# Blau Farmacêutica S.A.

(Private company)

**Financial statements**
**December 31, 2016 and 2015**

(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)

# Contents

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# Independent auditors' report on individual and consolidated financial statements

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

**Opinion**
We have audited the individual and consolidated financial statements of Blau Farmacêutica S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the individual and consolidated balance sheets as at December 31, 2016, and the respective statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising the significant accounting policies and other explanatory information.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Blau Farmacêutica S.A. as at December 31, 2016, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil.

**Basis for opinion**
We conducted our audit in accordance with Brazilian and international standards on auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements." We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the individual and consolidated financial statements in Brazil, and have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of management and those charged with governance for the individual and consolidated financial statements**
Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the 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.

In the preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

**Auditor's responsibilities for the audit of individual and consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Auditing Standards (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, omission, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with management among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

São Paulo, April 28, 2017

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, 2016 and 2015

*(In thousands of Reais)*

| | | Consolidated | | Parent company | |
|---|---|---|---|---|---|
| **Assets** | **Notes** | **2016** | **2015** | **2016** | **2015** |
| Cash and cash equivalents | 4 | 10.199 | 10.044 | 1.764 | 350 |
| Trade accounts receivable | 5 | 103.977 | 90.175 | 102.709 | 85.830 |
| Inventories | 6 | 101.364 | 90.699 | 93.048 | 87.165 |
| Recoverable taxes | 7 | 4.902 | 1.807 | 4.027 | 1.807 |
| Other receivables | | 3.760 | 7.101 | 3.120 | 6.686 |
| Total current assets | | 224.202 | 199.826 | 204.668 | 181.838 |
| Judicial deposits | | 1.254 | 1.076 | 1.254 | 1.076 |
| Loans receivable - related parties | 11 | 1.462 | 10.061 | 1.462 | 10.061 |
| Recoverable taxes | 7 | 7.455 | 12.242 | 7.455 | 12.242 |
| Deferred income and social contribution taxes | 13 | 1.402 | 1.045 | 957 | - |
| Total non-current assets | | 11.573 | 24.424 | 11.128 | 23.379 |
| Investments | 8 | 10 | 9 | 24.027 | 24.417 |
| Biological assets | | 306 | 306 | 306 | 306 |
| Property, plant and equipment | 9 | 72.023 | 68.670 | 70.885 | 67.332 |
| Intangible assets | 10 | 9.790 | 10.010 | 2.138 | 2.793 |
| | | 82.129 | 78.995 | 97.356 | 94.848 |
| Total non-current assets | | 93.702 | 103.419 | 108.484 | 118.227 |
| **Total assets** | | **317.904** | **303.245** | **313.152** | **300.065** |

| | | Consolidated | | Parent company | |
|---|---|---|---|---|---|
| **Liabilities** | **Notes** | **2016** | **2015** | **2016** | **2015** |
| Suppliers | 12 | 45.998 | 34.240 | 45.216 | 33.554 |
| Loans and financing | 14 | 108.198 | 116.850 | 105.831 | 116.337 |
| Tax liabilities | | 1.579 | 1.175 | 1.412 | 1.440 |
| Income and social contribution taxes | 13 | 6.279 | 13.067 | 6.279 | 13.067 |
| Labor obligations | | 11.518 | 9.870 | 11.085 | 9.598 |
| Other accounts payable | | 7.856 | 2.737 | 7.333 | 1.026 |
| Total current liabilities | | 181.428 | 177.939 | 177.156 | 175.022 |
| Loans and financing | 14 | 33.707 | 35.464 | 33.234 | 35.338 |
| Deferred income and social contribution taxes | 13 | - | 182 | - | 182 |
| Provisions for contingencies | 15 | 3.450 | 5.964 | 3.443 | 5.827 |
| Total non-current liabilities | | 37.157 | 41.610 | 36.677 | 41.347 |
| Shareholders' equity | 16 | | | | |
| Capital | | 56.070 | 56.070 | 56.070 | 56.070 |
| Profit reserves | | 37.463 | 19.090 | 37.463 | 19.090 |
| Equity valuation adjustments | | 4.961 | 6.390 | 4.961 | 6.390 |
| Other comprehensive income | | 825 | 2.146 | 825 | 2.146 |
| Total shareholders' equity | | 99.319 | 83.696 | 99.319 | 83.696 |
| **Total liabilities and shareholders' equity** | | **317.904** | **303.245** | **313.152** | **300.065** |

See the accompanying notes to the financial statements.

## Blau Farmacêutica S.A.

### Statements of income

**Years ended December 31, 2016 and 2015**

***(In thousands of Reais)***

| | | Consolidated | | Parent company | |
|---|---|---|---|---|---|
| | **Notes** | **2016** | **2015** | **2016** | **2015** |
| Net operating income | 17 | 430.990 | 378.515 | 424.892 | 365.646 |
| Cost of goods and products sold | 18 | (255.029) | (216.088) | (255.051) | (209.479) |
| **Gross income** | | **175.961** | **162.427** | **169.841** | **156.167** |
| Commercial expenses | 19 | (22.281) | (22.263) | (15.962) | (14.864) |
| Administrative expenses | 19 | (102.763) | (85.649) | (98.274) | (82.129) |
| Other operating income, net | | 13.855 | 2.108 | 14.343 | 1.901 |
| Total operating expenses. net | | (111.189) | (105.804) | (99.893) | (95.092) |
| **Income (loss) before financial income (loss) and taxes** | | **64.772** | **56.623** | **69.948** | **61.075** |
| Financial income | 20 | 13.158 | 4.785 | 12.461 | 4.522 |
| Financial expenses | 20 | (36.322) | (39.176) | (35.898) | (37.377) |
| Net financial expenses | | (23.164) | (34.391) | (23.437) | (32.855) |
| Equity in investees at the equity method, net of taxes | 8 | - | - | (4.903) | (5.706) |
| **Income (loss) before taxes** | | **41.608** | **22.232** | **41.608** | **22.514** |
| Current income and social contribution taxes | 13 | (14.530) | (5.102) | (14.530) | (5.102) |
| Deferred income and social contribution taxes | 13 | 1.648 | 4.874 | 1.648 | 4.874 |
| **Income and social contribution taxes** | | **(12.882)** | **(228)** | **(12.882)** | **(228)** |
| **Net income for the year** | | **28.726** | **22.004** | **28.726** | **22.286** |
| **Income (loss) attributed to:** | | | | | |
| Controlling shareholders | | 28.726 | 22.286 | | |
| Non-controlling shareholders | | - | (282) | | |
| **Net income for the year** | | **28.726** | **22.004** | | |

See the accompanying notes to the financial statements.

## Blau Farmacêutica S.A.

## Statements of comprehensive income

### Years ended December 31, 2016 and 2015

*(In thousands of reais)*

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Net income for the year | 28.726 | 22.004 | 28.726 | 22.286 |
| Other comprehensive income: | | | | |
| Accumulated translation adjustment in subsidiaries | (1.321) | 1.657 | (1.321) | 1.770 |
| **Total comprehensive income** | **27.405** | **23.661** | **27.405** | **24.056** |
| Controlling shareholders | 27.405 | 24.056 | | |
| Non-controlling shareholders | - | (395) | | |
| **Total comprehensive income** | **27.405** | **23.661** | | |

See the accompanying notes to the financial statements.

## Blau Farmacêutica S.A.

### Statements of changes in shareholders' equity

**Years ended December 31, 2016 and 2015**

***(In thousands of Reais)***

| | | Profit reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Legal reserve | Reserves for investment | Profit reserve | Equity valuation adjustment | Other comprehensive income | Retained earnings | Total shareholders' equity - parent company | Non-controlling interest | Total shareholders' equity - Consolidated |
| **Balance at January 1, 2015** | 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 |
| Realization of equity valuation adjustments | - | - | - | - | (1.429) | - | 1.429 | - | - | - |
| Net income for the year | - | - | - | - | - | - | 28.726 | 28.726 | - | 28.726 |
| Minimum dividends | - | - | - | - | - | - | (1.113) | (1.113) | - | (1.113) |
| Additional dividends and interest on own capital | - | - | - | (5.400) | - | - | (5.269) | (10.669) | - | (10.669) |
| Formation of reserves | - | 1.173 | - | 22.600 | - | - | (23.773) | - | - | - |
| Accumulated translation adjustment in subsidiary | - | - | - | | - | (1.321) | - | (1.321) | - | (1.321) |
| **Balance at December 31, 2016** | 56.070 | 4.333 | 5.133 | 27.997 | 4.961 | 825 | - | 99.319 | - | 99.319 |

See the accompanying notes to the financial statements.

## Blau Farmacêutica S.A.

### Statements of cash flows

**Years ended December 31, 2016 and 2015**

***(In thousands of Reais)***

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Cash flow from operating activities** | | | | |
| Income (loss) before income tax | 41.608 | 22.232 | 41.608 | 22.514 |
| **Adjustment to reconcile the income for the year with cash from operating activities:** | | | | |
| Depreciation and amortization | 8.751 | 7.660 | 8.509 | 7.492 |
| Write-offs in property, plant and equipment and intangible assets | 518 | 122 | 180 | 121 |
| Financial charges on financing | 16.877 | 19.957 | 16.864 | 19.957 |
| Unrealized foreign exchange variation in loans and provision of SWAP/MTM | (5.779) | 6.807 | (5.748) | 6.807 |
| Unrealized foreign exchange variation in suppliers and clients | 259 | 4.298 | 259 | 4.298 |
| Equity in net income of subsidiaries | - | - | 4.903 | 5.706 |
| Allowance for doubtful accounts, net | (272) | 1.417 | 248 | 800 |
| Provision for inventory losses, net | 4.435 | (628) | 5.221 | (2.247) |
| Others (reversals), net | 599 | (1.345) | (156) | (649) |
| Provision for contingencies, net | (2.749) | 2.051 | (2.384) | 1.937 |
| | 64.247 | 62.571 | 69.504 | 66.736 |
| ***( Increase) decrease in asset accounts*** | | | | |
| Trade accounts receivable | (12.342) | (14.146) | (17.353) | (16.679) |
| Inventories | (12.379) | (18.262) | (11.104) | (17.533) |
| Recoverable taxes | 1.692 | (5.667) | 2.567 | (5.983) |
| Other receivables | 6.366 | 1.251 | 3.566 | 2.843 |
| Judicial deposits | (178) | 24 | (178) | 24 |
| Related parties | 8.599 | 5.437 | 8.599 | 5.437 |
| **(Increase) decrease in liability accounts** | | | | |
| Suppliers | 8.743 | 7.568 | 11.629 | 7.450 |
| Labor obligations | 1.547 | 1.962 | 1.487 | 1.487 |
| Tax liabilities | 367 | (554) | (28) | 420 |
| Other accounts payable | 4.989 | 1.575 | 6.307 | 311 |
| **Cash generated by operating activities** | 71.651 | 41.759 | 74.996 | 44.513 |
| Income and social contribution taxes paid | (20.809) | - | (20.809) | - |
| **Net cash flow from operating activities** | 50.842 | 41.759 | 54.187 | 44.513 |
| **Cash flows from investment activities** | | | | |
| Additions in property, plant and equipment | (11.556) | (20.150) | (11.538) | (19.576) |
| Payment of final installment in acquisition of interest | - | (21.908) | - | (21.908) |
| Advance for future capital increase in investee | - | - | (3.404) | (3.919) |
| Acquisition of investee - Preserv S.A. | (2.274) | - | (2.274) | |
| Increase in intangible assets | (501) | (371) | (49) | (288) |
| **Net cash flow invested in investment activities** | (14.331) | (42.429) | (17.265) | (45.691) |
| **Cash flows from financing activities** | | | | |
| Dividends and interest on own capital | (11.782) | (1.058) | (11.782) | (1.058) |
| Loans and financing | 254.149 | 335.233 | 253.546 | 333.968 |
| Payments of loans and financing - principal | (260.623) | (316.670) | (260.507) | (311.191) |
| Payments of loans and financing - interest | (16.767) | (20.725) | (16.765) | (20.690) |
| **Net cash flow invested in financing activities** | (35.023) | (3.220) | (35.508) | 1.029 |
| **Net increase (decrease) in cash and cash equivalents** | 1.488 | (3.890) | 1.414 | (149) |
| Cash and cash equivalents at January 1 | 10.044 | 12.277 | 350 | 499 |
| Effect of foreign exchange rate on the balance of cash and cash equivalents | 1.321 | (1.657) | - | - |
| Cash and cash equivalents from acquisition of investee | 12 | | | |
| Cash and cash equivalents at December 31 | 10.199 | 10.044 | 1.764 | 350 |
| **Net increase (decrease) in cash and cash equivalents** | 1.488 | (3.890) | 1.414 | (149) |

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 Raposo Tavares Road km 30.5.

The Company is engaged in wholesale trading, distributing, importing and exporting goods. Industrializing pharmaceutical products, medicaments and similar products for human consumption.

Currently, the Company is composed by nine branches, being seven in São Paulo State, one in Paraná State, and one in Rio de Janeiro State.

### (i) Unit I - Building 100 - Head office

Located at Rodovia Raposo Tavares, 2.833, Km 30, Barro Branco, Cotia - SP.
Wholesale trading, distributing, importing and exporting medicaments and drugs for human consumption, pharmaceutical products, inputs for production of medicaments and raw materials.

### (ii) Branch 01

Located at Avenida Mario Isaac Pires, 7.602, Caucaia, Cotia - SP.

Industrializing oncologic medicaments in the form of injectable solution, lyophilized powder, tablets, and pills, intended to supply pharma and hospital division.

### (iii) Branch 02

Located at Rodovia Raposo Tavares, 2.833, Km 30,5, Barro Branco, Cotia - SP.

Manufacturing allopathic, biological and bio-technological medicaments for human consumption in the form of injectable solution, lyophilized powder, tablets, and pills, intended to supply pharma and hospital division.

### (iv) Branch

Located at Rua João Bettega, 101, Sala 213, Curitiba - PR.
Contact office for rental of equipment and vehicles (rental not included in lease law).

### (v) Branch 04

Located in Rio de Janeiro State.

Administrative office, exclusively for contacts of sellers and commercial representatives;

### (vi) Branch 05

Located at Rodovia Raposo Tavares, 2.833, Km 30,5, Barro Branco, Cotia - SP.
Manufacturing raw materials to meet consumption needs of medicament for human consumption production, including manufacturing of pharmaceutical specialties and quality

control for third parties; researching, developing and innovating on inputs, including raw materials and biological, biopharmaceutical and biotechnological medicaments.

**(vii) Branch 06**

Located at Rua Thomaz Sepe, 454, Jardim da Glória, Cotia - SP.

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**

Located at Rua Etiópia 258, Parque São Lourença, Cotia - SP.
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.

**(ix) Branch 08**

Located Rua Adherbal Stresser, 84, Jardim Arpoador, São Paulo - SP
Manufacturing antibiotic medicaments in the form of injectable solution and lyophilized powder intended to supply pharma and hospital division.

***Subsidiaries***

| Company | Country | Interest | |
|---|---|---|---|
| | | 12/31/2016 | 12/31/2015 |
| Blau Farmacéutica Colombia S.A.S. | Colombia | 100% | 100% |
| Blau Farma Uruguay S.A. | Uruguay | 100% | 100% |
| Preserv S.A. | Brazil | 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 inputs and operates in 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 is a subsidiary established in the city of Montevideo, Uruguay, which is engaged in trading pharmaceutical medicines for human consumption and biopharmaceutical inputs, and operates in main pharmaceutical and cosmetic segments. The Company's main activity is the import of products from the Company to be distributed in Uruguay and other countries. Commercial operation started in February 2015.

***Preserv S.A.***

Preserv is a subsidiary headquartered in the municipality of Cotia, São Paulo State that is engaged in trading, importing and exporting condoms and related products for intimate and personal hygiene.

### *Corporate transactions in the year*

*Acquisition of jointly-controlled subsidiary*
On November 11, 2016, based on its project of expanding to the pharmaceutical market, the Company acquired control of 100% of Preserv S.A., for the amount of R$2,274. Considering that Preserv was controlled by the same shareholders of the Company, according to accounting practices adopted in Brazil, transaction was carried out at accounting net assets stated in balance sheet as of October 31, 2016, as follows:

| | | | |
|---|---|---|---|
| **Assets** | | **Liabilities** | |
| **Current assets** | **7,148** | **Current liabilities** | **3,886** |
| Cash and cash equivalents | (12) | Suppliers | 2,982 |
| Trade accounts receivable | 1,414 | Loans and financing | 401 |
| Inventories | 2,721 | Tax liabilities | 37 |
| Other receivables | 3,025 | Labor and social security obligations | 101 |
| **Non-current assets** | **345** | Accounts payable | 130 |
| Property, plant and equipment | 335 | Provisions | 235 |
| Intangible assets | 10 | **Non-current liabilities** | **1,333** |
| | | Loans and financing | 1,333 |
| **Total assets** | **7,493** | **Total liabilities** | **5,219** |
| **Acquired net assets** | **2,274** | | |

Subsequently, on January 27, 2017, as approved on November 11, 2016, registered with JUCESP on December 08, 2016, the Company merged subsidiary Preserv S.A. with retroactive effective date on January 1, 2017.

# 2 Basis for preparation of the financial statements

## a. Statement of conformity

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

The issue of individual and consolidated financial statements was authorized by the Executive Board on April 28, 2017.

## b. Functional and presentation currency

The individual and consolidated financial statements are being presented in Brazilian Real, functional currency of the Company. All financial information presented in Brazilian Reais 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 policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. 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 within the year to end at December 31, 2017 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 recovery;
- **Note 14 -** Loans and financing - classification of lease; and
- **Note 15 -** Provision for contingencies.

***Measurement of fair value***

A series of Company'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 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 financial instruments, designated at fair value through profit or loss and measured at fair value.

## 3 Summary of significant accounting practices

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 rule 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 as:

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

When the value is negative, gains from beneficial purchase are recognized directly in income for the year.

The transferred payment does not include amounts related to payment of prior relationships. These amounts are usually recognized in income 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 income 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 acquire, 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 income 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.

In the Parent company's individual financial statements, the financial data of subsidiaries are recognized under the equity method of accounting.

### *(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 in the investee. 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 income

Operating income 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 income can be reliably measured. Income 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 income at the effective interest 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. Foreign 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 presentation 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 income (loss).

### *(ii) Foreign operations*

Foreign transactions' assets and liabilities, including adjustments to fair value resulting in the acquisition, are translated into Brazilian Reais (functional currency) at the exchange rate prevailing on presentation date. Foreign transactions' income and expenses are translated into Reais 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 statements 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 accumulated translation adjustment is reclassified to profit or loss as part of income (loss) from disposal. When the disposal 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 sales related to a foreign operation, the portion corresponding to the disposal is reclassified to income (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 taxable income for social contribution on net income, 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 tax and social contribution expense comprises both current and deferred income and social contribution taxes. Current taxes and deferred taxes are recognized in profit or loss unless they are related to the business combination, or items directly recognized in shareholders' equity or other comprehensive income.

### *(i) Expenses with income and social contribution taxes - current*

Current tax expense is the tax payable or receivable on the taxable income or loss for the year and any adjustments 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 tax assets and liabilities are offset only if certain criteria are met.

**_(ii) Deferred income and social contribution tax expenses_**

Deferred tax 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 tax assets and liabilities for the year are recognized as deferred income and social contribution tax 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 tax assets and liabilities are measured at tax rates expected to be applied to temporary differences when they are reversed, based on rates on rates that were decreed up to balance sheet date.

The measurement of deferred tax 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 tax 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 income.

## 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 at its fair value minus selling expenses, calculated on 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 Group transition to CPC was determined based on their fair value on that date.

**_(ii) Subsequent costs_**

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

### *(iii) 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 income (loss).

Estimated useful lives for current period and comparative year for fixed assets are as follow:

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

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 loan costs that are directly attributable to acquisition, construction or production of qualifiable asset as part of the asset 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, goodwill book value is included in investment book value, 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 the goodwill, the 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 assets 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 income and other financial liabilities.

### *(i) Non-derivative financial assets and liabilities - recognition and derecognition*

The Group initially recognizes the loans and 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 Entity becomes a party to the contractual provisions of the instrument.

The Group fails to recognize a financial asset when the contractual rights to the cash flow of the asset expire, or when the Group transfers the rights to the reception of 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 discharged or 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 income (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 income 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 income (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 income 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 capital is comprised by 100% of 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 liabilities.

## 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 impairment evidence.

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 accounted under the equity method*
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 income 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 value is estimated.

An impairment loss is recognized when the book value an asset or its CGU exceeds its recoverable value. Impairment losses are recorded in the statement of income.

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, the 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, 2016 and 2015, 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 leasing are charged to income on the straight-line basis over the lease period. Lease incentives received are recognized as an integral part of total lease expenses, over the lease agreement period.

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 formed 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 funds 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 started after January 1, 2017. Those that may be relevant to the Company are listed below.

| Pronouncement | Description | Maturity |
|---|---|---|
| IFRS 9 - Financial instruments / CPC 38 | Refers to IAS 39 - replacement project - Financial Instruments: Recognition and measurement. | Years started as of or after January 1, 2018. |
| IFRS 15 - Income from Clients / CPC 45 | Refers to convergence of IASB (“*International Accounting Standards Board*”) on income recognition. | Years started as of or after January 1, 2018. |
| IFRS 16 - Lease. | Refers to bookkeeping of leases in the balance sheet. | Years started as of or after January 1, 2019. |
| Amendments to IAS 7 / CPC 26 - Presentation of financial statements | Disclosure initiative. | Years started as of or after January 1, 2017. |

The Company's management started an evaluation and understands that application of said pronouncements in financial statements on required dates may have some effect on balances to be reported. However, current stage of this evaluation does not allow quantifying effects, if any, until a detailed review is made at the time of effective adoption.

The Accounting Pronouncement Committee has not yet issued any accounting pronouncement or amendments in current pronouncements corresponding to all new IFRSs. Therefore, the early adoption of these IFRS is not permitted for entities that disclose their financial statements according to accounting practices adopted in Brazil.

The Company did not adopt these amendments in the preparation of these financial statements and does not plan to adopt in advance.

# 4 Cash and cash equivalents

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Cash and cash equivalents in Dollar | - | 18 | - | 18 |
| Cash and cash equivalents in Euro | 3 | 10 | 3 | 10 |
| Cash and cash equivalents in Reais | 154 | 13 | 3 | 4 |
| | **157** | **41** | **6** | **32** |
| Bank checking account | 7,624 | 4,568 | 1,758 | 318 |
| Interest earning bank deposits | 2,418 | 5,435 | - | - |
| | **10,042** | **10,003** | **1,758** | **318** |
| **Total Cash and cash equivalents** | **10,199** | **10,044** | **1,764** | **350** |

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 of value. The Company and its subsidiaries have the option of early redeeming said securities, whose average rate is 2.5% p.a. without penalties or loss of profitability for the investment of Blau Farmacêutica Colômbia SAS. Parent company (Blau), in year ended 2016, had no financial investments.

The Company's interest rate and foreign exchange risk exposure is disclosed in note 21.

# 5 Trade accounts receivable

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Domestic | 96,965 | 76,939 | 95,425 | 76,939 |
| Abroad | 10,150 | 12,446 | 2,657 | 2,998 |
| Related parties (note 11) | 1,395 | 5,595 | 7,899 | 8,917 |
| Sub-total | 108,510 | 94,980 | 105,981 | 88,854 |
| Allowance for doubtful accounts | (4,533) | (4,805) | (3,272) | (3,024) |
| | **103,977** | **90,175** | **102,709** | **85,830** |

## Aging of balances of trade accounts receivable

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Private | | Public | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Falling due | 48,401 | 66,070 | 23,530 | 6,992 | 71,931 | 73,062 |
| Overdue - in days: | 12,445 | 11,225 | 24,134 | 10,693 | 36,579 | 21,918 |
| 1-30 | 3,848 | 398 | 11,999 | 1,246 | 15,847 | 1,644 |
| 31-60 | 980 | 620 | 1,056 | 4,185 | 2,036 | 4,805 |
| 61-180 | 2,815 | 3,756 | 7,295 | 4,252 | 10,110 | 8,008 |
| >181 | 4,802 | 6,451 | 3,784 | 1,010 | 8,586 | 7,461 |
| **Subtotal** | 60,846 | 77,295 | 47,664 | 17,685 | 108,510 | 94,980 |
| Allowance for doubtful accounts | (4,533) | (4,805) | - | - | (4,533) | (4,805) |
| **Total** | **56,313** | **72,490** | **47,664** | **17,685** | **103,977** | **90,175** |

| | Parent company | | | | | |
|---|---|---|---|---|---|---|
| | Private | | Public | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Falling due | 49,414 | 59,213 | 23,530 | 6,992 | 72,944 | 66,205 |
| Overdue - in days: | 8,903 | 11,225 | 24,134 | 11,424 | 33,037 | 22,649 |
| 1-30 | 2,538 | 398 | 11,999 | 1,977 | 14,537 | 2,375 |
| 31-60 | 980 | 620 | 1,056 | 4,185 | 2,036 | 4,805 |
| 61-180 | 1,750 | 3,756 | 7,295 | 4,252 | 9,045 | 8,008 |
| >181 | 3,635 | 6,451 | 3,784 | 1,010 | 7,419 | 7,461 |
| **Subtotal** | 58,317 | 70,438 | 47,664 | 18,416 | 105,981 | 88,854 |
| Allowance for doubtful accounts | (3,272) | (3,024) | - | - | (3,272) | (3,024) |
| **Total** | **55,045** | **67,414** | **47,664** | **18,416** | **102,709** | **85,830** |

The Company records an allowance for doubtful accounts for private clients' overdue trade notes, 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 | |
|---|---|---|
| | 2016 | 2015 |
| Opening balance of provision | (4,805) | (3,388) |
| Formation | (1,381) | (2,512) |
| Reversal | 1,653 | 1,095 |
| Closing balance of provision | **(4,533)** | **(4,805)** |

| | Parent company | |
|---|---|---|
| | **2016** | **2015** |
| Opening balance of provision | (3,024) | (2,224) |
| Formation | (1,196) | (1,658) |
| Reversal | 948 | 858 |
| Closing balance of provision | **(3,272)** | **(3,024)** |

# 6 Inventories

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Finished goods | 27,530 | 16,756 | 21,219 | 13,859 |
| Products for resale | 681 | 637 | - | - |
| Semi-finished products | 18,949 | 13,821 | 17,707 | 13,821 |
| Work in process | 94 | 230 | 94 | 230 |
| Raw materials | 32,324 | 25,758 | 32,324 | 25,758 |
| Packaging materials | 19,465 | 19,289 | 19,385 | 19,289 |
| Materials in possession of third parties | 83 | 83 | 83 | 83 |
| Imports in progress | 418 | 27 | 418 | 27 |
| Advance for imports | 1,571 | 14,098 | 1,569 | 14,098 |
| Production auxiliary material | 249 | - | 249 | - |
| | **101,364** | **90,699** | **93,048** | **87,165** |

In 2016, provision for depreciation of inventories, to take them to their net realizable values, totaled R$6,818 in parent company and R$ 7,797 in consolidated (R$ 1,597 in parent company and R$ 3,362 in consolidated as of December 31, 2015).

## Changes in provision for inventory losses

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Opening balance | (3,362) | (3,991) | (1,597) | (3,844) |
| Formation | (7,195) | (2,668) | (5,873) | (742) |
| Reversal | 2,760 | 3,297 | 652 | 2,989 |
| Closing balance | **(7,797)** | **(3,362)** | **(6,818)** | **(1,597)** |

Changes to provision for devaluation of inventories are recognized in income, under costs of merchandise and products sold.

# 7 Recoverable taxes

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| ***Current*** | | | | |
| ICMS | 1,488 | 1,202 | 1,223 | 1,202 |
| IPI | 212 | 148 | 204 | 148 |
| PIS | 276 | - | 276 | - |
| COFINS | 1,363 | - | 1,363 | - |
| Other | 597 | 447 | 20 | 447 |
| Withholding taxes | 948 | 10 | 923 | 10 |
| **Subtotal** | **4,902** | **1,807** | **4,027** | **1,807** |
| ***Non-current*** | | | | |
| CIAP | 551 | 358 | 551 | 358 |
| PIS | 1,300 | 2,183 | 1,300 | 2,183 |
| COFINS | 5,604 | 9,701 | 5,604 | 9,701 |
| **Subtotal** | **7,455** | **12,242** | **7,455** | **12,242** |
| **Total** | **12,357** | **14,049** | **11,482** | **14,049** |

In 2016, the Company contracted a specialized company to survey and to recognize amounts referring to tax credits deriving from registered debits and credits not recognized on a timely basis. This work was carried out through a review of the entire process of indirect taxes calculation and also of consistency of information recorded in tax and accounting books, including period from January 2012 to August 2016. Credit amounts recognized in taxes recoverable account as a contra-entry to other income in income (loss) are as follows:

| | |
|---|---|
| ICMS | 2,625 |
| PIS | 1,158 |
| COFINS | 5,366 |
| **Total** | **9,149** |

These credits have already been offset in 2016, being IRPJ (corporate income tax)/ CSLL (social contribution on net income) offset against PIS and COFINS (taxes on income). ICMS (state value-added tax) untimely credit was used to offset balance payable itself.

# 8 Investments

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Interest Blau Farmacêutica Colômbia S.A.S | - | | 14,327 | 17,841 |
| Goodwill in investment Blau Colômbia S.A.S | - | - | 6,800 | 6,800 |
| Advance for future capital increase | | | | 32 |
| Total Investment Blau Colômbia S.A.S | **-** | **-** | **21,127** | **24,673** |
| Interest Blaufarma Uruguay S.A | - | - | 1,443 | (4,414) |
| Goodwill on investment Blaufarma Uruguay S.A | | | 271 | 271 |
| Advance for future capital increase (ii) | | | 339 | 3,887 |
| Total Investment Blaufarma Uruguay S.A | **-** | **-** | **2,053** | **(256)** |
| Participações S.A. | - | - | 847 | - |
| Total investments - Preserv S/A | **-** | **-** | **847** | **-** |
| Other investments | 10 | 9 | | |
| **Total Investment** | **10** | **9** | **24,027** | **24,417** |

(i) For consolidation purposes, goodwill values of investees Blau Colômbia R$6,800 and Blau Uruguay R$271 were reclassified to intangible assets, see note 10.

## Changes in investments

| | Blau Colômbia | Blau Uruguay | Preserv | Total |
|---|---|---|---|---|
| Balance at January 1, 2015 | 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** |
| Acquisition of interest - Preserv S.A | - | - | 2,274 | 2,274 |
| Realization of Advance for Future Capital Increase - AFAC (i) | - | 6,984 | | 6,984 |
| Equity in net income of subsidiaries | (1,070) | (1,948) | (1,427) | (4,445) |
| Unrealized profit | (458) | - | - | (458) |
| **Total equity in investees, net** | **(1,528)** | **(1,948)** | **(1,427)** | **(4,903)** |
| Translation adjustment | (2,142) | 821 | - | (1,321) |
| Deferred Income/Social contribution taxes | 156 | | | 156 |
| **Balance at December 31, 2016** | **14,327** | **1,443** | **847** | **16,617** |

On September 30, 2016, Blau Farma Uruguay increased its capital by $U 63,912,957 - which is equivalent to R$6,984 - using advance for future capital increase made by Blau from 2013 up to the end of September 2016, as follows:

| **Advances for future capital increase** | **Amount** |
|---|---|
| 2013 | 152 |
| 2014 | 1,151 |
| 2015 | 2,584 |
| 2016 | 3,097 |
| | 6,984 |

(i) Remittance of capital as AFAC (advance for future capital increase), in the amount of USD 100 thousand, equivalent to R$339.

In compliance with CPC 45 - disclosure of interest in other companies, summary financial information of Blau Colombia, Blau Uruguay and Preserv as of December 31, 2016 and 2015, is disclosed by the company in the chart below:

| | **2016** | | | **2015** | | |
|---|---|---|---|---|---|---|
| | **Blau Colômbia** | **Blaufarma Uruguay** | **Preserv** | **Blau Colômbia** | **Blaufarma Uruguay** | **Preserv** |
| Current assets | 19,971 | 3,078 | 3,920 | 21,336 | 1,358 | - |
| Non-current assets | 1,141 | 891 | 141 | 1,444 | 1,094 | - |
| Total assets | 21,112 | 3,969 | 4,061 | 22,780 | 2,452 | - |
| Current liabilities | 5,752 | 1,845 | 3,122 | 3,996 | 2,941 | - |
| Non-current liabilities | 45 | 343 | 92 | 227 | 37 | - |
| Shareholders' equity | 15,315 | 1,781 | 847 | 18,557 | (526) | - |
| Total Liabilities + Shareholders' Equity | 21,112 | 3,969 | 4,061 | 22,780 | 2,452 | - |
| Net operating income | 18,411 | 2,498 | 1,188 | 26,192 | 263 | - |
| Net income/loss for the year | (1,070) | (1,948) | (551) | (1,627) | (3,322) | - |

# 9 Property, plant and equipment

| | Consolidated | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | **Addition** | **Transf.** | **Write-off** | **2015** | **From acquisition of subsidiary** | **Addition** | **Transf.** | **Write-off** | **2016** |
| **Cost** | | | | | | | | | | |
| Real estate and land | 1,118 | 198 | 1,057 | - | 2,373 | - | 8 | 30 | - | 2,411 |
| Machinery and equipment | 45,893 | 6,644 | - | (77) | 52,460 | 234 | 6,597 | 277 | (46) | 59,522 |
| Aircraft and vehicles | 1,800 | 414 | - | (82) | 2,132 | - | 9 | - | (89) | 2,052 |
| Furniture and fixtures | 5,219 | 271 | - | (1) | 5,489 | 67 | 200 | 2 | (72) | 5,686 |
| Facilities in use | 6,783 | 213 | - | - | 6,996 | 9 | 176 | 283 | (132) | 7,332 |
| IT equipment | 2,188 | 406 | - | (4) | 2,590 | 54 | 497 | 114 | (41) | 3,214 |
| Construction in progress | 18,035 | 10,552 | (4,274) | - | 24,313 | - | 5,852 | (5,186) | (236) | 24,743 |
| Other | 379 | 427 | 3,217 | (11) | 4,012 | 180 | 35 | 4,480 | (180) | 8,527 |
| Advance of assets - future delivery | 2,969 | 1,025 | - | - | 3,994 | - | 688 | - | (2,506) | 2,176 |
| **Total cost** | 84,384 | 20,150 | - | (175) | 104,359 | 544 | 14,062 | - | (3,302) | 115,663 |
| **Depreciation** | | | | | | | | | | |
| Real estate and land | (76) | (26) | - | - | (102) | - | (80) | - | - | (182) |
| Machinery and equipment | (17,393) | (5,151) | - | 10 | (22,534) | (132) | (5,967) | - | 71 | (28,562) |
| Aircraft and vehicles | (1,771) | (216) | - | 28 | (1,959) | - | (303) | - | 86 | (2,176) |
| Furniture and fixtures | (3,572) | (498) | - | 11 | (4,059) | (43) | (515) | - | 83 | (4,534) |
| Facilities in use | (4,273) | (684) | - | - | (4,957) | (5) | (711) | - | 11 | (5,662) |
| IT equipment | (1,739) | (343) | - | 4 | (2,078) | (29) | (266) | - | 27 | (2,346) |
| Other | - | - | - | - | - | - | (178) | - | - | (178) |
| **Total accumulated depreciation** | (28,824) | (6,918) | - | 53 | (35,689) | (209) | (8,020) | - | 278 | (43,640) |
| **Net balance** | 55,560 | 13,232 | - | (122) | 68,670 | 335 | 6,042 | - | (3,024) | 72,023 |

Closing balance and changes to Preserv's assets on acquisition date, November 11, to closing balance in December 2016, which will be merged in January 2017.

| | Parent company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2014** | **Addition** | **Transf.** | **Write-off** | **2015** | **Addition** | **Transf.** | **Write-off** | **2016** |
| **Cost** | | | | | | | | | |
| Real estate and land | 1,118 | 198 | 1,057 | - | 2,373 | 8 | 30 | - | 2,411 |
| Machinery and equipment | 46,848 | 6,621 | - | (77) | 53,392 | 6,595 | 277 | (7) | 60,257 |
| Aircraft and vehicles | 1,731 | 123 | - | (82) | 1,772 | 9 | - | (37) | 1,744 |
| Furniture and fixtures | 4,082 | 248 | - | (1) | 4,329 | 197 | 2 | (8) | 4,520 |
| Facilities in use | 6,783 | 156 | - | - | 6,939 | 167 | 283 | - | 7,389 |
| IT equipment | 2,100 | 351 | - | - | 2,451 | 493 | 114- | - | 2,944 |
| Construction in progress | 17,347 | 10,427 | (4,274) | - | 23,500 | 5,852 | (5,186) | (236) | 23,930 |
| Other | 324 | 427 | 3,217 | - | 3,968 | 35 | 4,480 | - | 8,483 |
| Advance of assets - future delivery | 2,978 | 1,025 | - | - | 4,003 | 688 | - | (2506) | 2,185 |
| **Total cost** | **83,311** | **19,576** | **-** | **(160)** | **102,727** | **14,044** | **-** | **(2,794)** | **113,977** |
| **Depreciation** | | | | | | | | | |
| Real estate and land | (76) | (26) | - | - | (102) | (80) | - | - | (182) |
| Machinery and equipment | (17,689) | (5,119) | - | 10 | (22,798) | (5,946) | - | 22 | (28,722) |
| Aircraft and vehicles | (1,488) | (203) | - | 29 | (1,662) | (203) | - | 79 | (1,786) |
| Furniture and fixtures | (3,337) | (498) | - | - | (3,835) | (475) | - | 8 | (4,302) |
| Facilities in use | (4,361) | (666) | - | - | (5,027) | (696) | - | - | (5,723) |
| IT equipment | (1,668) | (303) | - | - | (1,971) | (228) | - | - | (2,199) |
| Other | - | - | - | - | - | (178) | - | - | (178) |
| | | | | | | | | | - |
| **Total accumulated depreciation** | **(28,619)** | **(6,815)** | **-** | **39** | **(35,395)** | **(7,806)** | **-** | **109** | **(43,092)** |
| **Net balance** | **54,692** | **12,761** | **-** | **(121)** | **67,332** | **6,238** | **-** | **(2,685)** | **70,885** |

Construction in progress totals R$ 23,930, and R$ 14,407 refers to construction work of a new shed to store inventories. The Company expects to complete construction work in the second semester of 2017.

# 10 Intangible assets

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | **2015** | **From acquisition of subsidiary** | **Addition** | **Write-off** | **2016** |
| **Cost** | | | | | |
| Software | 3,801 | 6 | 37 | - | 3,844 |
| Brands | 877 | 4 | 62 | - | 943 |
| *Patent* | 21 | - | - | - | 21 |
| Sanitary registration | 272 | - | 402 | - | 674 |
| Goodwill (i) | 7,072 | - | - | - | 7,072 |
| **Total cost** | **12,043** | **10** | **501** | **-** | **12,554** |
| **Amortization** | | | | | |
| Software | (1,893) | - | (692) | - | (2,585) |
| Sanitary registration | (140) | - | (39) | - | (179) |
| | | | - | | |
| **Total accumulated amortization** | **(2,033)** | **-** | **(731)** | **-** | **(2,764)** |
| **Net balance** | **10,010** | **10** | **(230)** | **-** | **9,790** |

| | Parent company | | | |
|---|---|---|---|---|
| | **2015** | **Addition** | **Write-off** | **2016** |
| **Cost** | | | | |
| Software | 3,791 | 49 | (1) | 3,839 |
| Brands | 877 | - | | 877 |
| **Total cost** | **4,668** | **49** | **(1)** | **4,716** |
| **Amortization** | | | | |
| Software | (1,875) | (703) | - | (2,578) |
| | | | | - |
| **Total accumulated amortization** | **(1,875)** | **(703)** | **-** | **(2,578)** |
| **Net balance** | **2,793** | **(654)** | **(1)** | **2,138** |

(i) Goodwill is from acquisitions of investees Blau Colômbia in he amount of R$ 6,800 and Blau Uruguay, in the amount of R$271, which are being stated in intangible assets in consolidated, as determined by the rule, see note 8.

## Impairment test - Intangible assets

The Company evaluated recovery of goodwill book value using the concept of "value in use" through cash flow models discounted 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 recovery 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 rate representing capital cost.

Based on annual test of intangible assets recovery 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 evaluation date. Main assumptions used for determination of future cash flows discounted at transactions present values are as follows:

| | |
|---|---|
| **Sale of products** | Considering net sales base 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, 2016 |
| **FDC - Financial cost** | 11.7% p.a. capitalized |

# 11 Related parties

## a. Final parent company

During 2016, no new shares were issued. Final controlling shareholder remains being Mr. Marcelo Hahn, who holds most of the Company's shareholding interest.

## b. Remuneration of key management staff

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

| | **2016** | **2015** |
|---|---|---|
| Directors' fees | 2,057 | 2,166 |

As mentioned in note 16 (b), the Company calculated interest on own capital in the amount of R$5,269 (R$1,244 in 2015), which was offset against loans to shareholders.

## c. Balances and transactions with related parties

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Assets** | | | | |
| **Current assets** | | | | |
| **Trade accounts receivable (note 5)** | | | | |
| Kollimed Com. Mat. Hospitalares Ltda. | 664 | 407 | 664 | 407 |
| The Package Store Imp. Com. Distr. Emb. Ltda. | 731 | 690 | 731 | 690 |
| Blau Farmacêutica Colômbia S.A.S. | - | - | 5,079 | 2,638 |
| Blaufarma Uruguay S.A. | - | - | 1,424 | 684 |
| Preserv S.A. | - | 4,093 | - | 4,093 |
| Ariston Inds. Quimicas e Farmacêutica Ltda. | - | 405 | - | 405 |
| **Total clients** | **1,395** | **5,595** | **7,898** | **8,917** |
| **Investments (Note 8)** | | | | |
| AFAC Blaufarma Uruguay S.A. | - | - | 339 | 3,887 |
| FACA - Blau Farmacêutrica Colômbia S.A.S. | - | - | - | 32 |
| **Total** | **-** | **-** | **339** | **3,919** |
| **Non-current assets** | | | | |
| **Loans receivable** | | | | |
| Shareholders | 1,462 | 4,411 | 1,462 | 4,411 |
| Preserv S.A. | - | - | - | - |
| Ariston Inds. Quimicas e Farmacêutica Ltda. | - | 5,650 | - | 5,650 |
| **Total loans receivable** | **1,462** | **10,061** | **1,462** | **10,061** |
| **Total assets** | **2,857** | **15,656** | **9,699** | **22,897** |

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| **Suppliers** | | | | |
| Preserv S.A. | - | 3 | - | 3 |
| Kollimed Com. Mat. Hospitalares Ltda. | 104 | 35 | 104 | 35 |
| **Total Suppliers (note 12)** | **104** | **38** | **104** | **38** |
| **Dividends payable** | | | | |
| Minimum dividends to shareholders | 1,003 | - | 1,003 | - |
| **Total dividends payable** | **1,003** | **-** | **1,003** | **-** |

***Income (loss) - Income (note 17) and costs (note 19)***

| | Consolidated | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | **Income** | **Cost** | **Income** | **Cost** |
| Kollimed Com. Mat. Hospitalares Ltda. | 17,725 | 12,953 | 19,159 | 25,432 |
| The Package Store Imp. Com. Distr. Emb. Ltda. | 2,202 | 899 | 2,064 | 898 |
| Preserv S.A. | - | - | 2,457 | 982 |
| **Total income (loss) from related parties** | **19,927** | **13,852** | **23,680** | **27,312** |

| | Parent company | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | **Income** | **Cost** | **Income** | **Cost** |
| Kollimed Com. Mat. Hospitalares Ltda. | 17,726 | 12,953 | 19,159 | 25,432 |
| The Package Store Imp. Com. Distr. Emb. Ltda. | 2,202 | 899 | 2,064 | 898 |
| Blau Farmacêutica Colômbia S.A.S. | 13,291 | 9,816 | 13,384 | 8,377 |
| Blaufarma Uruguay S.A. | 1,894 | 1,660 | 758 | 698 |
| Preserv S.A. | 814 | 547 | 2,457 | 982 |
| **Total income (loss) from related parties** | **35,927** | **25,875** | **37,822** | **36,387** |

***Income (loss) - other operations***

*(i)* *Leases with Hahn Participações:*
The Company has contracts for rent of properties with related company Hahn Participações Eireli, whose total rent expenses is R$26,974 as of December 31, 2016 (R$24,899 in 2015).

*(ii)* *Contracting of legal services from Giannetto e Faccio Advogados Associados:*
Currently, the Company has a statutory Legal Officer that has interest in law firm Giannetto Faccio Advogados Associados, which provides legal advisory to labor and civil disputes, and service expenses affected result of general and administrative expenses by the amount of R$ 471 in 2016 (R$ 377 in 2015).

# 12 Suppliers

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Domestic | 8,029 | 6,385 | 7,944 | 6,385 |
| Abroad | 37,865 | 27,817 | 37,168 | 27,131 |
| **Subtotal** | **45,894** | **34,202** | **45,112** | **33,516** |
| **Related parties (Note 11)** | **104** | **38** | **104** | **38** |
| **Total Suppliers** | **45,998** | **34,240** | **45,216** | **33,554** |

# 13 Income and social contribution taxes

## Current

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Income tax | 4,579 | 9,329 | 4,579 | 9,329 |
| Social contribution | 1,700 | 3,738 | 1,700 | 3,738 |
| **Subtotal** | **6,279** | **13,067** | **6,279** | **13,067** |

## Changes in income and social contribution taxes payable

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Opening balance | 13,067 | 10,561 | 13,067 | 10,561 |
| Provision | 14,530 | 5,102 | 14,530 | 5,102 |
| Interest | 1,831 | 134 | 1,831 | 134 |
| Offset | (2,340) | (2,730) | (2,340) | (2,730) |
| Tax paid | (20,809) | - | (20,809) | - |
| Closing balance | **6,279** | **13,067** | **6,279** | **13,067** |

## Effective rate in parent company

| **Reconciliation of Income and Social Contribution Taxes** | **2016** | **2015** |
|---|---|---|
| Income before income and social contribution taxes | **41,608** | **22,514** |
| Statutory rate | 34% | 34% |
| Amount of income and social contribution taxes on income at the statutory rate | 14,147 | 7,655 |
| **Additions:** | **16,594** | **8,612** |
| Adjustment RTT | - | - |
| Profit of Blau Farmacêutica Colômbia S.A.S. | 209 | 74 |
| Tax incentives | 256 | 349 |
| Negative result of the equity method | 4,654 | 5,094 |
| Non-deductible provisions | 7,042 | 2,978 |
| Other | 4,433 | 117 |
| **Exclusions:** | **15,467** | **16,120** |
| Reversal of provisions | 4,111 | 2,990 |
| Technological innovation R&D expenditures Law no. 11,196 | 4,474 | 5,695 |
| Positive result of equity | 209 | 74 |
| Unrealized SWAP positive result | - | 3,534 |
| Expenditure with added development | 1,333 | 1,333 |
| Interest on own capital | 5,269 | - |
| Other | 71 | 2,494 |
| **Taxable income** | **42,735** | **15,006** |
| Statutory rate | 34% | 34% |
| Current income and social contribution taxes | (14,530) | (5,102) |
| Deferred income and social contribution taxes | 1,648 | 4,874 |
| Income and social contribution taxes, net in statement of income | (12,882) | (228) |
| **Effective rate** | **31.0%** | **1.5%** |

## Deferred income and social contribution taxes, net

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Liabilities** | | | | |
| Income tax | (1,879) | (2,714) | (1,879) | (2,714) |
| Social contribution | (676) | (976) | (676) | (976) |
| **Subtotal** | **(2,555)** | **(3,690)** | **(2,555)** | **(3,690)** |
| **Assets** | | | | |
| Income tax | 2,970 | 3,347 | 2,524 | 2,579 |
| Social contribution | 987 | 1,206 | 988 | 929 |
| **Subtotal** | **3,957** | **4,553** | **3,512** | **3,508** |
| Total - assets (liabilities) | **1,402** | **863** | **957** | **(182)** |

## Changes in deferred income and social contribution taxes

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Opening balance | (182) | (5,176) | (182) | (5,176) |
| Income and social contribution taxes on equity valuation adjustments | 1,135 | 1,366 | 1,135 | 1,366 |
| Unearned income and social contribution taxes from inventories | - | 120 | - | 120 |
| Income and social contribution taxes on provision for inventory losses | 1,494 | 543 | 1,494 | 543 |
| Income/Social contribution taxes on provision for contingencies | (475) | 2,028 | (475) | 2,028 |
| IR/CS on others | (1,015) | 937 | (1,015) | 937 |
| **Total - assets** | **957** | **-** | **957** | **-** |
| **Total - liabilities** | **-** | **(182)** | **-** | **(182)** |
| Income and social contribution taxes on tax loss from contribution basis negative of Blau Colômbia | 445 | 1,045 | - | - |
| **Total - assets** | **1,402** | **1,045** | **957** | **-** |
| **Total - liabilities** | **-** | **(182)** | **-** | **(182)** |

# 14 Loans and financing

| | | | Consolidated | | Parent company | |
|---|---|---|---|---|---|---|
| **Description** | **Average rate** | **Guarantee** | **2016** | **2015** | **2016** | **2015** |
| ACC (Advance on exchange contract) | US$ + 4.38% p.a. | Approval of the CEO | 15,870 | 8,929 | 15,870 | 8,929 |
| Leases | 11% p.a.. | Lien | 38 | 89 | - | - |
| Loan | 5% p.a.. | | 77 | 130 | - | - |
| Working capital | 17.39% p.a., 18.56% p.a. | Receivables - Public/Private Agencies | 75,257 | 109,852 | 72,532 | 109,432 |
| Working capital | 17.38% p.a., 18.45% p.a. (SWAP) | | 50,663 | 33,314 | 50,663 | 33,314 |
| **Total loans and financing with financial institutions** | | | **141,905** | **152,314** | **139,065** | **151,675** |
| **Total** | | | **141,905** | **152,314** | **139,065** | **151,675** |
| Current | | | 108,198 | 116,850 | 105,831 | 116,337 |
| Non-current | | | 33,707 | 35,464 | 33,234 | 35,338 |
| **Total** | | | **141,905** | **152,314** | **139,065** | **151,675** |

## Breakdown by maturity of long-term loans and financing

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Year** | | | | |
| 2017 | - | 35,423 | - | 35,338 |
| 2018 | 33,707 | 41 | 33,234 | - |
| **Total** | **33,707** | **35,464** | **33,234** | **35,338** |

### *Covenants*

The Company has four contracts for working capital loans with Banco Itaú BBA, with covenants that determine certain obligations to be complied with so that respective values are not subject to early maturity, of which the main one is:

- Ratio between (A) net bank debt and (B) "EBITDA" must always be lower than or equal to 2.5. The Company complied with all contract covenants.

The Company and its subsidiaries, in the ordinary course of their business, are subject to judicial proceedings of tax, labor and civil nature. The 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 forming a provision for contingencies. Based on this evaluation, the following provisions were made:

# 15 Provisions for contingencies

The Company and its subsidiaries, in the ordinary course of their business, are subject to judicial proceedings of tax, labor and civil nature. The 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 forming a provision for contingencies. Based on this evaluation, the following provisions were made:

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2014** | **Addition** | **Write-off** | **2015** | **Addition** | **Write-off** | **2016** |
| Labor proceedings | 3,669 | 1,119 | (23) | 4,765 | 856 | (3,092) | 2,529 |
| Civil proceedings | (20) | 950 | - | 930 | 677 | (826) | 781 |
| ANVISA processes | 264 | 12 | (144) | 132 | 20 | (12) | 140 |
| Commercial contingency | - | 137 | - | 137 | - | (137) | - |
| **Total** | **3,913** | **2,218** | **(167)** | **5,964** | **1,553** | **(4,067)** | **3,450** |

| | Parent company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2014** | **Addition** | **Write-off** | **2015** | **Addition** | **Write-off** | **2016** |
| Labor proceedings | 3,622 | 1,119 | - | 4,741 | 849 | (3,092) | 2,498 |
| Civil proceedings | 4 | 950 | - | 954 | 677 | (826) | 805 |
| ANVISA processes | 264 | 12 | (144) | 132 | 21 | (13) | 140 |
| Commercial contingency | - | - | - | - | | | - |
| **Total** | **3,890** | **2,081** | **(144)** | **5,827** | **1,547** | **(3,931)** | **3,443** |

## a. Provision for possible losses

The Company is a party to other lawsuits evaluated by legal advisors as possible likelihood of possible loss, in the amount of R$ 7,006 as of December 31, 2016. No provision was recognized for contingencies classified as possible, according to its nature:

| **Nature** | **Amount** |
|---|---|
| Tax | 3,432 |
| Labor | 548 |
| Civil | 3,026 |
| **Total** | **7,006** |

# 16 Shareholders' equity

## a. Capital

The Company's subscribed and paid-up capital, on December 31, 2016, is represented by 18,500,000 of common nominative shares, with no par value.

Shareholding structure is as follows:

*(Amounts expressed in Reais)*

| | 2016 | | | |
|---|---|---|---|---|
| **Shareholders** | **Number of shares** | **Capital** | **Shareholders' equity** | **%** |
| Marcelo Rodolfo Hahn | 16,650,000 | 50,463 | 89,387 | 90% |
| Joyce Marrie Hahn | 1,850,000 | 5,607 | 9,932 | 10% |
| **Total** | **18,500,000** | **56,070** | **99,319** | **100%** |
| **Value per share** | **18,500,000** | **R$ 3.03** | **R$ 5.37** | - |

| | 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$ 4.44** | - |

## b. Allocation of income

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

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 own capital.

As of December 31, 2016, considering income for the year and the Company's Bylaws, minimum mandatory dividend is R$1,113 and R$ 1,003 to be paid in 2017 (R$ 1,058 in 2015 offset with loans to shareholders).

In accordance with the option provided in Law No. 9.249/95, the Company computed interest on own capital of R$ 5,269 (R$ 1,244 in 2015) by using TJLP (Long-term interest rate) in effect for the year. This interest was recorded under financial expenses, as required by tax legislation. For the purposes of these financial statements, this interest was eliminated from the income (loss) for the year and are presented in the retained earnings in counterparty to current liabilities.

In 2015 and 2016, the Company offset interest on own capital amounting to R$1,244 and R$5,269, respectively, against loans to shareholders.

The income and social contribution taxes for the year were reduced by approximately R$ 2,107 (R$ 498 in 2015), as a result of the deduction of these taxes by interest on own capital credited to shareholders.

**c. Profit retention reserve**

It will be destined to working capital reserve and future dividend distribution, for the main purpose of meeting funds needed for performance of investments provided for in the Company’s budget.

In 2016, the Company decided to partially distribute profit retention reserve balance of R$5,400, with cash payment in the year itself.

# 17 Net operating income

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Income from sale of products - Foreign market | 408,764 | 355,619 | 414,782 | 355,619 |
| Income from sale of products - Foreign market | 30,378 | 36,096 | 9,469 | 8,163 |
| Income from sales to related parties (Note 11) | 27,269 | 23,680 | 35,927 | 37,822 |
| | **466,411** | **415,395** | **460,178** | **401,604** |
| (-) Taxes | (30,281) | (28,150) | (30,157) | (28,150) |
| (-) Discounts granted | (257) | (766) | (257) | (766) |
| (-) Returns | (4,883) | (7,964) | (4,872) | (7,042) |
| | **(35,421)** | **(36,880)** | **(35,286)** | **(35,958)** |
| **Total** | **430,990** | **378,515** | **424,892** | **365,646** |

| **Market** | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Private | 297,254 | 313,039 | 291,156 | 300,170 |
| Public | 133,736 | 65,476 | 133,736 | 65,476 |
| **Net income per market** | **430,990** | **378,515** | **424,892** | **365,646** |

# 18 Cost of goods and products sold

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Costs with materials (raw material and packaging) | (191,725) | (181,989) | (191,747) | (175,379) |
| Labor | (14,283) | (17,050) | (14,283) | (17,050) |
| Depreciation and amortization | (5,612) | (5,076) | (5,612) | (5,076) |
| Other production expenses | (43,409) | (11,973) | (43,409) | (11,974) |
| **Total sales cost** | **(255,029)** | **(216,088)** | **(255,051)** | **(209,479)** |

# 19 Commercial and administrative expenses per function

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Personnel expenses | (34,412) | (34,494) | (29,798) | (29,970) |
| Transportation expenses | (4,910) | (5,420) | (4,883) | (5,420) |
| Profit-sharing | (1,215) | (1,006) | (1,215) | (1,006) |
| Rendering of services | (10,865) | (5,407) | (9,471) | (4,515) |
| Advertising and promotions | (1,445) | (2,107) | (1,067) | (2,097) |
| General expenses | (28,792) | (16,508) | (27,402) | (15,614) |
| Rent and condominiums | (28,693) | (27,164) | (28,163) | (26,484) |
| Taxes and rates | (622) | (1,116) | (401) | (844) |
| Loss in the realization of credits | (2,597) | (2,835) | (920) | - |
| Travel and representations | (1,375) | (1,661) | (1,107) | (1,377) |
| Directors' fees | (1,715) | (1,698) | (1,654) | (1,469) |
| Depreciation and amortization | (3,118) | (2,599) | (2,871) | (2,430) |
| Maintenance | (1,410) | (1,417) | (1,407) | (1,403) |
| Expenses with materials | (2,502) | (2,841) | (2,666) | (2,841) |
| Utilities | (126) | (431) | (126) | (431) |
| _Regulatory expenses_ | (1,247) | (1,208) | (1,085) | (1,092) |
| | **(125,044)** | **(107,912)** | **(114,236)** | **(96,993)** |
| Commercial expenses | (22,281) | (22,263) | (15,962) | (14,864) |
| Administrative expenses | (102,763) | (85,649) | (98,274) | (82,129) |
| | **(125,044)** | **(107,912)** | **(114,236)** | **(96,993)** |

# 20 Net financial expenses

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Asset foreign exchange fluctuation | 12,784 | - | 12,222 | - |
| Interest received | 321 | 326 | 187 | 326 |
| Gains from SWAP transactions, net | - | 537 | - | 537 |
| Gains with provision of unrealized transactions MTM, net | - | 3,534 | - | 3,534 |
| Other | - | 263 | - | - |
| Discounts obtained | 53 | 125 | 52 | 125 |
| **Total financial income** | **13,158** | **4,785** | **12,461** | **4,522** |
| Liability foreign exchange fluctuations | - | (14,797) | - | (14,025) |
| Interest paid | (20,316) | (21,265) | (19,965) | (21,265) |
| Loss from SWAP transactions, net | (3,685) | - | (3,685) | - |
| Loss with provision of unrealized transactions MTM | (7,778) | - | (7,778) | - |
| IOF (Tax on financial transactions) | (2,045) | (1,309) | (2,045) | (1,309) |
| Commissions and bank expenses | (960) | (666) | (891) | (639) |
| Other | (1,124) | (1,115) | (1,120) | (115) |
| Discounts granted | (414) | (24) | (414) | (24) |
| **Total financial expenses** | **(36,322)** | **(39,176)** | **(35,898)** | **(37,377)** |
| **Net financial income (loss)** | **(23,164)** | **(34,391)** | **(23,437)** | **(32,855)** |

# 21 Financial instruments

Parent company 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, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | 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 | 2,418 | 7,781 | 10,199 | 7,781 | 2,418 | - | 10,199 |
| Trade accounts receivable | - | 103,977 | 109,510 | 103,977 | - | - | 109,977 |
| Other receivables | - | 3,760 | 3,760 | 3,760 | - | - | 3,760 |
| Loans receivable - related parties | - | 1,462 | 1,462 | 1,462 | - | - | 1,462 |
| | 2,418 | 116,980 | 124,931 | 116,980 | 2,418 | - | 125,398 |

| | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| | Stated at fair value through profit or loss | Liabilities at amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| Suppliers | - | 45,998 | 45,998 | 45,998 | - | - | 45,998 |
| Loans and financing | 4,244 | 137,661 | 141,905 | 137,661 | 4,244 | - | 141,905 |
| Other accounts payable | 7,535 | 321 | 7,856 | 321 | 7,535 | - | 7,856 |
| | 11,779 | 183,980 | 195,759 | 183,980 | 11,779 | - | 195,759 |

| | 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 |

| | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| | Stated at fair value through profit or loss | Liabilities at amortized cost | Total | 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 |

## b. Measurement of fair value

### *Evaluation techniques and non-observable significant inputs*

Table below presents 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 firms' 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 client 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 book value 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 client. However, Management also considers factors that may influence credit risk of its clients' base, including the risk of not paying the industry and country in which client operates.

As of December 31, 2016 and 2015, credit risk maximum exposure was as follows:

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Cash and cash equivalents | 10,199 | 10,044 | 1,764 | 350 |
| Trade accounts receivable | 103,977 | 90,175 | 102,709 | 85,830 |
| Other receivables | 3,760 | 7,101 | 3,120 | 6,686 |
| **Total** | **117,936** | **107,320** | **107,593** | **92,866** |

*Cash and cash equivalents*

The Group held cash and cash equivalents in the amount of R$ 10,199 on December 31, 2016 (R$ 10,044 in 2015). 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*

Contract maturities of financial liabilities on financial statements date as shown below.

| | Consolidated - 2016 | | |
|---|---|---|---|
| | **Up to 1 year** | **Up to 2 years** | **Total** |
| Suppliers | 45,998 | - | 45,998 |
| Loans and financing | 108,198 | 33,707 | 141,905 |
| Other accounts payable | 7,856 | - | 7,856 |
| **Total** | **162,052** | **33,707** | **195,759** |

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

### *(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 risk*

The Group is exposed to foreign exchange 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$), Colombian Peso (COP) and Uruguayan Peso (UYU). Currencies in which the Group's transactions are primarily denominated are as follows: R$, USD, Colombian Peso (COP) and Uruguayan Peso (UYU).

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

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 risk, as reported to Management, is as follows:

| | **Consolidated - 2016** | | **Consolidated - 2015** | |
|---|---|---|---|---|
| | **USD thousand** | **Reais** | **USD thousand** | **Reais** |
| Trade accounts receivable | 3,115 | 10,150 | 3,188 | 12,446 |
| Suppliers (a) | (11,404) | (37,168) | (6,957) | (27,131) |
| Loans and financing | (20,415) | (66,533) | (12,572) | (49,091) |
| *Net exposure of expected transactions* | (28,705) | (93,551) | (16,341) | (63,776) |
| Future foreign exchange contracts (SWAP) | 15,545 | 50,662 | 8,450 | 32,994 |
| Net exposure | (13,160) | (42,889) | (7,891) | (30,782) |

(a) The Company and its subsidiaries have the amount of R$ 37,865 in foreign suppliers, as explained in note 12, however, of this amount, R$ 37,168 represents transactions in dollar and R$ 697 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 risk*
A reasonable appreciation (devaluation) of US dollar against all other currencies on December 31 would have affected measurement of financial instruments denominated in foreign currency as well as shareholders' equity and income 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 - 2016** | | | |
|---|---|---|---|---|
| **Operation** | **Exposure in R$** | **Probable scenario** | **Scenario I (25%)** | **Scenario II (50%)** |
| Trade accounts receivable | 10,150 | 765 | 956 | 1,148 |
| Suppliers | (37,168) | 1,887 | 2,359 | 2,831 |
| Loans and financing | (66,533) | 9,829 | 12,286 | 14,744 |

| | **Consolidated - 2015** | | | |
|---|---|---|---|---|
| **Operation** | **Exposure in R$** | **Probable scenario** | **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, 2016, the Company has loans in dollar amounting to USD 15,545 million, which is equivalent to R$ 50,663, hedged by SWAP transactions.

**Income from derivative financial instruments**

| | Consolidated | |
|---|---|---|
| **Derivative financial instruments** | **2016** | **2015** |
| Gains from SWAP transactions, net | 1,614 | - |
| Net loss with SWAP operations | (5,299) | 537 |
| MTM net effect of unrealized SWAP transactions | (7,778) | 3,534 |
| Total | (11,463) | 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 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 results for each of the scenarios:

| | Consolidated - 2016 | | | |
|---|---|---|---|---|
| **Operation** | **Exposure in R$** | **Probable scenario** | **Scenario I (25%)** | **Scenario II (50%)** |
| Interest earning bank deposits | 2,418 | 145 | 181 | 218 |
| Loans and financing | (141,905) | (16,877) | (4,219) | (8,439) |

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

## d. 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 value that is paid by one party to the other. In some circumstances, for example, when a credit event such as default occurs, all outstanding transactions under that contract are ended, settlement value is determined, and a single net value 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** | **2016** | **2015** |
| **Financial assets** | | |
| Other receivables | | |
| - Currency risk swap | - | 3,681 |
| | | |
| **Financial liabilities** | | |
| Loans and financing | | |
| - Currency risk swap used | 4,244 | 147 |
| Other accounts payable | | |
| - Currency risk swap | 7,535 | - |

## 22 Firm commitments

The Company has construction contracts to build a shed to store raw materials, as explained in note 09; its completion is expected in the second semester of 2017.

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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