)	(6,959)	(19,204)
Loans and financing	(12,572)	(49,091)	(2,836)	(7,826)
Net exposure of expected transactions	(16,341)	(63,776)	(9,270)	(25,580)
Future foreign exchange contracts (SWAP)	8,450	32,994	-	-
Net exposure	(7,891)	(30,782)	(9,270)	(25,580)

(a) The Company and its subsidiaries have the amount of R$ 27,817 in foreign trade accounts payable, as explained in note 12, however, of this amount, R$ 27,131 represents transactions in US Dollar and R$ 686 transactions in Colombian Peso (COP), considering that transaction carried out in Colombian Peso (COP) is not significant, we did not present the corresponding amount in original currency, and did not conduct a sensitivity analysis.

Sensitivity analysis to foreign exchange rates risk
A reasonable appreciation (devaluation) of US Dollar against all other currencies on December 31, 2015 would have affected measurement of financial instruments denominated in foreign currency as well as shareholders' equity and profit or loss by amounts demonstrated below. This analysis considers that all other variables, especially interest rates, remain constant and ignores any impact from expected sales and purchases.

	Consolidated – 2015			
Operation	**Exposure in R$**	**Scenario Probable**	**Scenario I (25%)**	**Scenario II (50%)**
Trade accounts receivable	12,446	990	1,238	1,485
Suppliers	(27,131)	3,308	4,135	4,962
Loans and financing	(49,091)	6,807	8,509	10,211

As of December 31, 2015, the Company has loans amounting to 8,450 million US Dollar, which is equivalent to R$ 32,994, hedged by SWAP transactions.

d. Income from derivative financial instruments

	Consolidated	
Derivative financial instruments	**2015**	**2014**
Gains from SWAP transactions, net	537	-
MtM effect of unrealized transactions, net	3,534	-
Total	4,071	-

Sensitivity analysis of variations in the interest rates

The Company and its subsidiaries make sensitivity analysis of main risks to which its financial instruments are exposed. For the sensitivity analysis of interest rate variations, Management adopted, for the probable scenario, the same rates used on the balance sheet date. Scenarios II and III were estimated as an additional valuation of 25% and 50%, respectively, of rates in the likely scenario.

The table below shows possible impacts on profit or loss for each of the scenarios:

	Consolidated – 2015			
Operation	**Exposure in R$**	**Probable scenario**	**Scenario I (25%)**	**Scenario II (50%)**
Interest earnings bank deposits	5,435	326	82	163
Loans and financing	(152,314)	(19,957)	(4,989)	(9,979)

	Consolidated – 2014			
Operation	**Exposure in R$**	**Probable scenario**	**Scenario I (25%)**	**Scenario II (50%)**
Interest earnings bank deposits	5,435	515	129	258
Loans and financing	(127,712)	(14,723)	(3,681)	(7,362)

e. Net payment contracts or similar contracts

The Group contracts derivative transactions based on standard contracts of the International Association of Swaps (AISD), which provides for net payments. As a rule, based on these contracts, rights and obligations of each counterparty in the same day in relation to all outstanding transactions in the same currency are gathered together in a single net amount that is paid by one party to the other. In some circumstances, for example, when a event such as default occurs, all outstanding transactions under that contract are ended, settlement value is determined, and a single net amount is paid to settle all transactions.

These AISD contracts do not meet criteria for balance offset in the balance sheet. This happens because the Group does not currently have any legally enforceable right to offset recognized amounts because the right to offset may only be exercised upon future occurrence of certain events, such as bank loan default or other credit events. Book values of recognized financial instruments that are subject to above mentioned contracts are indicated in table below.

	Financial instruments' net values in balance sheet
December 31, 2015	
Financial assets	
Other receivables	
- Currency risk swap	3,681
Financial liabilities	
Loans and financing	
- Currency risk swap used	147

22 Firm commitments

The Company has construction contracts to build a warehouse to store raw materials, as explained in note no. 9; its completion is expected in the second semester of 2016. The contracts amount to R$ 4,035

It also has rent contracts with its related party Hahn Participações for its head office and branches; contracts' period is 18 months counted as of their signature with automatic renewal for another 12 months, in case none of the parties disagrees.

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President

Claudio Gomes
Financial Director

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