Blau Farmacêutica S.A.

Financial statements
December 31, 2016, 2015 and 2014

KPDS 204216

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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 balance sheet as at December 31, 2016 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, including 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 balance sheets of Blau Farmacêutica S.A .as at December 31, 2016, the individual and consolidated financial performance and their respective individual and consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS).

Basis for opinion
We conducted our audit in accordance with the 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" section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit and the principles set forth in the Professional Code of Ethics of the Accountant and the professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements and standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter
On October 24, 2017, we issued an unmodified audit report on the individual and consolidated financial statements of Blau Farmacêutica S.A. for the year ended December 31, 2016, which have been restated. As described in Note 5, these financial statements have been amended and are being restated to reflect the correction of information pertaining to earnings per share and other improvements in the disclosure notes of related parties, inventories, financial instruments, net revenues and shareholders´ equity described

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in the aforementioned note. Consequently, our opinion considers these amendments and replaces the opinion previously issued. Our opinion does not contain any modification in related to this matter.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable amount of goodwill on business acquisition - Individual and Consolidated
As described in notes 9.j, 14 and 16 to the financial statements, the Company has an amount of R$ 6,800 thousand of goodwill on the acquisition of control of Blau Farmacêutica Colombia S.A.S., in 2013, whose recoverable amount must be tested annually. The assessment of recoverability of goodwill is supported by estimates of value-in-use based on the business plan and budget prepared and approved by the Company.

Due to the judgments inherent in the process of determining the value-in-use estimates of the cash-generating unit for the purpose of evaluating the recoverable value, and the complexity of the process, which requires a significant degree of judgment on the part of the Company and which may impact the value of this asset in the individual and consolidated financial statements, we consider this matter to be significant in our audit work.

How our audit conducted this matter
We obtained the understanding of the key internal controls related to the preparation of the cash flow projections prepared and approved by the Company to determine the value in use of the cash generating unit.

With the assistance of our corporate finance specialists, we evaluated the assumptions and methodology used in the assessment prepared by the Company and evaluated the reasonableness and consistency of the assumptions used, such as discount rate, projected sales volumes and prices, and costs in relation to usual market practices and the characteristics of the business.

We assessed the sensitivity of the impact on the recoverable amount resulting from possible and reasonable changes in the key assumptions used by the Company.

Finally, we evaluated the adequacy of the Company's disclosures, specifically in relation to the assumptions used to determine the value in use.

Extemporaneous credit related to taxes of PIS, COFINS and ICMS - Individual and Consolidated
As described in note 13 to the financial statements, in 2016 the Company contracted an external expert who performed an assessment of non-timely tax credits (extemporaneous credits) related to PIS, COFINS and ICMS taxes, resulting in the recognition of a gain of R$ 9,149 thousand under "Other revenues". These taxes have already been partially offset with debit balances in the 2016 financial year. The determination of the value of the extemporaneous credits was based on the concept of inputs in accordance with the Income Tax Regulation (RIR) and with the Product Tax Regulation (RIPI), a concept that is neither clear nor objective, and there are even conceptual variations between these regulations.

Due to the relevance of the amount involved, the complexity and subjectivity inherent to the process of determining the extemporaneous credits, which requires a significant degree of judgment by the Company underlying the input framework of its operations and possible impact on the value of the extemporaneous credit registered in the individual and consolidated financial statements, we consider this matter to be significant in our audit work.

How our audit conducted this matter
We obtained the documentation prepared by the Company and we evaluated the nature of the extemporaneous credits and the calculation of the tax credit and by type of input, as well as reconciled the amounts indicated with the accounting records. With the assistance of our specialists, we analyzed the tax advice prepared by the external legal advisors regarding the procedures performed by the Company to collect credits, the assessment of risk of non-acceptance by the tax authorities and the likelihood of disbursement in the event of a judicial dispute with tax authorities. Additionally, we evaluated the adequacy of the disclosures made by the Company.

Other matters - Statements of value added
The individual and consolidated statements of value added (DVA) for the year ended December 31, 2016, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, were subject to jointly executed auditing procedures with the audit of the Company's financial statements. For the purposes of forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth in Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Management's responsibilities by the individual and consolidated financial statements
Management is responsible for the preparation and adequate presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as internal controls that it has determined to be necessary to enable the preparation of individual and consolidated financial statements free of material misstatement, whether caused by fraud or error.

In the preparation of the individual and consolidated financial statements, management is responsible for evaluating the Company's ability to continue operating, disclosing, when applicable, matters related to its operational continuity and the use of this accounting basis in the preparation of the individual and consolidated financial statements unless management intends to liquidate the Company or cease its operations, or has no realistic alternative to avoid the closure of operations.

Those responsible for the Company's management are those responsible for supervising the process of preparing the individual and consolidated financial statements.

Responsibilities of the auditors for the audit of the individual and consolidated financial statements

Our purpose is to obtain reasonable assurance that the financial statements, taken together, are free from material misstatement, whether caused by fraud or error, and issue an audit report containing our opinion.

Reasonable security is a high level of security, but not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards will always detect any relevant material misstatements. Distortions may be due to fraud or error and are considered relevant when, individually or together, they can influence, from a reasonable perspective, the economic decisions of users taken on the basis of the aforementioned consolidated financial statements.

As part of an audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Besides that:

- We identify and evaluate the risks of material misstatement in the individual and consolidated financial statements, regardless of whether it is caused by fraud or error, we plan and perform audit procedures in response to such risks, and we obtain audit evidence appropriate and sufficient to substantiate our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that of error, since fraud may involve circumvention of internal controls, collusion, counterfeiting, omission or false intentional representations.

- We obtain an understanding of the internal controls relevant to the audit to plan appropriate audit procedures in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- We evaluate the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by management.

- We conclude on the adequacy of management's use of the operating continuity accounting basis and, based on the audit evidence obtained, whether there is significant uncertainty in relation to events or circumstances that may cause significant doubt as to the ability to continue operating of the Company. Our findings are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to no longer be in operational continuity.

- We evaluate the overall presentation, structure and content of financial statements, including disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner consistent with the appropriate presentation objective.

- We obtain adequate and adequate audit evidence regarding the financial information of the entities or business activities of the group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group's audit and, consequently, for the audit opinion.

  We communicate with management regarding, inter alia, the planned scope, timing of the audit and significant audit findings, including any significant weaknesses in the internal controls we have identified during our work.

We also provide management with a statement that we have complied with the relevant ethical requirements, including the applicable independence requirements, and communicate any relationships or matters that could significantly affect our independence, including, where applicable, respective safeguards.

Of the subjects that were object of communication with the administration, we determined those that were considered most significant in the audit of the financial statements for the current year and, in this way, are the main audit subjects. We describe these matters in our audit report unless the law or regulation has prohibited public disclosure of the matter or when in extremely rare circumstances we determine that the matter should not be reported in our report because the adverse consequences of such disclosure may, within a reasonable perspective, to overcome the benefits of communication to the public interest.

São Paulo, January 12, 2018

KPMG Auditores Independentes
CRC 2SP014428/O-6

Leonardo Augusto Giusti
Contador CRC 1SP203952/O-9

Blau Farmacêutica S.A.

Balance sheets at December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reais - R$)

		Consolidated			Parent company		
Assets	**Notes**	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Cash and cash equivalents	10	10.199	10.044	12.277	1.764	350	499
Trade accounts receivable	11	98.721	84.875	66.667	97.453	80.530	59.172
Inventories	12	104.208	90.312	75.935	95.892	86.778	71.511
Recoverable taxes	13	4.902	1.807	859	4.027	1.807	859
Other receivables		3.760	7.101	9.979	3.120	6.686	11.156
Total current assets		221.790	194.139	165.717	202.256	176.151	143.197
Judicial deposits		1.254	1.076	1.100	1.254	1.076	1.100
Loans receivable - related parties	17	1.462	10.061	15.498	1.462	10.061	15.498
Recoverable taxes	13	7.455	12.242	7.523	7.455	12.242	7.207
Deferred income and social contribution taxes	19	1.402	1.592	-	957	547	-
		11.573	24.971	24.121	11.128	23.926	23.805
Investments	14	10	9	9	24.027	24.417	15.371
Biological assets		306	306	306	306	306	306
Property, plant and equipment	15	72.023	68.670	55.560	70.885	67.332	54.692
Intangible assets	16	9.790	10.010	10.381	2.138	2.793	3.182
		82.129	78.995	66.256	97.356	94.848	73.551
Total non-current assets		93.702	103.966	90.377	108.484	118.774	97.356
Total assets		**315.492**	**298.105**	**256.094**	**310.740**	**294.925**	**240.553**

		Consolidated			Parent company		
Liabilities	**Notes**	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Suppliers	18	45.998	34.240	23.364	45.216	33.554	22.796
Loans and financing	20	108.198	116.850	118.231	105.831	116.337	113.343
Tax liabilities		1.230	725	1.373	1.063	990	664
Income and social contribution taxes	19	6.279	13.067	8.607	6.279	13.067	8.607
Labor obligations		11.518	9.870	7.908	11.085	9.598	8.111
Other accounts payable		7.857	2.737	1.162	7.334	1.026	715
Total current liabilities		181.080	177.489	160.645	176.808	174.572	154.236
Loans and financing	20	33.707	35.464	9.481	33.234	35.338	9.481
Deferred income and social contribution taxes	19	-	-	3.336	-	-	3.336
Provisions for contingencies	21	3.450	5.964	3.913	3.443	5.827	3.890
Total non-current liabilities		37.157	41.428	16.730	36.677	41.165	16.707
Shareholders' equity	22						
Capital		56.070	56.070	36.135	56.070	56.070	36.135
Profit reserves		35.399	14.582	25.247	35.399	14.582	25.247
Equity valuation adjustments		4.961	6.390	7.852	4.961	6.390	7.852
Other comprehensive income		825	2.146	376	825	2.146	376
Equity attributable to owners of the company		97.255	79.188	69.610	97.255	79.188	69.610
Shareholder participation non-controllers		-	-	9.109	-	-	-
Total equity		97.255	79.188	78.719	97.255	79.188	69.610
Total liabilities and shareholders' equity		**315.492**	**298.105**	**256.094**	**310.740**	**294.925**	**240.553**

See the accompanying notes to the financial statements.

Blau Farmacêutica S.A.

Statements of income

Years ended December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reais - R$)

		Consolidated			Parent company		
	Notes	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Net revenue	23	430.933	383.451	290.045	424.835	370.582	269.818
Cost of goods and products sold	24	(251.798)	(220.601)	(171.443)	(251.820)	(213.992)	(164.156)
Gross profit		**179.135**	**162.850**	**118.602**	**173.015**	**156.590**	**105.662**
Commercial expenses	25	(35.873)	(35.553)	(29.764)	(29.554)	(28.154)	(25.398)
Administrative expenses	25	(89.171)	(72.359)	(48.530)	(84.682)	(68.839)	(46.325)
Other operating income, net		13.855	2.108	3.296	14.343	1.901	3.099
Total operating expenses. net		(111.189)	(105.804)	(74.998)	(99.893)	(95.092)	(68.624)
Income (loss) before financial income (loss) and taxes		**67.946**	**57.046**	**43.604**	**73.122**	**61.498**	**37.038**
Financial income	26	13.158	4.785	9.917	12.461	4.522	9.637
Financial expenses	26	(35.392)	(37.712)	(28.653)	(34.968)	(35.913)	(27.343)
Net financial expenses		(22.234)	(32.927)	(18.736)	(22.507)	(31.391)	(17.706)
Equity in investees at the equity method, net of taxes	14	-	-	-	(4.903)	(5.706)	1.712
Income (loss) before taxes		**45.712**	**24.119**	**24.868**	**45.712**	**24.401**	**21.044**
Current income and social contribution taxes	19	(14.530)	(5.102)	(10.935)	(14.530)	(5.102)	(9.008)
Deferred income and social contribution taxes	19	919	3.763	3.222	919	3.763	3.222
Income and social contribution taxes		**(13.611)**	**(1.339)**	**(7.713)**	**(13.611)**	**(1.339)**	**(5.786)**
Net income for the year		**32.101**	**22.780**	**17.155**	**32.101**	**23.062**	**15.258**
Income (loss) attributed to:							
Controlling shareholders		32.101	23.062	15.258	32.101	23.062	15.258
Non-controlling shareholders		-	(282)	1.897	-	-	-
Net income for the year		**32.101**	**22.780**	**17.155**	**32.101**	**23.062**	**15.258**
Basic and diluted earnings per common share (Restated)		**0,22**	**0,15**	**0,12**	**0,22**	**0,16**	**0,10**

See the accompanying notes to the financial statements.

Blau Farmacêutica S.A.

Statements of comprehensive income

Years ended December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reais - R$)

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Net income for the year	32.101	22.780	17.155	32.101	23.062	15.258
Other Comprehensive Results						
Items that will not be reclassified to the result						
Accumulated translation adjustment in subsidiaries	(1.321)	1.657	(1.126)	(1.321)	1.770	(577)
Total comprehensive income	**30.780**	**24.437**	**16.029**	**30.780**	**24.832**	**14.681**
Comprehensive income attributable to						
Controlling shareholders	30.780	24.832	13.583	30.780	24.832	14.681
Non-controlling shareholders	-	(395)	2.446	-	-	-
Total comprehensive income	**30.780**	**24.437**	**16.029**	**30.780**	**24.832**	**14.681**

See the accompanying notes to the financial statements.

Blau Farmacêutica S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reais - R$)

		Profit reserves							
	Capital	Legal reserve	Reserves for investment	Additional dividend proposed reserve	Other comprehensive income	Retained earnings	Total shareholders' equity - parent company	Non-controlling interest	Total shareholders' equity - Consolidated
Balance at January 1, 2014	18.500	1.201	28.439	-	10.287	-	58.427	7.761	66.188
Comprehensive income for the year									
Net income for the year	-	-	-	-	-	15.258	15.258	1.897	17.155
Accumulated translation adjustment in subsidiary	-	-	-	-	(577)	-	(577)	(549)	(1.126)
Total Comprehensive Income, net of taxes	**-**	**-**	**-**	**-**	**(577)**	**15.258**	**14.681**	**1.348**	**16.029**
Transactions with shareholders and constitution of reserves									
Capital increase with profit reserves	17.635	-	(17.635)	-	-	-	-	-	-
Realization of equity valuation adjustments	-	-	-	-	(1.482)	1.482	-	-	-
	-	-	(2.696)	-	-	-	(2.696)	-	(2.696)
Minimum dividends	-	-	-	-	-	(802)	(802)	-	(802)
Dividends payable	-	-	-	-	-	-	-	-	-
Formation of reserves	-	763	-	-	-	(763)	-	-	-
Formation of reserves investment	-		15.175	-	-	(15.175)	-	-	-
Total transactions with shareholders and constitution of reserves	**17.635**	**763**	**(5.156)**	**-**	**(1.482)**	**(15.258)**	**(3.498)**	**-**	**(3.498)**
Balance at December 31, 2014	**36.135**	**1.964**	**23.283**	**-**	**8.228**	**-**	**69.610**	**9.109**	**78.719**
Comprehensive income for the year									
Net income for the year	-	-	-	-	-	23.062	23.062	(282)	22.780
Accumulated translation adjustment in subsidiary	-	-	-	-	1.770	-	1.770	(113)	1.657
Total Comprehensive Income, net of taxes	**-**	**-**	**-**	**-**	**1.770**	**23.062**	**24.832**	**(395)**	**24.437**
Transactions with shareholders and constitution of reserves									
Capital increase with profit reserves	19.935	-	(19.935)	-	-	-	-	-	-
Reversal of income and social contribution taxes	-	-	-	-	(1.462)	1.462	-	-	-
Realization of equity valuation adjustments	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interest	-	-	(12.732)	-	-	-	(12.732)	(8.714)	(21.446)
Interim dividends	-	-	(1.464)	-	-	-	(1.464)	-	(1.464)
Minimum dividends	-	-	-	-	-	(1.058)	(1.058)	-	(1.058)
Formation of reserves	-	1.153	-	-	-	(1.153)	-	-	-
Formation of reserves investment	-	-	22.313	-	-	(22.313)	-	-	-
Total transactions with shareholders and constitution of reserves	**19.935**	**1.153**	**(11.818)**	**-**	**(1.462)**	**(23.062)**	**(15.254)**	**(8.714)**	**(23.968)**
Balance at December 31, 2015	**56.070**	**3.117**	**11.465**	**-**	**8.536**	**-**	**79.188**	**-**	**79.188**
Comprehensive income for the year									
Lucro líquido do exercício	-	-	-	-	-	32.101	32.101	-	32.101
Ajuste acumulado de conversão em controlada	-	-	-	-	(1.321)	-	(1.321)	-	(1.321)
Total Comprehensive Income, net of taxes	**-**	**-**	**-**	**-**	**(1.321)**	**32.101**	**30.780**	**-**	**30.780**
Transactions with shareholders and constitution of reserves									
Realization of equity valuation adjustments	-	-	-	-	(1.429)	1.429	-	-	-
Minimum dividends	-	-	-	-	-	(1.114)	-	(1.114)	-
Additional dividends and interest on own capital	-	-	-	-	-	-	-	-	-
Interim dividends	-		(11.599)	-	-	-	(11.599)	-	(11.599)
Formation of reserves	-	1.605	-	-	-	(1.605)	-	-	-
Formation of reserves investment	-	-	30.811	-	-	(30.811)	-	-	-
Additional dividend proposed	-	-	(30.677)	30.677	-	-	-	-	-
Total transactions with shareholders and constitution of reserves	**-**	1.605	(11.465)	30.677	(1.429)	(32.101)	(12.713)	**-**	(12.713)
Balance at December 31, 2016	**56.070**	**4.722**	**-**	**30.677**	**5.786**	**-**	**97.255**	**-**	**97.255**

See the accompanying notes to the financial statements.

Blau Farmacêutica S.A.

Statements of cash flows

Years ended December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reais - R$)

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Cash flow from operating activities						
Income (loss) before income tax	45.712	24.119	24.868	45.712	24.401	21.044
Adjustment to reconcile the income for the year with cash from operating activities:						
Depreciation and amortization	8.751	7.660	7.310	8.509	7.492	7.242
Write-offs in property, plant and equipment and intangible assets	3.036	122	435	2.686	121	341
Financial charges on financing	16.877	19.957	2.435	16.864	19.957	2.435
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	(550)	259	4.298	-
Equity in net income of subsidiaries	-	-	-	4.903	5.706	(1.712)
Allowance for doubtful accounts, net	(272)	1.417	(167)	248	800	(139)
Provision for inventory losses, net	907	1.623	4.697	1.693	4	4.672
Others (reversals), net	960	(1.345)	87	158	113	(247)
Provision for contingencies, net	(2.749)	2.051	1.895	(2.384)	1.937	1.919
	67.702	66.709	41.010	72.900	71.636	35.555
(Increase) decrease in asset accounts						
Trade accounts receivable	(12.386)	(20.615)	12.676	(17.301)	(24.048)	15.265
Inventories	(12.082)	(16.000)	(26.203)	(10.807)	(15.271)	(25.539)
Recoverable taxes	1.692	(5.667)	(3.694)	2.567	(5.983)	(3.697)
Other receivables	6.366	2.878	1.262	3.566	4.470	(567)
Judicial deposits	(178)	1.317	(1.595)	(178)	24	(1.595)
(Increase) decrease in liability accounts						
Suppliers	8.743	7.568	1.374	11.629	8.350	927
Labor obligations	1.547	1.962	149	1.487	1.487	125
Tax liabilities	505	(648)	(649)	73	326	(980)
Provision for income tax	(410)	(1.293)	(310)	(410)	(762)	3.202
Salaries and charges payable	-	-	420	-	-	522
Other accounts payable	4.989	1.575	(607)	6.307	311	(979)
Cash generated by operating activities	66.488	37.786	24.581	69.833	40.540	23.336
Income and social contribution taxes paid	(20.809)	-	(6.566)	(20.809)	-	(6.566)
Net cash flow from operating activities	45.679	37.786	18.015	49.024	40.540	16.770
Cash flows from investment activities						
Additions in property, plant and equipment	(14.062)	(20.150)	(14.939)	(14.044)	(19.576)	(14.112)
Payment of final installment in acquisition of interest	-	(21.908)	(3.138)	-	(21.908)	(3.138)
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	(513)	(371)	(192)	(49)	(288)	(154)
Net cash flow invested in investment activities	(16.849)	(42.429)	(18.269)	(19.771)	(45.691)	(17.404)
Cash flows from financing activities						
Dividends and interest on own capital	(12.712)	(2.522)	(4.248)	(12.712)	(2.522)	(4.220)
Loans and financing	254.149	335.233	144.876	253.546	333.968	140.538
Loans received from related parties	8.599	5.437	-	8.599	5.437	-
Loans made available to related parties	-	-	(4.344)	-	-	(4.345)
Payments of loans and financing - principal	(260.623)	(316.670)	(123.210)	(260.507)	(311.191)	(122.868)
Payments of loans and financing - interest	(16.767)	(20.725)	(14.157)	(16.765)	(20.690)	(14.157)
Net cash flow invested in financing activities	(27.354)	753	(1.083)	(27.839)	5.002	(5.052)
Net increase (decrease) in cash and cash equivalents	1.476	(3.890)	(1.337)	1.414	(149)	(5.686)
Cash and cash equivalents at January 1	10.044	12.277	14.191	350	499	6.185
Effect of foreign exchange rate on the balance of cash and cash equivalents	(1.321)	1.657	(577)	-	-	-
Cash and cash equivalents at December 31	10.199	10.044	12.277	1.764	350	499
Net increase (decrease) in cash and cash equivalents	1.476	(3.890)	(1.337)	1.414	(149)	(5.686)

See the accompanying notes to the financial statements.

Blau Farmacêutica S.A.

Statements of value added

Years ended December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reais - R$)

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Revenues	**465.669**	**412.668**	**316.037**	**459.445**	**399.797**	**295.811**
Sales of goods, products and services	461.214	411.601	312.948	454.992	398.732	292.721
Other (expenses) revenues, net	5.373	2.267	3.492	5.373	2.267	3.492
Allowance for doubtful accounts	(918)	(1.200)	(403)	(920)	(1.202)	(402)
Inputs acquired from third parties	**(263.641)**	**(236.401)**	**(173.515)**	**(258.537)**	**(223.509)**	**(163.586)**
Costs of products, goods and services sold	(201.133)	(180.181)	(125.794)	(201.317)	(173.572)	(118.432)
Materials, energy, third party services and others	(62.585)	(56.203)	(47.528)	(57.297)	(49.920)	(44.961)
Gain (loss) on assets	77	(17)	(193)	77	(17)	(193)
Gross value added	**202.028**	**176.267**	**142.522**	**200.908**	**176.288**	**132.225**
Depreciation and amortization	(8.571)	(7.619)	(7.270)	(8.482)	(7.507)	(7.167)
Wealth created by the entity	**193.457**	**168.648**	**135.252**	**192.426**	**168.781**	**125.058**
Value added received as transfer	**28.049**	**18.295**	**9.917**	**22.925**	**12.086**	**11.348**
Results of equity investments	-	-	-	(4.903)	(5.706)	1.712
Financial income	28.534	18.089	9.917	27.828	17.792	9.637
Others	(485)	206	-	-	-	-
Wealth for distribution	221.506	186.943	145.169	215.351	180.867	136.406
Personal	**75.007**	**64.248**	**51.585**	**69.466**	**59.724**	**48.175**
Salaries and wages	57.798	51.722	42.236	52.257	47.198	38.826
Benefits	8.910	7.640	5.300	8.910	7.640	5.300
Severance Pay Fund (FGTS)	8.299	4.886	4.049	8.299	4.886	4.049
Taxes, fees and contributions	**35.537**	**21.279**	**26.274**	**35.357**	**21.279**	**24.347**
Federal	16.758	6.180	13.002	16.578	6.180	11.074
State	18.095	14.514	12.940	18.095	14.514	12.940
Municipal	684	585	332	684	585	333
Lenders and lessors	**81.161**	**80.100**	**52.109**	**80.728**	**78.267**	**50.580**
Interest	37.136	21.888	16.269	37.136	21.888	16.269
Financial expenses (includes exchange variation)	14.563	30.593	12.384	14.130	28.760	11.074
Rentals	29.462	27.619	23.456	29.462	27.619	23.237
Shareholders	**29.801**	**21.316**	**15.201**	**29.801**	**21.598**	**13.304**
Dividends and interest on capital	11.782	1.058	-	11.782	1.058	4.220
Retained earnings (loss) for the year, including discontinued operations	18.019	20.540	13.304	18.019	20.540	9.084
Participation of non-controlling shareholder in Blau Colombia	-	(282)	1.897	-	-	-
Total wealth for distribution	221.506	186.943	145.169	215.351	180.867	136.406

See the accompanying notes to the financial statements.

Notes to the financial statements

(In thousands of Reais, unless otherwise indicated)

1 Reporting entity

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 Ceará 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 03

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 Ceará 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.

2 Subsidiaries

Company	Country	Interest		
		12/31/2016	12/31/2015	12/31/2014
Blau Farmacéutica Colombia S.A.S.	Colombia	100%	100%	50.98%
Blau Farma Uruguay S.A.	Uruguay	100%	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.

3 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, and given Preserv's financial statements were prepared in accordance with IFRS and 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**

The Extraordinary Shareholders' Meeting held on January 30, 2017 approved the Appraisal Report of Preserv S.A. and ratified the merger of the subsidiary by the Company on January 27, 2017 with effective retroactive date to January 1, 2017.

4 Basis of accounting

The individual and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil (BR GAAP).

The meeting of the Company's Board of Directors held on January 12, 2018 authorized the completion of the preparation of the financial statements.

All the relevant information specific to the financial statements, and only them, are being evidenced, and correspond to those used by Management in its management.

5 Restatement

The financial statements for fiscal years ended on December 31, 2016, 2015 and 2014 are restatement for the following reasons:

(a) Earnings per share

As disclosed in note 29, on September 20, 2017 the Board of Shareholders approved a split of the shares issued by the Company. The information related to earnings per share for the years ended December 31, 2016, 2015 and 2014 included in the respective financial statements originally issued on October 24, 2017 were prepared considering the number of shares existing as of those dates, instead of the amount approved and subscribed at the date of issuance of the financial statements. In accordance with the applicable accounting practice, the financial information should be restated and it has been presented below.

Impact on the Income Statement and Explanatory Note 22, Shareholders' Equity

	Consolidated			Parent Company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Net income for the year	**32,101**	**22,780**	**17,155**	**32,101**	**23,062**	**15,258**
Basic and diluted earning per share (originally presented)	**1.74**	**1.23**	**0.93**	**1.74**	**1.25**	**0.82**
Basic and diluted earning per share (restated)	**0.22**	**0.15**	**0.12**	**0.22**	**0.16**	**0.10**

(b) Enhancement of disclosures

Additional information was included in the explanatory notes to: (i) related parties, note 17, in relation to policies applied in related party transactions, (ii) financial instruments, note 27 in relation to the derivative contracts (accounting account recorded in the balance sheet and maturity date), as well as the inclusion of the exchange rate for the probable scenario in the sensitivity analysis table, (iii) inventories, note 12, the stock valuation policy, (iv) net revenue, note 23, in relation to the disclosure of consolidated revenue by type of treatment and (v) shareholders´ equity, note 22, in relation to earnings per share. The changes made in these explanatory notes are intended to improve the information presented.

6 Functional and presentation currency

The individual and consolidated financial statements are presented in real, which is the Company´s functional currency. All amounts have been rounded to the nearest thousand, unlesst otherwise indicated.

7 Use of estimates and judgments

In preparing these individual and consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Company´s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the individual and consolidated financial statements is included in the following notes:

- **Note 2** - consolidation: determination if the Group has in fact control over an investee;

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending December 31, 2017 is included in the following notes:

- **Note 11** - Trade accounts receivable - Allowance for doubtful accounts;
- **Note 12** - Provision for inventory losses;
- **Note 16** - Intangible Assets - goodwill amortization and recovery;
- **Note 21** - Provision for contingencies.

Settlement of transactions involving these estimates may result in amounts significantly divergent from those recorded in the accounting information due to the inherent process of the estimates. The Company reviews its estimates at each reporting date, and if changes in estimates are required, they will be recognized prospectively.

Measurement of fair value

A number of Company's and its subsidiaries accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

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

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized intodifferent levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets and liabilities.
- **Level 2:** inputsother than quoted prices, included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- **Level 3:** inputs for the asset or liability that 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 27 -** Financial instruments.

8 Basis of measurement

The individual and consolidated financial statements were prepared based on historical cost, except for the following material items recognized in the balance sheets:

- derivative financial instruments are measured at fair value;
- non-derivative financial instruments are measured at fair value through profit or loss; and
- biological assets measured at acquisition cost, and any changes are recognized in profit or loss.

9 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 on consolidation

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated.Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the extent that there is no evidence of 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 measured at acquisition cost, and any changes are recognized in profit or loss.

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 the current period and comparative years 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 equivalent to IAS 23, 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. The estimated useful lives are as follows:

Software	4 years
Health records	4 years

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.

Dividends
Minimum mandatory dividends as defined in the Bylaws are recognized as liabilities. In addition, the Bylaws provide for the declaration and distribution of interim and / or interim dividends, by resolution of the Board of Executive Officers. Such interim and / or interim dividends are recognized as liabilities when they are deliberate.

The additional dividends, proposed by the Board of Executive Officers, are not recognized as liabilities until the effective ratification at the Meeting, as provided by the Brazilian Corporation Law and the Company's Bylaws.

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

m. Leases

(i) Leased assets

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

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

(ii) Lease payments

Payments for operating 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. Segment information

Management determined that the Company has a single operating segment, the hospital segment. The operations are significantly concentrated in Brazil and distributed between government and private initiative.

p. New standards and interpretations not yet effective

A number of new standards, changes in standards and international interpretations will be effective for periods beginning after January 1, 2017.

(i) IFRS 9 - Financial Instruments

IFRS 9 replaces the guidance in IAS 39 (CPC 38) Financial Instruments: Recognition and Measurement. IFRS 9 includes new models for the classification and measurement of financial instruments and the measurement of expected credit losses for financial and contractual assets, as well as new requirements on hedge accounting. The new standard retains the existing guidance on the recognition and derecognition of financial instruments in IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted only for financial statements in accordance with IFRSs.

The effective impact of the adoption of IFRS 9 in the Company's financial statements in 2018 can not be estimated with confidence, as it will depend on the financial instruments held by the Company and the economic conditions in 2018, as well as on accounting decisions and judgments that the Company will make in the future. The new standard will require the Company to review its accounting and internal control processes related to the classification and measurement of financial instruments and these changes are not yet finalized. The Company is evaluating the effects that IFRS 9 will have on the financial statements and their disclosures.

Disclosures

IFRS 9 will require extensive new disclosures, specifically on hedge accounting, credit risk and expected credit losses.

Transition

The main issues addressed in IFRS 9 to be evaluated by the Company are:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and liabilities.
- The designation of certain investments in equity instruments not held for trading.

(ii) IFRS 15 Revenues from Contracts with Customers

IFRS 15 introduces a comprehensive framework for determining whether and when a revenue is recognized, and how revenue is measured. IFRS 15 replaces current revenue recognition standards, including CPC 30 (IAS 18) Revenue, CPC 17 (IAS 11) Construction Contracts and CPC 30 Interpretation A (IFRIC 13) Customer Loyalty Programs.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted only for financial statements in accordance with IFRSs.The Company is evaluating the effects that IFRS 15 will have on the financial statements and in its disclosures.

Sale of products

For sales, revenues are currently recognized when goods are delivered at the customer's location, considered as the time when the customer accepts the goods and the risks and benefits related to the property are transferred. Revenue is recognized at this time as long as revenue and costs can be measured reliably, receipt of the consideration is probable and there is no continuous involvement of Management with the products.

Transition

The Company will adopt IFRS 15 in its financial statements for the year ended December 31, 2018 and intends to use the retrospective approach. As a result, the Company will apply all the requirements of IFRS 15 for each comparative period presented adjusting its previously presented financial statements.

The Company plans to use the practical files for concluded contracts. This means that completed contracts that have commenced and ended in the same comparative presentation period, as well as contracts that are contracts concluded at the beginning of the earliest period presented, will not be resubmitted.

(iii) IFRS 16 Leases

IFRS 16 introduces a single model for the accounting of leases in the balance sheet for lessees. A lessee recognizes a right of use asset that represents his right to use the leased asset and a lease liability that represents his obligation to make lease payments. Optional exemptions are available for short-term leases and low value items. The lessor's accounting remains similar to the current standard, that is, the lessors continue to classify the leases as financial or operating.

IFRS 16 replaces existing lease standards, including CPC 06 (IAS 17) Leasing Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Complementary Aspects of Leasing Operations.

The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted only for financial statements in accordance with IFRSs and only for entities that apply IFRS 15 Revenue from Contracts with Customers on or before date of initial application of IFRS 16.

The Company is evaluating the effects that IFRS 16 will have on the financial statements and disclosures.

(iv) Disclosure Initiative (Amendments to CPC 26/ IAS 7)

The changes require additional disclosures that allow users of financial statements to understand and assess changes in liabilities arising from financing activities, both cash flow and other changes**.**

The changes are effective for annual periods beginning on or after **January** 1, 2017. Early adoption is permitted only for financial statements in accordance with IFRSs**.**

In order to meet the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances of liabilities with changes arising from financing activities.

(v) Recognition of Deferred Tax Assets for Unrealized Losses Amendments to CPC 32 / IAS 12)

The changes clarify the accounting of deferred tax assets for unrealized losses on debt instruments measured at fair value.

The changes are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted only for financial statements in accordance with IFRSs.

The Company is evaluating the potential impact on its financial statements.

(vi) Other changes

Amendments to CPC 10 (IFRS 2) Share-based payment in relation to the classification and measurement of certain share-based payment transactions.

Amendments to CPC 36 Consolidated Statements (IFRS 10) and CPC 18 Investments in Associates (IAS 28) in relation to sales or contributions of assets between an investor and its associated company or its jointly controlled enterprise.

The Company's Management has initiated an evaluation and understands that the application of the aforementioned pronouncements to be adopted in its financial statements on the required dates may have some effect on the balances to be reported. However, the current stage of this evaluation does not allow quantification of the effects, if any, until a detailed review is performed at the time of actual adoption.

The Accounting Pronouncements Committee has not yet issued an accounting pronouncement or change in the current pronouncements corresponding to all new IFRS. Therefore, the early adoption of these IFRS is not permitted for entities that disclose their financial statements in accordance with accounting practices adopted in Brazil.

The Company has not adopted these changes in the preparation of these financial statements and does not plan to adopt these standards in advance.

10 Cash and cash equivalents

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Cash and cash equivalents in Dollar	-	18	5	-	18	5
Cash and cash equivalents in Euro	3	10	21	3	10	21
Cash and cash equivalents in Reais	154	13	17	3	4	12
	157	**41**	**43**	**6**	**32**	**38**
Bank checking account	7,624	4,568	1,157	1,758	318	461
Interest earning bank deposits	2,418	5,435	11,077	-	-	-
	10,042	**10,003**	**12,234**	**1,758**	**318**	**461**
Total Cash and cash equivalents	**10,199**	**10,044**	**12,277**	**1,764**	**350**	**499**

Highly liquid short-term interest earning bank deposits are promptly convertible into a known sum of cash and subject to an insignificant risk of change 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 and, 8.6% a.a. in the years ended in 2015 and 2014.

The Company's interest rate and foreign exchange risk exposure is disclosed in note 27.

11 Trade accounts receivable

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Domestic	91,709	71,639	61,344	90,169	71,639	48,730
Abroad	10,150	12,446	1,146	2,657	2,998	1,146
Related parties (note 17)	1,395	5,595	7,565	7,899	8,917	11,520
Sub-total	103,254	89,680	70,055	100,725	83,554	61,396
Allowance for doubtful accounts	(4,533)	(4,805)	(3,388)	(3,272)	(3,024)	(2,224)
	98,721	**84,875**	**66,667**	**97,453**	**80,530**	**59,172**

Aging of balances of trade accounts receivable

	Consolidated								
	Private			Public			Total		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Falling due	43,145	60,039	55,201	23,530	6,992	2,325	66,675	67,031	57,526
Overdue - in days:	12,445	11,225	11,146	24,134	11,424	1,383	36,579	22,649	12,529
1-30	3,848	398	2,935	11,999	1,977	750	15,847	2,375	3,685
31-60	980	620	2,678	1,056	4,185	193	2,036	4,805	2,871
61-180	2,815	3,756	3,619	7,295	4,252	313	10,110	8,008	3,932
>181	4,802	6,451	1,914	3,784	1,010	127	8,586	7,461	2,041
Subtotal	55,590	71,264	66,347	47,664	18,416	3,708	103,254	89,680	70,055
Allowance for doubtful accounts	(4,533)	(4,805)	(3,388)	-	-	-	(4,533)	(4,805)	(3,388)
Total	51,057	66,459	62,959	47,664	18,416	3,708	98,721	84,875	66,667

	Parent company								
	Private			Public			Total		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Falling due	44,158	53,913	46,542	23,530	6,992	2,325	67,688	60,905	48,867
Overdue - in days:	8,903	11,225	11,146	24,134	11,424	1,383	33,037	22,649	12,529
1-30	2,538	398	2,935	11,999	1,977	750	14,537	2,375	3,685
31-60	980	620	2,678	1,056	4,185	193	2,036	4,805	2,871
61-180	1,750	3,756	3,619	7,295	4,252	313	9,045	8,008	3,932
>181	3,635	6,451	1,914	3,784	1,010	127	7,419	7,461	2,041
Subtotal	53,061	65,138	57,688	47,664	18,416	3,708	100,725	83,554	61,369
Allowance for doubtful accounts	(3,272)	(3,024)	(2,224)	-	-	-	(3,272)	(3,024)	(2,224)
Total	49,789	62,114	55,464	47,664	18,416	3,708	97,453	80,530	59,172

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, since there are no long-overdue securities and a history of loss. Currently 35% of the balance receivable with private clients is given as collateral for bank loans and financing, presented in note 20.

Changes in the allowance for doubtful accounts are as follows

	Consolidated		
	2016	**2015**	**2014**
Opening balance of provision	(4,805)	(3,388)	(3.554)
Formation	(1,381)	(2,512)	(615)
Reversal	1,653	1,095	781
Closing balance of provision	**(4,533)**	**(4,805)**	**(3.388)**

	Parent company		
	2016	**2015**	**2014**
Opening balance of provision	(3,024)	(2,224)	(2,363)
Formation	(1,196)	(1,658)	(450)
Reversal	948	858	589
Closing balance of provision	**(3,272)**	**(3,024)**	**(2,224)**

12 Inventories (restated)

	Consolidated			Parent Company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Finished goods	30,374	16,369	14,546	24,063	13,472	11,230
Products for resale	681	637	568	-	-	-
Semi-finished products	18,949	13,821	15,957	17,707	13,821	15,957
Work in process	94	230	218	94	230	218
Raw materials	32,324	25,758	16,348	32,324	25,758	16,348
Packaging materials	19,465	19,289	15,800	19,385	19,289	15,800
Materials in possession of third parties	83	83	1,031	83	83	1,031
Imports in progress	418	27	769	418	27	229
Advance for imports	1,571	14,098	10,698	1,569	14,098	10,698
Production auxiliary material	249	-	-	249	-	-
	104,208	**90,312**	**75,935**	**95,892**	**86,778**	**71,512**

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$ 5,124 in parent company and R$ 6,890 in consolidated as of December 31, 2015) and (R$ 5.121 in parent company and R$ 5,268 in consolidated as of December 31, 2014).

The provision for devaluation is calculated considering the maturity date of the products and also takes into account the expected future commercialization of the products. Products with expired due dates are fully provisioned, as well as those with expiration dates in up to 180 days, regardless of the expectation or not of sales.

Changes in provision for inventory losses

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Opening balance	(6,890)	(5,268)	(571)	(5,124)	(5,121)	(449)
Formation	(3,667)	(4,919)	(4,833)	(4,745)	(2,993)	(4,727)
Low	-	-	-	652	-	-
Reversal	2,760	3,297	136	2,399	2,989	55
Closing balance	**(7,797)**	**(6,890)**	**(5,268)**	**(6,818)**	**(5,125)**	**(5,121)**

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

13 Recoverable taxes

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Current						
ICMS	1,506	1,202	517	1,241	1,202	517
IPI	212	148	109	204	148	109
PIS	276	-	-	276	-	-
COFINS	1,363	-	-	1,363	-	-
Other	597	447	-	20	447	-
Withholding taxes	948	10	233	923	10	233
Subtotal	**4,902**	**1,807**	**859**	**4,027**	**1,807**	**859**
Non-current						
CIAP	551	358	417	551	358	417
PIS	1,300	2,183	1,319	1,300	2,183	1,319
COFINS	5,604	9,701	5,471	5,604	9,701	5,471
Other	-	-	316	-	-	-
Subtotal	**7,455**	**12,242**	**7,523**	**7,455**	**12,242**	**7,207**
Total	**12,357**	**14,049**	**8,382**	**11,482**	**14,049**	**8,066**

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.

14 Investments

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Interest Blau Farmacêutica Colômbia S.A.S	-			14,327	17,841	9,024
Goodwill in investment Blau Colômbia S.A.S	-	-	-	6,800	6,800	6,800
Advance for future capital increase	-	-	-	-	32	-
Total Investment Blau Colômbia S.A.S	**-**	**-**	**-**	**21,127**	**24,673**	**15,824**
Interest Blaufarma Uruguay S.A	-	-	-	1,443	(4,414)	(724)
Goodwill on investment Blaufarma Uruguay S.A (i)				271	271	271
Advance for future capital increase (ii)	-	-	-	339	3,887	-
Total Investment Blaufarma Uruguay S.A	**-**	**-**	**-**	**2,053**	**(256)**	**(453)**
Participações S.A.	-	-	-	847	-	-
Total investments - Preserv S/A	**-**	**-**	**-**	**847**	**-**	**-**
Other investments	10	9	9	-	-	-
Total Investment	**10**	**9**	**9**	**24,027**	**24,417**	**15,371**

(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 16.

(ii) Capital remittances under AFAC amounting to USD 100 thousand, equivalent to R$ 339.

Changes in investments

	Blau Colômbia	**Blau Uruguay**	**Preserv**	**Total**
Balance as of January 1, 2014	7,158	7	-	7,165
Equity in net income of subsidiaries	2,049	(683)	-	1,366
Unrealized profit	346	-	-	346
Total equity in investees, net	**2,395**	**(683)**	**-**	**1,712**
Translation adjustment	(529)	(48)	**-**	(577)
Balance at 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**			**2014**	
	Blau Colômbia	**Blaufarma Uruguay**	**Preserv**	**Blau Colômbia**	**Blaufarma Uruguay**	**Preserv**	**Blau Colombia**	**Blau Uruguay**
Current assets	19,971	3,078	3,920	21,336	1,358	-	28,243	205
Non-current assets	1,141	891	141	1,444	1,094	-	248	755
Total assets	21,112	3,969	4,061	22,780	2,452	-	28,491	960
Current liabilities	5,752	1,845	3,122	3,996	2,941	-	10,311	382
Non-current liabilities	45	343	92	227	37	-	23	1,303
Shareholders' equity	15,315	1,781	847	18,557	(526)	-	18,157	(725)
Total Liabilities + Shareholders' Equity	21,112	3,969	4,061	22,780	2,452	-	28,491	960
Net operating income	18,411	2,498	1,188	26,192	263	-	35,377	-
Net income/loss for the year	(1,070)	(1,948)	(551)	(1,627)	(3,322)	-	3,870	(607)

15 Property, plant and equipment

	Consolidated													
	2013	**Adição**	**Transf**	**Baixa**	**2014**	**Addition**	**Transf.**	**Write-off**	**2015**	**From acquisition of subsidiary (a)**	**Addition**	**Transf.**	**Write-off**	**2016**
Cost														
Real estate	500	-	-	-	500	-	-	-	500	-	-	-	-	500
Buildings	618	-	-	-	618	198	1,057	-	1,873	-	8	30	-	1,911
Machinery and equipment	43.699	1.739	508	(53)	45,893	6,644	-	(77)	52,460	234	6,597	277	(46)	59,522
Aircraft and vehicles	2.684	-	-	(884)	1,800	414	-	(82)	2,132	-	9	-	(89)	2,052
Furniture and fixtures	4.974	208	44	(7)	5,219	271	-	(1)	5,489	67	200	2	(72)	5,686
Facilities in use	6.038	745	-	-	6,783	213	-	-	6,996	9	176	283	(132)	7,332
IT equipment	1.985	203	-	-	2,188	406	-	(4)	2,590	54	497	114	(41)	3,214
Construction in progress	9.511	9.076	(552)	-	18,035	10,552	(4,274)	-	24,313	-	5,852	(5,186)	(236)	24,743
Other	379	-	-	-	379	427	3,217	(11)	4,012	180	35	4,480	(180)	8,527
Advance of assets - future delivery	-	2.969	-	-	2,969	1,025	-	-	3,994	-	688	-	(2,506)	2,176
Total cost	70.388	14.940	-	(944)	84,384	20,150	-	(175)	104,359	544	14,062	-	(3,302)	115,663
Depreciation														
Real estate and land	(50)	(26)	-	-	(76)	(26)	-	-	(102)	-	(80)	-	-	(182)
Machinery and equipment	(12.615)	(4.778)	-	-	(17,393)	(5,151)	-	10	(22,534)	(132)	(5,967)	-	71	(28,562)
Aircraft and vehicles	(2.055)	(266)	-	550	(1,771)	(216)	-	28	(1,959)	-	(303)	-	86	(2,176)
Furniture and fixtures	(2.925)	(647)	-	-	(3,572)	(498)	-	11	(4,059)	(43)	(515)	-	83	(4,534)
Facilities in use	(3.649)	(624)	-	-	(4,273)	(684)	-	-	(4,957)	(5)	(711)	-	11	(5,662)
IT equipment	(1.477)	(262)	-	-	(1,739)	(343)	-	4	(2,078)	(29)	(266)	-	27	(2,346)
Other	-	-	-	-	-	-	-	-	-	-	(178)	-	-	(178)
Total accumulated depreciation	(22.771)	(6.603)	-	550	(28,824)	(6,918)	-	53	(35,689)	(209)	(8,020)	-	278	(43,640)
Net balance	47.617	8,337	-	(394)	55,560	13,232	-	(122)	68,670	335	6,042	-	(3,024)	72,023

(i) 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												
	2013	**Adição**	**Transf.**	**Baixa**	**2014**	**Addition**	**Transf.**	**Write-off**	**2015**	**Addition**	**Transf.**	**Write-off**	**2016**
Cost													
Real estate	500	-	-	-	500	-	-	-	500	-	-	-	500
Buildings	618	-	-	-	618	198	1,057	-	1,873	8	30	-	1,911
Machinery and equipment	44,676	1,665	508	(1)	46,848	6,621	-	(77)	53,392	6,595	277	(7)	60,257
Aircraft and vehicles	2,593	-	-	(862)	1,731	123	-	(82)	1,772	9	-	(37)	1,744
Furniture and fixtures	3,890	155	44	(7)	4,082	248	-	(1)	4,329	197	2	(8)	4,520
Facilities in use	6,038	745	-	-	6,783	156	-	-	6,939	167	283	-	7,389
IT equipment	1,904	196	-	-	2,100	351	-	-	2,451	493	114-	-	3,058
Construction in progress	9,526	8,373	(552)	-	17,347	10,427	(4,274)	-	23,500	5,852	(5,186)	(236)	23,930
Other	324	-	-	-	324	427	3,217	-	3,968	35	4,480	-	8,483
Advance of assets - future delivery	-	2,978	-	-	2,978	1,025	-	-	4,003	688	-	(2506)	2,185
Total cost	**70,069**	**14,112**	**-**	**(870)**	**83,311**	**19,576**	**-**	**(160)**	**102,727**	**14,044**	**-**	**(2,794)**	**113,977**
Depreciation													
Real estate and land	(50)	(26)	-	-	(76)	(26)	-	-	(102)	(80)	-	-	(182)
Machinery and equipment	(12.927)	(4.762)	-	-	(17,689)	(5,119)	-	10	(22,798)	(5,946)	-	22	(28,722)
Aircraft and vehicles	(1.752)	(265)	-	529	(1,488)	(203)	-	29	(1,662)	(203)	-	79	(1,786)
Furniture and fixtures	(2.690)	(647)	-	-	(3,337)	(498)	-	-	(3,835)	(475)	-	8	(4,302)
Facilities in use	(3.737)	(624)	-	-	(4,361)	(666)	-	-	(5,027)	(696)	-	-	(5,723)
IT equipment	(1.417)	(251)	-	-	(1,668)	(303)	-	-	(1,971)	(228)	-	-	(2,199)
Other	-	-	-	-	-	-	-	-	-	(178)	-	-	(178)
Total accumulated depreciation	**(22.573)**	**(6.575)**	**-**	**529**	**(28,619)**	**(6,815)**	**-**	**39**	**(35,395)**	**(7,806)**	**-**	**109**	**(43,092)**
Net balance	**47.496**	**7.537**	**-**	**(341)**	**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.

16 Intangible assets

	Consolidated									
Cost	**2013**	**Adição**	**Baixa**	**2014**	**Adição**	**2015**	**From acquisition of subsidiary**	**Addition**	**Write-off**	**2016**
Software	3,349	154	-	3,503	298	3,801	6	49	(12)	3,844
Patent	877	-	-	877	-	877	4	62	-	943
Brandst	29	-	(29)	-	22	22	-	-	-	22
Sanitary registration	199	38	(16)	221	51	272	-	402	-	674
Goodwill (i)	7,071	-	-	7,071	-	7,071	-	-	-	7,071
Total cost	**11,525**	**192**	**(45)**	**11,672**	**371**	**12,043**	**10**	**513**	**(12)**	**12,554**
Amortization										
Software	(531)	(667)	-	(1,198)	(695)	(1,893)	-	(692)	-	(2,585)
Sanitary registration	(56)	(41)	4	(93)	(47)	(140)	-	(39)	-	(179)
								-		
Total accumulated amortization	**(587)**	**(708)**	**4**	**(1,291)**	**(742)**	**(2,033)**	**-**	**(731)**	**-**	**(2,764)**
Net balance	**10.938**	**(516)**	**(41)**	**10,381**	**(371)**	**10,010**	**10**	**(218)**	**(12)**	**9,790**

	Parent company							
Cost	**2013**	**Adição**	**2014**	**Adição**	**2015**	**Addition**	**Write-off**	**2016**
Software	3.349	154	3,503	288	3,791	49	(1)	3,839
Patent	877	-	877	-	877	-		877
Total cost	**4.226**	**154**	**4,380**	**288**	**4,668**	**49**	**(1)**	**4,716**
Amortization			-					
Software	(531)	(667)	(1,198)	(677)	(1,875)	(703)	-	(2,578)
								-
Total accumulated amortization	**(531)**	**(667)**	**(1,198)**	**(677)**	**(1,875)**	**(703)**	**-**	**(2,578)**
Net balance	**3.695**	**(513)**	**3,182**	**(389)**	**2,793**	**(654)**	**(1)**	**2,138**

(i) Goodwill is from acquisitions of investees Blau Colômbia in the 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 14.

Impairment test

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 2016	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 2016	
Fixed	Linear growth of 6% p.a.
Variables	Proportional to Net Operating Income at December 31, 2016
FDC - Financial cost 2016	11.7% p.a. capitalized
Sale of products 2015	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 2015	
Fixed	Linear growth of 6% p.a.
Variables	Proportional to Net Operating Income at December 31, 2016
FDC - Financial cost 2015	11.7% p.a. capitalized
Sale of products 2014	Considering net sales base of taxes and returns
Hospital line	Growth by 7% p.a.
Oncology line	Growth by 10% p.a.
Biological line	Growth by 15% p.a.
Sutures	Growth by 7% p.a.
Operating expenses 2014	
Fixed	Linear growth of 5% p.a.
Variables	Proportional to Net Operating Income at December 31, 2016
FDC - Financial cost 2014	8% p.a. capitalized

At December 31, 2016, the Company assessed whether there was any indication that its assets at the end of their useful lives might be damaged or devalued and concluded that there is no indication of impairment.

17 Related parties (restated)

a. Final parent company

During 2016, 2015 and 2014 no new shares were issued. Final controlling shareholder remains is 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	2014
Directors' fees	2,057	2,166	1,272

c. Balances and transactions with related parties

Transactions with related parties are duly formalized through a contract or other equivalent instrument, such as a purchase order when dealing with a commercial transaction, and consider the same principles and procedures that guide negotiations conducted by the Company with third parties.

The main balances between related parties in the balance sheet and income statement accounts are shown below:

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Assets						
Current assets						
Trade accounts receivable (note 11)						
Kollimed Com. Mat. Hospitalares Ltda. (a)	664	407	2,153	664	407	2,153
The Package Store Imp. Com. Distr. Emb. Ltda. (b)	731	690	533	731	690	533
Blau Farmacêutica Colômbia S.A.S. (c)	-	-	-	5,079	2,638	3,955
Blaufarma Uruguay S.A. (d)	-	-	-	1,425	684	-
Preserv S.A. (e)	-	4,093	4,474	-	4,093	4,474
Ariston Inds. Quimicas e Farmacêutica Ltda. (f)	-	405	405	-	405	405
Total clients	**1,395**	**5,595**	**7,565**	**7,899**	**8,917**	**11,520**
Other credits						
Hahn Participações	-	-	1,627	-	-	1.627
Total	**-**	**-**	**1,627**	**-**	**-**	**1,627**
Investments (Note 14)						
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 (g)	1,462	4,411	14,659	1,462	4,411	14,659
Preserv S.A.	-	-	839	-	-	839
Ariston Inds. Quimicas e Farmacêutica Ltda. (f)	-	5,650	-	-	5,650	-
Total loans receivable	**1,462**	**10,061**	**15,498**	**1,462**	**10,061**	**15,498**
Total assets	**2,857**	**15,656**	**24,690**	**9,699**	**22,897**	**28,646**

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Liabilities						
Current liabilities						
Suppliers						
Preserv S.A.	-	3	6	-	3	6
Kollimed Com. Mat. Hospitalares Ltda.	104	35	-	104	35	-
Total Suppliers (note 13)	**104**	**38**	**6**	**104**	**38**	**6**
Others payable						
F - 11 Segurança Privada Ltda. (h)	229			229		
Minimum dividends to shareholders	1,003	-	-	1,003	-	-
Total others payable	**1,232**	**-**	**-**	**1,232**	**-**	**-**

Income (loss) - Income (note 23) and costs (note 24)

	Consolidated					
	2016		**2015**		**2014**	
	Income	**Cost**	**Income**	**Cost**	**Income**	**Cost**
Kollimed Com. Mat. Hospitalares Ltda. (a)	17,725	12,953	19,159	25,432	24,768	25,704
The Package Store Imp. Com. Distr. Emb. Ltda. (b)	2,202	899	2,064	898	943	512
Preserv S.A. (e)	-	-	2,457	982	4,154	2,707
Total income (loss) from related parties	**19,927**	**13,852**	**23,680**	**27,312**	**29,865**	**28,923**

	Parent company					
	2016		**2015**		**2014**	
	Income	**Cost**	**Income**	**Cost**	**Income**	**Cost**
Kollimed Com. Mat. Hospitalares Ltda. (a)	17,726	12,953	19,159	25,432	24,768	25,704
The Package Store Imp. Com. Distr. Emb. Ltda. (b)	2,202	899	2,064	898	943	512
Blau Farmacêutica Colômbia S.A.S. (c)	13,291	9,816	13,384	8,377	15,150	9,497
Blaufarma Uruguay S.A. (d)	1,894	1,660	758	698	-	-
Preserv S.A. (e)	814	547	2,457	982	4,154	2,707
Total income (loss) from related parties	**35,927**	**25,875**	**37,822**	**36,387**	**45,015**	**38,420**

Other related part transactions

	Parent company		
	2016	**2015**	**2014**
Hahn Participações (i)	26,974	24,899	20,775
Giannetto e Faccio Advogados Associados (j)	471	322	459
Alban Consultoria Empresarial Ltda	88	50	50
F - 11 Segurança Privada Ltda (h)	1,089	-	-
Total Expense with related parties	**28,622**	**25,371**	**21,284**

(a) Kolimed Com. Mat. Hospitalares Ltda has as its main activity the Distribution of Medicines, the amounts billed to Kolimed come from sales of medicines under normal market conditions. The margin of sales used for related parties is 15% and the average term of payment is 40 days.

(b) The Package Store Imp. Distr. Emb. Ltda's main activity is the sale of glass packaging for the pharmaceutical industry. The invoiced values for The Package come from glass containers purchased by the Company from suppliers abroad and resold to The Package under normal market conditions. The margin of sales used for related parties is 15% and the average term of payment is 40 days.

(c) Refers to the export operations of drugs manufactured by the Company, which are resold by the subsidiary in Colombian territory. Transactions are made in US Dollars, and the average payment term is 90 days.

(d) Refers to the export operations of drugs manufactured by the Company, which are resold by the subsidiary in the Uruguayan territory. Transactions are made in US Dollars, and the average payment term is 180 days.

(e) Preserv S.A. was the owner of the Preserv brand, and manufactured and marketed condoms and other items for personal use. Prior to the date of acquisition of Preserv S.A., the balances owed by it to the Company, referring to commercial and financial operations, were fully settled.

(f) Ariston was a wholesale distributor of hospital products to which Blau had commercial relations, with an outstanding balance of accounts receivable of R$ 405 in 2015, as well as loans in the amount of R$ 5,650 also lended during the year 2015. In 2016 Ariston paid off the amounts it owed to Blau.

(g) Loans receivable from shareholders do not have a maturity period, monetary restatement or guarantee terms. The amounts receivable are settled annually through deduction of dividends due to shareholders, as evidenced in note 22 (c). The outstanding balance on December 31, 2016 was fully settled in September 2017.

(h) The Company has a security service agreement that began in the second half of 2016 with the related company F-11 Seguranças Privada Ltda., which Mr. Marcelo Hahn holds 89% and the Legal Officer 10%. The term of the contract is 1 year, and the renewal will take place upon signature of the respective contractual amendment by both parties. The agreement will be readjusted during the validity term on the base date of the category (January). The payment period will be made on the fourth business day of the month subsequent to the rendering of services, with a fine of 2% (two percent) on the value of the invoice, in addition to the financial charges referring to default interest of 1% (one percent) per month if payment delays occur. The monthly amount according to the contract is R$ 283.

(i) The Company has real estate rental agreements with the related Hahn Participações Eireli, signed in June 2013 with validity for 5 years. The contract has no warranty clauses. The rent amount is updated annually by inflation indexes, and monthly payments are made. The contract provides for a grace period of 36 months for cancellation, thus being subject to a fine for early termination.

(j) The Company currently has a Statutory Legal Officer, which has a holding in the Giannetto Faccio Advogados Associados law firm, which provides legal advice in labor and civil disputes, and the expenses of the services affected the result of general and administrative expenses in the amount of R$ 471 in 2016, (R$ 322 in 2015 and R$ 445 in 2014).

18 Suppliers

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Domestic	8,029	6,385	4,154	7,944	6,385	4,039
Abroad	37,865	27,817	19,204	37,168	27,131	18,751
Subtotal	**45,894**	**34,202**	**23,358**	**45,112**	**33,516**	**22,790**
Related parties (Note 17)	**104**	**38**	**6**	**104**	**38**	**6**
Total Suppliers	**45,998**	**34,240**	**23,364**	**45,216**	**33,554**	**22,796**

19 Income and social contribution taxes

Current

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Income tax	4,587	9,329	6,336	4,587	9,329	6,336
Social contribution	1,692	3,738	2,271	1,692	3,738	2,271
Subtotal	**6,279**	**13,067**	**8,607**	**6,279**	**13,067**	**8,607**

Changes in income and social contribution taxes payable

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Opening balance	13,067	8,607	6,185	13,067	8,607	6,185
Provision	14,530	5,102	9,139	14,530	5,102	9,139
Interest	1,831	134	635	1,831	134	635
Offset	(2,340)	(776)	(786)	(2,340)	(776)	(786)
Tax paid	(20.809)	-	(6,566)	(20,809)	-	(6,566)
Closing balance	**6,279**	**13,067**	**8,607**	**6,279**	**13,067**	**8,607**

Effective rate in parent company

Reconciliation of Income and Social Contribution Taxes	2016	2015	2014
Income before income and social contribution taxes	45,712	24,401	21,044
Statutory rate	34%	34%	34%
Amount of income and social contribution taxes on income at the statutory rate	15,542	8,296	7.155
Additions:	16,594	8,612	15,670
Adjustment RTT	-	-	7,466
Profit of Blau Farmacêutica Colômbia S.A.S.	209	74	-
Transfer price tax adjustment	-	-	832
Tax incentives	256	349	200
Negative result of the equity method	4,654	5,094	682
Non-deductible expenses	7,042	2,978	6,317
Other	4,433	117	173
Exclusions:	15,467	16,120	9,886
Reversal of provisions	4,111	2,990	1,412
Technological innovation R&D expenditures Law no. 11,196	4,474	5,695	6,080
Positive result of equity	209	74	2,394
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	46,839	16,893	26,828
Statutory rate	34%	34%	34%
Current income and social contribution taxes	14,530	5,102	9,008
Deferred income and social contribution taxes	(919)	(3,763)	(3.222)
Income and social contribution taxes, net in statement of income	13,611	1,339	5,786
Effective rate	29%	8%	22%

Deferred income and social contribution taxes, net

	Consolidated			Parent company		
	2016	2015	2014	2016	2015	2014
Liabilities						
Income tax	(1,879)	(2,714)	(3,806)	(1,879)	(2,714)	(3,806)
Social contribution	(676)	(976)	(1,370)	(676)	(976)	(1,370)
Subtotal	**(2,555)**	**(3,690)**	**(5,176)**	**(2,555)**	**(3,690)**	**(5,176)**
Assets						
Income tax	2,970	3,883	1,353	2,524	3,115	1,353
Social contribution	987	1,399	487	988	1,122	487
Subtotal	**3,957**	**5,282**	**1.840**	**3,512**	**4.237**	**1.840**
Total - assets (liabilities)	**1,402**	**1,592**	**(3,336)**	**957**	**547**	**(3,336)**

Changes in deferred income and social contribution taxes

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Opening balance	(182)	(5,176)	(6,760)	(182)	(5,176)	(6,760)
Income and social contribution taxes on equity valuation adjustments	1,135	1,366	1,382	1,135	1,366	1,382
Unearned income and social contribution taxes from inventories	-	120	202	-	120	202
Income and social contribution taxes on provision for inventory losses	1,494	543	434	1,494	543	434
Income/Social contribution taxes on provision for contingencies	(475)	2,028	-	(475)	2,028	-
IR/CS on others	(1,015)	1.666	1.406	(1,015)	1.666	1.406
Total - assets	**957**	**547**	**-**	**957**	**547**	**-**
Total - liabilities	**-**	**-**	**(3,336)**	**-**	**-**	**(3,336)**
Income and social contribution taxes on tax loss from contribution basis negative of Blau Colômbia	445	1,045	-	-	-	-
Total - assets	**1,402**	**1,592**	**-**	**957**	**547**	**-**
Total - liabilities	**-**	**-**	**(3,336)**	**-**	**-**	**(3,336)**

20 Loans and financing

			Consolidated			Parent company		
Description	**Average rate**	**Guarantee**	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
ACC (Advance on exchange contract)	US$ + 4.38% p.a.	Approval of the CEO	15,870	8,929	7,826	15,870	8,929	7,826
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	115,604	72,532	109,432	110,716
Working capital	17.38% p.a., 18.45% p.a.	(SWAP)	50,663	33,314	-	50,663	33,314	-
Finimp	2,15% p.a	Up to 30% of receivables	-	-	4,282	-	-	4,282
Total loans and financing with financial institutions			**141,905**	**152,314**	**127,712**	**139,065**	**151,675**	**122,824**
Total			**141,905**	**152,314**	**127,712**	**139,065**	**151,675**	**122,824**
Current			108,198	116,850	118,231	105,831	116,337	113,343
Non-current			33,707	35,464	9,481	33,234	35,338	9,481
Total			**141,905**	**152,314**	**127,712**	**139,065**	**151,675**	**122,824**

Breakdown by maturity of long-term loans and financing

The maturity of non-current liabilities will occur in:	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
2016	-	-	3,618	-	-	3,618
2017	-	35,423	5,863	-	35,338	5,863
From 2018	33,707	41	-	33,234	-	-
Total	**33,707**	**35,464**	**9,481**	**33,234**	**35,338**	**9,481**

Covenants for the year ended December 31, 2016

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 complied with all restrictive conditions contained in those contracts.

Covenants for the year ended December 31, 2015

There are no clauses of covenants to be met.

Covenants for the year ended December 31, 2014

The Company has a single working capital loan agreement with Banco Itaú BBA with restrictive clauses that determine certain obligations to be complied with by the Company for their respective amounts that do not have their anticipated maturity, among which are the following:

The financial obligations of the Company plus the obligations of the related party Kolimed may not exceed R $ 100,000;

The Company may not grant any loan (s), financing (s) or guarantee (s) to:

(i) Individuals, or

(ii) Entities of the same economic group in aggregate aggregate value equal to or greater than R $ 10,000, without express agreement from the creditor.

The distribution of dividends and / or interest on shareholders' equity can not exceed 25% of net income for the year, and any distribution of more than 25% must be approved by the creditor;

The ratio between Net Banking Debt and EBITDA should not exceed 2.5.

In addition, other loan agreements have a cross default clause that determines if any contractual clauses are broken in any loan and financing agreement, the liquidation of said loan becomes immediate.

On December 31, 2014, the Company broke the restrictive clauses mentioned in item (i) and (ii) above. Accordingly, in accordance with Technical Pronouncement CPC 26 (R1), the Company's management reclassified the amount of R$ 24,474 of loans and financing recognized in noncurrent liabilities to current liabilities, the last installment of which is due in October 2017.

21 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									
	2013	**Adição**	**Baixa**	**2014**	**Addition**	**Write-off**	**2015**	**Addition**	**Write-off**	**2016**
Labor proceedings	950	2,719	-	3,669	1,119	(23)	4,765	856	(3,092)	2,529
Civil proceedings	804	53	(877)	(20)	950	-	930	677	(826)	781
ANVISA processes	264	-	-	264	12	(144)	132	20	(12)	140
Commercial contingency	-	-	-	-	137	-	137	-	(137)	-
Total	**2,018**	**2,772**	**(877)**	**3,913**	**2,218**	**(167)**	**5,964**	**1,553**	**(4,067)**	**3,450**

	Parent company									
	2013	**Adição**	**Baixa**	**2014**	**Addition**	**Write-off**	**2015**	**Addition**	**Write-off**	**2016**
Labor proceedings	903	2,719	-	3,622	1,119	-	4,741	849	(3,092)	2,498
Civil proceedings	804	77	(877)	4	950	-	954	677	(826)	805
ANVISA processes	264	-	-	264	12	(144)	132	21	(13)	140
Commercial contingency	-	-	-	-	-	-	-			-
Total	**1,971**	**2,796**	**(877)**	**3,890**	**2,081**	**(144)**	**5,827**	**1,547**	**(3,931)**	**3,443**

The main lawsuits relate to labor claims, but the Company does not expect a material outflow of resources in the outcome of these lawsuits.

a. Causes classified by legal adivisory as 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, (R$ 12,295 as of December 31, 2015), (R$ 4,309 as of December 31, 2014) and (R$ 4,309 as of December 31, 2013). 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**

22 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, in the total amount of R$ 56,070 on December 31, 2016, (R$ 56,070 on December 31, 2015 and R$ 36,135 on December 31, 2014).

On April 30, 2015, the shareholders resolved to increase the capital stock from the payment of part of the balance of the profit reserve, in the amount of R$ 19,935.

On August 26, 2014, the shareholders decided to increase the capital stock from the payment of part of the balance of the profit reserve, in the amount of R$ 17,635.

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	87,530	90%
Joyce Marrie Hahn	1,850,000	5,607	9,725	10%
Total	**18,500,000**	**56,070**	**97,255**	**100%**
Value per share	**18,500,000**	**R$ 3.03**	**R$ 5.26**	**-**

	2015			
Shareholders	**Number of shares**	**Capital**	**Shareholders' equity**	**%**
Marcelo Rodolfo Hahn	16,650,000	50,463	71,269	90%
Joyce Marrie Hahn	1,850,000	5,607	7,919	10%
Total	**18,500,000**	**56,070**	**79,188**	**100%**
Value per share	**18,500,000**	**R$ 3.03**	**R$ 4.28**	**-**

	2014			
Shareholders	**Number of shares**	**Capital**	**Shareholders' equity**	**%**
Marcelo Rodolfo Hahn	16,650,000	32,522	62,649	90%
Joyce Marrie Hahn	1,850,000	3,613	6,961	10%
Total	**18,500,000**	**36,135**	**69,610**	**100%**
Value per share	**18,500,000**	**R$1.95**	**R$3.76**	**-**

b. Profit reserve

Comprised by legal reserve, investment reserve and additional dividends proposed.

The legal reserve is constituted in accordance with the Brazilian Corporate Law, based on 5% of the net income of each year until it reaches 20% of the capital stock.

The investment reserve is set up based on up to 95% of the net income for each year, after deducting the amounts allocated to legal reserve, contingency reserve and tax incentive reserve. The investment reserve is intended to ensure sufficient resources for the expansion of the Company's activities and investments, and the balance of the reserve may not exceed the capital stock, either alone or in conjunction with other profit reserves.

c. Profit distribution

Under the terms of the bylaws, shareholders holding common shares are entitled to dividends of at least 5% of adjusted net income for the year, offsetting the amounts of interim dividends and interest on shareholders' equity.

On December 31, 2016, the minimum mandatory dividend amount was R$ 1,114, of which R$ 1,003 was to be paid in 2017 (R$ 1,058 in 2015 and R$ 802 in December 31, 2014, both of which were fully offset by balances of loans receivable from shareholders, according to note 17 (c)).

According to legal provisions and in accordance with the Company's Bylaws, in 2014, in the amount of R$ 2,696 and in 2016, in the amount of R$ 5,400 was destinated for additional dividends with prior years' reserves.

In accordance with the option provided in Law No. 9.249/95, the Company computed interest on own capital of R$ 6,199 (R$ 1,464 in 2015 and R$ 0 in 2014) 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 stockholders' equity as dividend distribution.

Income and social contribution taxes for the years 2016 and 2015 were reduced respectively by R$ 2,107 and R$ 498, as a result of the deduction of these taxes by the interest on own capital credited to the shareholders.

According to legal provisions and in accordance with the Company's Bylaws, in 2014, in the amount of R$ 2,696 and in 2016, in the amount of R$ 5,400 for additional dividends with prior year reserves. In 2015 and 2016, the Board of Directors resolved to distribute interim dividends to shareholders in the amounts of R$ 1,464 and R$ 6,199, respectively, which were allocated to interest on shareholders' equity.

All amounts related to interim dividends resolved by the Board of Executive Officers were fully settled within the respective years to which they refer (partly as compensation for loans to be received from shareholders (see note 17 (c)) and partially as cash payments.

On August 26, 2014, the Ordinary General Meeting resolved to pay R$ 722 as an additional dividend in relation to the year ended December 31, 2013. This amount was fully settled within 2014.

According to legislation and statutory provisions, the proposed distribution of additional dividends of the Board of Executive Officers is presented as such in a shareholders 'equity account and considered a current obligation of the Company after a specific resolution at a Shareholders' Meeting.

d. Earnings per share (restated)

Under the terms of the bylaws, shareholders holding common shares are entitled to dividends of at least 5% of adjusted net income for the year, offsetting the amounts of interim dividends and interest on shareholders' equity.

Earnings per share data are presented by type and nature of share. Such presentation is in accordance with the practice in Brazil of trading and quotation of shares in lots of shares. The Company has nominative, book-entry shares with no par value.

Basic and diluted

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the number of shares in the period.

The Company does not have dilution instruments, such as, convertible instruments, options or subscription warrants.

Considering the stock split made in September 2017, as disclosed in note 29, the calculation of basic and diluted earnings per share for all years presented was adjusted retrospectively. The following table sets forth the calculation of the earnings per share of the Company for 2016, 2015 and 2014.

	Parent Company		
	2016	**2015**	**2014**
Numerator			
Net income for the period attributable to controlling shareholders	32,101	23,062	15,258
Denominator (in thousands of shares)			
Number of common shares	148,000	148,000	148,000
Profit for share			
Basic and diluted earnings per share	**0.22**	**0.16**	**0.10**

	Consolidated		
	2016	**2015**	**2014**
Numerator			
Net income for the period attributable to controlling shareholders	32,101	23,062	15,258
Net income for the period attributable to non-controlling shareholders	-	(282)	1,897
	32,101	22,780	17,155
Denominator (in thousands of shares)			
Number of common shares	148,000	148,000	148,000
Profit for share			
Basic and diluted earnings per share	**0.22**	**0.15**	**0.12**

23 Net revenue (restated)

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Income from sale of products - Domestic market	415,700	360,105	285,295	414,376	360,105	248,835
Income from sale of products - Foreign market	30,378	36,096	4,568	9,469	8,163	4,568
Income from sales to related parties (Note 17)	19,927	23,680	29,865	35,927	37,822	45,015
	466,005	**419,881**	**319,728**	**459,772**	**406,090**	**298,418**
(-) Taxes	(29,932)	(27,700)	(23,225)	(29,808)	(27,700)	(23,225)
(-) Discounts granted	(257)	(766)	-	(257)	(766)	-
(-) Returns	(4,883)	(7,964)	(6,458)	(4,872)	(7,042)	(5,375)
	(35,072)	**(36,430)**	**(29,683)**	**(34,937)**	**(35,508)**	**(28,600)**
Total	**430,933**	**383,451**	**290,045**	**424,835**	**370,582**	**269,818**

The Company's sales are substantially concentrated in the hospital segment, in the internal and external market, and distributed and pulverized between private and public initiatives, as shown below:

Market	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Private	297,197	317,975	268,096	291,099	305,106	247,869
Public	133,736	65,476	21,949	133,736	65,476	21,949
Total net revenue	430,933	383,451	290,045	424,835	370,582	269,818

Following is the presentation of consolidated net revenue segregated by types of treatments:

	Consolidated			Parent Company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
				233,468	153,792	122,676
Biological	236,995	159,225	132,305			
Specialties	141,665	175,076	125,401	140,334	169,281	116,691
Oncological	33,103	31,111	13,138	32,565	30,298	12,319
Others	19,170	18,039	19,200	18,468	17,211	18,132
Total net revenue	430,933	383,451	290,045	424,835	370,582	269,818

Regarding geographic location, net revenues in Brazil represent 93%, 91% and 86% of consolidated net revenues for the years ended December 31, 2016, 2015 and 2014, respectively.

	Consolidated		
	2016	**2015**	**2014**
Brazil	400,591	349,352	250,101
Colombia	18,410	26,192	35,377
Peru	3,577	504	236
Uruguay	3,978	683	77
Tailand	2,681	1,912	1,434
Chile	1,052	127	58
Paraguay	644	2,450	2,174
Others	-	2,231	588
	430,933	**383,451**	**290,045**

The main customers of the Company are segregated between private and public as detailed below:

	Consolidated		
	2016	**2015**	**2014**
Private			
CM Hospitalar	15,549	14,357	13,539
Servimed	17,867	-	-
Kollimed (note 17)	15,476	16,649	21,289
Comercial Rioclarense	-	13,023	-
Health Facilities	3,043	4,009	3,016
Pharmacy and drugstores	3,431	2,609	2,917
Other privete clients	241,831	267,328	227,335
Total Private	**297,197**	**317,975**	**268,096**
Public			
Ministry of Health	85,200	42,173	12,189
Health Secretaries	5,068	4,702	5,320
Other public	43,468	18,601	4,440
Total Public	**133,736**	**65,476**	**21,949**
	430,933	**383,451**	**290,045**

24 Cost of goods and products sold

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Costs with materials (raw material and packaging)	(190.893)	(181.697)	(124.868)	(190.915)	(175.087)	(117.581)
Labor	(14.283)	(17.050)	(8.388)	(14.283)	(17.050)	(8.389)
Depreciation and amortization	(5.612)	(5.076)	(5.884)	(5.612)	(5.076)	(5.816)
Other production expenses	(41.010)	(16.778)	(32.303)	(41.010)	(16.779)	(32.370)
Total sales cost	**(251.798)**	**(220.601)**	**(171.443)**	**(251.820)**	**(213.992)**	**(164.156)**

25 Commercial and administrative expenses per function

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Personnel expenses	(43,476)	(34,494)	(24,888)	(38,862)	(29,970)	(21,344)
Transportation expenses	(4,910)	(5,420)	(7,501)	(4,883)	(5,420)	(7,501)
Profit-sharing	(1,215)	(1,006)	-	(1,215)	(1,006)	-
Rendering of services	(10,865)	(5,407)	(7,038)	(9,471)	(4,515)	(6,250)
Advertising and promotions	(1,445)	(2,107)	(1,542)	(1,067)	(2,097)	(1,542)
General expenses	(19,564)	(16,508)	(5,093)	(18,338)	(15,614)	(4,664)
Rent and condominiums	(28,693)	(27,164)	(22,358)	(28,163)	(26,484)	(21,994)
Taxes and rates	(786)	(1,116)	(1,442)	(401)	(844)	(1,117)
Loss in the realization of credits	(2,597)	(2,835)	(856)	(920)	-	(402)
Travel and representations	(1,375)	(1,661)	(2,036)	(1,107)	(1,377)	(1,917)
Directors' fees	(1,715)	(1,698)	(1,190)	(1,654)	(1,469)	(848)
Depreciation and amortization	(3,118)	(2,599)	(1,426)	(2,871)	(2,430)	(1,322)
Maintenance	(1,410)	(1,417)	(253)	(1,407)	(1,403)	(228)
Expenses with materials	(2,502)	(2,841)	(868)	(2,666)	(2,841)	(868)
Utilities	(126)	(431)	(437)	(126)	(431)	(437)
Regulatory expenses	(1,247)	(1,208)	(1,366)	(1,085)	(1,092)	(1,289)
	(125,044)	**(107,912)**	**(78,294)**	**(114,236)**	**(96,993)**	**(71,723)**
	(35,873)	(35,553)	(29,764)	(29,554)	(28,154)	(25,398)
Commercial expenses	(89,171)	(72,359)	(48,530)	(84,682)	(68,839)	(46,325)
Administrative expenses						
	(125,044)	**(107,912)**	**(78,294)**	**(114,236)**	**(96,993)**	**(71,723)**

26 Net financial expenses

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Asset foreign exchange fluctuation	12,784	-	9,101	12,222	-	9,075
Interest received	321	326	515	187	326	515
Gains from SWAP transactions,	-	537	-	-	537	-
Gains with provision of unrealized transactions MTM, net	-	3,534	-	-	3,534	-
Other	-	263	254	-	-	-
Discounts obtained	53	125	47	52	125	47
Total financial income	**13,158**	**4,785**	**9,917**	**12,461**	**4,522**	**9,637**
Liability foreign exchange fluctuations	-	(14,797)	(12,340)	-	(14,025)	(11,075)
Interest paid	(19386)	(19,801)	(14,489)	(19,035)	(19,801)	(14,489)
Loss from SWAP transactions,	(3,685)	-	-	(3,685)	-	-
Loss with provision of unrealized transactions MTM	(7,778)	-	-	(7,778)	-	-
IOF (Tax on financial transactions)	(2,045)	(1,309)	(897)	(2,045)	(1,309)	(897)
Commissions and bank expenses	(960)	(666)	(784)	(891)	(639)	(775)
Other	(1,124)	(1,115)	(143)	(1,120)	(115)	(107)
Discounts granted	(414)	(24)	-	(414)	(24)	-
Total financial expenses	**(35,392)**	**(37,712)**	**(28,653)**	**(34,968)**	**(35,913)**	**(27,343)**
Net financial income (loss)	**(22,234)**	**(32,927)**	**(18,736)**	**(22,507)**	**(31,391)**	**(17,706)**

27 Financial instruments (restated)

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	-	98,721	98,721	-	98,721	-	98,721
Other receivables	-	3,760	3,760	-	3,760	-	3,760
Loans receivable - related parties	-	1,462	1,462	-	1,462	-	1,462
	2,418	111,724	114,142	7,781	106,361	-	114,142

				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	-	137,661	137,661	137,661	-	-	137,661
Futures exchange contracts (SWAP)	4,244	-	4,244	-	4,244		4,244
Other accounts payable	7,535	321	7,856	321	7,535	-	7,856
	11,779	183,980	195,759	137,982	57,777	-	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	-	84.875	84.875	-	84.765	-	84.765
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	102.965	112.081	8.029	103.942	-	111.971

				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	-	152,167	152,314	152,167	-	-	152,167
Futures exchange contracts (SWAP)	147	-	-	-	147	-	147
Other accounts payable	-	2,737	2,737	2,737	-	-	2,737
	147	189,144	189,291	189,144	147	-	189,291

Consolidated - December 31, 2014

				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	11.077	1.200	12.277	1.200	11.077	-	12.277
Trade accounts receivable	-	66.667	66.667	-	62.667	-	62.667
Other receivables	-	8.352	8.352	-	8.352	-	8.352
Loans receivable - related parties	-	15,498	15,498	-	15,498	-	15,498
	11,077	91,717	102,794	1,200	97,594	-	98,794

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

b. Measurement of fair value

Evaluation techniques and non-observable significant inputs

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, 2015 and 2014, credit risk maximum exposure was as follows:

	Consolidated			Parent company		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
Cash and cash equivalents	10,199	10,044	12,277	1,764	350	499
Trade accounts receivable	98,721	84,875	66,667	97,453	80,530	59,172
Other receivables	3,760	7,101	9,979	3,120	6,686	11,156
Total	**112,680**	**102,020**	**88,923**	**102,337**	**87,566**	**70,827**

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) and (R$ 12.277 in 2014).

(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 accounting**	**Total with contractual flow**
Suppliers	45,998	-	45,998	45,998
Loans and financing	108,198	33,707	141,905	166,029
Other accounts payable	7,856	-	7,856	7,856
Total	**162,052**	**33,707**	**195,759**	**219,883**

	Consolidated - 2015			
	Up to 1 year	**Up to 2 years**	**Total accounting**	**Total with contractual flow**
Suppliers	34,240	-	34,240	34,240
Loans and financing	116,850	35,464	152,314	178,207
Other accounts payable	2,737	-	2,737	2,737
Total	**153,827**	**35,464**	**189,291**	**215,184**

	Consolidated - 2014			
	Up to 1 year	**Up to 2 years**	**Total accounting**	**Total with contractual flow**
Suppliers	23,364	-	23,364	23,364
Loans and financing	118,231	9,481	127,712	149,423
Other accounts payable	1,162	-	1,162	1,162
	142,757	**9,481**	**152,238**	**173,949**

(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		Consolidated - 2014	
	USD thousand	Real	USD thousand	Real	US Dollar thousand	Real
Trade accounts receivable	3,115	10,150	3,188	12,446	525	1,450
Suppliers (a)	(11,404)	(37,865)	(6,957)	(27,817)	(6,959)	(19,204)
Loans and financing	(20,415)	(66,533)	(12,572)	(49,091)	(2,836)	(7,826)
Net exposure of expected transactions	(28,704)	(94,248)	(16,341)	(64,462)	(9,270)	(25,580)
Future foreign exchange contracts (SWAP)	15,545	50,663	8,450	33,314	-	-
Net exposure	(13,159)	(43,585)	(7,891)	(31,148)	(9,270)	(25,580)

(a) The Company and its subsidiaries have R $ 37,865 in foreign suppliers as of December 31, 2016), (R$ 27,817 on December 31, 2015) and (R$ 19,204 on December 31, 2014), as described in note 18 (R$ 27,131 as of December 31, 2015) and (R$ 19,204 as of December 31, 2014) represents operations denominated in US Dollars and R $ 697 in 31 of December 2016, (R$ 686 as of December 31, 2015) operations made 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.

For the purposes of sensitivity analysis, the probable scenario was the rates of R$ 3.2591, R$ 3.9048 and R$ 2.6562, which refer to rates at December 31, 2016, 2015 and 2014 respectively . For possible scenario, the rates used were R$ 4.0739, R$ 4.8810 and R$ 3.3203 considering a 25% increase and for the remote scenario, the rates used were R$ 4.8888, R$ 5.8572 and R$ 3.9843 considering a 50% increase.

	Consolidated - 2016			
Operation	**Exposure in R$**	**Probable scenario**	**Scenario I (25%)**	**Scenario II (50%)**
Trade accounts receivable	10,150	765	956	1,148
Suppliers	(37,865)	1,887	2,359	2,831
Future foreign exchange contracts (SWAP)	50,663	4,244	5,305	6,366
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	(27,817)	3,308	4,135	4,962
Future foreign exchange contracts (SWAP)	32,994	147	187	220
Loans and financing	(49,091)	6,807	8,509	10,211

	Consolidated - 2014			
Operation	**Exposure in R$**	**Probable scenario**	**Scenario I (25%)**	**Scenario II (50%)**
Trade accounts receivable	1,450	116	145	174
Suppliers	(19,204)	2,304	2,880	3,456
Loans and financing	(7,826)	1,174	1,468	1,761

As of December 31, 2016, the Company has US dollar loans of USD 15,545, (USD 8,450 in 2015), equivalent to R$ 50,662 and (R$ 49,091 in 2015), protected by a SWAP transaction, US dollar year ended December 31, 2014 were not protected.

Income from derivative financial instruments

	Consolidated		
Derivative financial instruments	**2016**	**2015**	**2014**
Gains from SWAP transactions, net	-	537	-
Net loss with SWAP operations	(3,685)	-	-
MTM net effect of unrealized SWAP transactions	(7,778)	3,534	-
Total	(11,463)	4,071	-

On December 31, 2016, the outstanding derivatives related to SWAP contracts with Banco Itaú with maturity on April 30, 2018, amounted to USD 9,517 and with HSBC Bank maturing on June 7, 2018, amounted to USD 4,960.

The fair value of derivative financial instruments is calculated using the discounted cash flow method using BM&F projection curves

Open Derivatives

	Base value			Fair value	
Derivatives	**Dollar**	**Real**	**Maturity**	**Dollar**	**Real**
Position (USD)	9,517	33,500	30/04/2018	(811)	(2,855)
Position (USD)	4,960	17,162	07/06/2018	(401)	(1,389)

Maturity	Notional in Dollars	Average Rate	MtM
30/04/2018	9,517	3.5200	(2,855)
07/06/2018	4,960	3.4680	(1,389)
Total	14,477		(4,244)

The liability side of the financial instruments is recognized as short-term loans and financing and the gain or loss in the net financial result group.

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)	(21,096)	(25,316)

	Consolidated 2015			
Operation	Exposure in R$	Probable scenario	Scenario I (25%)	Scenario II (50%)
Interest earning bank deposits	5,435	326	408	489
Loans and financing	(152,314)	(19,957)	(24,946)	(29,936)

	Consolidated 2014			
Operation	Exposure in R$	Probable scenario	Scenario I (25%)	Scenario II (50%)
Interest earning bank deposits	5,435	515	644	773
Loans and financing	(127,712)	(14,723)	(18,404)	(22,085)

28 Firm commitments

The Company has construction contracts entered into with third parties, companies specialized in engineering and civil construction, to carry out works to build a warehouse for the storage of raw materials, according to note 15, which is expected to be completed in the second half of 2017. The amount of these contracts totals R$ 4,035 as of December 31, 2016.

In the second half of 2016, the Company signed a contract for the purchase and sale of machinery with international suppliers to increase production capacity. The equivalent amount of such contracts totals R$ 3,864 as of December 31, 2016.

The Company also has real estate lease agreements with its related party Hahn Participações, as disclosed in note 17. The present value of the obligations for the residual term of the agreement amounts to R$ 33,150 on December 31, 2016.

29 Subsequent Events

On June 30, 2017, a purchase and sale agreement was entered into between Blau Farmacêutica S.A. and Hahn Participações for the purchase of properties that were the subject of rental agreements presented in note 17 "other transactions with related parties". Due to this purchase and sale commitment, the respective rental agreements were canceled, without any penalty for the Company.

On August 28, 2017, the shareholder Marcelo Rodolfo Hahn acquired the amount of 1,850,000 shares of the shareholder Joyce Marrie Hahn, thus holding 100% of the Company's control.

On September 20, 2017, the Extraordinary General Meeting approved the split of shares issued by the Company in a ratio of 1:8, with the Company's capital being divided into 148,000,000 common, registered, book-entry and non-voting common shares nominal. It was also approved in the same Assembly the authorization for the Company to increase the capital stock by resolution of the Board of Directors, regardless of statutory reform, through the issuance of shares, debentures convertible into shares or warrants, up to a limit of 190,000,000 (one hundred and ninety million) shares. It is also the responsibility of the Board of Directors to determine the terms of the issue, including price, term and form of payment.

* * *

CEO
Marcelo Rodolfo Hahn

CFO
Claudio Gomes

José Henrique Sobrinho,
Accountant CRC 1SP 220433/O-0