Hypermarcas S.A.

Financial statements
December 31, 2015 and 2014

(A free translation of the original in Portuguese, prepared in accordance with the International Financial Reporting Standards (IFRS), with the accounting practices adopted in Brazil and rules of the Brazilian Securities and Exchange Commission - CVM)

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Management Report

In the terms of legal and Bylaws dispositions, the Management of Hypermarcas S.A. ('Company' or 'Hypermarcas') submits to its shareholders the Management Report and the individual and consolidated Standard Financial Statements of the Company, as well as the independent auditors report, regarding the fiscal year ended December 31, 2015.

Management Statement

In fiscal year 2015, Hypermarcas continued on its sustainable, profitable growth business plan in its two business units, Pharma and Consumer. Both divisions posted sell-out demand growth above the expansion of their markets, with market share gains in the year. Such results arise from the execution of the Company's investment plan over the past five years.

During the year, the Company has also started a strategic plan for restructuring its portfolio, aiming at concentrating its businesses in the pharmaceutical sector, in which it holds strong, superior competitive positioning, and which is poised to benefit from the secular trend of the ageing of the Brazilian population.

Since November, the Company has announced the sale of its Beauty business to Coty for R$3.8 billion and of the Condoms business to Reckitt Benckiser for R$675.0 million. It has also announced that it has set its Disposable Products for sale.

We believe that, with this strategy, we maximized the value of our businesses, selling a portion of them to companies that have high synergies to take them to a new level. We also believe this strategy to be very attractive in terms of value creation to our shareholders, as it allows for focusing our resources in the Pharma market, which has very favorable mid- to long-term growth prospects.

After the closing of such transactions, under a capital structure point of view, the Company will have fully eliminated its net debt, starting to hold a net cash position. Under a strategic point of view, it will have become a pure-play Pharma company, holding an outstanding market position.

Given such transformations, the Company will start reporting its results under the following way: Continuing Operations, which will include its former Pharma division and Sweeteners, and Discontinued Operations, which will include Cosmetics, Condoms and Disposable Products. This way of reporting will be already effective for fiscal year 2015 and 4Q15.

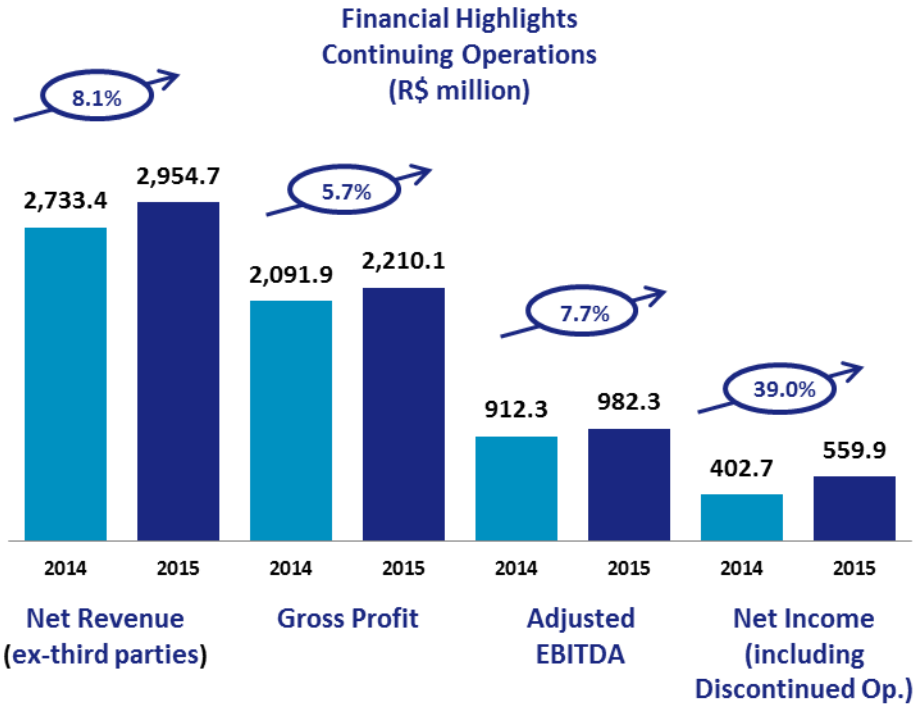
Macroeconomic Environment

In 2015, the Brazilian economic environment deteriorated, with weaker confidence on the performance of the economy as a function of the persistent volatility and lower projections about the main macroeconomic indicators. In December, Brazil's Central Bank Quarterly Inflation Report, for instance, estimated a 3.6% decrease at the country's GDP in the year, while the accumulated inflation measured by the Broad Consumer Price Index (IPCA) climbed to 10.67% in the 12 months ended in December. In face of the rising prices in the economy, the monetary authority implemented a program of increasing the basic interest rate, which ended the year at the 14.25% level.



In spite of the overall performance of the economy, the retail sales index for pharmaceutical, medical, orthopedic and personal use products proved to be resilient compared to other retail segments, advancing 3.0% in volume and 9.7% in nominal revenues in the year, while the broad retail index dropped 8.6% in volume and 1.9% in nominal revenues in the same period, according to the Brazilian Institute of Geography and Statistics (IBGE) data.

Key Indicators



In 2015, the Continuing Operations posted Net Revenue of R$2,954.7 million (ex-third parties), an 8.1% growth compared to the prior year. The Company increased its market share from 9.9% to 10.5% in the same period, advancing notably in products promoted with the medical community (Branded Prescription) and generics.

In the same period, the Gross Profit increased 5.7% to R$2,210.1 million, with margin of 74.8% of Net Revenue, a 0.8 p.p. reduction compared to 2014, mostly as a function of higher imported input costs, especially in the second half of the year.

On the same comparison basis, the Continuing Operations Adjusted EBITDA[1] grew 7.7% and climbed to R$982.3 million, following the improvement of the Company's operating result. Considering Continuing and Discontinued Operations, the Company's Total Adjusted EBITDA[2] amounted to R$1,153.1 million in the year, a 4.2% increase compared to 2014 and within the Company's guidance for 2015.

[1] Continuing Operations EBITDA (R$950.3 million) before non-recurring expenses (R$31.2 million) and other non-cash expenses (R$0.8 million).
[2] Continuing and Discontinued Operations EBITDA (R$1.332.1 million) before non-recurring expenses (-R$180.1 million) and other cash expenses (+R$1.1 million).



In addition, the Net Income grew 39.0% compared to 2014, to R$559.9 million. This result includes the contribution of Discontinued Operations, which amounted to R$214.4 million, as a function of the partial payment related to the sale of the Beauty Business to Coty received still in December 2015.

Outlook

After analyzing of the macroeconomic environment and the dynamics in the markets in which the Company operates, Hypermarcas introduced, on December 7, 2015, a guidance of continuing operations EBITDA around R$1.1 billion in the year 2016.

Financial and Operating Performance

Continuing Operations (Former Pharma division + Sweeteners)

In 2015, the Continuing Operations posted Net Revenue of R$2,954.7 million (ex-third parties), an 8.1% growth compared to the prior year. The Adjusted EBITDA of such operations grew 7.7% compared to 2014, climbing to R$982.3 million in the year, with margin of 33.2% of Net Revenue.

In value, the Company increased its market share from 9.9% to 10.5% in the same period, advancing notably in dermocosmetics and prescription products (RX), whose sell-out demands were up 31.8% and 24.3% respectively against 2014. These results are consequence of the implementation of *Hyperselling*, a program that orients the actions of the medical demand generation team and that is driving higher efficiency after introducing a new training model and optimizing the therapeutic class grid.

In addition, the market share advances are related to the good performance of products launched over the past three years by the Company, such as *Addera D3* (vitamin D), which held the biggest demand among products launched in the market during 2014, and new items under the dermocosmetics umbrella brand *Mantecorp Skincare*, including *Glycare*, *Urby* and line extension for the *Episol* (sun care) and *Epidrat* (moisturizing) brands.

The Company had three products of *Neo Química*'s generics and branded generics line among Brazil's top five best selling products in value, according to IMS Health data: the generic *losartan potassium* (#1) and *sildenafil citrate* (#4), besides the muscle relaxant *Torsilax* (#2). In units, *Neo Química* also has two out of the top five best selling items in the country: the saline solution *Neosoro* (#1) and generic *losartan potassium* (#4).

In 2015, the Company also launched successful products in other business lines, such as *Benegrip Multi*, first liquid anti-flu product in Brazil, which achieved the sixth position among products launched in 2015. The year was also remarked by the consolidation of other OTC products and line extensions that were recently launched, such as *Vitasay Stress*, *Doril Enxaqueca* and flavorless/guarana flavor *Estomazil*.

In 4Q15, the Company complemented its functional food portfolio with *Plantacil Fibras* (*Plantago ovata*), a natural laxative that aids in reducing the absorption of fats by the body. In December, the Company also obtained the registration for launching the generic *tadalafil*, for erectile dysfunction.

In 2015, the Company was elected the Best Supplier of OTC Drugs by ABRAFARMA, the association that gathers the main drugstore chains in Brazil. For the third consecutive year, the entity also chose Hypermarcas' Trade Marketing



team as the best one in the market. These acknowledgements are linked to the work executed for OTC products, including Category Management projects implemented with clients for the adoption of modern best practices for organizing retail stores.

Discontinued Operations

Throughout the year, the Company has implemented price increases in its Disposable Products portfolio, especially in the intermediate price segment, aiming at better balance between market share gain and profitability. As a result, this business posted Net Revenue of R$1,119.3 million in 2015, a 33.7% expansion compared to 2014.

In infant diapers, the Company increased its market share both in volumes as well as in value, as a consequence of a series of factors such as higher consumer adherence to the re-launches of the *Cremer* and *Pom Pom* brands, broader distribution, better point-of-sale execution and price increases. In volume, the market share climbed to 20.3% in the year, a 9.6 percentage point expansion compared to 2014. In value, there was a 3.8 percentage point increase to 16.8% in 2015. These increases also result from the persisting preference among Brazilians for attractive value propositions and from the improved quality of products offered to consumers.

In April, the Company launched the *Pom Pom Colo de Mãe* line, the only one to offer 14-hour protection in the Brazilian market. Targeting the premium infant segment, whose volume has proven to be less sensitive to price hikes if compared to the intermediate tier, this launch already accounts for about 14% of the sales of the *Pom Pom* brand and contributed to its market share expansion, both in volumes as well as in value.

Total (Continuing and Discontinued) Operations

Considering Continuing and Discontinued Operations, the Company's Net Revenue amounted to R$5,236.7 million in fiscal year 2015, a 12.7% growth compared to the prior year (ex-third parties). In particular, this increase reflects a 33.7% expansion in the Disposable Products portfolio. In 4Q15, the Net Revenue grew 13.3% compared to 4Q14, achieving R$1,474.1 million.

Still considering the result of Continuing and Discontinued Operations in 2015, the Company's Adjusted EBITDA amounted to R$1,153.1 million. This amount is in line with the Adjusted EBITDA guidance for the year, which projected a performance around R$1.2 billion in the fiscal year.

Profile and Business Units

Founded in 2001, Hypermarcas a leading company in pharmaceutical products in Brazil. The Company has about 14% market share in units, ranking #1 in the national market. It competes in all relevant segments of the sector, with leadership positioning in several product categories

The Company ranks #1 in OTC drugs, with about 15% market share. It has leadership in segments such as flu symptoms, pain relief, and antacids, among others. Its brands are traditional, and have been established in the market



for many years. In some cases, they are category icons, such as *Benegrip*, *Engov*, *Rinosoro*, *Epocler*, *Estomazil*, *Atroveran*, *Alivium*, *Tamarine*, among others.

In addition, the Company ranks #2 in the branded and unbranded generics, with the *Neo Química* brand. This segment, which has higher popular appeal, has allowed lower income classes to have access to medication in Brazil. Even so, it has lower penetration levels compared to more mature markets.

In prescription drugs, the Company has leadership in several therapeutic classes, under the *Mantecorp Farmasa* umbrella brand. It has a portfolio of well-established product brands such as *Predsim*, *Celestamine*, *Maxsulid*, *Diprospan*, *Mioflex-A*, *Addera D3*. This segment is supported by a broad-range sales and medical visit team.

The Company also leads the nutritionals market with the Finn, Zero-Cal and Adocyl brands. Together, these brands grant Hypermarcas more than 50% of the Brazilian sweeteners market.

Such strength in the pharmaceutical market is based upon large-scale, low-cost operations, with one of the biggest drug manufacturing plants in the world. In addition, the Company has robust distribution, both in the drugstore chains channel, as well as in traditional stores, reached by means of a wide distributor network. This operating platform is supported by high marketing investments and an aggressive innovation policy, with continuous launches of new products.

Portfolio & Innovation

Since the end of 2015, Hypermarcas has undertaken portfolio rotation movements, aiming at focusing in more attractive segments in terms of development, in which it has solid competitive position. Therefore, the Company has concentrated its operations in the pharmaceutical drugs and sweeteners markets.

During the year, the Company increased its coverage of the pharmaceutical market, with the launch of innovative products in its portfolio. In 2015, the Company launched its first nutraceutical product, *Ommax* (omega 3).

Launches in the dermocosmetics line diversified the offering under the Mantecorp Skincare brand, such as the anti-ageing line *Urby* (resveratrol), the *Epidrat Calm* (Sens C Sensiline© Complex) moisturizer for sensitive or damaged skin, in addition to brand extensions for the sunscreen *Episol*, in compact powder version, and the *Hydraporin* moisturizer.

In the OTC portfolio, new brand extensions were introduced for the antacid *Estomazil*, with new flavors and a bottled version. The multivitamin supplement *Vitasay Stress* was relaunched, with high vitamin and minerals concentration and proven efficacy, by means of clinical studies.

In *Neo Química*'s generics line, the Company launched the molecules *atorvastatin calcium* (one of the main molecules in the market, for treating cholesterol), *bromopride* (for treating nausea) and *lidocaine hydrochloride*, a local anesthetic in gel. In the branded generics line, the brand launched *Atorvasterol* (atorvastatin calcium), the antiulcer drug *Neoprazol* (omeprazole), the anti-diarrhea product *Flomicin* (*Saccharomyces boulardii*), and the vitamin C supplement *Citroplex* in pills, in addition to *Lipoxen* (orlistat), for treating obesity.

In 2015, the innovation index for pharmaceutical drugs, which indicates the percentage of sales coming from products launched over the past three years, reached the level of 17.7% of Gross Revenue, compared to 11.4% in 2014.



Business Reorganization

On December 14, 2015, the Company's Board of Directors approved a corporate reorganization of the Company and its subsidiaries, aiming at the segregation the Beauty and Disposable business from each other and from the Company's remaining operations.

This reorganization was motived by the consequences of the Relevant Fact published on November 2, 2015, which announced the signing of an agreement for the sale of the Beauty Business to Coty, and of another Relevant Fact, on December 7, 2015, announcing the Company's decision not to keep its Disposable Products Business, in a way that they might be sold or another structure for their segregation might be found.

By the end of such corporate restructuring, certain assets and liabilities related to the Beauty Business and previously held by the Company and its subsidiary Cosmed Indústria de Cosméticos e Medicamentos S.A. were contributed to Novitá Distribuição, Armazenamento e Transportes S.A. ("Novitá") and its wholly-owned subsidiary Savoy Indústria de Cosméticos S.A. ("Savoy").

In addition, certain industrial assets and liabilities related to the Disposable Products Business (basically composed of diapers) and previously held by Savoy were contributed by Savoy to Active Indústria de Cosméticos Ltda., controlled by Hypermarcas.

After the fulfillment of conditions precedent established by agreement, the sale of the Beauty Business was completed on February 1st, 2016, with the transfer to Coty of the totality of the shares corresponding to the capital stock of Novitá, held by Hypermarcas, amounting to the sale price of R$3.8 billion.

Investments

Hypermarcas and its subsidiaries completed in 2015 the consolidation of their pharmaceutical operations in the state of Goiás. In order to serve the increasing demand, new production lines for solids were added to Brainfarma Indústria Química e Farmacêutica S.A.'s ("Brainfarma") unit in Anápolis, whose raw material warehouse was expanded for improving the supply process. In addition, aiming at operating efficiency gains, the Company implemented a SAP-standard warehouse management system (WMS) in its pharmaceutical Distribution Center, which allows for better finished-product inventory management.

The Company invested R$216.4 million in fixed assets in the year, already including expenses related to the segregation of Disposable Products industrial operations, which have entered the Discontinued Operations from fiscal 2015 onwards.

Human Resources

In March 2015, Hypermarcas carried out, for the first time in its history, a culture and climate survey with its employees, which was conducted by a third-party company which specializes in this type of research. The goal was to promote sustainable engagement, with direct impact on productivity and talent retention.

The results appointed a favorability index of 77%, a level above the global pharmaceutical sector average (70%) and the Brazilian average (71%). Quality and innovation appeared as two of the main factors which motivate the Company's employees, who feel accomplished (84%) about the work they executed, under the precepts of the Company's Code of Ethical Conduct and corporate principles, the Hypermarcas Way.



The following table presents the number of Hypermarcas' employees by the end of three past fiscal years:

Employees	2013	2014	2015
Administration & Sales	5,623	5,861	5,551
Operations	6,946	7,074	5,932
Total Employees	**12,569**	**12,935**	**11,483**

Capital Markets

The shares issued by Hypermarcas are traded under the ticker HYPE3 at BM&FBovespa's Novo Mercado - the segment of the Brazilian stock exchange with the highest corporate governance standards in the Brazilian market - and compose the theoretical portfolios of the following stock indices:

IBOVESPA · Índice Brasil 50 IBRX 50 · Índice de Consumo ICON · Índice de Governança Corporativa Trade IGCT · Índice de Ações com Tag Along Diferenciado ITAG · Índice Valor Bovespa IVBX-2 · Índice Carbono Eficiente ICO2

Índice do Setor Industrial INDX · Índice Brasil IBXX · MidLarge Cap MLCX · Índice de Ações com Governança Corporativa Diferenciada Novo Mercado IGC-NM · Índice Brasil Amplo BM&FBOVESPA IBRA · Índice de Ações com Governança Corporativa Diferenciada IGC

By the end of 2015, the total number of outstanding shares issued by the Company reached 632,238,060 common shares, of which 58.99% compose the Company's free float. With average daily traded volume of R$50.6 million, HYPE3 shares ended the year quoted at R$21.71, with 30.4% gain compared to the end of 2014. In the same period, the Ibovespa index fell 13.3%.

The Company has a Level I ADR (American Depositary Receipts) Program, which are traded in over-the-counter markets in the United States.

On December 7, 2015, the Board of Directors approved the opening of a share buyback program to repurchase common shares issued by the Company, with a maximum duration of 18 months from the approval date. The total amount of shares to be acquired may amount up to 5 million shares, which represented 1.34% of the outstanding shares in the Company's free float in the date of opening of the program, which aims especially at keeping shares in Treasury to be used under the Company's stock option programs.

Debentures

On October 8, 2015, Brainfarma, a wholly-owned subsidiary, issued simple, nonconvertible debentures, in the total amount of R$350.0 million. The term is 4 years, with interest rate of 110% of CDI.

Dividends

Hypermarcas mandatory dividend is of at least 25% of the adjusted net income, under the terms of the Brazilian Corporate Law and the Company's By-laws, based on unconsolidated financial statements after the constitution of reserves according to the law. The yearly distribution of dividends, including dividends in excess of the minimum mandatory dividend, requires approval by a majority vote of the holders of Hypermarcas' common shares and will



depend on many factors, including the Company's operating results, financial condition, cash requirements, future prospects and other eventual elements deemed relevant by Hypermarcas Board of Directors and shareholders.

History of Dividend Payment

In 2013, Hypermarcas distributed R$102.1 million in additional dividends related to the reversion of expansion and profit retention reserves accumulated in fiscal years prior to 2012, as decided by the Ordinary Shareholders Meeting convened on April 30, 2013. The amount was equivalent to R$0.16 per common share and was paid to shareholders on May 10, 2013.

There was no distribution of dividends relative to the fiscal years 2014 and 2013.

Social Responsibility

To build long-lasting partnerships with its stakeholders - employees, clients, consumers, suppliers, government and communities -, Hypermarcas adopts a behavior based on the principles set forth in its corporate policy, Hypermarcas Way. The main social responsibility initiatives targeting its employees and the community where its operations take place are listed below.

Social Assistance:

- Child Development Center: Hypermarcas hosts a daycare institution in its subsidiary located in Anápolis, Goiás, for its employees' children aged zero to six. The facilities are properly equipped to attend to children needs, including attention from qualified nurses and educators, as well as supervision by nutritionists.
- *Plantar* Program: Brainfarma keeps in Anápolis a program for planting organic gardens in partnership with three institutions that attend to the poor population in the city, which hosts the group's main operating complex.

Health and Safety:

- Pregnancy Program: Supports pregnant employees, providing information on procedures for a healthy pregnancy. On the 8th pregnancy month, the employee receives a Baby Kit, composed of diapers and other products for infants of brands *Pom Pom* and *York*.
- Motiva Program: Project of health management by which a specialized health solutions team offers medical assistance to any employee and their registered dependents that are in treatment for chronic pathologies.

Life Quality, Education and Inclusion through Sports:

- Life Quality Program: Includes integration activities, social and sporting events, workplace gymnastics and illness prevention initiatives.
- Educational Partnership Program: Incentivizes the self-development of its employees, who may benefit of discounts ranging from 5% to 40% in universities, language schools and technical courses in institutions affiliated with the program.
- *Praia Segura* Program: The Company supplies uniforms, in addition to 8,000 sunblock packs, plus equipment that are necessary for the activities of lifeguards in the program, operated by the Sea Corps of Firefighters of the State of São Paulo. The brand also supports the distribution of educational materials and child ID tags as means of intensifying an accident prevention campaign. In 2015, about 1,350 professionals were active in 650-kilometer coast offering safety and services to more than 20 million tourists who travel to the state's beaches.



- *Virna Vôlei Project*: founded by Virna Dias, multi-champion with Brazil's Women's Volleyball team, and sponsored by the Company since 2011. Currently, the project supports 60 children in need from the Pavão e Pavãozinho *favela* complexes, in Rio de Janeiro.

Environmental Management

The activities of Hypermarcas and its subsidiaries are subject to the Brazilian environmental law in the federal, state and municipal jurisdictions. The Company understands its responsibility and complies rigorously with current legislation. In that sense, it adopts corporate policies and programs, in addition to maintaining initiatives related to environmental education, rational use of water, gas emission monitoring and solid waste management.

To reduce environmental impacts from its operations and contribute to preserving natural resources, Hypermarcas seeks to optimize production processes, monitor Consumer indicators and promote initiatives to reduce Consumer and raise the society's awareness in regard to conservation. Therefore, the Company monitors key environmental indicators (water, energy, effluents and generation/disposal of hazardous and non-hazardous waste), according to national and international best practices.

In 2015, Brainfarma finished its first complete greenhouse gas emission (GGE) inventory, according to the Brazilian GHG Protocol Program, having the year of 2014 as reference. The index of emissions by finished product unit was 24.79 g CO2e, considering scopes 1, 2 and 3, therefore including mobile and stationary combustion, emissions in acquisition of electric energy, transportation, distribution, waste generated in operations and business trips. The transparency in information about emissions contributed to allow the Company's shares to enter the portfolio of BM&FBovespa's Efficient Carbon Index (ICO2), with 2.365% weight in the first four-month period of 2016.

In another initiative, the Rational Water Usage Program (PURA) was strengthened with the start in Anápolis of the reuse, for green areas irrigation and yard, road, sidewalk and façade cleaning, of a portion of effluents treated at the Effluent Treatment Station, which was expanded in 2014.

In addition, Brainfarma consolidated in 2015, under the *Recicle Mais* Program (More Recycling), a partnership with paper collectors' cooperatives for donation of more than 10 tons of carton monthly, contributing this to the sustainability of the activity.

Arbitration Panel

In accordance to the Company's By-laws, disputes regarding Bylaws, the Novo Mercado Rules, the Brazilian Corporations Law, the norms edited by the National Monetary Council, by the Central Bank of Brazil and by the Securities and Exchange Commission of Brazil, BM&FBovespa's Rules and other norms applicable to the functioning of capital markets in general must be solved by arbitration, to be conducted in the form of the Rules of the Market Arbitration Panel Rules, established by BM&FBovespa.

Relationship with Auditors

Pursuant to CVM Rule number 381/2003, we inform that we hired our independent auditors, *KPMG Auditores Independentes*, for providing jobs other than those related to external audit. However, those services represent less than 5% of the global remuneration of the external audit services. Such jobs refer to services provided for diagnosis about adopting Hedge Accounting. The provision of such services had duration of less than one year.



The Company's policy in regard to contracting external audit services assures that there is no conflict of interest, loss of independence or objectiveness of the services eventually provided by independent auditors and not related to external audit services.

Our external auditors declared to the Management of the Company that the services provided do not influence the independence and objectiveness which are necessary for the provision of external audit services, as they correspond to verifying the adherence to the fiscal regulation and to commenting and suggesting improvements to the existing controls for the financial risk management process.

HYPERMARCAS S.A.
São Paulo, February 19, 2016.



Independent auditors' report on the financial statements

To
The Board of Directors and Shareholders
Hypermarcas S.A.
São Paulo - SP

We have audited the accompanying individual and consolidated financial statements of Hypermarcas S.A. ("the Company"), identified as Parent Company and Consolidated, respectively, which comprises the statement of financial position as at December 31, 2015 and the related statements of income, other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these individual financial statements in accordance with the accounting practices adopted in Brazil and of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) , and in accordance with accounting practices adopted in Brazil, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the individual financial statements

In our opinion, the aforementioned individual financial statements present fairly, in all material respects, the financial position of Hypermarcas S.A. as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hypermarcas S.A. as of December 31, 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board – IASB and the accounting practices adopted in Brazil.

Other matters

Statements of added value
We also examined the individual and consolidated statement of added value (DVA), prepared under management's responsibility for the year ended as at December 31, 2015, for which the disclosure is required by Brazilian corporation laws applicable to publicly-held companies and is an additional information for IFRS which does not require this disclosure. These statements were submitted to the same audit procedures previously described and, in our opinion, are fairly presented in all its material respects, in relation to the financial statements taken as whole.

Goiânia, February 19, 2016

KPMG Auditores Independentes
CRC GO-001203/O-2 F-GO

(Original report in Portuguese signed by)
Wagner Bottino
Accountant CRC 1SP196907/O-7

Hypermarcas S.A.

Balance sheets at December 31
In thousands of reais

Assets	Parent company December 31, 2015	Parent company December 31, 2014	Consolidated December 31, 2015	Consolidated December 31, 2014
Current assets				
Cash and cash equivalents (note 10)	2,382,926	1,374,225	2,756,138	1,829,905
Accounts receivable (note 11)	984,241	1,557,903	980,080	1,553,826
Inventories (note 12)	70,264	258,643	369,677	661,666
Related parties (note 31(a))	57	4,812	-	-
Recoverable taxes (note 13)	66,563	461,925	102,576	525,518
Derivative financial instruments (note 4(f))	167,563	73,801	170,817	87,881
Proposed dividends receivable	-	35,243	-	-
Other assets (note 14)	198,373	143,698	214,342	166,624
Assets held for sale (note 15)	4,736,879	-	5,178,127	-
	8,606,866	3,910,250	9,771,757	4,825,420
Non-current				
Long-term receivable				
Related parties (note 31(a))	91	262	-	-
Deferred income tax and social contribution (note 21(a))	-	-	16,074	15,242
Recoverable taxes (note 13)	48,601	227,904	60,732	254,125
Derivative financial instruments (note 4(f))	363,043	47,791	363,043	47,791
Other assets (note 14)	123,873	107,486	149,027	127,382
	535,608	383,443	588,876	444,540
Investments (note 16)	1,035,043	1,296,195	597	10
Other investments	564	631	564	631
Property, plant and equipment (note 17)	58,698	574,570	740,661	1,666,691
Intangible assets (note 18)	4,631,241	6,793,306	4,720,975	6,950,399
	5,725,546	8,664,702	5,462,797	8,617,731
Total assets	14,868,020	12,958,395	15,823,430	13,887,691

Liabilities and shareholders' equity	Parent company December 31, 2015	Parent company December 31, 2014	Consolidated December 31, 2015	Consolidated December 31, 2014
Current liabilities				
Accounts payable to suppliers (note 19)	268,008	257,261	69,191	287,107
Supplier's assignment of receivables (note 19 (a))	-	23,477	223,812	419,535
Loans, financings and debentures (note 20)	715,570	1,680,650	765,659	1,731,023
Salaries payable	80,449	90,841	126,630	156,550
Related parties (note 31(a))	46,240	38,047	-	-
Income tax and social contribution payable	27,335	-	31,186	5,693
Taxes payable (note 22)	11,234	19,629	23,308	41,744
Notes payable	36,546	51,660	36,546	51,660
Proposed dividends	6,227	-	6,227	-
Derivative financial instruments (note 4(f))	24,841	5,683	28,150	5,918
Accounts payable (note 23)	1,256,215	243,670	1,286,555	289,899
Liabilities held for sale (note 15)	531,600	-	753,056	-
	3,004,265	2,410,918	3,350,320	2,989,129
Non-current				
Loans, financings and debentures (note 20)	3,595,870	2,831,586	4,155,486	3,073,876
Related parties (note 31(a))	20	-	-	-
Taxes payable (note 22)	18,900	28,511	19,034	28,814
Notes payable	-	7,639	-	7,639
Deferred income tax and social contribution (note 21(b))	65,134	54,099	100,357	143,838
Provisions for contingencies (note 24)	143,250	145,434	156,299	156,778
Derivative financial instruments (note 4(f))	5,340	2,586	5,340	2,586
Accounts payable (note 23)	4,786	1,659	6,139	9,068
	3,833,300	3,071,514	4,442,655	3,422,599
Shareholders' Equity				
Capital (note 25 (a))	5,270,726	5,269,124	5,270,726	5,269,124
Capital reserves (note 25)	1,472,735	1,421,371	1,472,735	1,421,371
Equity valuation adjustments	(256,562)	(204,443)	(256,562)	(204,443)
Profit reserves	1,543,556	989,911	1,543,556	989,911
	8,030,455	7,475,963	8,030,455	7,475,963
Total liabilities and shareholders' equity	14,868,020	12,958,395	15,823,430	13,887,691

See the accompanying notes to the financial statements.

Hypermarcas S.A.

Statements of income
Years ended December 31
In thousands of Reais, except when indicated otherwise

	Parent company		Consolidated	
	2015	2014 (reclassified)	2015	2014 (reclassified)
Continuing operations				
Net earnings (note 26)	3,008,788	2,784,293	2,956,649	2,768,096
Cost of sales (note 27(a))	(1,011,195)	(886,395)	(746,511)	(676,241)
Gross profit	**1,997,593**	**1,897,898**	**2,210,138**	**2,091,855**
Selling and marketing expenses (note 27 (a))	(1,081,023)	(1,051,257)	(1,149,470)	(1,089,158)
General and administrative expenses (note 27 (a))	(132,199)	(130,128)	(157,932)	(155,971)
Other operating (expenses) income, net (note 27(b))	(24,380)	2,036	(15,961)	(29,448)
Equity accounting (note 16(a))	107,701	74,836	(2,914)	(613)
Income before financial income and expenses	**867,692**	**793,385**	**883,861**	**816,665**
Financial income (note 27(c))	124,948	140,365	199,163	179,762
Financial expenses (note 27(b))	(654,755)	(581,538)	(715,022)	(591,044)
Net financial expenses	**(529,807)**	**(441,173)**	**(515,859)**	**(411,282)**
Income before income tax and social contribution	**337,885**	**352,212**	**368,002**	**405,383**
Income tax and social contribution (note 21(c))	15,045	(34,717)	(22,514)	(67,489)
Net income from continuing operations	**352,930**	**317,495**	**345,488**	**337,894**
Discontinued operations				
Net income from discontinued operations (note 15)	206,942	85,200	214,384	64,801
Net income for the year	**559,872**	**402,695**	**559,872**	**402,695**
Income per share (note 28)				
Basic income per share (in R$)			0.88564	0.63750
Diluted income per share (in R$)			0.86963	0.62521
Income per share - continuing operations (note 28)				
Basic income per share (in R$)			0.54652	0.53491
Diluted income per share (in R$)			0.53664	0.52460

See the accompanying notes to the financial statements.

Hypermarcas S.A.

Statements of comprehensive income
Years ended December 31
In thousands of Reais, except when indicated otherwise

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Net income for the year	**559,872**	**402,695**	**559,872**	**402,695**
Other comprehensive income				
Items that will be reclassified to income				
Cash flow hedge - effective portion of changes in fair value	(2,842)	-	(2,842)	-
Income tax and social contribution on other comprehensive income	967	-	967	-
Other comprehensive income, net of income tax and social contribution	(1,875)	-	(1,875)	-
Comprehensive income for the year	**557,997**	**402,695**	**557,997**	**402,695**

See the accompanying notes to the financial statements.

Hypermarcas S.A.

Statements of changes in shareholders' equity
In thousands of reais

		Capital reserves					Profit reserves					
	Capital	Goodwill on the issuing of shares	Share purchase options	Treasury shares	Debentures subscription bonus option	Equity valuation adjustments	Legal reserve	Government grant subsidy reserve	Profit retention reserve	Proposed additional dividends	Retained earnings	Total
At January 1, 2014	**5,269,124**	**1,382,980**	**49,267**	**(5,558)**	**-**	**(204,443)**	**40,977**	**546,230**	**-**	**-**	**-**	**7,078,577**
Share purchase option (note 25 (c))	-	-	4,503	-	-	-	-	-	-	-	-	4,503
Income from the sale of treasury shares (note 25 (d))	-	(15,368)	-		-	-	-	-	-	-	-	(15,368)
Sales of shares (Note 25(d))	-	-	-	32,708	-	-	-	-	-	-	-	32,708
Acquisitions of shares (Note 25(b))	-	-	-	(27,161)	-	-	-	-	-	-	-	(27,161)
Reversal of unclaimed and lapsed dividends	-	-	-	-	-	-	-	-	9	-	-	9
Net income for the year	-	-	-	-	-	-	-	-	-	-	402,695	402,695
Formation of reserves (note 25 (e,f))	-	-	-	-	-	-	20,135	382,560	-	-	(402,695)	-
At December 31, 2014	**5,269,124**	**1,367,612**	**53,770**	**(11)**	**-**	**(204,443)**	**61,112**	**928,790**	**9**	**-**	**-**	**7,475,963**
Capital payment - proceeds from the share purchase option program (note 25(a))	1,602	-	-	-	-	-	-	-	-	-	-	1,602
Share purchase option (note 25 (c))	-	-	1,120	-	-	-	-	-	-	-	-	1,120
Reclassification	-	-	-	-	50,244	(50,244)	-	-	-	-		-
Net income for the year	-	-	-	-	-	-	-	-	-	-	559,872	559,872
Formation of reserves (note 25 (e,f))	-	-	-	-	-	-	27,993	506,971	-	-	(534,964)	-
Additional proposed dividends (note (25 (k))	-	-	-	-	-	-	-	-	-	18,681	(24,908)	(6,227)
												-
Other comprehensive income												
Gains or losses from derivatives, net of tax	-	-	-	-	-	(1,875)	-	-	-	-	-	(1,875)
At December 31, 2015	**5,270,726**	**1,367,612**	**54,890**	**(11)**	**50,244**	**(256,562)**	**89,105**	**1,435,761**	**9**	**18,681**	**-**	**8,030,455**

See the accompanying notes to the financial statements.

Hypermarcas S.A.

Statements of cash flows
Years ended December 31
In thousands of reais

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Cash flows from operating activities				
Income before income tax and social contribution, including discontinued operations	652,942	457,220	681,440	482,455
Adjustments				
Depreciation and amortization	35,212	55,296	106,977	109,530
Decrease to recoverable value of assets (Impairment)	7,588	7,830	8,670	7,677
Result on the sale of permanent assets	(508,629)	(4,794)	(509,362)	(4,632)
Equity accounting	(67,198)	(100,403)	2,914	613
Foreign exchange losses	97,819	66,538	139,008	82,309
Interest and related expenses	459,800	380,116	404,661	334,454
Costs of stock options	332	4,057	1,119	4,503
Provisions (Doubtful accounts, Inventories and Contingencies)	138,921	95,225	111,303	78,727
Adjusted income	816,787	961,085	946,730	1,095,636
Changes in assets and liabilities				
Trade accounts receivable	(449,194)	(352,001)	(450,913)	(349,170)
Inventories	(77,998)	(52,405)	(138,725)	(141,701)
Recoverable taxes	(35,817)	(66,162)	(37,649)	(30,529)
Deposits in court and others	2,561	(6,221)	(2,201)	(11,074)
Other accounts receivable	6,483	(3,100)	(8,444)	(4,003)
Suppliers/Supplier's assignment of receivables	375,305	25,017	48,140	194,243
Derivative financial instruments	21,814	(576)	101,897	(2,544)
Income tax and social contribution paid	-	-	(26,875)	(21,032)
Taxes payable	2,025	(6,103)	12,598	(14,844)
Salaries and payroll charges	(6,169)	(4,250)	(4,298)	13,174
Accounts payable	17,443	(34,758)	14,832	(45,613)
Interest on the transaction	(40,043)	4,278	(124,642)	(5,316)
Other accounts payable	(1,771)	(20,570)	(6,758)	(13,227)
Net cash provided by operating activities	631,426	444,234	323,692	664,000
Cash flows from investment activities				
Capital decrease (increase) in the subsidiaries	(153,441)	317,788	(3,500)	-
Purchase of property, plant and equipment	(26,725)	(35,537)	(216,420)	(178,916)
Purchase of Intangible assets	(25,847)	(9,618)	(40,923)	(24,960)
Proceeds from sale of assets of a permanent nature	1,736,784	152,355	1,738,700	156,183
Interest and others	72,466	93,688	118,880	115,913
Dividends received	96,411	7,697	-	-
Purchase of shares	(59,186)	-	-	-
Loans receivable	4,908	160,731	-	-
Net cash provided by investment activities	1,645,370	687,104	1,596,737	68,220
Cash flows from financing activities				
Proceeds from loans taken out	489,826	1,016,273	832,573	1,180,452
Payment of loans - principal	(1,363,612)	(796,162)	(1,413,142)	(835,161)
Payment of loans - interest	(648,711)	(339,981)	(659,847)	(351,725)
Derivative loans	244,618	(44,894)	244,618	(44,894)
Capital payment	1,602	-	1,602	-
Purchase of treasury shares	-	(27,161)	-	(27,161)
Sales of treasury shares	-	17,340	-	17,341
Borrowings	8,182	838	-	-
Net cash used in financing activities	(1,268,095)	(173,747)	(994,196)	(61,148)
Net increase in cash and cash equivalents	1,008,701	957,591	926,233	671,072
Cash and cash equivalents at beginning of year	1,374,225	416,634	1,829,905	1,158,833
Cash and cash equivalents at end of year	2,382,926	1,374,225	2,756,138	1,829,905
Change in cash equivalents	1,008,701	957,591	926,233	671,072
Transactions not involving cash				
Acquisition of property, plant and equipment	745	13,291	9,643	19,681
Acquisition of Brands	-	6,240	-	6,240

See the accompanying notes to the financial statements.

Hypermarcas S.A.

Statements of added value (*)
Years ended December 31
In thousands of reais

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Gross income				
Sales of goods and products, including discontinued operations	5,706,651	5,058,008	5,697,426	5,043,159
Other income	519,289	83,597	517,651	123,742
Income related to the construction of own assets	23,374	34,480	157,211	134,397
Allowance for doubtful accounts	(18,823)	(25,313)	(18,612)	(24,672)
	6,230,491	5,150,772	6,353,676	5,276,626
Inputs acquired from third parties				
Costs of materials, goods and services sold	(2,685,368)	(2,135,056)	(2,072,110)	(1,606,761
Materials, power, third-party services and others	(1,891,071)	(1,478,626)	(2,330,517)	(1,851,032
Losses/recovery of asset amounts	(139,503)	(84,184)	(112,991)	(71,065)
	(4,715,942)	(3,697,866)	(4,515,618)	(3,528,858
Gross added value	1,514,549	1,452,906	1,838,058	1,747,768
Depreciation/amortization	(35,212)	(55,296)	(106,978)	(109,530)
Net added value produced by the Company	1,479,337	1,397,610	1,731,080	1,638,238
Transferred added value received				
Equity accounting	66,984	100,403	(2,914)	(613)
Financial income	127,717	140,365	203,950	179,762
	194,701	240,768	201,036	179,149
Total added value to be distributed	1,674,038	1,638,378	1,932,116	1,817,387
Distribution of added value				
Personnel and charges	498,827	494,906	885,490	860,055
Direct remuneration	401,733	395,231	696,944	673,060
Benefits	68,992	73,922	140,144	143,402
FGTS (Government severance indemnity fund for employees)	28,102	25,753	48,402	43,593
Taxes, fees and contributions	(127,733)	90,794	(337,080)	(126,864)
Federal	64,974	13,414	74,423	(45,166)
State	(194,375)	74,633	(413,828)	(85,038)
Municipal	1,668	2,747	2,325	3,340
Interest	700,250	602,071	776,438	626,385
Rents	42,822	47,912	47,396	55,116
Retained earnings	559,872	402,695	559,872	402,695
Added value distributed	1,674,038	1,638,378	1,932,116	1,817,387

(*) The Statements of added value are not an integral part of the consolidated financial statements in conformity with IFRS.

See the accompanying notes to the financial statements.

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Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

1 General Information

Hypermarcas S.A. ("Company"), with its headquarters located in São Paulo (SP), is a Brazilian Company that manufactures products of health and well being brands, with operations focused on drugs and sweeteners.

The Company holds one of the most complete portfolios in the country, with a presence in the major Pharmaceutical segments of the Brazilian market and leadership in non-prescription (OTC) drugs and branded generics, in addition to an increasing share in generic medicines and a prominent position in prescription products. The main brands of the Company include Addera D3, Alivium, Benegrip, Biotônico Fontoura, Doril, Engov, Epocler, Histamin, Lisador, Polaramine, Predsim, Rinosoro, Torsilax and Neo Química. In addition, the Company is a leader in the market of sweeteners, with the brands Zero-Cal, Finn and Adocyl.

The production of goods is carried out mainly in the subsidiaries Brainfarma Indústria Química e Farmacêutica S.A. and Cosmed Indústria de Cosméticos e Medicamentos S.A. in the State of Goiás. Its main distribution centers are located in Anápolis-GO and Goiania-GO.

The company also has a wide sales and distribution structure with national coverage, and each of the businesses has segmented and specialized sales forces, with experienced professionals. Its products are distributed throughout Brazil, directly to retailers or indirectly, via distributors and wholesalers.

For a decade - from 2001 until 2011 - Hypermarcas acquired a number of companies with attractive assets and strong brands, in a position of leadership in their markets of operation. The main targets in this period were mainly family businesses or non-strategic assets of multinational groups in Brazil.

Since 2011, after a phase of rapid consolidation of the Pharmaceutical and Consumer Goods markets in Brazil, the company directed its focus towards taking advantage of synergies from the integration of the businesses acquired and the quest for greater operational efficiency.

Currently, Hypermarcas has a strategy focused on sustainable growth and continuous cash generation to its shareholders, based on strong brands, efficient and low-cost operations, as well as agile organization focused on results.

In 2015, the company announced the sale of its former business of Cosmetics to Coty and made available for sale its Disposable business, composed basically by infant and incontinence diapers, from the brands Pom Pom, Cremer Disney and Sapeka. As a result, these businesses began to be reported as discontinued operations as from 2015 onwards.

In addition, Hypermarcas on 28 December 2015 approved a firm plan for the sale of the Condoms Business and in January 2016, it announced that it had reached an agreement for the sale of this business. This deal, related to the brands Jontex, Olla and Lovetex, also became part of the Discontinued Operations as of 2015.

Corporate Restructuring

On December 14, 2015, the Company's Board of Directors approved the corporate reorganization of the Company and its subsidiaries, in order to segregate the Cosmetics and Disposable businesses from each other and the rest of the Company's operations.

This reorganization was due to the Material Fact published on November 2, 2015, which announced the signing of the sale contract of the Cosmetics business with Coty, and a second Material Fact, from December 7, 2015, announcing the Company's decision of not keeping its Disposable business, allowing it to be sold or to find another structure for its segregation.

At the end of this corporate reorganization, certain assets and liabilities relevant to the Cosmetics business and held previously by the Company and its subsidiary Cosmed Indústria de Cosméticos e Medicamentos S.A. ("Cosmed") were transferred to Novitá Distribuição, Armazenamento e Transportes S.A. ("Novitá") and its wholly owned subsidiary Savoy Indústria de Cosméticos S.A. ("Savoy").

On the other hand, certain industrial assets and liabilities related to the Disposable business (consisting basically of diapers) and previously held by Savoy were transferred to Active Indústria de Cosméticos Ltda (current business name of Damien Participações Ltda.), controlled by Hypermarcas.

After the fulfilment of the precedent conditions provided in the contract, the sale of the Cosmetics business was completed on February 1, 2016, by transferring to Coty the totality of shares corresponding to the share capital of Novitá, held by Hypermarcas, totaling the sale value of R$ 3,800,000 (three billion and 800 million reais), which may be impacted by the change in net working capital as determined by the price adjustment clause in the sale contract.

2 Description of significant accounting policies

The main accounting policies applied in the preparation of these individual and consolidated financial statements are defined as follows. These policies have been applied consistently to all the periods presented, unless otherwise indicated.

2.1. Preparation basis

The financial statements have been prepared considering the historical cost as a value basis, except for financial assets and liabilities (including derivative instruments), which have been measured at fair value through profit or loss.

The preparation of financial statements requires the use of certain critical accounting estimates and also the exercise of judgment on the part of the Company's directors in the process of applying the Company's accounting policies. Those areas that require a greater level of judgment and that have greater complexity, as well as the areas where assumptions and estimates are material for the financial statements, are disclosed in note 3.

The present financial statements were approved by the Company's Board of Directors on February 19, 2016.

a. Consolidated financial statements

The consolidated financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC) and in accordance with International Financial

Reporting Standards *(*IFRS) issued by the *International Accounting Standards Board (*IASB).

b. Individual financial statements

The individual financial statements of the parent company have been prepared in accordance with accounting practices adopted in Brazil issued by the Accounting Pronouncements Committee (CPC) and are published jointly with the consolidated financial statements.

The revision of technical pronouncement 07 (approved in December 2014) amended CPC 35, CPC 37 and CPC 18 and authorized the use of the equity method in the separate financial statements under IFRS, eliminating this difference between BR GAAP and IFRS.

c. Discontinued operations (CPC 31)

The discontinued operations arising from components that have been written off or classified as held for sale are disclosed in the financial statements, separately from the rest of the Company's operations:

i) Statement of income - income and expenses from discontinued operations and the gains and losses arising from the write off of assets held for sale are presented under a single heading "Income from discontinued operations", net of the effects of income tax and social contribution. The statement of income for 2014, presented for comparative purposes was reclassified retrospectively.

ii) The assets and liabilities related to discontinued operations are presented in current assets and liabilities separately from other assets and liabilities from the balance sheet.

The detailed description of these discontinued operations is presented in note 15.

d. New standards and Interpretations not yet adopted

No new pronouncements or interpretations of CPC/IFRS have come into force since 2015 that could have a significant impact on the Company's financial statements.

A series of new standards, amendments of standards and interpretations will be effective for fiscal years starting after January 1, 2016, and have not been adopted in the preparation of these financial statements. Those that are relevant to the Company are listed below. The Company does not plan to adopt these standards in advance.

IFRS 9 *Financial Instruments*

IFRS 9, published in July 2014, replaces the orientations existing in IAS 39 Financial *Instruments: Recognition and Measurement (Financial Instruments: Recognition and Measurement)*. IFRS 9 includes revised orientation on the classification and measurement of financial instruments, including a new model for expected loss of credit for the calculation of the reduction in recoverable value (impairment) of financial assets, and new requirements for hedge accounting. The standard maintains the existing orientation on the recognition and derecognition of financial instruments of IAS 39. IFRIC 9 is effective for annual periods beginning on or after January 1, 2018. The company is assessing the effects that IFRS 9 will have on its financial statements and on its disclosures.

IFRS 15 Revenue from Contracts with Clients
IFRS 15 requires an entity to recognize the revenue reflecting the consideration that they expect to receive in exchange for the control of these goods or services. The new standard will replace most of the detailed orientation on the recognition of revenue that currently exists under IFRS and U.S. GAAP when the new standard is adopted. The new standard is applicable as from or after January 1, 2018. The standard may be adopted retrospectively using a cumulative effects approach. The company is assessing the effects that IFRS 15 will have on its financial statements and on its disclosures.

Additionally, it is not expected that the following new rules or amendments will have a significant impact on the consolidated:

- *Accounting for Acquisitions of Interests in Joint Operations* (amendment of IFRS 11)
- *Clarification of Acceptable Methods of Depreciation and Amortization* (amendment of IAS 16 and IAS 38)
- *Defined Benefit Plans: Employee Contributions* (amendment of IAS 19)
- *Disclosure Initiative* (amendment of CPC 26 / IAS 1)
- *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (amendment of CPC 36/ IFRS 10 and CPC 18/ and IAS 28)
- Annual improvements to IFRSs from 2012-2014 - several standards

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

2.2. Consolidation

The following accounting policies are applied in the preparation of the consolidated financial statements.

Investments are substantially held in subsidiaries, which are entities in which the Company has the power to determine the financial and operating policies (Note 16). The subsidiaries are fully consolidated as from the date on which the control is transferred to the Company. Consolidation is stopped from the date on which control ends.

The company does not have investments in affiliated companies, however, has investments in a *joint venture* which is not consolidated, but valued by the equity accounting method in conformity with CPC 36 (R3).

Transactions between the company and its subsidiaries, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of a loss (impairment) from the transferred asset. The accounting policies of the subsidiaries are changed when necessary to ensure consistency with the policies adopted by the Company.

2.3. Business combinations

Business combinations are accounted using the purchase method. The cost of an acquisition is measured by the sum of the consideration transferred, measured based on the fair value at the date of acquisition. Costs directly attributable to the acquisition are recorded as an expense when incurred.

On purchasing a business, the company evaluates the financial assets and liabilities assumed in order to classify them and allocate them according to the contractual terms, the economic circumstances and the relevant conditions at the date of acquisition.

The goodwill is measured as being the surplus of the consideration transferred in relation to the net assets acquired (net identifiable assets acquired and the liabilities assumed).

2.4. Translation of foreign currency

a. Functional currency and presentation currency

The items included in the financial statements of each of the companies in which the company holds investments are measured using the currency of the main economic environment in which the company operates ("the functional currency"). The individual and consolidated financial statements are presented in Reais (R$), which is also the functional currency of the company and its invested companies, all located in Brazil.

b. Transactions and balances

Operations with foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction or evaluation dates, on which the items are remeasured. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at the exchange rates at the end of the year, referring to monetary assets and liabilities in foreign currencies, are recognized in the income statement as financial income or expenses.

2.5. *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and financial investments with original maturity of three months or less as from the date of their investment, which are subject to an immaterial risk of change in value, and which are used by the Company in the management of short-term liabilities.

2.6. *Non derivative financial instruments*

2.6.1 Classification

The Company classifies its financial assets in the following categories: stated at fair value through profit or loss, loans and receivables. There are no financial instruments classified as available for sale and investments held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets on initial recognition.

a. Financial assets stated at fair value through profit or loss

A financial instrument is classified as measured at fair value through profit or loss if it is classified as held for trading, i.e. it is designated as such at the time of initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages these investments and takes decisions for purchase and sale based on their fair values in accordance with the Company's documented risk management and investment strategy. Transaction costs and changes in fair value of these assets are recognized in income as incurred.

b. Loans and receivables

Loans and receivables are financial assets with fixed or calculable payments that are not quoted on an active market. These assets are initially recognized at their fair value plus any attributable transaction costs. After initial recognition, loans and receivables are measured at their amortized cost through the actual interest method, less any loss through impairment.

c. Other financial liabilities

The Company classifies non-derivative financial liabilities as other financial liabilities.

2.6.2 Recognition and measurement

The Company recognizes loans and receivables initially on the date on which they were originated. All other financial assets (including assets stated at fair value through profit or loss) are recognized initially on the date of the negotiation, which is the date on which the Company becomes one of the parties to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows of the asset expire, or when it transfers the rights to receipt of the contractual cash flows on a financial asset in a transaction where, essentially, all the risks and benefits of ownership of the financial asset are transferred. Any interest that is created or withdrawn by the Company in these transferred financial assets, is recognized as an individual asset or liability.

Non derivative financial liabilities are recognized initially at fair value less any attributable transaction costs. After initial recognition these financial liabilities are measured at amortized cost using the actual interest rate method.

For financial liabilities the Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the date of negotiation, which is the date on which the Company becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged or canceled or have expired.

2.6.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when there is a legally applicable right to offset the amounts recognized and there is the intention of settling them on a net basis or of realizing the assets and settling the liabilities simultaneously.

2.6.4 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that the financial asset or group of financial assets is impaired. An asset or group of financial assets is impaired and losses from impairment are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

(i) Material financial difficulty of the issuer or obligor;

(ii) A breach of contract, such as a default or delay in the payment of interest or principal;

(iii) The Company, for economic or legal reasons with respect to the financial difficulty of the borrower, grants the borrower a concession that the lender would not otherwise consider;

(iv) It becomes likely that the borrower will file for bankruptcy or other financial reorganization;

(v) The disappearance of an active market for that financial asset because of financial difficulties; or

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- Adverse changes in the payment status of the borrowers in the portfolio;
- National or local economic conditions that correlate with the defaults on the assets in the portfolio.

The amount of loss through impairment is measured as the difference between the carrying value of the assets and the present value of estimated future cash flows (excluding future credit losses that have not incurred) discounted at the original interest rate in force of the financial assets. The carrying value of the asset is reduced and the amount of the loss is recognized in the income statement. If a loan has a variable interest rate, the discount rate for measuring any loss through impairment is the current actual interest rate determined under the contract. As a practical expedient, the Company may measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of loss through impairment decreases and the decrease can be related objectively to an event occurring after the impairment is recognized (such as an improvement in the debtor's credit rating), the reversal of loss through impairment recognized previously shall be recognized in the income statement.

2.7. *Derivative financial instruments and hedge operations*

Initially, derivatives are recognized at fair value on the date a derivative contract is entered into and they are subsequently remeasured at fair value. The resulting gain or loss is accounted for in the income statement for the period.

2.8. *Trade accounts receivable*

Trade accounts receivable comprise the amounts receivable from clients for the sale of products or the providing of services in the normal course of the Company's activities. If the deadline for receipt is equivalent to one year or less, the accounts receivable are classified as current assets. Otherwise, they are presented in non-current assets.

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the actual interest rate method less the provision for doubtful accounts (*impairment)*. In practice they are normally recognized at the amount billed, adjusted by the provision for *impairment,* if necessary.

2.9. *Inventories*

Inventories are stated at cost or net realizable value, whichever is less. The method for valuation of inventories is the weighted average. The cost of finished products and products in process comprises the costs of raw materials, direct labor, other direct costs and the respective direct production costs (based on normal operating capacity), excluding borrowing costs. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.10. *Intangible assets*

a. Goodwill

Goodwill is represented by the difference between the amount paid and/or payable for the purchase of a business and the net amount of the fair value of the assets and liabilities of the subsidiary that was purchased. The goodwill from acquisitions of subsidiaries is recorded as "intangible assets" in the consolidated financial statements and as an investment in the Parent company. The goodwill is tested annually to verify losses (impairment). The goodwill is recorded in the accounting by its cost value less accumulated losses through *impairment.* Losses through impairment recognized on goodwill are not reversed. Gains and losses from the disposal of an entity include the carrying amount of goodwill related to the entity sold.

The goodwill is allocated to cash-generating units (UGCs) for purposes of testing for impairment. The allocation is made to those cash-generating units or groups of cash-generating units which will benefit from the business combination in which the goodwill originated, and are identified according to the business segment.

b. Trademarks, right of use of trademarks and licenses

Trademarks and licenses acquired separately are presented, initially, at the acquisition value.

If part of the amount paid in a business combination is related to trademarks, they are recognized in a specific account of the Intangible Assets and measured at their fair value at the date of acquisition. Subsequently, the trademarks, since they have indefinite useful lives are tested annually to verify their recoverable value.

Expenses incurred internally for development and strengthening of a trademark are recognized as expenses.

In addition to the trademarks acquired in a business combination, the company holds rights of use of trademarks, for a determined period, which are amortized between 5 and 12 years.

c. Software

Software licenses acquired are capitalized based on the costs incurred to acquire the software and ensure that they are ready to be used. These costs are amortized over their estimated useful life of five years.

The costs associated with the maintenance of software are recognized as expenses as incurred.

d. Research and development of products

Spending on research, when incurred, is recorded directly in the income statement. Development expenditures are capitalized only if the development costs can be measured reliably, if the product or process is technically and commercially viable, if future economic benefits are likely and if the Company has the intention and sufficient resources to complete the development and use or sell the asset.

Other development expenditures are recognized in the income statement as incurred. After initial recognition, the capitalized development costs are measured at cost, less accumulated depreciation and any losses due to impairment.
These costs are amortized over their estimated useful life of five years.

2.11. *Property, plant and equipment*

Land and buildings consist mainly of factories and distribution centers. Property, plant and equipment are measured at historical cost of acquisition or construction, less accumulated depreciation and any accumulated loss from impairment. Historical cost includes the costs directly attributable to the acquisition of the items and the financing costs related to the acquisition of qualifying assets.

Subsequent costs are included in the carrying value of the asset or recognized as a separate asset, as appropriate, only when it is likely that there is a flow of future economic benefits associated with the item and that the cost of the item can be measured reliably. The book value of items or parts that are replaced is written off. All other repairs and maintenance are launched as offsetting entries against income, when incurred.

Items of property, plant and equipment are depreciated from the date on which they are available for use, or in the event of assets built in-house, from the day on which the construction is completed and the asset is available for use.

Land is not appreciated. Depreciation of other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Years
Buildings	30-50
Machinery and equipment	26-28
Vehicles	9-10
Furniture and fixtures	17-20

The residual values and useful lives of assets are reviewed and adjusted, if appropriate, at the end of each financial year.

The carrying value of an asset is written down immediately to its recoverable value if the asset's carrying value is greater than its estimated recoverable value. (Note 2.12)

Gains and losses from disposals are determined by comparison of the results with the carrying value and are recognized as "Other net operating expenses/ income" in the income statement.

2.12. *Impairment of non financial assets*

Assets with an indefinite useful life, such as goodwill and trademarks, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for verification of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. A loss through impairment is recognized by the amount at which the carrying amount of the asset exceeds its recoverable amount. The latter is the higher amount between an asset's fair value less selling costs and its value in use. For purposes of evaluating impairment, the assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units (CGU)). Non-financial assets, excluding goodwill, that have suffered impairment are reviewed, subsequently, for the analysis of a possible reversal of the impairment on the reporting date.

Losses through impairment are recognized in the income statement. Losses recognized with respect to UGCs are initially allocated for a decrease in any goodwill allocated to the UGC, and then to decrease the carrying value of the other assets of the UGC on a pro rata basis.

A loss through impairment related to goodwill is not reversed. With respect to the other assets, losses through impairment are reversed only to the extent that the carrying value of the asset does not exceed the carrying value that would have been obtained, net of depreciation or amortization, if the loss in value had not been recognized.

2.13. *Accounts payable to suppliers*

Accounts payable to suppliers are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business, and they are classified as current liabilities if payment is due within a period of one year. Otherwise, accounts payable are presented as non-current liabilities. They are initially recognized at fair value and subsequently measured at amortized cost using the actual interest rate method. In practice, they are usually recognized at the amount of the corresponding invoice.

2.14. Loans, financing and debentures

Recognized initially at fair value, net of transaction costs and are subsequently stated at amortized cost. Any difference between the amounts obtained (net of transaction costs) and the settlement amount is recognized in the statement of income during the period in which loans are outstanding, using the actual interest rate method.

Fees paid to financial institutions, by way of funding costs, are deferred until the actual loan occurs. When there is likelihood of withdrawal of part or all of the loan, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the loan to which it is related.

Compound financial instruments (which have components of financial liabilities (debt) and of equity) issued by the company comprise debentures with a subscription bond that can be converted into share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at fair value. The fair value of the liability portion of a convertible instrument of indebtedness is determined using discounted cash flow, considering the market interest rate for an instrument of

indebtedness with similar characteristics (period, value, credit risk), although unconvertible.

The equity component is recognized initially by the difference between the total amount received by the company with the issuing of the title and the fair value of financial liability component recognizing the transaction costs directly attributable to the title are allocated to the components of liabilities and stakeholders` equity proportionally to the amounts initially recognized.

After the initial recognition, the liability component of a compound financial instrument is measured at amortized cost, using the actual interest rate method. The equity component of a compound financial instrument is not measured again after the initial recognition, except in the conversion or when it expires.

Loans are classified as current liabilities unless the company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

2.15. Provisions and other liabilities, except loans, financing and debentures

Provisions are recognized when the Company has a present, legal or implicit obligation as a result of past events and it is probable that an outflow of funds will be necessary to settle the obligation and a reliable estimate of the amount can be made. Accordingly, the recognition, measurement and disclosure of the provisions and negative contingencies take into consideration the criteria established in CPC 25 and also the contractual guarantees of the acquisitions of companies.

The other liabilities are presented at known or estimated amounts including, when applicable, the corresponding charges, the variations in exchange rates and monetary variations incurred. The notes payable indexed by exchange variation and without interest rates, are recorded in the accounting at their present values in accordance with CPC 12.

A provision for restructuring is recognized when the Company has approved a formal, detailed restructuring plan and the restructuring has already started or has already been announced publicly. Provisions are not recorded for future operating losses.

2.16. Current and deferred income tax and social contribution

The expenses for income tax and social contribution for the year comprise current and deferred taxes. Income taxes are recognized in the statement of income, except in the proportion in which they are related to items recognized directly in shareholders' equity or other comprehensive income.

The burden of current income tax and social contribution is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date. Management periodically evaluates the positions taken by the company in the income tax returns with respect to situations in which the applicable tax regulations give rise to interpretation and it establishes provisions where appropriate based on the estimated values for payment to the tax authorities.

Current income tax and social contribution are presented net per taxpaying entity in liabilities whenever there are amounts payable, or in assets when the amounts paid in advance exceed the total due on the reporting date.

Deferred income tax and social contribution are recognized using the method of the liability on temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax and social contribution are not recorded in the accounting if they result from the initial recognition of an asset or liability in an operation that is not a business combination which, at the time of the transaction, does not affect the accounting income, or the taxable income. Deferred income tax and social contribution are determined using tax rates (and tax laws) enacted at the balance sheet date and that should be applied when the respective deferred tax asset is realized or the deferred tax liability is settled.

Deferred income tax and social contribution assets are recognized only in proportion to the likelihood that future taxable profit will be available against which the temporary differences can be used.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities are related to income taxes levied by the same tax authority on the tax entity or different taxable entities where there is the intention to settle the balances on a net basis.

Current and deferred income and social contribution taxes are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 in the 12 month period, for income tax and 9% on taxable income for the social contribution on net income, and take into consideration the offsetting of tax loss carry forwards and negative base of the social contribution, limited to 30% of taxable income.

2.17. Employee benefits

a. Share-based remuneration

The Company operates a series of remuneration plans based on options (*Share Option*) settled with shares, according to which the company receives the employees' services as a consideration for the Company's equity instruments (options). The fair value of the services received from the employee in exchange for the granting of options is recognized as an expense. The total amount to be debited is determined by reference to the fair value of the options granted, excluding the impact of any conditions of rights of acquisition based on the service and performance that are not from the market (for example profitability, increased sales goals and permanence in employment for a specific period of time). The conditions for acquisition of rights that are not from the market are included in the assumptions on the number of options whose rights shall be purchased. The total amount of the expense is recognized during the year in which the right is acquired, during which the specific conditions for acquisition of rights must be met. At the balance sheet date, the company reviews its estimates of the number of options whose rights shall be purchased based on the conditions of acquisition of rights that are not from the market. This recognizes the impact of the review of initial estimates, if any, in the statement of income, with a corresponding adjustment in equity.

The amounts received, net of any directly attributable transaction costs are credited in the share capital (face value), or sale of Treasury shares when the options are exercised.

b. Profit sharing

The Company recognizes a liability and an expense for profit sharing based on criteria that also consider the profit attributable to shareholders after certain adjustments. The Company recognizes a provision when it is contractually obliged to or when there is a past practice that created a non-formalized obligation.

c. Short-term employee benefits

Liabilities from short-term employee benefits are recognized as personnel expenses as the corresponding service is provided. The liability is recognized at the amount that is expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.18. Share capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issuing of new shares or options are presented in shareholders' equity as a deduction from the proceeds, net of tax.

a. Treasury shares

The amount paid for the purchase of shares of the capital stock, including any directly attributable additional costs (net of tax effects), is deducted from the shareholders` equity attributable to the Company`s shareholders until the shares are canceled or reissued. When these shares are subsequently reissued, any amount received, net of any directly attributable additional transaction costs and the respective effects of income tax and social contribution, are included in the equity attributable to the Company's shareholders. Gains or losses resulting from the transactions are presented as a capital reserve.

2.19. Recognition of revenue

Revenue comprises the fair value of the consideration received or receivable for the trading of products in the Company's normal course of activities. Revenue is shown net of taxes, returns, rebates and discounts and after eliminating sales between subsidiaries.

The Company recognizes revenue when the amount can be measured securely, it is likely that future economic benefits will flow into the Company and when specific criteria have been met for each one of the Company's activities. The Company bases its estimates on past results, taking into consideration the type of client, the type of transaction and the specifics of each sale.

Revenue from sale of products and goods

Sales of products and goods are recognized when the risks and benefits of to the products are substantially transferred to the buyer, the acceptance provisions have been agreed and the buyer has accepted the products in accordance with the sales contract and there is no continued involvement with the goods sold.

2.20. Leases

The property leases where the Company bears substantially all the risks and benefits of ownership are classified as financial leases. Financial leases are recorded as if they were financed purchases, recognizing, initially, a fixed asset and a financing liability (lease). Property, plant and equipment acquired under finance leases are depreciated at the rates defined in the contracts or the useful life, whichever is lower.

The leases in which a significant portion of the risks and benefits of ownership remains with the lessor are classified as operating leases. Payments of operating leases (net of any incentives received from the lessor) are charged to results by the straight-line method over the period of the lease.

2.21. Earnings per share

The company calculates the earnings per share using the weighted average number of total common shares outstanding during the period corresponding to the result in conformity with technical pronouncement CPC 41 (earnings per share).

2.22. Distribution of dividends

The distribution of dividends to the company's shareholders is recognized as a liability in the financial statements at the end of the year, based on the Company's bylaws. Any value different from the mandatory minimum is only recorded in the accounting on the date on which they are approved by the shareholders in the annual general meeting.

2.23. Statements of added value

The Company prepared the individual and consolidated statements of added value in the terms of technical pronouncement CPC 09 - Statement of Added Value, which are presented as an integral part of the financial statements in accordance with BRGAAP applicable to publicly-held Companies, while for IFRS they present additional financial information.

3 Critical accounting estimates and judgments

Accounting estimates and judgments are evaluated on an on-going basis and are based on past experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

3.1. Critical accounting judgments

Useful life of brands

Given the business strategy and the investments made, including advertising and publicity for strengthening and durability of the brands, Management estimates that a predictable estimated limit for the useful life of the brands may not be adequate. Accordingly, the brands are not amortized, but are assessed for impairment, in order to ensure that their carrying values do not exceed the realization values.

Compound financial instrument

During the year ended December 31, 2010 the company conducted a debenture transaction with an indexed subscription bond, with an option for conversion into fixed amounts of common shares (18,656,650 shares). Considering the characteristics of a compound financial instrument in conformity with the guidelines of CPC 39 (Financial Instruments - Presentation), the company used as an assumption interest rates applicable to securities without the indexed conversion option to assess the fair value of the equity component of this instrument, as described in note 20 (c).

3.2. Critical accounting estimates and assumptions

Based on assumptions, the Company makes estimates with respect to the future. By definition, the resulting accounting estimates will rarely be equal to their actual results. The estimates and assumptions that present a significant risk, with likelihood of causing a material adjustment in the accounting values of assets and liabilities for the following years, are included below.

a. Estimated loss (impairment) on goodwill and trademarks and patents

The company tests possible losses (impairment) in the accounts for goodwill and trademarks and patents, in accordance with the accounting policy presented in note 2.12. The recoverable amounts of cash-generating units (UGCs) were determined based on calculations of the value in use, calculated based on estimates (note 18).

b. Allocation of fair value in business combinations

The company makes analyses on the dates of the business combinations of the identifiable assets and liabilities, pursuant to CPC 15 (Business Combinations) and identifies the items where it considers it necessary to engage independent external experts, who are hired to support the assessment of the fair value of these items.

c. Useful life of items of property, plant and equipment

The review of the useful life is made annually. There were no material changes in the depreciation recorded and no need was identified for a change in the useful life used. (Note 17).

d. Realization of deferred taxes

The realization of deferred income tax credits is assessed from technical studies approved by the Board of Directors based on the budgetary planning.

e. Fair values of derivatives and stock options

Estimates of the fair value of derivative instruments and stock options are based on consolidated models on the market, as disclosed in Note 25 (c) (for options) and Note 4 (f) (Derivatives) and these models have been applied uniformly over the periods presented.

4 Financial risk management

a. Financial risk factors

The company's activities expose it to various financial risks: market risk including currency fair value risk, interest rate risk, cash flow risk, price risk, credit risk and liquidity risk.

The Company has and follows a risk management policy, which orientates transactions and requires diversification of transactions and counterparties. In the terms of this policy, the nature and general position of the financial risks are regularly monitored and managed in order to evaluate the results and the financial impact on the cash flow. The credit limits and the quality of the hedge of the counterparties are also reviewed periodically.

The company's risk management policy was established by the Board of Directors. Under this policy, market risks are protected when it is considered necessary to support the corporate strategy or when it is necessary to maintain the level of financial flexibility. The Financial Management examines and reviews Financial information related to risk management, including significant policies, procedures and practices applied in risk management.

Under the conditions of the risk management policy, the Company manages some of the risk through the use of derivative instruments, which prohibit speculative trading and short-selling.

b. Exchange risk

The associated risk arises from the possibility of the Company incurring losses due to fluctuations in exchange rates, which increase amounts of funds raised on the market.

On December 31, 2015 and 2014, the assets and liabilities denominated in foreign currency and the financial instruments that mitigate exchange risks are as follow:

	Consolidated			
	31/12/2015		31/12/2014	
	US$ '000	R$ '000	US$ '000	R$ '000
Assets				
Accounts receivable	(181)	(716)	(143)	(379)
Other assets	-	-	(5,990)	(15,915)
Liabilities				
Accounts payable to suppliers	44,908	177,850	95,066	252,571
Loans and financing	685,313	2,714,183	635,401	1,688,132
Derivative instruments that mitigate risks	(726,563)	(2,877,554)	(713,339)	(1,895,199)
Net exposure	3,477	13,763	10,995	29,210

c. Cash flow or fair value risk associated with interest rate

The Company's interest rate risk arises from financial investments, securities, debentures and short and long-term loans and financing. Loans issued at variable rates expose the company to interest rate risk. Loans issued at fixed rates expose the company to the value risk associated with the interest rate.

The company analyzes its exposure to interest rates dynamically and seeks diversification of indexes in its financial liabilities. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing and hedge.

The exposure to interest rate risk of the transactions pegged to the variation of the CDI (Interbank Deposit Certificate), TJLP (long-term interest rate), TR (Referential rate) and IPCA (Amplified Consumer Price Index) is presented in the table below:

	December 31, 2015	
	Parent company	Consolidated
Loans, financing and Swaps - CDI	1,026,085	1,026,085
Financing - TJLP	72,668	75,371
Financing - TR	49,587	158,898
Debentures - CDI	1,048,298	1,403,766
Debentures - IPCA	85,348	85,348
Notes payable - CDI	32,519	32,518
Financial investments (note 10)	(2,365,271)	(2,737,512)
Net exposure	(50,766)	44,474

d. Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits in banks and financial institutions and credit exposures to wholesale and retail customers, including outstanding accounts receivable and repurchase operations.

For banks and financial institutions, the company has a policy of diversifying its financial investments in top-tier institutions with ratings described in note 9 (Credit quality of financial assets).

e. Liquidity risk

The company believes that the cash flows from operating activities, cash and cash equivalents and available lines of credit are sufficient to fund the financial commitments and payments of dividends in the future.

The table below analyzes the Company's financial liabilities per maturity bracket, corresponding to the remaining period in the balance sheet until the contractual date of maturity. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the cash flows. The amounts disclosed in the table are contracted non-discounted cash flows. These amounts do not match the balance sheet as they are an estimate.

	Consolidated - 2015				
	Less than one year	**From one to two years**	**From two to five years**	**More than five years**	**Overall total**
Debentures	520,138	658,969	1,175,964	-	2,355,071
Loans and financing	455,179	977,583	452,880	1,593,818	3,479,460
Notes payable	41,865	-	-	-	41,865
Accounts payable to suppliers	69,191	-	-	-	69,191
Supplier's assignment of receivables	223,812				223,812
Accounts payable	1,286,555	6,139	-	-	1,292,694
Derivative financial instruments	(59,104)	(410,235)	(211,941)	-	(681,280)
	2,537,636	1,232,456	1,416,903	1,593,818	6,780,813

	Consolidated -2014				
	Less than one year	**From one to two years**	**From two to five years**	**More than five years**	**Overall total**
Debentures	1,500,058	446.853	1.310.057	-	3.256.968
Loans and financing	157.836	140.956	1.200.210	1.301.409	2.800.411
Notes payable	36,136	9.267	-	-	45.403
Accounts payable to suppliers	287,107	-	-	-	287,107
Suppliers assignment of receivables	419,535				419,535
Accounts payable	289,899	9,068	-	-	298,967
Derivative financial instruments	(47,805)	38,784	(238,189)	-	(247,210)
	2,642,766	644,928	2.272.078	1.301.409	6,861,18

f. Derivatives

In 2015, transactions were conducted involving currency forwards (dollar vs. Real) and foreign exchange Swap as derivative financial instruments.

The outstanding transactions were conducted to hedge against fluctuations in liabilities denominated in foreign currency related to loans and financing, notes payable and suppliers. They are not used for speculative purposes and are characterized by being financial instruments with a high correlation with the liabilities to which they are linked. (See the sensitivity analysis below.)

On December 31, 2015, derivative instrument operations contracted by the Company totaled R$ 2,967,554 (On December 31, 2014 - R$ 2,015,199) in consolidated and R$ 2,841,034 (On December 31, 2014 - R$ 1,855,832) in the parent company. The results of the transactions not yet settled represented gains of R$ 500,370 (On December 31, 2014 loss of R$ 127,168) in consolidated and gains of R$ 500,425 (On December 31, 2014 loss of R$ 113,323) in the parent company.

On December 31, 2015 and 2014, these transactions can be summarized as follows:

Parent company

Type	Counterparties	Notional value		Fair value receivable (payable)		Gains (losses) realized	
(In R$ thousands)		Dec 15	Dec 2014	Dec 15	Dec 2014	Dec 15	Dec 2014
Foreign Currency							
Forward contracts		**1,306,212**	**926,018**	**85,707**	**60,886**	**292,430**	**(29,443)**
Long position	Merril Lynch, Deutsche Bank, HSBC, JP Morgan,Itaú, Santander, Bradesco, BTG Pactual, Morgan Stanley, BR Partners, Citibank	1,306,212	1,026,615	85,707	66,187	289,764	(29,431)
Short position	Deutsche Bank, Citibank	-	(100,597)	-	(5,301)	2,666	(12)
Swaps		**1,444,822**	**809,814**	**420,058**	**55,023**	**(36,203)**	**(12,208)**
Long position	Citibank, Itaú, Safra, Tokyo-Mitsubishi	1,444,822	809,814	420,058	55,023	(36,203)	(12,208)
Subtotal		**2,751,034**	**1,735,832**	**505,765**	**115,909**	**256,227**	**(41,651)**
Interest rate Swaps		**90,000**	**120,000**	**(5,340)**	**(2,586)**	**(1,159)**	**(1,091)**
Asset Position -Pre	Santander	90,000	120,000	(5,340)	(2,586)	(1,159)	(1,091)
Total		**2,841,034**	**1,855,832**	**500,425**	**113,323**	**255,068**	**(42,742)**

Consolidated

Type	Counterparties	Notional value		Fair Value receivable (payable)		Gains (losses) realized	
(In R$ thousands)		Dec 15	Dec 2014	Dec 15	Dec 2014	Dec 15	Dec 2014
Foreign Currency							
Forward contracts		**1,432,732**	**1,085,385**	**85,652**	**74,731**	**335,700**	**(31,411)**
Long position	Merrill Lynch, DB, HSBC, JP Morgan, Itaú, Santander, Bradesco, BTG Pactual, Pine, Votorantim, Morgan Stanley	1,432,732	1,187,887	85,652	80,266	333,034	(31,429)
Short position	JP Morgan	-	(102,502)	-	(5,535)	2,666	18
Swaps		**1,444,822**	**809,814**	**420,058**	**55,023**	**(36,203)**	**(12,208)**
Long position	Citibank, Itaú, Safra	1,444,822	809,814	420,058	55,023	(36,203)	(12,208)
Subtotal		**2,877,554**	**1,895,199**	**505,710**	**129,754**	**299,497**	**(43,619)**
Interest rate							
Swaps		**90,000**	**120,000**	**(5,340)**	**(2,586)**	**(1,159)**	**(1,091)**
Asset Position -Pre	Santander	90,000	120,000	(5,340)	(2,586)	(1,159)	(1,091)
Total		**2,967,554**	**2,015,199**	**500,370**	**127,168**	**298,338**	**(44,710)**

The consolidated contracts listed above have maturity dates on:

Maturity	Future value	
Foreign Currency - USD	**Dec 15**	**Rate**
Jan 16	249,426	3,93
Feb 16	13,820	4,39
Mar 16	18,058	4,42
Apr 16	1,280,420	3,82
May 16	7,846	4,27
Jun 16	18,628	3,90
Jul 16	29,527	4,50
Aug 16	12,541	4,26
Set 16	48	4,30
Jan 17	373,937	4,41
Feb 17	534,645	4,46
Jan 18	249,115	4,98
Mar 18	252,298	5,05
Total	**3,040,309**	**4,23**

Maturity Interest rate	Dec 15	Liability rate % CDI
Apr 16	(1,327)	98,1%
Oct 16	(1,433)	98,1%
Apr 17	(1,207)	98,1%
Oct 17	(900)	98,1%
Apr 18	(538)	98,1%
Oct 18	(244)	98,1%
Total	**(5,649)**	**98,1%**

(a) Methodology for calculating the fair value of derivatives

- Foreign currency forward contracts are valued using the interpolation of the market rates of US dollar futures contracts for each base date, as informed by BM&F BOVESPA.

- Swaps are valued using the interpolation of the exchange coupon market and future interbank deposit rates for each base date, as informed by BM&F BOVESPA.

(b) Sensitivity analysis

We present below the sensitivity analysis table for the financial instruments, including derivatives that describe the risks that may cause material losses for the company, with the most likely scenario (scenario I, considering a fluctuation of 7.22% for the US dollar which corresponds to 3 standard deviations of the fluctuation of the three months of the fourth quarter of the year) according to the evaluation made by Management, considering a range of perception of three months, when the next financial information containing this analysis should be released. In addition, two other scenarios are presented in order to provide a 25% and 50% deterioration in the exchange rate of the Real against the U.S. dollar, respectively (scenarios II and III).

						Consolidated
Risk	**Scenario I**		**Scenario II**		**Scenario III**	
(In R$ thousands)			**25% fluctuation**		**50% fluctuation**	
	Appreciation	**Depreciation**	**Appreciation**	**Depreciation**	**Appreciation**	**Depreciation**
Quotation of the dollar	3,675	4,246	2,970	4,951	1,980	5,941
Foreign Currency						
Economic hedge	**(213,102)**	**213,102**	**(737,945)**	**737,945**	**(1,475,890)**	**1,475,890**
Forward contracts	(108,803)	108,803	(376,749)	376,749	(753,497)	753,497
Swap	(104,299)	104,299	(361,196)	361,196	(722,393)	722,393
Object of the economic hedge	**214,107**	**(214,107)**	**741,424**	**(741,424)**	**1,482,848**	**(1,482,848)**
Loans and financing and notes payable subject to short term exchange rate variation	214,107	(214,107)	741,424	(741,424)	1,482,848	(1,482,848)
Net effect	**1,005**	**(1,005)**	**3,479**	**(3,479)**	**6,958**	**(6,958)**

The sensitivity analysis presented above considers changes regarding the exchange rate of the US dollar, keeping all other variables, associated with other risks, constant.

Below are shown the resulting values of monetary variations and floating interest on our loans, financing, debentures and bonds payable projected for the first quarter of 2016.

Parent company

Variation scenarios	Likely scenario*	25% change	50% change
Loan - CDI	5,214	6,518	7,821
Financing - TJLP	340	424	509
Debentures - CDI	5,327	6,659	7,990
Debentures - IPCA	(1,148)	(1,436)	(1,723)
Loan - TR	156	196	235
Notes payable - CDI	165	207	248
Short-term investments	(12,019)	(15,023)	(18,028)
Total of the loss (gain) effect	**(1,965)**	**(2,455)**	**(2,948)**

Consolidated

Variation scenarios	Likely scenario*	25% change	50% change
Loan - CDI	5,214	6,518	7,821
Financing - TJLP	352	440	528
Debentures - CDI	7,133	8,917	10,700
Debentures - IPCA	(1,148)	(1,436)	(1,723)
Loan - TR	501	627	752
Notes payable - CDI	165	207	248
Short-term investments	(13,910)	(17,389)	(20,866)
Total of the loss (gain) effect	**(1,693)**	**(2,116)**	**(2,540)**

*** Likely Scenario Assumptions**
Estimated CDI 14,72% p,a,
Accumulated IPCA of 1,67% p,q
Estimated TR of 1,75% p,a,
Estimated TJLP of 7,5% p,a,

5 Capital management

The Company's objectives when managing its capital are to safeguard the Company's ability to continue to offer a return for its shareholders and benefits for the other interested parties and to maintain an optimal capital structure for reducing this cost.

To maintain or adjust the capital structure, the Company can review the dividend payment policy, return capital to shareholders, or even issue new shares or sell assets to reduce, for example, the level of indebtedness.

The Company monitors its capital based on the financial leverage ratio. This ratio is calculated as net debt divided by total capital. Net debt, in turn, refers to total loans (including short and long term loans, financing, debentures and notes payable, as presented in the consolidated balance sheet) less the amount of cash and cash equivalents. Total capital is calculated based on the sum of shareholders` equity, as presented in the consolidated balance sheet, with net debt.

The financial leverage ratios on December 31, 2015 and 2014 can be summarized as follows:

	Consolidated	
	2015	**2014**
Total loans, financing and debentures (note 20)	4,921,145	4,804,899
Total notes payable	36,546	59,299
Loss (gain) with financial *hedge*	(505,755)	(103,468)
Less: Cash and cash equivalents (note 10)	(2,756,138)	(1,829,905)
Net debt	1,695,798	2,930,825
Total shareholders` equity	8,030,455	7,475,963
Adjusted shareholders` equity	9,726,253	10,406,788
Index of net debt by adjusted equity %	17%	28%

6 Estimate of fair value (Consolidated)

It is assumed that the balances of trade accounts receivable and accounts payable to suppliers at book value, less the loss (*impairment),* are close to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows by the prevailing interest rate on the market, which is available to the Company for similar financial instruments (note 20 b).

The company applies CPC 40/IFRS 7 to financial instruments stated on the balance sheet at fair value, which requires disclosure of the fair value measurements per level of the following hierarchy of fair value measurement:

- Prices quoted (unadjusted) on active markets for similar assets and liabilities (level 1).

- Information, besides quoted prices, included in level 1 that are adopted by the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).

- Inputs for the assets or liabilities that are not based on data adopted by the market (i.e. unobservable inputs) (level 3).

The table below presents the Company's assets and liabilities measured at fair value on December 31, 2015, as well as financial instruments not measured at fair value but for which the disclosure of the fair value is required.

	Consolidated			
	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial investments (note 10)	-	2,737,512	-	2,737,512
Derivative financial instruments	-	533,860	-	533,860
Total assets	-	3,271,372	-	3,271,372
Liabilities				
Loans, financing and debentures stated at fair value (note 20(b))	1,294,394	3,500,559	-	4,794,953
Derivative financial instruments	-	33,490	-	33,490
Total liabilities	1,294,394	3,534,049	-	4,828,443

The table below presents the Company's assets and liabilities measured at fair value on December 31, 2014, as well as financial instruments not measured at fair value but for which the disclosure of the fair value is required.

	Consolidated			
	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial investments (note 10)	-	1,815,597	-	1,815,597
Derivative financial instruments	-	135,672	-	135,672
Total assets	-	1,951,269	-	1,951,269
Liabilities				
Loans, financing and debentures stated at fair value (note 20(b))	912,440	3,826,913	-	4,739,353
Derivative financial instruments	-	8,504	-	8,504
Total liabilities	912,440	3,835,417	-	4,747,857

The fair value of financial instruments that are not traded on active markets (e.g. derivatives) is determined through the use of valuation techniques. These valuation techniques maximize the use of data adopted by the market where it is available and rely as little as possible on the Company's specific estimates.

7 Hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency variation and interest rate risk exposures.

According to the characteristics of the *hedge*, it is the Company's accounting policy to adopt hedge accounting, as established in CPC38. For operations that are designated for *hedge accounting*, the company formally documents the relationship between hedge instruments and the items object of hedge, including the risk management objectives and the strategy in conducting the hedge transaction, together with the methods that will be used to evaluate the effectiveness of the hedge relationship. The company makes a forward-looking assessment, both

at the time of the designation of the hedge relationship, and continuously, if there is an expectation that the hedge instruments will be "highly effective" in offsetting changes in the fair value of the respective items object of hedge during the period for which the hedge is designated, and if the actual results of each hedge are within the range of 80% to 125%.

Hedges of fair value flows
The company adopts the hedge of the fair value for its transactions of 4131, so that both the hedge instruments and the hedge objects are recorded in the accounting by fair value against profit or loss. See below the transactions and accounting effects arising from adopting this practice:

Transaction	Indexing	Type of *hedge*	Principal amount	Assets/Liabilities balance	Gain (loss) in the Income
Loan - 4131	USD + *Spread*	Fair value	1,444,822	(1,447,241)	20,324
Swap - 4131	USD + *Spread* vs. % CDI	Fair value	1,444,822	420,058	-
Pre Debenture	Pre Rate	Fair value	90,000	(172,546)	5,753
Swap - CDI	Pre Rate vs. % CDI	Fair value	90,000	(5,340)	-

If the hedge instrument no longer meets hedge accounting criteria, expires or is sold, closed, exercised, or has its designation revoked, then the hedge accounting is discontinued prospectively. Hedge objects previously recognized at fair value, are recorded back at amortized cost.

Cash flow hedges
The Company adopts the cash flow hedge for operations related to the Bond and for most suppliers operations. Hedge instruments are accounted for at fair value and the hedge object is accounted for by the amount on the curve. The variation between the amount on the curve of the hedge instrument and the fair value is considered in the Company`s equity, so that both the hedge instruments and the objects of the hedge impact the income by the amount on the curve. Below are the transactions and accounting effects arising from adopting this practice:

Transaction	Indexing	Type of *hedge*	Principal amount	Assets/Liabilities balance	Loss in comprehensive income
Bond	USD + Spread	Cash Flow	1,263,768	(1,272,695)	-
NDF	USD vs BRL	Cash Flow	1,263,768	78,694	2,091
Accounts Payable	USD	Cash Flow	215,502	(215,502)	-
NDF	USD vs BRL	Cash Flow	215,502	(661)	350

The cash flow of these operations is informed in the note on Financial Risk Management - Liquidity Risk (Note 4 (e))

If the hedge instrument no longer meets the criteria for hedge accounting, expires or is sold, closed, exercised, or has its designation revoked, then hedge accounting is discontinued prospectively and a deferred hedge accounting adjustment in equity is recognized in the income statement for the year.

8 Financial instruments by category (Consolidated)

			2015
	Loans and receivables	**Assets at fair value through profit or loss**	**Total**
Assets, according to the balance sheet			
Trade accounts receivable (Note 11)	980,080	-	980,080
Financial investments (note 10)	-	2,737,512	2,737,512
Cash and banks (note 10)	18,626	-	18,626
Derivative financial instruments	-	533,860	533,860
Notes receivable (Note 14)	96,448	-	96,448
	1,095,154	3,271,372	4,366,526

			2015
	Fair value through profit or loss	**Other financial liabilities**	**Total**
Liabilities, according to the balance sheet			
Loans, financing and debentures (note 20)	1,619,787	3,301,358	4,921,145
Accounts payable to suppliers (note 19)	-	69,191	69,191
Supplier's assignment of receivables (Note 19 (a))	-	223,812	223,812
Accounts payable	-	162,287	162,287
Derivative financial instruments	33,490	-	33,490
	1,653,277	3,756,648	5,409,925

			2014
	Loans and receivables	**Assets at fair value through profit or loss**	**Total**
Assets, according to the balance sheet			
Trade accounts receivable (Note 11)	1,553,826	-	1,553,826
Financial investments (note 10)	-	1,815,597	1,815,597
Cash and banks (note 10)	14,308	-	14,308
Derivative financial instruments	-	135,672	135,672
Notes receivable (Note 14)	48,280	-	48,280
	1,616,414	1,951,269	3,567,683

	2014		
	Fair value through profit or loss	**Other financial liabilities**	**Total**
Liabilities, according to the balance sheet			
Loans, financing and debentures (note 20)	-	4,804,899	4,804,899
Accounts payable to suppliers (note 19)	-	287,107	287,107
Supplier's Assignment of Receivables	-	419,535	419,535
Accounts payable	-	197,601	197,601
Derivative financial instruments	8,504	-	8,504
	8,504	5,709,142	5,717,646

9 Credit quality of financial assets

The credit quality of financial assets (cash and cash equivalents) can be evaluated using historical information on default rates:

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Current account and short-term bank deposits (*)				
AAA	2,382,895	1,373,951	2,756,018	1,829,532
A+	-	24	-	53
	2,382,895	1,373,975	2,756,018	1,829,585

The residual balance of "cash and cash equivalents" in the balance sheet is substantially cash on hand.

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Derivative financial assets				
AAA	495,736	121,460	498,704	133,105
AA+	32,817	-	32,833	-
AA	-	-	-	45
A+	2	-	14	-
BBB+	-	-	-	-
BBB	2.051	132	2,309	2.522
	530,606	121,592	533,860	135,672

(*)Source: Rating agencies Moody's, Standard & Poor's and Fitch, on a local scale.

None of the fully performing financial assets was renegotiated in the last financial year. None of the loans with related parties is overdue or impaired.

Trade accounts receivable - The credit analysis department assesses the credit quality of the client considering its financial position, payment history, public information and credit analysis institutions (Serasa, CISP and Credinfar). Individual risk limits are determined based on regular internal monitoring processes.

A significant portion of the Company's sales is made to distributors, large retail chains and supermarkets with a widespread distribution network in Brazil, which mitigates the Company's consolidated credit risk. Additionally, the credit analysis department uses the aforementioned controls to constantly monitor and assess the Company's portfolio. See details on the analysis of due dates in note 11.

10 Cash and cash equivalents

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Cash and banks	17,655	14,406	18,626	14,308
Financial investments:				
Repurchase operations	1,414,200	1,071,206	1,633,964	1,422,431
CDB (Bank deposit certificates)	951,071	288,613	1,103,548	393,166
	2,365,271	1,359,819	2,737,512	1,815,597
	2,382,926	1,374,225	2,756,138	1,829,905

Financial investments have a yield from 94.0% to 102,0% (on December 31, 2014 from 98.5% to 101.8%) of the CDI with a weighted average of 101.04% (on December 31, 2014 - 100.95%).

11 Accounts receivable

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Domestic costumers/foreign costumers	1,020,736	1,631,129	1,019,795	1,630,054
Clients - Related parties (Note 31(a))	25	1,855	-	-
	1,020,761	1,632,984	1,019,795	1,630,054
Allowance for doubtful accounts	(36,520)	(75,081)	(39,715)	(76,228)
	984,241	1,557,903	980,080	1,553,826

The amounts of accounts receivable that are overdue, but not *impaired*, refer to a number of independent costumers that have no recent history of default. The aging analysis of these trade receivables is presented as follows:

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Up to three months	13,770	24,184	13,770	24,069
Over three months	-	469	-	463
	13,770	24,653	13,770	24,532

The additions and write-offs of the allowance for doubtful accounts were recorded in the income statement as "Selling and marketing expenses". Amounts charged to the allowance are generally written off from accounts receivable when there is no expectation of recovery of the funds.

The maximum exposure to credit risk on the reporting date is the carrying amount of each class of receivables mentioned above. The Company holds certain notes as a guarantee, as described in note 20 (a).

Changes in the allowance for doubtful accounts for the year ended December 31, 2015 are presented as follows:

	Parent company	**Consolidated**
Balance on 31/12/2014	(75,081)	(76,228)
Additions for the period	(17,963)	(17,976)
Write-offs for the period	17,223	17,507
Reclassification to assets held for sale	39,301	36,982
Balance on 31/12/2015	(36,520)	(39,715)

12 Inventories

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Finished goods and resale	69,603	212,081	139,399	251,546
Semi-finished goods	-	11,000	20,584	35,235
Raw material	73	27,827	192,560	335,427
Maintenance and Supplies	588	7,735	17,134	39,458
	70,264	258,643	369,677	661,666

The balance of inventories is presented net of provision for losses.

The table below presents the changes in the allowance:

	Parent company	Consolidated
Balance on 12/31/2014	(40,628)	(73,625)
Additions for the period (a)	(83,241)	(80,966)
Write-offs for the period (b)	95,440	91,501
Reclassification to assets held for sale	20,795	34,169
Balance on 31/12/2015	(7,634)	(28,921)

(a) Refer to the formation of a provision for losses through discontinuity, validity, quality and realization of the inventories, in accordance with the policy established by the company.

(b) Composed, mainly, by write-offs and reversals of products discarded by the company and its subsidiaries.

13 Recoverable taxes

	Parent company		Consolidated	
	2015	2014	2015	2014
PIS/COFINS/IPI and others	3,840	423,670	3,840	449,689
ICMS (credit balance and tax substitution)	111,324	178,249	155,347	227,618
Recoverable IRPJ and CSSL	-	87,910	4,121	102,336
	115,164	689,829	163,308	779,643
Current	66,563	461,925	102,576	525,518
Non-current	48,601	227,904	60,732	254,125

14 Other assets

	Parent company		Consolidated	
	2015	2014	2015	2014
Prepaid expenses	110,366	78,997	117,372	87,858
Bills receivable	96,448	48,030	96,448	48,280
Deposits in court	96,100	89,744	119,502	107,183
Advances	17,790	34,003	27,300	48,982
Other	1,542	410	2,747	1,703
	322,246	251,184	363,369	294,006
Current	198,373	143,698	214,342	166,624
Non-current	123,873	107,486	149,027	127,382

15 Discontinued operations

a) Analysis of the balance sheet and results of discontinued operations

Effect of reclassifications on the financial position of the company:

	Consolidated 31/12/2015
Accounts receivable	(1,006,046)
Inventories	(353,506)
Recoverable taxes	(644,805)
Derivative financial instruments	(3,900)
Other assets	(25,056)
Deferred income tax and social contribution	(1,995)
Recoverable taxes (non-current)	(42,109)
Other assets (non-current)	(81)
Property, plant and equipment	(930,085)
Intangible Assets	(2,170,544)
Accounts payable to suppliers	260,506
Supplier's assignment of receivables	223,812
Taxes payable	35,409
Derivative financial instruments (liabilities)	2,229
Salaries payable	25,574
Accounts payable	89,816
Deferred income tax and social contribution	115,710
	(4,425,071)

Up until December 2015, the company had received R$ 1,710,000 for the sale of the Cosmetics business.

Statement of income of discontinued operations:

	2015	**2014**
	Discontinued operations	**Discontinued operations**
Net earnings from sales	2,280,074	1,912,257
Cost of goods sold	(1,379,002)	(1,083,892)
Gross profit	**901,072**	**828,365**
(Expenses)/ income	(890,319)	(745,813)
Capital gains	330,496	-
Income before financial income and expenses	**341,249**	**82,552**
Financial (expenses)/income	(27,811)	(5,480)
Net income before income tax and social contribution	**313,438**	**77,072**
Income tax and social contribution	(99,054)	(12,271)
Net income after income tax and social contribution	**214,384**	**64,801**

Cosmetics

Sale by the company of the manufacturing and marketing business of Cosmetics to Coty for R$ 3,800,000 (three billion and 800 million reais). The business sold includes brands such as Bozzano, Biocolor, Monange, Risqué, Paixão and Cenoura & Bronze, among others.

Condoms
Agreement for the sale by the company of its Condom business to Reckitt Benckiser (Brasil) Ltda. for R$ 675,000 (675 million dollars) which may be impacted by the change in net working capital according to the price adjustment clause in the sale contract. The transaction includes brands such as Jontex, Olla and Lovetex.

Disposable products business
According to the Management Board Meeting of December 7, 2015, the Board decided not to maintain the business in the Company's portfolio, being able to either sell the business or pursue other alternatives for its segregation.

b) Analysis and reconciliation of continuing and discontinued operations
Below, there is an analysis of the results of discontinued operations and reconciliation of statements of income from continuing and discontinued operations with the consolidated income statement.

	2015		2014	
	Discontinued operations	**Consolidated**	**Discontinued operations**	**Consolidated**
Net earnings from sales	2,280,074	5,236,723	1,912,257	4,680,353
Costs of goods sold	(1,379,002)	(2,125,513)	(1,083,892)	(1.760,133)
Gross profit	**901,072**	**3,111,210**	**828,365**	**2,920,220**
(Expenses)/ income	(890,319)	(2,216,596)	(745,813)	(2,021,003)
Capital gains	330,496	330,496	-	-
Income before financial income and expenses	**341,249**	**1,225,110**	**82,552**	**899,217**
Financial expenses	(27,811)	(543,670)	(5,480)	(416,762)
Income before income tax and social contribution	**313,438**	**681,440**	**77,072**	**482,455**
Income tax and social contribution	(99,054)	(121,568)	(12,271)	(79,760)
Net income for the year	**214,384**	**559,872**	**64,801**	**402,695**

	Accumulated at 30/09/2015		Accumulated at 30/09/2014	
	Discontinued operations	**Consolidated**	**Discontinued operations**	**Consolidated**
Net earnings from sales	1,562,122	3,762,603	1,325,473	3,379,272
Costs of goods sold	(951,856)	(1,491,327)	(741,250)	(1,241,555)
Gross profit	**610,266**	**2,271,276**	**584,223**	**2,137,717**
(Expenses)/ income	(616,872)	(1,581,396)	(482,311)	(1,438,617)
Capital gains	(4,734)	(4,734)	-	-
Income before financial income and expenses	**(11,340)**	**685,146**	**101,912**	**699,100**
Financial income and expenses	(23,441)	(397,068)	(3,626)	(305,755)
Income before income tax and social contribution	**(34,781)**	**288,078**	**98,286**	**393,345**
Income tax and social contribution	45,657	(11,171)	12,121	(62,146)
Net income for the period	**10,876**	**276,907**	**110,407**	**331,199**

	Accumulated at 30/06/2015		Accumulated at 30/06/2014	
	Discontinued operations	**Consolidated**	**Discontinued operations**	**Consolidated**
Net earnings from sales	981,180	2,443,271	827,916	2,191,624
Costs of goods sold	(606,598)	(958,932)	(467,197)	(801,391)
Gross profit	**374,582**	**1,484,339**	**360,719**	**1,390,233**
(Expenses)/ income	(400,237)	(1,021,415)	(336,443)	(933,245)
Capital gains	(4,100)	(4,100)	-	-
Income before financial income and expenses	**(29,755)**	**458,824**	**24,276**	**456,988**
Financial expenses	(9,197)	(240,910)	(5,016)	(207,115)
Income before income tax and social contribution	**(38,952)**	**217,914**	**19,260**	**249,873**
Income tax and social contribution	33,438	(16,389)	(1,956)	(37,447)
Net income for the year	**(5,514)**	**201,525**	**17,304**	**212,426**

	Accumulated at 31/03/2015		Accumulated at 31/03/2014	
	Discontinued operations	**Consolidated**	**Discontinued operations**	**Consolidated**
Net earnings from sales	449,961	1,187,710	382,978	1,058,880
Costs of goods sold	(289,845)	(470,878)	(221,905)	(397,624)
Gross profit	**160,116**	**716,832**	**161,073**	**661,256**
(Expenses)/ income	(194,341)	(487,749)	(156,420)	(444,845)
Capital gains	(2,739)	(2,739)	-	-
Income before financial income and expenses	**(36,964)**	**226,344**	**4,653**	**216,411**
Financial expenses	(10,611)	(132,092)	(2,981)	(107,903)
Income before income tax and social contribution	**(47,575)**	**94,252**	**1,672**	**108,508**
Income tax and social contribution	23,648	(3,583)	(360)	(18,271)
Net income for the year	**(23,927)**	**90,669**	**1,312**	**90,237**

16 Investments

The investments held by the Company are presented below:

Company	**Country**	**Business**	**Direct interest in shares /quotas**
Cosmed Indústria de Cosméticos e Medicamentos S.A.	Brazil	Consumer	100%
My Agência de Propaganda Ltda.	Brazil	Advertising agency	100%
Brainfarma Indústria Química e Farmacêutica S.A.	Brazil	Pharma	100%
Bionovis S.A.	Brazil	Biotechnology	25%
Savoy Indústria de Cosméticos S.A.	Brazil	Consumer	100%
Hypera Participações Ltda.	Brazil	Consumer	50%
Novitá Distribuição, Armazenamento e Transporte S.A.	Brazil	Consumer	100%
Active Indústria de Cosmésticos Ltda.	Brazil	Consumer	100%
Falcon Distribuidora, Armazenamento e Transporte Ltda.	Brazil	Consumer	100%

Changes in investments

	Brainfarma		Cosmed	My	Bionovis	Savoy	Novitá	Active	
	Cost	Cost	Goodwill	Cost	Cost	Cost	Cost	Cost	Total
Balance on January 1, 2014	542,953	1,115,054	48,085	3,492	623	136			1,710,343
Capital increase/(decrease)	(35,000)	(550,000)	-	4,000	-	410	-	-	(580,590)
Equity in the results of investees	37,653	63,918	-	(677)	(613)	122	-	-	100,403
Stock option	1,110	(660)	-	(5)	-	-	-	-	445
Merger/Drop Down/Split off	-	(248,532)	-	-	-	355,589	-	-	107,057
Dividends/Interest on shareholders' equity	(23,771)	(17,692)	-	-	-	-	-	-	(41,463)
Balance on December 31, 2014	522,945	362,088	48,085	6,810	10	356,257	-	-	1,296,195
Capital increase	-	150,000	-	-	3,500	1,060	313,588	-	468,148
Equity in the results of investees	35,206	32,744	-	(171)	(2,913)	2,118	-	-	66,984
Stock option	1,184	(426)	-	29	-	-	-	-	787
Merger/Drop Down/Split off	-	(13,931)	-	-	-	(356,999)	3,352	118,902	(248,676)
Equity valuation adjustment	(227)	(243)	-	-	-	-	-	-	(470)
Dividends/Interest on shareholders' equity	(41,772)	(19,396)	-	-	-	-	-	-	(61,168)
Other	-	(394)	-	-	-	(2,436)	2,830	-	-
Reclassification to assets held for sale	-	-	(48,085)	-	-	-	(319,770)	(118,902)	(486,757)
Balance on December 31, 2015	517,336	510,442	-	6,668	597	-	-	-	1,035,043

Below is the Company's interest in the results of its main direct subsidiaries, as well as in their total assets (including goodwill) and liabilities:

2015	Assets	Liabilities	Revenue	Net Profit (loss)	Adjusted Profit (Loss) (*)
Cosmed Indústria de Cosméticos e Medicamentos S.A.	1,174,848	675,520	1,664,215	(979)	32,744
My Agência de Propaganda Ltda.	8,385	1,718	9,600	(171)	(171)
Brainfarma Indústria Química e Farmacêutica S.A.	1,374,877	858,352	922,367	29,080	35,206
Novitá Distribuição, Armazenamento e Transportes S.A	332,070	19,007	-	-	-
Active Indústria de Cosméticos Ltda.	139,964	23,414	-	-	-

2014	Assets	Liabilities	Revenue	Net Profit (loss)	Adjusted Profit (Loss) (*)
Cosmed Indústria de Cosméticos e Medicamentos S.A.	1,102,132	723,867	1,338,859	81,442	63,918
My Agência de Propaganda Ltda.	8,410	1,600	7,650	(677)	(677)
Brainfarma Indústria Química e Farmacêutica S.A.	977,194	448,937	749,175	40,380	37,653
Savoy Indústria de Cosméticos S.A.	392,216	36,087	-	122	122

(*) Refers to the net income (loss) for the year adjusted by the elimination of transactions between the parent company and the subsidiaries.

a. Equity in the results of investees

	Number of shares and quotas	Adjusted shareholders' equity as of December 31, 2015	Ownership %	Equity accounting as of December 31, 2015 (i)	Balance of the investment as of December 31, 2015	Equity accounting as of December 31, 2014	Balance of the investment as of December 31, 2014
Cosmed Indústria de Cosméticos e Medicamentos S.A.	1,525,000,947	510,442	100%	32,744	510,442	63,918	362,088
My Agência de Propaganda Ltda.	14,009,999	6,668	100%	(171)	6,668	(677)	6,810
Brainfarma Indústria Química e Farmacêutica S.A.	182,749,221	517,336	100%	35,206	517,336	37,653	522,945
Bionovis S.A.	6,000,000	2,385	25%	(2,913)	597	(613)	10
Savoy Indústria de Cosméticos S.A.	18,468,392,059	-	100%	2,118	-	122	356,257
				66,984	1,035,043	100,403	1,248,110
Goodwill of non-merged Companies				-	-	-	48,085
				66,984	1,035,043	100,403	1,296,195

(i) Equity accounting of continuing operations R$ 107,701 (December 31, 2014 of R$ 74.836) and discontinued operations: (R$ 40.717) (December 31, 2014 of R$ 25,567).

17 Property, Plant and Equipment

Parent company

	Land	Buildings and improvements	Machinery, equipment and facilities	Vehicles	Furniture and fixtures	Other	Total in operation	Fixed assets under construction (*)	Total property, plant and equipment
Balance on January 1, 2014	72,298	178,420	354,168	5,416	19,438	7,933	637,673	77,234	714,907
Split off (i)	-	-	(63,338)	-	(13)	-	(63,351)	-	(63,351)
Drop Down (ii)	-	(32)	(58,746)	(40)	(2,280)	(210)	(61,308)	-	(61,308)
Additions	27	166	7,647	-	582	15,233	23,655	34,480	58,135
Sale	(4,016)	(619)	(204)	(412)	(886)	(205)	(6,342)	(500)	(6,842)
Equity valuation adjustment	(1,487)	(19,186)	-	-	-	-	(20,673)	-	(20,673)
Impairment (iii)	-	(7,454)	1,025	-	-	-	(6,429)	-	(6,429)
Depreciation	-	(9,875)	(23,248)	(1,322)	(1,542)	(3,828)	(39,815)	-	(39,815)
Transfer	-	44,599	(39,900)	-	(2,729)	2,724	4,694	(4,748)	(54)
Balance on December 31, 2014	66,822	186,019	177,404	3,642	12,570	21,647	468,104	106,466	574,570
Total cost	66,822	285,069	325,114	11,484	17,550	33,364	739,403	106,466	845,869
Accumulated depreciation	-	(99,050)	(147,710)	(7,842)	(4,980)	(11,717)	(271,299)	-	(271,299)
Residual value	66,822	186,019	177,404	3,642	12,570	21,647	468,104	106,466	574,570
Drop Down (ii)	-	-	(5,714)	(22)	(101)	(1,120)	(6,957)	(52)	(7,009)
Additions	600	341	8,519	-	636	1,373	11,469	23,374	34,843
Sale	(58,432)	(63,572)	(12,771)	(1,783)	(35)	(114)	(136,707)	-	(136,707)
Impairment (iii)	-	-	(2,396)	-	(373)	-	(2,769)	-	(2,769)
Depreciation	-	(6,418)	(12,608)	(754)	(789)	(3,940)	(24,509)	-	(24,509)
Transfer	503	97,623	1,386	25	(1,348)	3,056	101,245	(102,830)	(1,585)
Reclassification to assets held for sale	(9,222)	(196,506)	(138,804)	(1,065)	(2,723)	(8,128)	(356,448)	(21,688)	(378,136)
Balance on December 31, 2015	271	17,487	15,016	43	7,837	12,774	53,428	5,270	58,698
Total cost	271	25,400	35,649	248	10,710	17,024	89,302	5,270	94,572
Accumulated depreciation	-	(7,913)	(20,633)	(205)	(2,873)	(4,250)	(35,874)	-	(35,874)
Residual value	271	17,487	15,016	43	7,837	12,774	53,428	5,270	58,698

* Substantially enlargement of the Goiânia Distribution Center It includes capitalized interest in the amount of R$ 10,230 at a rate of 10.39% p.a. (on December 31, 2014 - R$ 9,454 at a rate of 9.86 % p.a.).

Consolidated

	Land	Buildings and improvements	Machinery, equipment and facilities	Vehicles	Furniture and fixtures	Other	Total in operation	Fixed assets under construction **	Total property, plant and equipment
Balance on January 1, 2014	81,041	432,016	802,442	6,162	30,911	25,508	1,378,080	143,679	1,521,759
Additions	685	7,188	67,163	28	2,054	29,601	106,719	134,397	241,116
Sale	(5,275)	(7,485)	(3,189)	(479)	(973)	(309)	(17,710)	(500)	(18,210)
Impairment (iii)	-	(7,385)	5,954	-	306	186	(939)	-	(939)
Depreciation	-	(17,575)	(46,015)	(1,570)	(2,555)	(9,423)	(77,138)	-	(77,138)
Transfer	1,196	57,835	(26,936)	-	(2,658)	2,753	32,190	(32,087)	103
Balance on December 31, 2014	77,647	464,594	799,419	4,141	27,085	48,316	1,421,202	245,489	1,666,691
Total cost	77,647	603,340	1,249,624	14,680	51,126	89,596	2,086,013	245,489	2,331,502
Accumulated depreciation	-	(138,746)	(450,205)	(10,539)	(24,041)	(41,280)	(664,811)	-	(664,811)
Residual value	77,647	464,594	799,419	4,141	27,085	48,316	1,421,202	245,489	1,666,691
Additions	794	399	67,757	57	1,930	10,563	81,500	157,210	238,710
Sale	(58,432)	(63,572)	(13,642)	(1,798)	(75)	(113)	(137,632)	-	(137,632)
Impairment (iii)	-	-	2,283	-	(27)	33	2,289	-	2,289
Depreciation	-	(14,090)	(56,285)	(941)	(2,275)	(10,423)	(84,014)	-	(84,014)
Transfer	739	162,933	57,960	25	(1,054)	3,846	224,449	(239,747)	(15,298)
Reclassification to assets held for sale	(16,518)	(338,526)	(433,978)	(1,237)	(7,569)	(27,626)	(825,454)	(104,631)	(930,085)
Balance on December 31,	4,230	211,738	423,514	247	18,015	24,596	682,340	58,321	740,661

2015									
Total cost	4,230	251,997	701,568	2,518	37,076	39,646	1,037,035	58,321	1,095,356
Accumulated depreciation	-	(40,259)	(278,054)	(2,271)	(19,061)	(15,050)	(354,695)	-	(354,695)
Residual value	4,230	211,738	423,514	247	18,015	24,596	682,340	58,321	740,661

* Substantially enlargement of the Goiânia distribution center and adaptation of the Annapolis Industrial Park for receiving the lines originating from Rio de Janeiro. Includes capitalized interest in the amount of R$ 26,802 at a rate of 10.33% p.a. (on December 31, 2014 - R$ 25,470 at a rate of 9.68 % p.a.).
(i) split off - transfer of part of the equity of Hypermarcas with subsequent merger of shares.
(ii) Drop down - capital increase in subsidiaries with the transfer of assets.
(iii) Impairment - Substantially sale of properties where the medicines plant of Rio de Janeiro-RJ (formerly Mantecorp) is located.

18 Intangible Assets

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Goodwill on an unincorporated company				
Cosmed Indústria de Cosméticos e Medicamentos S.A. (*)	-	-	-	48,085
Goodwill on acquisition of investments in merged companies				
Active Indústria e Comércio de Produtos de Higiene Pessoal e Cosméticos S.A. (*)	-	-	-	10,992
IPH&C Indústria de Produtos de Higiene e Cosméticos Ltda. (*)	-	-	-	16,003
Mantecorp Indústria Química Farmacêutica S.A.	1,798,470	1,798,470	1,798,470	1,798,470
Mabesa do Brasil S.A. (*)	-	353,146	-	353,146
Luper Indústria Farmacêutica Ltda.	45,917	45,917	45,917	45,917
Sapeka Indústria e Comércio de Fraldas Descartáveis S.A. (*)	-	413,775	-	413,775
Versoix Participações Ltda. (*)	-	150,059	-	150,059
York S.A Indústria e Comércio Ltda. (*)	-	62,061	-	62,061
Facilit Odontológica e Perfumaria Ltda. (*)	-	39,011	-	39,011
DPH Distribuidora de produtos de Higiene Ltda. (*)	-	28.267	-	28.267
Laboratório Neo Química Comércio e Indústria S.A.	967,154	967,154	967,154	967,154
DM Indústria Farmacêutica Ltda.	743,029	743,029	743,029	743,029
Farmasa - Laboratório Americano de Farmacoterapia S.A.	666,808	666,808	666,808	666,808
PomPom Produtos Higiênicos Ltda. (*)	-	267,928	-	267,928
Aprov Comércio de Cosméticos Ltda. (*)	-	275,535	-	275,535
Inal - Indústria Nacional do Látex S.A. (*)	-	156,260	-	156,260
Ceil Comércio e Distribuidora Ltda. (*)	-	148,887	-	148,887
Barrenne Indústria Farmacêutica Ltda.	33,955	33,955	33,955	33,955
Finn Administradora de Marcas Ltda.	17,857	17,857	17,857	17,857
Éh Cosméticos S.A. (*)	-	15,860	-	15,860
	4,273,190	6,183,979	4,273,190	6,259,059
Trademarks and patents	338,478	586,063	338,780	586,385
Rights of use and software	13,781	18,351	19,095	20,761
Product development	5,792	4,913	89,910	84,194
	4,631,241	6,793,306	4,720,975	6,950,399

(*) Balance on December 31, 2015 transferred to non-current assets for sale.

Goodwill is measured as the surplus of the consideration transferred in relation to the net assets acquired and is based mainly on future profitability which is supported by appraisal reports prepared by a specialized company, where the cash flow method discounted to present value is used. The discount rates used in the calculations were determined by adopting the Weighted Average Cost of Capital (WACC). For acquisitions after 2009, the allocations were made from the consideration transferred to certain assets acquired in the business dealings (inventories, property, plant and equipment, trademarks, among others).

Changes in the balances

Parent company

	Trademarks and patents	Rights of use and software	Product development	Goodwill	Total
Balance on January 1, 2014	585,954	20,545	5,317	6,183,979	6,795,795
Split-off	-	-	(2,651)	-	(2,651)
Drop Down	-	(9)	-	-	(9)
Additions	6,240	6,779	2,579	-	15,598
Amortization	(6,131)	(9,018)	(332)	-	(15,481)
Transfer	-	54	-	-	54
Balance on December 31, 2014	586,063	18,351	4,913	6,183,979	6,793,306
Total cost	644,304	86,982	5,176	6,183,979	6,920,441
Accumulated amortization	(58,241)	(68,631)	(263)	-	(127,135)
Residual value	586,063	18,351	4,913	6,183,979	6,793,306
Additions	20.187	5,266	918	-	26,371
Disposals	(82,808)	-	-	-	(82,808)
Amortization	(3,119)	(7,545)	(39)	-	(10,703)
Transfer	-	(7)	-	-	(7)
Reclassification to assets held for sale	(181,845)	(2,284)	-	(1,910,789)	(2,094,918)
Balance on December 31, 2015	338,478	13,781	5,792	4,273,190	4,631,241
Total cost	348,781	70,599	6,094	4,273,190	4,698,664
Accumulated amortization	(10,303)	(56,818)	(302)	-	(67,423)
Residual value	338,478	13,781	5,792	4,273,190	4,631,241

Consolidated

	Trademarks and patents	Rights of use and software	Product development	Goodwill	Total
Balance on January 1, 2014	586,276	23,337	80,493	6,259,059	6,949,165
Additions	6,240	7,444	19,997	-	33,681
Impairment	-	48	-	-	48
Amortization	(6,131)	(10,105)	(16,156)	-	(32,392)
Transfer	-	37	(140)	-	(103)
Balance on December 31, 2014	586,385	20,761	84,194	6,259,059	6,950,399
Total cost	644,649	99,368	153,381	6,259,059	7,156,457
Accumulated amortization	(58,264)	(78,607)	(69,187)	-	(206,058)
Residual value	586,385	20,761	84,194	6,259,059	6,950,399
Additions	20,186	9,702	16,503	-	46,391
Sale	(82,808)	-	-	-	(82,808)
Amortization	(3,119)	(8,540)	(11,304)	-	(22,963)
Transfer	-	(18)	517	-	499
Reclassification to assets held for sale	(181,864)	(2.810)	-	(1,985,869)	(2,170,543)
Balance on December 31, 2015	338,780	19,095	89,910	4,273,190	4,720,975
Total cost	349,108	85,195	171,274	4,273,190	4,878,767
Accumulated amortization	(10,328)	(66,100)	(81,364)	-	(157,792)

Residual value	338,780	19,095	89,910	4,273,190	4,720,975

Decrease to recoverable value of assets (Impairment)
The Company tests the recoverable value of its intangible assets with indefinite useful lives annually, or when there are indications that the value may not be recoverable. These assets are represented mainly by the portion of goodwill for expected future income and trademarks or arising from business combinations.

Non-financial assets of long duration, which are subject to depreciation, are reviewed whenever there is evidence that the carrying amount might not be recoverable.

The recoverable value is determined based on calculations of the value in use. These calculations use cash flow projections based on financial budgets approved by management for a period of five years. The amounts for the cash flows subsequent to the five-year period were extrapolated based on the estimated rates of growth.

The projections were based on past performance and expectations for development of the market. The weighted average rates of growth used are consistent with the forecasts included in reports of the sectors in which the Company operates. The discount rates used correspond to the rates before taxes and reflect specific risks related to the relevant operating segments, where a real average growth rate of 8,7% and a real discount rate of 8,5% have been used.

As a result of these tests, no impairment loss needed to be recognized. If the gross margin used in the calculation was 1 percentage point lower than management's estimates, on December 31, 2015, and, similarly, if the estimated discount rate before tax, by adopting the Weighted Average Cost of Capital (WACC) applied to the discounted cash flows was 1 percentage point higher than management's estimates, there would still be no impairment recorded for these items.

The determination of impairment of assets depends on certain key assumptions as described previously which are influenced by the market conditions prevailing at the time when this impairment is tested and, accordingly, it is not possible to determine if impairment losses will occur in the future, and if so, if they would be material.

The intangible amount of continuing operations total R$ 4,720,975 (On December 31, 2014 - R$ 4,577,040).

19 Suppliers

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Domestic suppliers	2,425	32,348	51,085	225,475
Foreign suppliers	34	33,892	9,060	51,889
Related party suppliers (note 31(a))	265,549	191,021	9,046	9,743
	268,008	257,261	69,191	287,107

19 (a) Supplier's Assignment of Receivables

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Local market (*risco sacado*)	-	16,039	55,022	218,853
Foreign market (forfait)	-	7,438	168,790	200,682
	-	23,477	223,812	419,535

Some suppliers have the option to assign Company notes, without the right to return, to financial institutions. In this transaction, the supplier may have a reduction of its financial costs, as the financial institution takes into account the credit risk of the buyer.

On December 31, 2015, the discount rates in assignment transactions carried out by our suppliers with financial institutions in the local market were between 1.21% and 1.73%, with a weighted average of 1.25% per month (on December 31, 2014, these rates were between 0.77 % and 1.12 % with a weighted average of 1.04% per month).

On December 31, 2015, the discount rates in assignment transactions carried out by our suppliers with financial institutions in foreign markets were between 1.57 % and 6.94 %, with a weighted average of 2.53% per year (on December 31, 2014, these rates were between 1.60 % and 4.60 % with a weighted average of 2.31% per year).

20 Loans , financing and debentures

		Parent company		Consolidated	
	Nominal rate	**2015**	**2014**	**2015**	**2014**
Foreign Currency					
Loans (i)	US$ + 2.15% to 3.08% p.a., US$ + Libor3m + 1.7% p.a.	1,441,488	827,307	1,441,488	827,307
Bonds (ii)	US$ + 6.50% p.a.	1,272,695	860,825	1,272,695	860,825
Domestic currency					
FCO (i)	Fixed rate from 2.50% to 8.50% p.a.	37,639	41,818	165,609	185,198
Financing	Fixed rate from 2.50% to 8.50% p.a.	11,896	16,775	24,706	36,202
BNDES (i)	Fixed rate of 3.50% to 4.50% p.a. and TJLP + 1.50% to 3.00% p.a.	10,804	21,761	14,977	36,417
Debentures (i)	IPCA 8.43% p.a.; 109.95% to 110,75% of the CDI; CDI + 1.85% p.a. and Fixed rate of 11.30% p.a.	1,414,319	2,619,359	1,769,786	2,619,359
Finep	TJLP - 1.00%	73,427	72,385	73,427	72,385
Mortgages	TR + 9.60%	49,172	52,006	158,457	167,206
		4,311,440	4,512,236	4,921,145	4,804,899
Current		715,570	1,680,650	765,659	1,731,023
Non-current		3,595,870	2,831,586	4,155,486	3,073,876

Long-term loans and financing have the following breakdown, by year of maturity:

	Parent company	Consolidated
	2015	2015
2017	819,322	845,593
2018	408,290	434,488
2019	19,784	45,573
2020	18,752	44,448
2021	1,202,802	1,228,442
2022	18,602	44,130
2023	18,208	40,276
2024	14,901	31,954
2025	4,273	13,701
2026	4,273	13,691
	2,529,207	2,742,296

(i) Contracts with covenants on debt levels and coverage of interest with respect to certain financial information (EBITDA and net interest expenses), disposal, spin-off, merger, incorporation or any corporate restructuring, which if occur, must be approved in advance by the financial agents. If any of these events occur without the consent of the lenders, the outstanding balances will have early maturity. On December 31, 2014 the covenants were met.

(ii) On April 20, 2011 the Company issued debt securities abroad ("Bonds") bearing interest at 6.5% per annum and maturing on April 20, 2021. The total charges correspond to an internal rate of return of 8% p.a., amortized semiannually.

The amounts of R$ 88,644 and R$ 1,184,051 are recorded in current and in non-current liabilities, respectively.

Transactions costs totaled R$ 32,383, where R$ 9,055 were unrealized long term costs, in accordance with the following breakdown:

	2015
2017	1,667
2018	1,803
2019	1,951
2020	2,117
2021	674
	8,212

Debentures - Breakdown (Consolidated)

	Date of issue	Due Date	Form of amortization	Type of issue	Value on date of issue	Number issued	Quantity placed on the market	Unit Value	Annual financial charges	Convertibility
3rd Public Issue 3rd Series	Jul 15, 2010	Jul 15, 2016	50% - Jul 15, 2015 50% - 15/07/16	Public	114,415,000	114,415	114,415	1,000	IPCA + 8.4%	Not convertible into shares
1st Private Issue 2nd Series	Oct 15, 2010	Oct 15, 2018	Semiannual as from Apr 15, 2013	Private	549,998,042	548,725	548,725	1,002.32	11,30%	Not convertible into shares
5th Public Issue Single Series	Aug 02, 2013	Aug 02, 2018	Closing balance	Public	400,000,000	40,000	40,000	10,000	109.95% Interbank deposit	Not convertible into shares
6th Public Issue Single Series	Nov 24, 2013	Jul 24, 2017	Closing balance	Public	200,000,000	200	200	1,000,000	110.75% Interbank deposit	Not convertible into shares
7th Public Issue Single Series	Apr 10, 2014.	Apr 10, 2019.	Annual from Apr 10, 2017	Public	400,000,000	400	400	1,000,000	110.00% Interbank deposit	Not convertible into shares
First Public Issue Single Series	Oct 15, 2015.	08/10/2019	Annual from 08/10/17	Public	350,000,000	350	350	1,000,000	110.00% Interbank deposit	Not convertible into shares

Debentures - Changes (consolidated)

	1st Private Issue 2nd series	1st Public Issue Single series	3rd Public Issue 1st, 2nd & 3rd Series	5th Public Issue Single series	6th Public Issue Single series	7th Public Issue Single series	Total
Balance on December 31, 2014	1,072,307	-	509,707	418,705	210,377	408,263	2,619,359
Expenses falling due	-	344,189	-	-	-	280	344,469
Amortization of principal	(643,564)	-	(414,870)	-	-	-	(1,058,434)
Financial charges	129,560	11,279	49,434	56,766	28,563	57,122	332,724
Amortization of interest	(277,631)	-	(58,923)	(51,569)	(25,924)	(54,285)	(468,332)
Balance on December 31, 2015	280,672	355,468	85,348	423,902	213,016	411,380	1,769,786
Current	112,561	8,941	85,348	24,434	113,080	12,232	356,596
Non-current	168,111	346,527		399,468	99,936	399,148	1,413,190
Unrealized transaction cost	322	5,405	65	828	168	1,523	8,311
Current	172	1,932	65	296	104	670	3,239
Non-current	150	3,473	-	532	64	853	5,072

Long term debentures have the following breakdown, per year of maturity:

	Parent company	Consolidated
	2015	2015
2017	134,024	249,533
2018	932,639	1,048,148
2019	-	115,509
	1,066,663	1,413,190

a. Guarantee for loans and financing

	Parent company 2015	Consolidated 2015
Accounts receivable – Pledged guarantee	30,717	103,654
Letter of Guarantee	83,840	88,013
Pledged fixed assets	69,957	250,888
	184,514	442,555

b. Book values and estimated fair value

The book values and estimated fair values of loans, financing and debentures are as follows:

		Consolidated		Fair Value	
	Nominal rate	**2015**	**2014**	**2015**	**2014**
Foreign Currency					
Loans	US$ + 2.15% to 3.08% p.a., US$ + Libor3m + 1.7% p.a.	1,441,488	827,307	1,441,488	827,307
Bonds	US$ + 6.50% p.a.	1,272,695	860,825	1,294,394	912,440
Domestic Currency					
FCO	Fixed rate from 2.50% to 8.50% p.a.	165,609	185,198	108,633	131,948
Financing	Fixed rate from 2.50% to 8.70% p.a.	24,706	36,202	20,403	30,358
BNDES	Fixed rate of 3.50% to 4.50% p.a. and TJLP + 1.50% to 3.00% p.a.	14,977	36,417	12,978	33,483
Debentures	IPCA 8.43% p.a.; 109.95% to 110,75% of the CDI; CDI + 1.85% p.a. and Fixed rate of 11.30% p.a.	1,769,786	2,619,359	1,749,995	2,608,802
Finep	TJLP - 1.00% p.a.	73,427	72,385	45,000	45,393
Mortgages	TR + 9.60%p.a.	158,457	167,206	122,062	149,622
		4,921,145	4,804,899	4,794,953	4,739,353

The fair value of some of the current loans is equal to their book value, since the impact of the discount is not significant. The fair values are based on discounted cash flows using a market rate of CDI + 0.68% to CDI + 2.82% p.a. (December 31, 2014 - CDI + 0.57% to CDI + 2.16% p.a.).

c. Debentures with indexed subscription bonus

Linked to the issue of the simple debentures on October 15, 2010, 548,725 share subscription bonuses were issued at the subscription price of R$ 29.48 (twenty-nine reais and forty-eight cents) per share, updated in the same way as the debt balance of the debentures of the first series, so that the conversion will always give a fixed number of common shares of 34 shares for each subscription bonus, totaling a fixed number of 18,656,650 common shares.

The fair value of the liability component included in non-current loans was calculated using the market interest rate for an equivalent non-convertible bond. The residual amount, representing the amount of the subscription bonus, is included in shareholders' equity in an equity valuation adjustment, net of income taxes and social contribution in the amount of R$ 50,243. This amount was reclassified to capital reserve.

The purchase option was exercised and the payment was carried out on October 16, 2015 in the amount of R$ 791,951.

21 Deferred income tax and social contribution

a. Breakdown of deferred tax assets

Refer to the tax credits on accumulated tax loss carry forwards, negative bases of social contribution and temporary differences. These assets are recognized in proportion to the likelihood of realization of the related tax benefit through future taxable income based on a study of future realization which the projection is the generation of taxable income as from 2016. Tax loss carry forwards and negative bases of social contribution are generated mainly due to the tax use of goodwill from the acquisition of companies (Note 18). According to projections prepared by management the use of the goodwill is already showing signs of reduction and will cease in 2020.

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Deferred tax assets:				
Tax loss carry forwards and negative bases of CSLL	1,087,800	1,099,736	1,111,121	1,126,337
Exchange variation	401,468	104,319	401,468	104,319
Contingencies	53,391	53,655	58,879	57,991
Amortized goodwill	108,099	150,604	109,982	150,604
Provisions for doubtful accounts and others	56,310	25,528	59,765	25,918
Provision for losses on inventories	10,243	13,813	27,072	25,024
Other temporary differences	60,244	45,752	97,107	72,023
Total deferred tax assets	1,777,555	1,493,407	1,865,394	1,562,216
(-) Portion of deferred tax assets recoverable through deferred liabilities of the same company with the same tax authority (also recoverable in the calculation of the current tax)	(1,777,555)	(1,493,407)	(1,854,002)	(1,546,974)
Remaining balance of deferred tax assets	-	-	11,392	15,242
Transfer to assets held for sale	-	-	4,682	-
Remaining balance of the tax credit after transfer of assets	-	-	16,074	15,242

b. Deferred tax liabilities

Comprised mainly by deferred income tax and social contribution tax liabilities, arising from temporary differences between the tax basis of goodwill and its book value in the balance sheet, considering that the goodwill continues to be amortized for tax purposes but is no longer amortized in the accounting records since January 1, 2009. This temporary difference may result in amounts to be added in the calculation of taxable income of future years when the book value of the asset is reduced (impairment) or settled, thus making it necessary to record a deferred tax liability.

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Goodwill	1,657,797	1,446,248	1,657,797	1,446,248
Other adjustments from business combinations	34,088	77,997	113,246	163,874
Exchange Variation/Hedge	179,405	-	179,405	-
Other	24,625	23,261	57,137	80,690
Total tax debt	1,895,915	1,547,506	2,007,585	1,690,812
(-) Portion of deferred tax liabilities recoverable through deferred assets of the same company with the same tax authority (also recoverable in the calculation of the current tax)	(1,777,555)	(1,493,407)	(1,854,002)	(1,546,974)
Remaining balance of deferred liabilities	118,360	54,099	153,583	143,838
Transfer to assets held for sale	(53,226)	-	(53,226)	-
Remaining balance of deferred liabilities after the transfer to held for sale	65,134	54,099	100,357	143,838

c. Reconciliation of the income tax and social contribution expense

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Continuing and discontinued operations				
Income before income tax and social contribution	652,942	457,220	681,440	482,455
Income tax and social contribution rate - %	34%	34%	34%	34%
Income tax and social contribution expense at the statutory rate	(221,976)	(155,455)	(231,618)	(163,989)
Equity in the results of investees	22,775	34,137	(991)	(208)
Non-deductible expenses/additions-exclusions	(53,754)	(61,188)	(48,845)	(57,641)
Tax Incentives	159,886	142,079	159,886	142,078
Interest on shareholders' equity	-	(14,097)	-	-
Income tax and social contribution expense on the results	(93,069)	(54,524)	(121,568)	(79,760)
Current	(27,334)	221,955	(46,773)	210,749
Deferred	(65,735)	(276,479)	(74,795)	(290,509)
	(93,069)	(54,524)	(121,568)	(79,760)
Continuing operations				
Transfer to assets held for sale	108,114	19,807	99,054	12,271
	15,045	(34,717)	(22,514)	(67,489)
	14%	12%	18%	17%

22 Taxes payable

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
ICMS (value added tax) payable	29,173	46,874	31,191	54,766
IPI/PIS/COFINS payable	54	2	6,785	5,683
Other taxes payable	907	1,264	4,366	10,109
	30,134	48,140	42,342	70,558
Current liabilities	11,234	19,629	23,308	41,744
Non-current liabilities	18.900	28,511	19,034	28,814

23 Accounts payable

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Freight payable	9,091	35,087	9,654	38,402
Services provided	27,133	21,386	36,399	34,478
Budgets, commercial agreements and advertising	103,927	102,883	103,927	102,883
Rents	1,047	1,473	6,329	6,866
Revenue to elapse	1,207	1,659	2,560	3,520
Purchases of fixed assets	9	1,511	5,978	14,972
Advances for sale of real estate property (*)	1,110,000	70,022	1,110,000	70,022
Other	8,587	11,308	17,847	27,824
	1,261,001	245,329	1,292,694	298,967
Current liabilities	1,256,215	243,670	1,286,555	289,899
Non-current liabilities	4,786	1,659	6,139	9,068

(*) Mainly the sale of the Cosmetics business to Coty.

24 Contingencies

Provisions for contingencies

On December 31, 2015, the Company had the following provisions for contingencies and the corresponding deposits in court related to the contingencies:

	Parent company							
	2015				2014			
	Probable loss	**Contingencies assumed in the business combination (a)**	**Deposits in Court**	**Contingencies net of deposit in court**	**Probable loss**	**Contingencies assumed in the business combination (a)**	**Deposits in Court**	**Contingencies net of deposit in court**
Civil (i)	661	7,809	-	8,470	1,402	19,877	(107)	21,172
Labor (ii)	30,653	35,942	(10,097)	56,498	14,725	27,278	(7,496)	34,507
Fiscal and Tax (iii)	36	76,828	(3,668)	73,196	102	89,193	(4,767)	84,528
Administrative/other (iv)	3,320	1,783	(17)	5,086	2,998	2,235	(6)	5,227
	34,670	122,362	(13,782)	143,250	19.227	138,583	(12,376)	145,434

	Consolidated							
	2015				2014			
	Probable loss	Contingencies assumed in the business combination (a)	Deposits in Court	Contingencies net of deposit in court	Probable loss	Contingencies assumed in the business combination (a)	Deposits in Court	Contingencies net of deposit in court
Civil (i)	712	7,809	-	8,521	1,798	19,877	(122)	21,553
Labor (ii)	46,388	35,942	(13,191)	69,139	27,310	27,278	(9,456)	45,132
Fiscal and Tax (iii)	36	76,828	(3,668)	73,196	102	89,193	(4,767)	84,528
Administrative/other (iv)	3,677	1,783	(17)	5,443	3,336	2,235	(6)	5,565
	50,813	122,362	(16,876)	156,299	32,546	138,583	(14,351)	156,778

Changes in contingencies

	Parent company					
	2014	Monetary restatements	Additions	Reversals	Payments	2015
Civil	21,279	1,474	1,104	(12,838)	(2,549)	8,470
Labor	42,003	5,638	47,549	(24,512)	(4,083)	66,595
Fiscal and Tax	89,295	4,408	1,478	(17,486)	(831)	76,864
Administrative/ other	5,233	837	585	(1,552)	-	5,103
	157,810	12,357	50,716	(56,388)	(7,463)	157,032
Deposits in Court	(12,376)	(547)	(4,704)	3,830	15	(13,782)
	145,434	11,810	46,012	(52,558)	(7,448)	143,250

	Consolidated					
	2014	Monetary restatements	Additions	Reversals	Payments	2015
Civil	21,675	1,485	1,111	(13,200)	(2,550)	8,521
Labor	54,588	7,127	59,215	(31,543)	(7,057)	82,330
Fiscal and Tax	89,295	4,407	1,478	(17,485)	(831)	76,864
Administrative/ other	5,571	908	632	(1,651)	-	5,460
	171,129	13,927	62,436	(63,879)	(10,438)	173,175
Deposits in Court	(14,351)	(953)	(6,209)	4,529	108	(16,876)
	156,778	12,974	56,227	(59,350)	(10,330)	156,299

a. Judicial claims under the responsibility of the Company, assumed in business combinations

Table summarizing the main contingencies:

	Labor / Civil / Administrative and Other		Fiscal and Tax		
	Probable	Possible	Probable	Possible	Total
Mabesa	5,757	8	10,131	10,017	25,913
Mantecorp	37,038	2,731	-	56,680	96,449
	42,795	2,739	10,131	66,697	122,362

On the acquisition of Mabesa and Mantecorp, the Company assumed some of their contingencies. In addition to the provisions for probable losses, the company also recorded provisions for possible losses, at the fair value, as required by CPC 15 (R1) - Business combinations.

The possible and probable losses arising from the business combination are estimated at R$ 122,362, of which R$ 35,942 refers to labor lawsuits, R$ 7,809 to civil lawsuits, R$ 76,828 to tax lawsuits and R$ 1,783 refers to regulatory and other administrative processes.

(i) Civil
There are approximately 21 processes, 5 of which resulted from the acquisition of Mabesa and 16 from the acquisition of Mantecorp Indústria Química, where the likelihood of losses in the business combination is estimated at R$ 7,809.

The Medicine Market Regulation Chamber (CMED) applied a fine in the restated amount of R$ 6,327, against Mantecorp in the view of the alleged irregular increase in the price of Desalex. This fine is being discussed in court. According to the opinion of the external legal counsel, the likelihood of loss is probable.

(ii) Labor
There are approximately 219 processes, 64 of which resulted from the acquisition of Mabesa, 82 from the acquisition of Mantecorp Logística and 73 from the acquisition of Mantecorp Indústria Química, with a consolidated loss prognosis estimated at R$ 35,942.

(iii) Fiscal and Tax
There are approximately 220 processes, 101 of which resulted from the acquisition of Mabesa, 55 from the acquisition of Mantecorp Logística and 64 from the acquisition of Mantecorp Indústria Química, with a consolidated loss prognosis in the business combination estimated at R$ 76,828.

Mantecorp was questioned by the Brazilian Federal Revenue Department regarding the offsetting made based on an injunction granted in the case records of the process in which the illegitimacy of the inclusion of ICMS in the calculation basis of PIS/COFINS is being discussed. The updated value of possible loss is R$ 17,437 and the process is at the administrative level, with the debit guaranteed by a Letter of Guarantee.

(iv) Administrative / other
There are approximately 37 claims of a regulatory nature, arising from the acquisition of Mantecorp Indústria Química, with a consolidated loss prognosis estimated at R$ 1,783.

b. Possible contingencies - (Responsibility of the Company and its Subsidiaries)

The Company and its subsidiaries are involved in labor, civil, tax and regulatory lawsuits which the current evaluation of the probability of success established based on the assessment of the legal advisers and legal aspects, does not require the recording of provisions, either because the expectation of loss is classified as possible, or by exclusion of liability resulting from a contractual agreement.

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
	Possible loss	**Possible loss**	**Possible loss**	**Possible loss**
Civil	39,096	29,080	39,450	29,444
Labor	186,901	94,573	303,064	183,903
Fiscal and Tax	98,246	73,511	118,469	89,076
Administrative/other	2,266	3.165	2,563	4,097
	326,509	200,329	463,546	306,520

The Company is in litigation with competitors, where the registration of trademarks at the National Institute of Industrial Property (INPI) is being discussed, with no estimable financial contingency at this time.

(i) Civil

The Federal Public Prosecutor of the Judicial District of Bauru, State of São Paulo, filed a public civil action against the Company and various other laboratories, in order to compel them to sell medicines to the public administration in accordance with the rules of the Medicines Market Regulation Chamber (CMED). The Public Prosecution Office also required the conviction of laboratories to the payment of collective moral damages in an amount to be determined in Court.

A decision was handed down that dismissed the process and, currently, the Prosecutor has a deadline to file an appeal. . The amount involved is inestimable and, according to the opinion of outside counsel, the chance of loss is possible.

The city of Caxias do Sul filed a public Civil action against the company and several other laboratories, to oblige them to sell medicines to the Municipality in accordance with the rules of the Medicines Market Regulation Chamber (CMED). The process is in the fact-finding phase. The amount involved is inestimable and, according to the opinion of external legal counsel, the likelihood of loss is possible.

(ii) Labor

The Company and its subsidiaries are parties to legal proceedings in labor cases, which is the responsibility of the Company, its subsidiaries and/or selling partners of the acquired and merged companies , with possible loss for the Company and/or its subsidiaries estimated at R$ 303,064 (R$ 183.903 on December 31, 2014).

In these proceedings, subjects as overtime, wage differentials, compensation due to occupational diseases and/or accidents, health hazard allowances or allowances for hazardous work, and recognition of employment relationships, among other claims are discussed.

64 of these labor proceedings, arise from the acquisition of Laboratório Americano de Farmacoterapia S.A. (Farmasa), which was merged by the Company, and present a likelihood of possible loss for the Company in the amount of R$ 1,349 (R$ 4,943 on December 31, 2014) and R$ 147 (R$ 142 on December 31, 2014) arise from the acquisition of Mantecorp Logística Distribuição e Comércio S.A. and Mantecorp Indústria Química e Farmacêutica S.A, which present a likehood of possible loss for the company in the amount of R$ 75,296 (R$ 35.291 on December 31, 2014), where compensation resulting from illnesses or accidents at work, employment relationships and consequent payment of labor charges, wage differentials, overtime and effects and tenure, among other claims, are being discussed.

The Company is the subject of a civil investigation in which the São Paulo Regional Prosecutor's Office of Labor investigates (i) compliance with the quota for junior apprentices by the company and (ii) the employment contracts of the employees of the company's business planning department. These are investigative procedures for which the Company, at this point, is unable to estimate the amount involved.

Brainfarma Indústria Química e Farmacêutica S.A. (Brainfarma), a wholly owned subsidiary of the Company figures as an investigated party in a Civil Investigation through which the Regional Labor Attorney of Goiânia is investigating compliance with the rules related to the limitation of working hours of employees of "Brainfarma" in Goiânia, however it is not yet possible to estimate the amounts involved.

Brainfarma Indústria Química e Farmacêutica S.A. is also being investigated in a Civil inquiry in which the Prosecutor's Office of Labor of Anápolis is investigating compliance with the standards concerning medicine and work safety, where it is not possible at this time to estimate the amount involved.

Brainfarma Indústria Química e Farmacêutica S.A appears as the defendant in a collective labor claim filed by the Workers' Union of the Chemical, Pharmaceutical, Plastic Material and Alcohol Industries in the State of Goiás, in which the union, the plaintiff, is requesting payment of time spent on standby and as the defendant in a collective labor claim filed by the Workers' Union of the Chemical, Pharmaceutical of Anápolis requiring the payment of additional allowances for night work. However, it is not yet possible to estimate the amounts involved in these complaints.

Cosmed Indústria de Cosméticos e Medicamentos S.A. (Cosmed), a wholly owned subsidiary of the company, is the subject of a civil investigation in which the Prosecutor's Office of Labor of Osasco is investigating compliance with the quota for junior apprentices. These are investigative procedures for which, Cosmed at this time, is unable to estimate the amounts involved.

Cosmed Indústria de Cosméticos e Medicamentos S.A. is defendant in a collective labor claim filed by the Workers' Union of the Chemical, Pharmaceutical, Plastic Material and Alcohol Industries in the State of Goiás, in which the union: (i) is requesting the payment of hours in transit and their effects for employees using transport provided by Cosmed, where the possible loss is estimated at R$ 3,510 ; (ii) is requesting the payment of overtime due to the time the employee is on stand-by, where the possible loss is estimated at R$ 3,813; and (iii) is discussing the payment of additional allowances for night work, where the possible loss is estimated at R$ 894. This lawsuit is being heard by the 1st Labor Court of Aparecida de Goiânia and involves the works of the factory in Senador Canedo, State of Goiás. Decisions have not yet been handed down for these court suits.

c. Contingencies of acquired companies, where the responsibility is that of the former owners - possible and probable:

The Company has no provision for contingencies whose forecast is a probable and possible loss, in cases that are the responsibility of the former owners.

The State of São Paulo filed a public civil action against the Company to file for payment of an indemnity alleged illegal sale of medicines by Mantecorp in 2008. The amount involved was assessed at R$ 144,235, and according to the opinion of external lawyers, the chance of loss is possible. The process is in the fact-finding phase.

Cremer S.A. filed an execution of judicial title against the company, charging the amount of R$ 40,760, as well as daily fine until compliance with the obligation established in the arbitration award or termination of the license agreement for use of the trademark Cremer (originating from the Mabesa business combination). A verdict was rendered which judged the lawsuit dismissed. Cremer S.A. may appeal to the Court of Justice.

Johnson & Johnson filed a lawsuit against the company Facilit claiming that Fio Dental Sanifill Premium, Fio Extrafino Sanifill Premium and Fita Dental Sanifill Premium violate the exclusive rights arising from patent PI 9805134-2 entitled "dental floss which features improved resistance to fraying and unravelling". The action was considered to have grounds and the calculation of amounts of damages was determined through calculation of the award. In light of this, we changed the estimate of success to Likely and the process is now at the appellate level.

Below, there is a summary of the contingencies with likely and possible forecasts which are liability of the former owners:

Company and/or acquired brands	Possible	Probable	Total
Aprov	653	761	1,414
Bitufo	921	326	1,247
Ceil	6,221	2,167	8,388
Cosmed (Niasi) + Pom	3,190	3,255	6,445
DM	-	40	40
Etti	-	794	794
Facilit	51	2,402	2,453
Farmasa	142,156	2,905	145,061
Inal	38	19	57
Luper	561	1,270	1,831
Mabesa	1,978	837	2,815
Mantecorp	144,235	-	144,235
Neo Química (Brainfarma)	23,663	17,714	41,377
Ny Looks	1,670	441	2,111
Sapeka	9,647	1,471	11,118
Sul Química	519	1,381	1,900
York	7,941	770	8,711
	343,444	36,553	379,997

25 Capital and reserves

a. Share capital

On December 31, 2015 the Company was authorized to increase the share capital up to the limit of R$ 5,500,000, pursuant to a provision in its bylaws and as approved by a the Board of Directors at the Extraordinary General Meeting held on January 24, 2011.

The capital on December 31, 2015 is R$ 5,270,726 (on December 31, 2014 - R$ 5,269,124), represented by 632,238,060 common shares (on December 31, 2014 - 632.100.787 common shares).

On August, 17, 2015, the share capital was increased by R$ 173 through the issuance of 20,134 common shares, with funds obtained from the Stock options.

On July 24, 2015, the share capital was increased by R$ 344 through the issuance of 40,000 common shares, with funds obtained from the Stock options.

On June 1, 2015, the share capital was increased by R$ 937 through the issuance of 60,000 common shares, with funds obtained from the Stock options.

On April, 24, 2015, the share capital was increased by R$ 148 through the issuance of 17,139 common shares, with funds obtained from the Stock options.

b. Goodwill on the issuing of shares

This reserve is formed on the issuing of shares and refers to the part of the issue price of shares with no nominal value, which exceeds the amount for the formation of capital.

c. Share purchase options

In the SGM of March 24, 2008, a share purchase option plan ("Plan I") was approved in order to allow the Company's employees to acquire shares of its issuance in a percentage of dilution of up to 3% of the share capital.

The main features of Plan I - 2008 Program are:

- Exercise price of R$ 8.50
- Grace period of 3 years for 50% of the options granted and 4 years for the remaining 50%
- 1,802,212 options granted

In the SGM of December 29, 2008, a new share purchase option plan ("Plan II") was approved for the Company's employees with the goal of "attracting and retaining the Company's executives" in a percentage of dilution of up to 3% of the share capital.

The main features of Plan II - 2008 Program are:

- Exercise price of R$ 5.36
- Grace period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, 5 years for up to 100%.
- Mandatory allocation of 50% of the net annual bonuses of the executives participating in the plan for purchase of the Company's shares.
- 5,280,000 options granted

The main features of Plan II - 2009 Program are:

- Exercise price of R$ 17.06
- Grace period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, 5 years for up to 100%.
- Mandatory allocation of 50% of the net annual bonuses of the executives participating in the plan for purchase of the Company's shares.
- 2,800,000 options granted

The main features of Plan II - 2010 Program are:

- Exercise price of R$ 20.21
- Grace period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, 5 years for up to 100%.
- Mandatory allocation of 50% of the net annual bonuses of the executives participating in the plan for purchase of the Company's shares.
- 2,600,000 shares granted.

The main features of Plan II - 2011 Program are:

- Exercise price of R$ 19.26
- Grace period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, 5 years for up to 100%.
- Mandatory allocation of 50% of the net annual bonuses of the executives participating in the plan for purchase of the Company's shares.
- 3,700,000 shares granted.

In the SGM of November 11, 2011, a new share purchase option plan ("Plan III") was approved for the Company's employees with the goal of "attracting and retaining the Company's executives" in a percentage of dilution of up to 5% of the share capital.

The main features of Plan III - 2011 Program are:

- Exercise price of R$ 8.60
- Grace period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, 5 years for up to 100%.
- 12,000,000 shares granted.

The main features of Plan III - 2013 Program are:

- Exercise price of R$ 15.62
- Grace period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, 5 years for up to 100%.
- 1,350,000 shares granted.

The main features of Plan III - 2014 Program are:

- Exercise price of R$ 15.34
- Grace period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, 5 years for up to 100%.
- 450,000 shares granted.

The main features of Plan III - 2014 Program are:

- Exercise price of R$ 16.48
- Grace period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, 5 years for up to 100%.
- 650,000 shares granted.

Total options granted

The percentage of dilution that, eventually, is submitted the current shareholders in the event of exercise of all outstanding options at December 31, 2015 is 2,96% in the plans and programs as described in detail below:

							Position at 31/12/2015		
Plan	**Program**	**Grace period**	**Unit price of the year (in Reais)**	**Granted**	**Exercised**	**Canceled**	**Outstanding contracts**	**Fair unit value on the date of the grant (in Reais)**	**Total estimated cost**
Plan I	2008	June 01, 2011	17,00	901,106	748,593	-	152,513	0,14	21
Plan I	2008	June 01, 2012	17,00	901,106	548,593	-	352,513	0,29	103
Plan II	2008	Nov 01, 2008	10,72	880,000	880,000	-	-	0,04	-
Plan II	2008	Nov 01, 2009	10,72	880,000	880,000	-	-	0,50	-
Plan II	2008	Nov 01, 2010	10,72	1,760,000	1,620,000	140,000	-	0,83	-
Plan II	2008	Nov 01, 2011	10,72	1,760,000	1,468,922	260,000	31,078	1,10	34
Plan II	2008	Nov 01, 2012	10,72	1,760,000	1,060,000	260,000	440,000	1,35	596
Plan II	2008	Nov 01, 2013	10,72	1,760,000	587,467	440,000	732,533	1,59	1,165
Plan II	2009	Dec 17, 2010	34,11	560,000	20,017	171,885	368,098	3,52	1,296
Plan II	2009	Dec 17, 2011	34,11	560,000	-	180,000	380,000	4,35	1,654
Plan II	2009	Dec 17, 2012	34,11	560,000	-	180,000	380,000	5,16	1,962
Plan II	2009	Dec 17, 2013	34,11	560,000	-	180,000	380,000	5,96	2,264
Plan II	2009	Dec 17, 2014	34,11	560,000	-	180,000	380,000	6,74	2,561
Plan II	2010	Aug 06, 2011	20,21	520,000	-	270,000	250,000	3,57	891
Plan II	2010	Aug 06, 2012	20,21	520,000	-	180,000	340,000	4,52	1,536
Plan II	2010	Aug 06, 2013	20,21	520,000	-	180,000	340,000	5,47	1,859
Plan II	2010	Aug 06, 2014	20,21	520,000	-	180,000	340,000	6,41	2,179
Plan II	2010	Aug 06, 2015	20,21	520,000	-	180,000	340,000	7,34	2,496
Plan II	2011	Feb 01, 2012	19,26	740,000	-	96,565	643,435	0,96	618
Plan II	2011	Feb 01, 2013	19,26	740,000	-	85,482	654,518	1,81	1,182
Plan II	2011	Feb 01, 2014	19,26	740,000	-	85,482	654,518	2,64	1,726
Plan II	2011	Feb 01, 2015	19,26	739,999	-	85,481	654,518	3,47	2,271
Plan II	2011	Feb 01, 2016	19,26	739,999	-	85,481	654,518	4,30	2,816
Plan III	2011	Dec 26, 2012	8,60	2,400,008	1,487,564	18,775	893,669	0,83	739
Plan III	2011	Dec 26, 2013	8,60	2,399,998	1,246,601	139,087	1,014,310	1,29	1,310
Plan III	2011	Dec 26, 2014	8,60	2,399,998	147,273	189,087	2,063,638	1,70	3,515
Plan III	2011	Dec 26, 2015	8,60	2,399,998	70,000	266,360	2,063,638	2,09	4,311
Plan III	2011	Dec 26, 2016	8,60	2,399,998	70,000	266,360	2,063,638	2,46	5,073
Plan III	2013	May 03, 2014	15,62	270,000	49,600	90,000	130,400	0,47	62
Plan III	2013	May 03, 2015	15,62	270,000	30,000	90,000	150,000	0,72	108
Plan III	2013	May 03, 2016	15,62	270,000	-	120,000	150,000	0,93	140
Plan III	2013	May 05, 2017	15,62	270,000	-	120,000	150,000	1,12	169
Plan III	2013	May 03, 2018	15,62	270,000	-	120,000	150,000	1,30	196
Plan III	2014	Feb 21, 2015	15,34	90,000	-	-	90,000	0,97	87
Plan III	2014	Feb 21, 2016	15,34	90,000	-	-	90,000	1,63	147
Plan III	2014	Feb 21, 2017	15,34	90,000	-	-	90,000	2,26	203
Plan III	2014	Feb 21, 2018	15,34	90,000	-	-	90,000	2,88	259
Plan III	2014	Feb 21, 2019	15,34	90,000	-	-	90,000	3,49	314
Plan III	2014-A	Dec 30, 2015	16,48	130,000	-	-	130,000	1,17	152
Plan III	2014-A	Dec 30, 2016	16,48	130,000	-	-	130,000	198	257
Plan III	2014-A	Dec 30, 2017	16,48	130,000	-	-	130,000	2,76	359
Plan III	2014-A	Dec 30, 2018	16,48	130,000	-	-	130,000	3,55	462
Plan III	2014-A	Dec 30, 2019	16,48	130,000	-	-	130,000	4,33	564
Total				**34,152,210**	**10,914,630**	**4,840,045**	**18,397,535**		**47,657**

								Position at Dec 31, 2014	
Plan	**Program**	**Grace period**	**Unit price of the year (in Reais)**	**Granted**	**Exercised**	**Canceled**	**Outstanding contracts**	**Fair unit value on the date of the grant (in Reais)**	**Total estimated cost**
Plan I	2008	June 01, 2011	8,50	901,106	748,593	-	152,513	0,14	21
Plan I	2008	June 01, 2012	8,50	901,106	548,593	-	352,513	0,29	103
Plan II	2008	Nov 01, 2011	5,36	1,760,000	1,468,922	260,000	31,078	1,10	34
Plan II	2008	Nov 01, 2012	5,36	1,760,000	1,060,000	260,000	440,000	1,35	596
Plan II	2008	Nov 01, 2013	5,36	1,760,000	587,467	440,000	732,533	1,59	1,165
Plan II	2009	Dec 17, 2010	17,06	560,000	20,017	171,885	368,098	3,52	1,296
Plan II	2009	Dec 17, 2011	17,06	560,000	-	180,000	380,000	4,35	1,654
Plan II	2009	Dec 17, 2012	17,06	560,000	-	180,000	380,000	5,16	1,962
Plan II	2009	Dec 17, 2013	17,06	560,000	-	180,000	380,000	5,96	2,264
Plan II	2009	Dec 17, 2014	17,06	560,000	-	180,000	380,000	6,74	2,561
Plan II	2010	Aug 06, 2011	20,21	520,000	-	190,000	330,000	3,57	1,177
Plan II	2010	Aug 06, 2012	20,21	520,000	-	80,000	440,000	4,52	1,988
Plan II	2010	Aug 06, 2013	20,21	520,000	-	80,000	440,000	5,47	2,406
Plan II	2010	Aug 06, 2014	20,21	520,000	-	80,000	440,000	6,41	2,820
Plan II	2010	Aug 06, 2015	20,21	520,000	-	80,000	440,000	7,34	3,230
Plan II	2011	Feb 01, 2012	19,26	740,000	-	86,824	653,176	0,96	627
Plan II	2011	Feb 01, 2013	19,26	740,000	-	71,953	668,047	1,81	1,206
Plan II	2011	Feb 01, 2014	19,26	740,000	-	71,953	668,047	2,64	1,762
Plan II	2011	Feb 01, 2015	19,26	739,999	-	71,952	668,047	3,47	2,318
Plan II	2011	Feb 01, 2016	19,26	739,999	-	71,952	668,047	4,30	2,874
Plan III	2011	Dec 26, 2012	8,60	2,400,008	1,487,564	31,091	881,353	0,83	729
Plan III	2011	Dec 26, 2013	8,60	2,399,998	1,394,285	189,087	816,626	1,29	1,054
Plan III	2011	Dec 26, 2014	8,60	2,399,998	-	189,087	2,210,911	1,70	3,766
Plan III	2011	Dec 26, 2015	8,60	2,399,998	-	189,087	2,210,911	2,09	4,619
Plan III	2011	Dec 26, 2016	8,60	2,399,998	-	189,087	2,210,911	2,46	5,436
Plan III	2013	May 03, 2014	15,62	270,000	19,600	90,000	160,400	0,47	76
Plan III	2013	May 03, 2015	15,62	270,000	-	90,000	180,000	0,72	130
Plan III	2013	May 03, 2016	15,62	270,000	-	90,000	180,000	0,93	168
Plan III	2013	May 05, 2017	15,62	270,000	-	90,000	180,000	1,12	202
Plan III	2013	May 03, 2018	15,62	270,000	-	90,000	180,000	1,30	235
Plan III	2014	Feb 21, 2015	15,34	90,000	-	-	90,000	0,97	87
Plan III	2014	Feb 21, 2016	15,34	90,000	-	-	90,000	1,63	147
Plan III	2014	Feb 21, 2017	15,34	90,000	-	-	90,000	2,26	203
Plan III	2014	Feb 21, 2018	15,34	90,000	-	-	90,000	2,88	259
Plan III	2014	Feb 21, 2019	15,34	90,000	-	-	90,000	3,49	314
Total				**29,982,210**	**7,335,041**	**3,973,958**	**18,673,211**		**49,489**

Pricing model of the options

For the calculation of the fair value of the options granted, the Company considered the following assumptions:

- The options are exercised on the dates of each closing of the vesting period, especially given the requirement for allocation of the executives' bonuses in a purchase of shares issued by the company.
- Indifference with respect to distribution of dividends given that the exercise price is adjusted for potential distributions.
- Evaluation of options in accordance with market parameters on the date of each contract with the beneficiaries of the plan.
- Allocation of a reduction of 1.5% per annum in options to be exercised considering potential discharge from professional duties of beneficiaries.

The evaluation used, therefore, was based on the Black & Scholes model for simple European options, using the Selic rate and the historical monthly volatility in the data of the contracts with the beneficiaries.

d. Treasury shares

There was no changes on the balance of Treasury shares on December 31, 2015 and the amount of 635 remains the same as December 31, 2014.

e. Legal reserve

The legal reserve is established annually with distribution of 5% of the net income for the year and may not exceed 20% of the share capital. The purpose of the legal reserve is to ensure the integrity of the share capital and may only be used to offset losses and increase the capital.

f. Tax incentive reserve

Established in accordance with article 195-A of the Brazilian Corporation law (amended by law 11,638 in 2007), this reserve receives the portion of Government subsidies recognized in income for the financial year, in a tax reduction account, and earmarked for it from retained earnings, and consequently, they do not enter the calculation base of the minimum mandatory dividend.

g. Statutory reserve

Established in accordance with the terms of article 194 of the Brazilian corporation law and as established in article 44, sole paragraph of the Company's bylaws.

h. Profit retention reserve

Formed or reversed in accordance with article 196 of the Brazilian corporation law and established in article 44 of the Company's bylaws.

i. Proposal for distribution of income

	2015
Net income for the year	559,872
Constitution of legal reserve	(27,993)
Consitution of the Government subsidy reserve(*)	(506,971)
Basis for calculation of dividends	24,908
Percentage on the basis of calculation of dividends proposed	25%
Proposed dividends	
Mandatory minimum Dividends (II)	6,227
Proposed additional dividends (III)	18.681

I. The total government subsidy for the year 2015 in the income of the parent company is R$ 470,253 (R$ 417,878 on December 31, 2014). The additional value and residual for 2014 is R$ 36,718. The subsidiaries have no government subsidy.

II. Amount initially recorded as a provision - may be reversed or complemented by decision of the General Shareholders' Meeting (AGM) to be held in April - will be presented in the balance sheet under current liabilities.

III. It will be presented in the balance sheet under Equity

26 Revenue

The reconciliation of gross sales with net revenue is as follows:

	Parent company		Consolidated	
	2015	2014 (reclassified)	2015	2014 (reclassified)
Gross revenue of products and services	3,293,369	3,005,323	3,283,434	2,994,565
Returns	(38,477)	(31,190)	(37,562)	(30,444)
Unconditional discounts	(80,716)	(41,387)	(80,716)	(41,387)
Promotional discounts	(52,279)	(27,860)	(52,279)	(27,860)
Taxes	(113,109)	(120,593)	(156,228)	(126,778)
Net revenue	3,008,788	2,784,293	2,956,649	2,768,096

27 Breakdown of income accounts

a. Operating expenses and cost of goods sold

	Parent company		Consolidated	
	2015	2014 (reclassified)	2015	2014 (reclassified)
Cost of goods sold	(1,011,195)	(886,395)	(746,511)	(676,241)
Raw material	-	(24,934)	(310,177)	(241,581)
Packaging material	-	(8,377)	(173,838)	(168,858)
Cost of processing	-	(34,346)	(187,014)	(187,964)
Depreciation and amortization expenses	-	(14,126)	(16,509)	(26,861)
Resale	(961,019)	(796,190)	(45,177)	(15,157)
Changes in inventories/others	(50,176)	(8,422)	(13,796)	(35,820)
Selling and marketing expenses	(1,081,023)	(1,051,257)	(1,149,470)	(1,089,158)
Advertisement and Consumer Promotion expenses	(303,734)	(308,145)	(295,966)	(303,857)
Trade deals	(157,687)	(143,359)	(154,065)	(138,383)
Medical visitation, promotions, gifts and samples	(325,354)	(296,461)	(315,945)	(286,848)
Sales force and selling expenses	(238,741)	(238,210)	(295,096)	(276,840)
Freight and insurance on sales	(42,592)	(45,452)	(43,220)	(47,367)
Allowance for doubtful accounts and losses	(6,383)	(11,355)	(6,182)	(8,326)
Depreciation and amortization expenses	(6,532)	(8,275)	(38,996)	(27,537)
General and administrative	(132,199)	(130,128)	(157,932)	(155,971)
Other expenses	(125,035)	(121,748)	(149,960)	(146,687)
Depreciation and amortization expenses	(7,164)	(8,380)	(7,972)	(9,284)

b. Other operating (expenses) income, net

	Parent company		Parent company	
	2015	2014 (reclassified)	2015	2014 (reclassified)
Tax revenues and others	13,728	28,613	13,325	34,271
Expenditures on operational restructuring	(24,323)	(31,302)	(30,916)	(47,288)
Eventual losses and others	(13,785)	4,725	1,630	(16,431)
	(24,380)	2,036	(15,961)	(29,448)

c. Financial income

	Parent company		Consolidated	
	2015	2014 (reclassified)	2015	2014 (reclassified)
Interest received	35,650	21,486	43,732	26,690
Income from financial investments and others	89,298	118,879	155,431	153,072
	124,948	140,365	199,163	179,762

d. Financial expenses

	Parent company		Consolidated	
	2015	2014 (reclassified)	2015	2014 (reclassified)
Interest on financing	(13,912)	(3,616)	(34,218)	(11,645)
Interest on loans	(184,035)	(142,402)	(176,397)	(136,723)
Interest on notes payable	(7,017)	(12,919)	(7,017)	(12,919)
Spending on prepayments of debts	(308)	-	(308)	-
Monetary restatement on contingencies	(12,447)	(13,631)	(13,940)	(14,069)
Monetary restatement on the payment of taxes in instalments	(6,723)	(12,180)	(6,753)	(13,504)
Debentures	(297,801)	(280,712)	(296,033)	(269,516)
Interest and commission on letter of guarantee	(3,306)	(3,045)	(3,833)	(3,268)
Bank expenses, discounts granted and others	(11,982)	(6,800)	(12,911)	(7,115)
Cost of *hedge* and exchange variation on loans	(94,027)	(72,931)	(94,027)	(72,931)
Cost of *hedge* and exchange variation on acquisition of company	-	(2,753)	-	(2,753)
Cost of hedge and exchange variation on suppliers and clients	24,020	14,627	(17,170)	(1,144)
Other	(30,181)	(17,178)	(35,379)	(15,994)
	(637,719)	(553,540)	(697,986)	(561,581)
Reversals of adjustment to present value	(17,036)	(27,998)	(17,036)	(29,463)
	(654,755)	(581,538)	(715,022)	(591,044)

28 Earnings per share

a. ***Basic***

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares issued during the period, excluding common shares purchased by the company and held as Treasury shares.

	2015			2014		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit attributable to the Company's shareholders	345,488	214,384	559,872	337,894	64,801	402,695
Weighted average number of common shares issued (thousand)	632,163	632,163	632,163	631,681	631,681	631,681
Basic income per share	0,54652	0,33913	0,88564	0,53491	0,10259	0,63750

b. ***Diluted***

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all diluted potential ordinary shares. Potential actions are treated as dilutive when, and only when, their conversion into shares decreases the result per share or increase the loss per share from continuing operations.

	2015			2014		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit						
Profit attributable to the Company's shareholders	345,488	214,384	559,872	337,894	64,801	402,695
Weighted average number of common shares issued (thousands)	632,163	632,163	632,163	631,681	631,681	631,681
Adjustments for:						
Share purchase options (thousands)	11,639	11,639	11,639	12,417	12,417	12,417
Weighted average number of common shares for the diluted earnings per share (thousands)	643,802	643,802	643,802	644,098	644,098	644,098
Diluted profit per share	0,53664	0,33300	0,86963	0,52460	0,10061	0,62521

29 Commitments

Operating lease commitments

The future minimum payments from operating lease rentals, in total and for each of the following periods, are presented below:

	Consolidated
	2015
Less than one year	12,519
More later than one year and less than five years;	30,814
More than five years	12,059
	55,392

30 Insurance coverage

The insurance policy takes into consideration mainly the concentration of risks, their relevance and the replacement value of the assets. The main information on the current insurance coverage, according to the insurance policies, is presented below:

	Parent company	Consolidated
Fire, IDT, lightning and explosions of any nature	357,100	1,324,440
Change in values at risk	100,000	300,000
Other Coverage	51,499	167,699

31 Related party transactions

a. ***Transactions and balances***

Transactions between related parties that influenced the results for the year, arise from transactions with the company and its subsidiaries, which management considers to have been conducted under normal market conditions and within normal time frames for the respective types of operations.

Loans with related parties are restated by the variation of the CDI plus a spread and the term is one year.

In business relationships with related parties prices are established considering the characteristics and nature of these transactions.

Business transactions for purchase and sale of products, raw materials, contracting services and rents, as well as financial transactions of loans and raising funds between companies of the group are presented as follows:

- The rental contract with TV Serra Dourada Ltda. is adjusted by the IGPM - FGV, and the maturity is indeterminate.

- The rent with Indústria Química Farmacêutica S.A. is inflation adjusted by the IGPM - FGV and the date of maturity is May 1, 2016, which may be extended according to the wishes of the parties.

a.1 In assets and liabilities

	Parent company									
	31/12/2015									
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	My - Agência Propaganda Ltda.	Brainfarma Ind. Quim. e Farmacêutica S.A.	Neolatina Comércio e Ind. Farmacêutica Ltda.	Savoy Ind. Cosmetics S.A.	Embalagens Allbox Ltda.	Macro Etiquetas e Rótulos Adesivos Ltda.	Gráfica e Editora Faberprint Ltda.	Indústria Famracêutica Melcon do Brasil S.A.	Total
Clients	-	-	25	-	-	-	-	-	-	25
Other receivables	-	21	-	36	-	-	-	-	-	57
Loans	-	-	-	91	-	-	-	-	-	91
Accounts payable to suppliers	(34,264)	-	(231,274)	-	-	-	(11)	-	-	(265,549)
Other amounts payable	(26,039)	-	(19,931)	-	(270)	-	-	-	-	(46,240)
Loans	(18)	-	(2)	-	-	-	-	-	-	(20)

	Consolidated									
	31/12/2015									
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	My - Agência Propaganda Ltda.	Brainfarma Ind. Quim. e Farmacêutica S.A.	Neolatina Comércio e Ind. Farmacêutica Ltda.	Savoy Ind. Cosmetics S.A.	Embalagens Allbox Ltda.	Macro Etiquetas e Rótulos Adesivos Ltda.	Gráfica e Editora Faberprint Ltda.	Indústria Famracêutica Melcon do Brasil S.A.	Total
Accounts payable to suppliers	-	-	-	-	-	(5,457)	(350)	(3,206)	(33)	(9,046)

	Parent company								
	31/12/2014								
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	My - Agência Propaganda Ltda.	Brainfarma Ind. Quim. e Farmacêutica S.A.	Neolatina Comércio e Ind. Farmacêutica Ltda.	Embalagens Allbox Ltda.	Macro Etiquetas e Rótulos Adesivos Ltda.	Gráfica e Editora Faberprint Ltda.	Indústria Famracêutica Melcon do Brasil S.A.	Total
Clients	-	-	1,855	-	-	-	-	-	1,855
Proposed dividends receivable	15,038	-	20,205	-	-	-	-	-	35,243
Other receivables	4,760	16	-	36	-	-	-	-	4,812
Loans	123	-	61	78	-	-	-	-	262
Accounts payable to suppliers	(113,375)	-	(77,225)	-	-	(7)	(414)	-	(191,021)
Other amounts payable	-	-	(38,047)	-	-	-	-	-	(38,047)

	Consolidat								
	31/12/2014								
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	My - Agência Propaganda Ltda.	Brainfarma Ind. Quim. e Farmacêutica S.A.	Neolatina Comércio e Ind. Farmacêutica Ltda.	Embalagens Allbox Ltda.	Macro Etiquetas e Rótulos Adesivos Ltda.	Gráfica e Editora Faberprint Ltda.	Indústria Famracêutica Melcon do Brasil S.A.	Total
Accounts payable to suppliers	-	-	-	-	(4,811)	(640)	(3,442)	(850)	(9,743)

a.2 In the income for the year

	Parent company												
	31/12/2015												
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	My - Agência Propaganda Ltda.	TV Serra Dourada Ltda.	Brainfarma Ind. Quim. e Farmacêutica S.A.	ICF Instituto de Ciências Farmacêuticas Ltda.	Neolatina Comércio e Ind. Farmacêutica Ltda.	Embalagens Allbox Ltda.	Macro Etiquetas e Rótulos Adesivos Ltda.	Gráfica e Editora Faberprint Ltda.	Universo Online S.A.	Indústria Famracêutica Melcon do Brasil S.A.	Megatelecom Telecomunicações S.A.	Total
Transactions	(1,663,481)	-	-	(911,297)	-	-	-	(48)	(414)	-	-	-	(2,575,240)
Sales of goods/products	269	-	-	10,501	-	-	-	-	-	-	-	-	10,770
Purchase of products/ products	(1,663,750)	-	-	(921,798)	-	-	-	(48)	(414)	-	-	-	(2,586,010)
Expenses/ miscellaneous revenue.	-	(9,600)	(20,398)	(2,256)	-	-	-	-	-	(6,196)	-	-	(38,450)
Publicity	-	(9,600)	(20,398)	-	-	-	-	-	-	(6,196)	-	-	(36,194)
Rents	-	-	-	(2,256)	-	-	-	-	-	-	-	-	(2,256)
Services provided	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on loan	(37)	-	-	(1)	-	5	-	-	-	-	-	-	(33)
Financial expenses	(37)	-	-	(1)	-	-	-	-	-	-	-	-	(38)
Financial income	-	-	-	-	-	5	-	-	-	-	-	-	5

	Consolidated												
	31/12/2015												
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	My - Agência Propaganda Ltda.	TV Serra Dourada Ltda.	Brainfarma Ind. Quim. e Farmacêutica S.A.	ICF Instituto de Ciências Farmacêuticas Ltda.	Neolatina Comércio e Ind. Farmacêutica Ltda.	Embalagens Allbox Ltda.	Macro Etiquetas e Rótulos Adesivos Ltda.	Gráfica e Editora Faberprint Ltda.	Universo Online S.A.	Indústria Farmacêutica Melcon do Brasil S.A.	Megatelecom Telecomunicações S.A.	Total
Transactions	-	-	-	-	-	-	(27,081)	(3,142)	(12,931)	-	(3,000)	-	(46,154)
Purchases of goods/products/ raw material	-	-	-	-	-	-	(27,081)	(3,142)	(12,931)	-	(3,000)	-	(46,154)
Expenses/ miscellaneous revenue,	-	-	(20,938)	-	(1,147)	-	-	-	-	(6,196)	-	(12)	(28,293)
Publicity	-	-	(20,398)	-	-	-	-	-	-	(6,196)	-	(12)	(26,606)
Rents	-	-	(540)	-	-	-	-	-	-	-	-	-	(540)
Services provided	-	-	-	-	(1,147)	-	-	-	-	-	-	-	(1,147)

	Parent company											
	31/12/2014											
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	My - Agência Propaganda Ltda.	TV Serra Dourada Ltda.	Neo Marcas Ind. Farm. e Alim. e Participações Ltda.	Brainfarma Ind. Quim. e Farmacêutica S.A.	Embalagens Allbox Ltda.	ICF Instituto de Ciências Farmacêuticas Ltda.	Macro Etiquetas e Rótulos Adesivos Ltda.	Gráfica e Editora Faberprint Ltda.	Universo Online S.A.	Indústria Farmacêutica Melcon do Brasil S.A.	Total
Transactions	(1,330,127)	(7,650)	-	-	(332,954)	(3)	-	(59)	(457)	-	(6)	(1,671,256)
Sales of goods/products	5,097		-	-	212,200	-	-		-	-	-	217,297
Purchases of goods/products	(1,335,224)	(7,650)	-	-	(545,154)	(3)	-	(59)	(457)	-	(6)	(1,888,553)
Expenses/ miscellaneous revenue.	-	(7,650)	(13,864)	(720)	-	-	-	-	-	(136)	-	(22,370)
Advertising	-	(7,650)	(13,653)	-	-	-	-	-	-	-	-	(21,303)
Rents	-	-	(211)	(720)	-	-	-	-	-	-	-	(931)
Services provided	-	-	-	-	-	-	-	-	-	(136)	-	(136)
Interest on loan	(6)	-	-	(8)	12	-	-	-	-	-	-	(2)
Financial expenses	(6)	-	-	(8)	-	-	-	-	-	-	-	(14)
Financial income	-	-	-	-	12	-	-	-	-	-	-	12

	Consolidated											
	31/12/2014											
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	My - Agência Propaganda Ltda.	TV Serra Dourada Ltda.	Neo Marcas Ind. Farm. e Alim. e Participações Ltda.	Brainfarma Ind. Quim. e Farmacêutica S.A.	Embalagens Allbox Ltda	ICF Instituto de Ciências Farmacêuticas Ltda.	Macro Etiquetas e Rótulos Adesivos Ltda.	Gráfica e Editora Faberprint Ltda.	Universo Online S.A.	Indústria Farmacêutica Melcon do Brasil S.A.	Total
Transactions	-	-	-	-	-	(24,521)	-	(3,436)	(10,404)	-	(2,986)	(41,347)
Purchase of products/ products raw material	-	-	-	-	-	(24,521)	-	(3,436)	(10,404)	-	(2,986)	(41,347)
Expenses/ miscellaneous revenue,	-	-	(14,171)	(720)	-	-	(1,440)	-	-	(136)	-	(16,467)
Publicity	-	-	(13,653)	-	-	-	-	-	-	-	-	(13,653)
Rents	-	-	(518)	(720)	-	-	-	-	-	-	-	(1,238)
Services provided	-	-	-	-	-	-	(1,440)	-	-	(136)	-	(1,576)
Interest on loan	-	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	-	-	-
Financial income	-	-	-	-	-	-	-	-	-	-	-	-

The parties listed below did not have transactions in 2014 and 2015*:*
- MCLG Empreendimentos e Participações S.A.

- Nova Piratininga Empreendimentos, Participações e Incorporações Ltda.

b. Remuneration of key management personnel

The key management personnel comprises the board members and directors and members of the executive committees. The remuneration paid or payable to key management personnel is as follows:

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Salaries and other short term benefits	59,360	52,291	75,008	66,457
Board members' fees	621	1,133	621	1,220
Share-based payments	332	4,057	1,120	4,503
	60,313	57,481	76,749	72,180

32 Subsequent events

The company announced on January 26, 2016, that it had reached an agreement to sell its condom business to Reckitt Benckiser (Brazil) Ltda., for R$ 675,000 (675 million reais). The transaction includes brands Jontex, Olla and Lovetex and is subject to approval from antitrust authorities and corporate reorganization of the company, among other precedent conditions set out in the contract.

On the same date, the subsidiary Brainfarma Indústria Química Farmacêutica S.A. acquired for R$ 60,000 (60 million reais) all the shares representing the share capital of Neolatina Comércio e Indústria Farmacêutica S.A. The transaction includes a factory and a piece of land located in Anápolis (Goiás).

On February 01, 2016, the company completed the sale of the business of manufacturing and marketing of Cosmetics to Coty R$ 3,800,000 e (three billion and 800 million reais). The sold business includes brands such as Bozzano, Biocolor, Monange, Risqué, Paixão and Cenoura & Bronze, among others.

At a meeting held on February 12, 2016, a repurchase offer was approved by the company, for up to the total of the originally issued debt securities with payment of 6.5% per annum maturing in April 20, 2021 (*Bonds*), which will match the amount equivalent in reais of up to U$ 312,636. (312 million, 636,000 US dollars). The purpose of the repurchase offer is to reduce currency exposure and the total indebtedness of the company.