Hypermarcas S.A.

Report on review of
Quarterly Information
– ITR of September 30, 2016

(A free translation of the original in Portuguese)

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Hypermarcas reports EBITDA of R$255.5 million in 3Q16, with Net Income of R$202.5 million, or 168.7% above 3Q15

São Paulo, October 28, 2016 - Hypermarcas S.A. (BM&FBovespa: HYPE3; Reuters: HYPE3.SA; Bloomberg: HYPE3 BZ; ADR: HYPMY; ISIN: BRHYPEACNOR0) announces its financial results for the third quarter of 2016. Financial data disclosed here are taken from quarterly financial information of Hypermarcas S.A., prepared in accordance with norms of the Brazilian Accounting Pronouncement Committee (CPC) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Highlights

- **Continuing Operations EBITDA of R$255.5 million in 3Q16,** a 14.3% growth against 3Q15
- **Net Income of R$202.5 million in 3Q16,** a 168.7% increase compared to 3Q15
- **Free Cash Flow of R$168.0 million in the quarter,** compared to R$17.3 million in 3Q15
- **Net cash position of R$151.8 million,** after R$158.1 million paid as dividends and R$85.9 million in share buybacks
- **Closing of the sale of the Condoms Business,** by receiving R$570.8 million in October

Table 1

(R$ million)	9M15	% NR	9M16	% NR	Δ %	Δ p.p.	3Q15	% NR	3Q16	% NR	Δ %	Δ p.p.
Net Revenue	2,200.5	*100.0%*	2,445.4	*100.0%*	*11.1%*	-	738.4	*100.0%*	811.0	*100.0%*	*9.8%*	-
Gross Profit	1,661.0	*75.5%*	1,826.9	*74.7%*	*10.0%*	*-0.8 p.p.*	551.3	*74.7%*	608.7	*75.0%*	*10.4%*	*0.3 p.p.*
S,G&A (ex-Marketing)	(402.3)	*-18.3%*	(415.8)	*-17.0%*	*3.4%*	*1.3 p.p.*	(134.9)	*-18.3%*	(136.7)	*-16.9%*	*1.3%*	*1.4 p.p.*
Marketing	(551.8)	*-25.1%*	(591.0)	*-24.2%*	*7.1%*	*0.9 p.p.*	(208.2)	*-28.2%*	(227.1)	*-28.0%*	*9.1%*	*0.2 p.p.*
Continuing Operations EBITDA	744.7	*33.8%*	870.7	*35.6%*	*16.9%*	*1.8 p.p.*	223.5	*30.3%*	255.5	*31.5%*	*14.3%*	*1.2 p.p.*
Continuing Operations Net Income	266.0	*12.1%*	477.8	*19.5%*	*79.6%*	*7.4 p.p.*	59.0	*8.0%*	183.9	*22.7%*	*211.7%*	*14.7 p.p.*
Free Cash Flow	45.5	-	2,519.9	-	*5,436.3%*	-	17.3	-	168.0	-	*872.7%*	-
Net Income	276.9	*12.6%*	1,387.0	*56.7%*	*400.9%*	*44.1 p.p.*	75.4	*10.2%*	202.5	*25.0%*	*168.7%*	*14.8 p.p.*
EPS	0.44	-	2.19	-	*401.1%*	-	0.12	-	0.32	-	*169.0%*	-



Operating Scenario

In the third quarter of 2016, Hypermarcas' results were a consequence of the Company's continuous efforts towards the improvement of its operating and financial performance.

Net Revenue grew 9.8% in the quarter compared to 3Q15, amounting to R$811.0 million. In the first nine months of the year (9M16), growth was 11.1% compared to the same period of the prior year. Net Income amounted to R$202.5 million in the quarter, a 168.7% growth compared to 3Q15, mostly driven by the reversion of net financial expenses to net financial income in 3Q16, combined with better operating performance, with a 0.3 p.p. Gross Margin increase and SG&A expenses (ex-marketing) drop to 16.9%, as percentage of Net Revenue, compared to 18.3% in 3Q15.

In the year, the 400.9% Net Income expansion to R$1,387.0 million includes the impact of the capital gain related to the sale of the Cosmetics Business, completed in 1Q16.

Still as result of the improvement of the operating performance, the Continuing Operations EBITDA increased 14.3% compared to 3Q15, amounting to R$255.5 million in the quarter, with a 1.2 p.p. margin increase, to 31.5% of Net Revenue. In the year, the Continuing Operations EBITDA advanced to R$870.7 million, with margin of 35.6%, a 1.8 p.p. gain compared to the same period of the prior year.

In August, the Company paid R$158.1 million as dividends, corresponding to R$0.25 per share. Therefore, Hypermarcas distributed a total of R$316.2 million as dividends during the fiscal year of 2016, or R$0.50 per share. In addition, the Company has repurchased the equivalent to R$83.9 million in its own shares.

The distribution of cash to shareholders was possible given the Company's robust capital structure, which resulted in a net cash position of R$151.8 million by the end of 3Q16, including non-realized hedge gains. This result arises not only from the proceeds from divestments carried out during the year, but also from the Company's consistent cash flow from operations, which amounted to R$703.1 million in the year, of which R$221.8 million only in 3Q16.

In October, Hypermarcas completed the sale of its Condoms Business to Reckitt Benckiser Brasil, receiving R$570.8 million that corresponded to the remaining portion of the transaction price, which totaled R$705.8 million. Thus, the Company's *pro forma* net cash position was R$722.6 million in the beginning of 4Q16.

In the quarter, the Company has advanced in its innovation program, by redefining processes and renewing its team, which will be allocated in the new Innovation Center being completed in Barueri (in São Paulo state). The innovation index, which will start being measured as the percentage of the sell-out demand coming from products launched over the past five years, increased from 18.6% in 3Q15 to 20.1% in 3Q16.

Corporate Governance

In October, Hypermarcas announced changes to its Board of Directors, which now includes four independent directors, out of 10 members currently in office. In July, the Company installed its Audit Committee, which aims at strengthening the organization's governance, risk management and compliance instances.



Earnings Discussion

Income Statement

The following table is a summary of Hypermarcas' Income Statement:

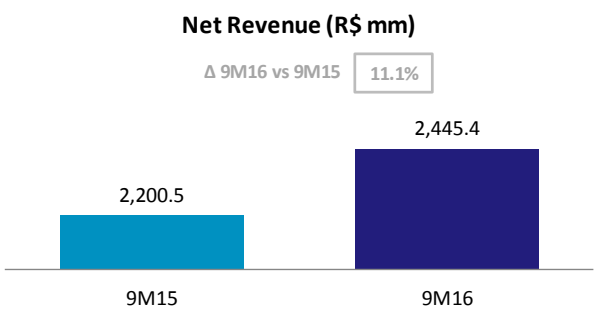
Table 2

(R$ million)	9M15	% NR	9M16	% NR	Δ %	3Q15	% NR	3Q16	% NR	Δ %
Net Revenue	**2,200.5**	***100.0%***	**2,445.4**	***100.0%***	***11.1%***	**738.4**	***100.0%***	**811.0**	***100.0%***	***9.8%***
Gross Profit	**1,661.0**	***75.5%***	**1,826.9**	***74.7%***	***10.0%***	**551.3**	***74.7%***	**608.7**	***75.0%***	***10.4%***
Marketing Expenses	(551.8)	*-25.1%*	(591.0)	*-24.2%*	*7.1%*	(208.2)	*-28.2%*	(227.1)	*-28.0%*	*9.1%*
Selling Expenses	(281.0)	*-12.8%*	(300.8)	*-12.3%*	*7.1%*	(97.8)	*-13.2%*	(101.3)	*-12.5%*	*3.6%*
General and Administrative Expenses	(121.3)	*-5.5%*	(115.0)	*-4.7%*	*-5.2%*	(37.1)	*-5.0%*	(35.4)	*-4.4%*	*-4.6%*
Other Operational Net Expenses	(8.7)	*-0.4%*	3.9	*0.2%*	-	0.0	*0.0%*	(5.1)	*-0.6%*	-
Equity in Subsidiaries	(1.7)	*-0.1%*	1.6	*0.1%*	-	(0.3)	*0.0%*	0.6	*0.1%*	-
Continuing Operations EBIT	**696.5**	***31.7%***	**825.6**	***33.8%***	***18.5%***	**207.9**	***28.2%***	**240.4**	***29.6%***	***15.6%***
Net Financial Expenses	(373.6)	*-17.0%*	(199.2)	*-8.1%*	*-46.7%*	(141.9)	*-19.2%*	0.7	*0.1%*	-
Income Tax and CSLL	(56.8)	*-2.6%*	(148.6)	*-6.1%*	*161.5%*	(7.0)	*-0.9%*	(57.2)	*-7.1%*	*717.5%*
Net Income from Discontinued Operations	10.9	*0.5%*	909.2	*37.2%*	*8,259.6%*	16.4	*2.2%*	18.7	*2.3%*	*13.8%*
Continuing Operations Net Income (Loss)	266.0	*12.1%*	477.8	*19.5%*	*79.6%*	59.0	*8.0%*	183.9	*22.7%*	*211.7%*
Net Income (Loss)	276.9	*12.6%*	1,387.0	*56.7%*	*400.9%*	75.4	*10.2%*	202.5	*25.0%*	*168.7%*
Continuing Operations EBITDA	**744.7**	***33.8%***	**870.7**	***35.6%***	***16.9%***	**223.5**	***30.3%***	**255.5**	***31.5%***	***14.3%***



Net Revenue

Graph 1



Graph 2

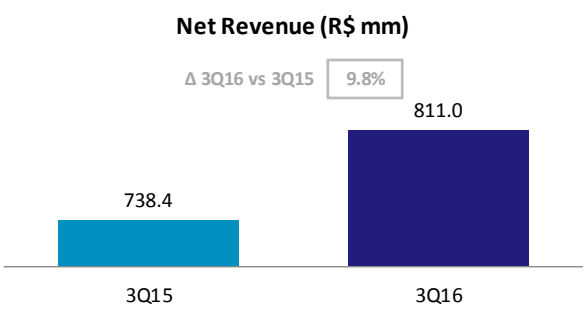


Table 3

(R$ million)	9M15	9M16	Δ %	3Q15	3Q16	Δ %
Net Revenue	2,200.5	2,445.4	*11.1%*	738.4	811.0	*9.8%*

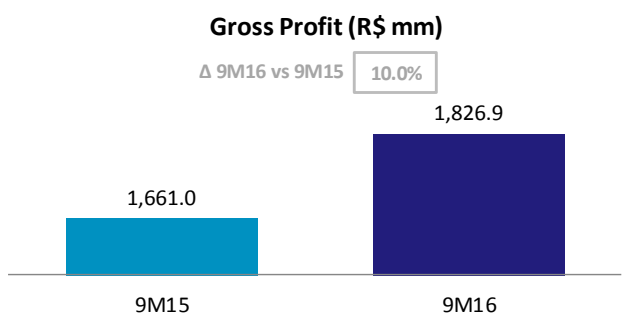
Net Revenue increased 9.8% in the quarter compared to 3Q15. This performance results mainly from the impact of the annual drug price increase, effective since April. The expansion of the Generics & Branded Generics segment was a highlight of the quarter.

In 9M16, Net Revenue increased 11.1% compared to 9M15, also as a result of the annual price increase, with an outstanding growth in Prescription Products, Generics & Branded Generics.

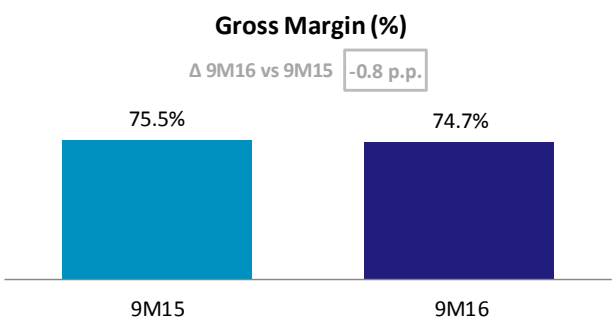


Gross Profit

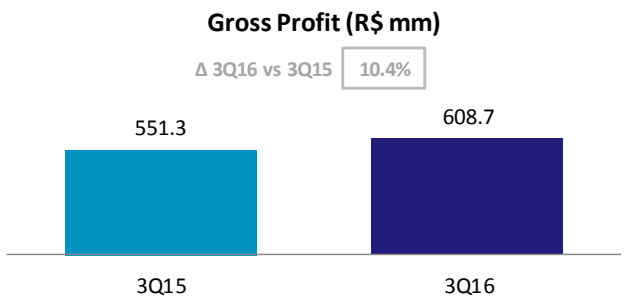
Graph 3



Graph 4



Graph 5



Graph 6

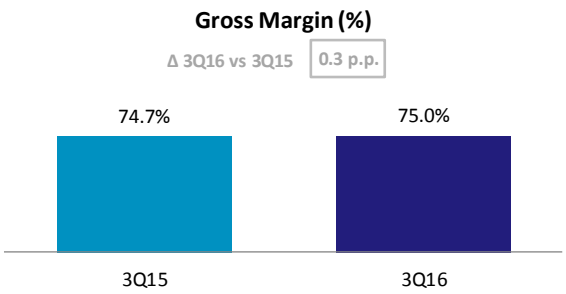


Table 4

(R$ million)	9M15	% NR	9M16	% NR	Δ %	Δ p.p.	3Q15	% NR	3Q16	% NR	Δ %	Δ p.p.
Gross Profit	1,661.0	*75.5%*	1,826.9	*74.7%*	*10.0%*	*-0.8 p.p.*	551.3	*74.7%*	608.7	*75.0%*	*10.4%*	*0.3 p.p.*

In 3Q16, Gross Margin increased 0.3 p.p. compared to 3Q15, mostly because of the impact of the annual price increase, which more than offset the effect of the cost expansion in the period.

In 9M16, the 0.8 p.p. Gross Margin drop compared to the same period of the prior year is mainly related to cost increases, mostly linked to imported raw materials, which were only partially offset by price increases.



Marketing Expenses

Table 5

(R$ million)	9M15	% NR	9M16	% NR	Δ %	3Q15	% NR	3Q16	% NR	Δ %
Marketing Expenses	(551.8)	-25.1%	(591.0)	-24.2%	7.1%	(208.2)	-28.2%	(227.1)	-28.0%	9.1%
Advertisement and Consumer Promotion	(203.2)	-9.2%	(218.3)	-8.9%	7.4%	(81.0)	-11.0%	(89.6)	-11.1%	10.6%
Trade Deals	(109.5)	-5.0%	(125.3)	-5.1%	14.4%	(40.9)	-5.5%	(49.3)	-6.1%	20.3%
Medical Visits, Promotions and Samples	(239.1)	-10.9%	(247.5)	-10.1%	3.5%	(86.2)	-11.7%	(88.2)	-10.9%	2.2%

Marketing Expenses amounted to 28.0% of Net Revenue in the quarter, a 0.2 p.p. reduction compared to 3Q15. In 9M16, such expenses corresponded to 24.2% of Net Revenue, a 0.9 p.p. decrease compared to the same period of the prior year, according to the Company's strategy for the year.

Selling Expenses

Table 6

(R$ million)	9M15	% NR	9M16	% NR	Δ %	3Q15	% NR	3Q16	% NR	Δ %
Selling Expenses	(281.0)	-12.8%	(300.8)	-12.3%	7.1%	(97.8)	-13.2%	(101.3)	-12.5%	3.6%
Commercial Expenses	(245.4)	-11.2%	(267.3)	-10.9%	8.9%	(84.7)	-11.5%	(93.0)	-11.5%	9.8%
Freights	(31.7)	-1.4%	(32.3)	-1.3%	1.7%	(11.0)	-1.5%	(9.2)	-1.1%	-16.2%
Delinquency	(3.9)	-0.2%	(1.3)	-0.1%	-66.5%	(2.1)	-0.3%	0.9	0.1%	-

Selling Expenses reached 12.5% of Net Revenue in 3Q16, a 0.7 p.p. drop compared to 3Q16. This decrease is primarily related to the reduction of freight expenses and to a slight reversion at the delinquency provision in the quarter.

General / Administrative Expenses & Other Revenues and Operating Expenses, net

Table 7

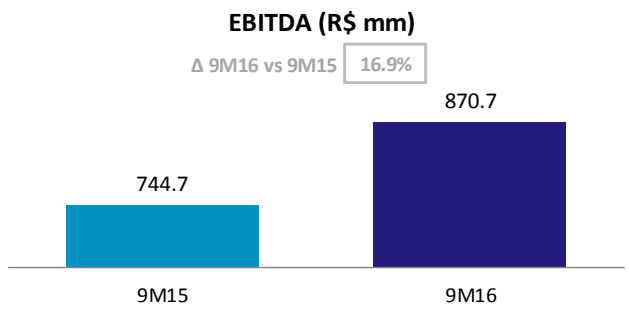
(R$ million)	9M15	% NR	9M16	% NR	Δ %	3Q15	% NR	3Q16	% NR	Δ %
General & Administrative Expenses	(121.3)	-5.5%	(115.0)	-4.7%	-5.2%	(37.1)	-5.0%	(35.4)	-4.4%	-4.6%
Other Operating Revenues (Expenses)	(8.7)	-0.4%	3.9	0.2%	-	0.0	0.0%	(5.1)	-0.6%	-

G&A Expenses were reduced by 0.6 p.p. as percentage of Net Revenue and 4.6% in nominal terms in the quarter compared to 3Q15, also as a function of the streamlining of the Company's corporate structure.

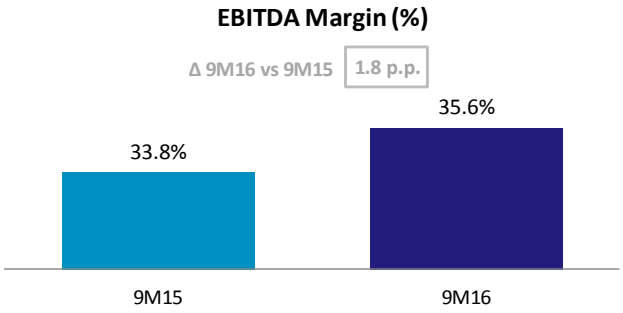


Continuing Operations EBITDA

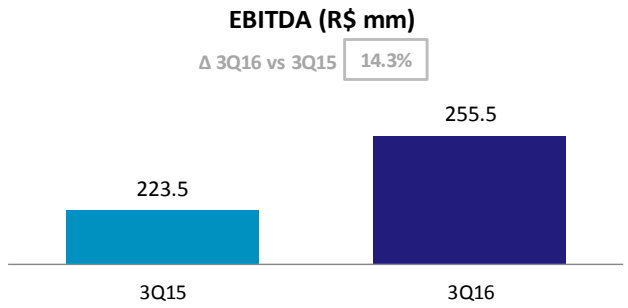
Graph 7



Graph 8



Graph 9



Graph 10

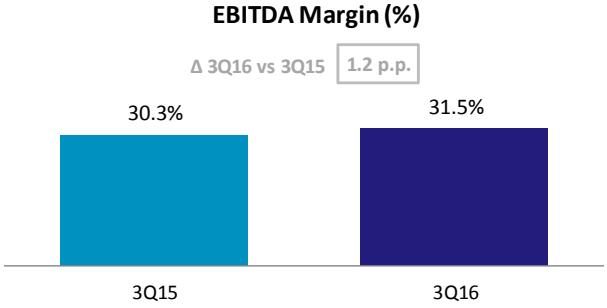


Table 8 - Continuing Operations EBITDA Reconciliation

(R$ million)	9M15	% NR	9M16	% NR	Δ %	3Q15	% NR	3Q16	% NR	Δ %
Net Income	276.9	*12.6%*	1,387.0	*56.7%*	*400.9%*	75.4	*10.2%*	202.5	*25.0%*	*168.7%*
(-) Net Income from Discontinued Operations	(10.9)	*-0.5%*	(909.2)	*-37.2%*	*8,259.6%*	(16.4)	*-2.2%*	(18.7)	*-2.3%*	*13.8%*
(+) Income Tax and CSLL	56.8	*2.6%*	148.6	*6.1%*	*161.5%*	7.0	*0.9%*	57.2	*7.1%*	*717.5%*
(+) Net Interest Expenses	373.6	*17.0%*	199.2	*8.1%*	*-46.7%*	141.9	*19.2%*	(0.7)	*-0.1%*	-
Continuing Operations EBIT	696.5	*31.7%*	825.6	*33.8%*	*18.5%*	207.9	*28.2%*	240.4	*29.6%*	*15.6%*
(+) Depreciations / Amortizations	48.2	*2.2%*	45.2	*1.8%*	*-6.3%*	15.6	*2.1%*	15.1	*1.9%*	*-3.7%*
Continuing Operations EBITDA	**744.7**	***33.8%***	**870.7**	***35.6%***	***16.9%***	**223.5**	***30.3%***	**255.5**	***31.5%***	***14.3%***

The Continuing Operations EBITDA amounted to R$255.5 million in 3Q16, a 14.3% expansion and a 1.2 p.p. margin expansion, to 31.5% of Net Revenue, compared to 3Q15. This performance reflects the improvement of the Company's operating results, with Gross Margin expansion and SG&A Expenses (ex-Marketing) reduction, as percentage of Net Revenue.

In 9M16, there was also an expansion of the Continuing Operations EBITDA, to R$870.7 million, with margin of 35.6% of Net Revenue. The margin increase is mostly related to the reduction of Marketing and SG&A expenses, as percentage of Net Revenue, which more than offset the Gross Margin decrease in the period.



Net Financial Expenses

Table 9

(R$ million)	9M15	% NR	9M16	% NR	Δ R$	3Q15	% NR	3Q16	% NR	Δ R$
Net Financial Expenses	(373.6)	-17.0%	(199.2)	-8.1%	174.5	(141.9)	-19.2%	0.7	0.1%	142.6
Net Interest Expenses	(263.0)	-12.0%	(17.5)	-0.7%	245.5	(83.9)	-11.4%	13.6	1.7%	97.6
Cost of Hedge and FX Gains (Losses)	(85.1)	-3.9%	(62.0)	-2.5%	23.1	(49.5)	-6.7%	(3.5)	-0.4%	45.9
Monetary Adjustment on Contingencies	(9.5)	-0.4%	(11.3)	-0.5%	(1.9)	(2.9)	-0.4%	(3.9)	-0.5%	(1.0)
NPV Adjustment Realization	(16.0)	-0.7%	(3.1)	-0.1%	12.9	(5.6)	-0.8%	(0.9)	-0.1%	4.7
Debt Pre-Payment Expenses	0.0	0.0%	(105.2)	-4.3%	(105.2)	0.0	0.0%	(4.7)	-0.6%	(4.7)

The Company posted Net Financial Income of R$0.7 million in the quarter, as a function of the reversion of net interest expenses of R$83.9 million in 3Q15 to net interest income of R$13.6 million in 3Q16, due to the Net Debt reduction in the period. This result was also impacted by the reduction of hedge costs after the full repurchase of the Company's Bond, completed between February and April 2016.

Net Income

Table 10

(R$ million)	9M15	9M16	Δ %	3Q15	3Q16	Δ %
Continuing Operations EBIT	696.5	825.6	18.5%	207.9	240.4	15.6%
(-) Net Financial Expenses	(373.6)	(199.2)	-46.7%	(141.9)	0.7	-
(-) Income Tax and Social Contribution	(56.8)	(148.6)	161.5%	(7.0)	(57.2)	717.5%
Continuing Operations Net Income	**266.0**	**477.8**	**79.6%**	**59.0**	**183.9**	**211.7%**
(+) Discontinued Operation Net Income	10.9	909.2	8,259.6%	16.4	18.7	13.8%
Net Income	**276.9**	**1,387.0**	**400.9%**	**75.4**	**202.5**	**168.7%**
EPS	**0.44**	**2.19**	**401.1%**	**0.12**	**0.32**	**169.0%**

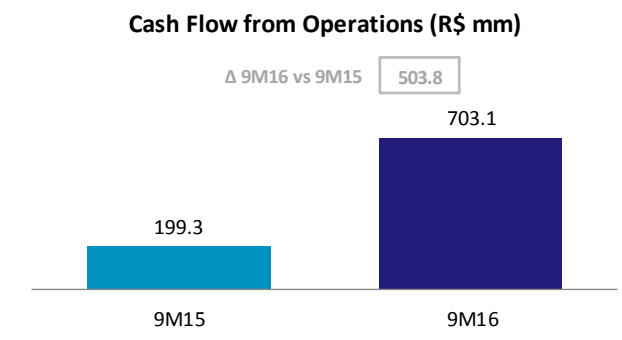
The Continuing Operations Net Income increased 211.7% compared to 3Q15, to R$183.9 million in the quarter. This growth results mainly from a combination of the improvement of the operating performance and the reversion of net financial expenses of R$141.9 million in 3Q15 to net financial income of R$0.7 million in 3Q16. Combined to the Discontinued Operations Net Income, this result led to a Net Income of R$202.5 million in the quarter, a 168.7% expansion, in the same comparison basis.

In 9M16, Net Income increased 400.9% compared to the same period of the prior year, climbing to R$1,387.0 million. This performance includes the impact of the capital gain from the sale of the Cosmetics Business by the Company in 1Q16, but does not include gains related to the sale of the Condoms Business, which was completed in the beginning of 4Q16.

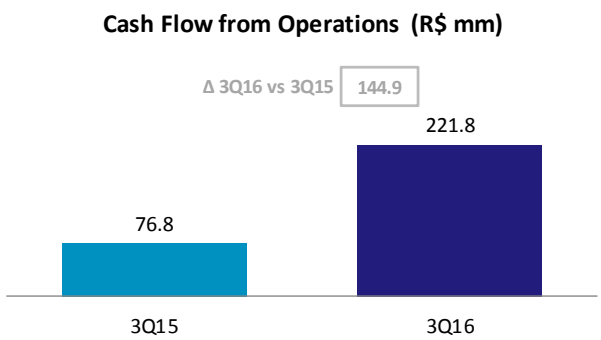


Total Cash Flow (Continuing and Discontinued Operations)

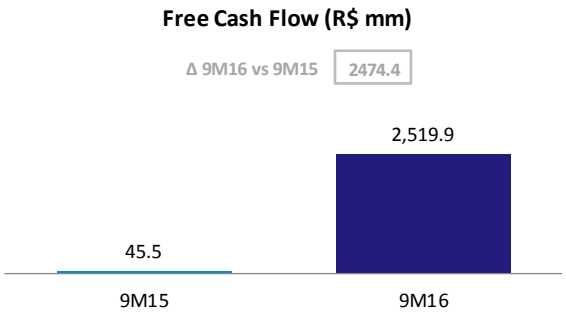
Graph 11



Graph 12



Graph 13



Graph 14

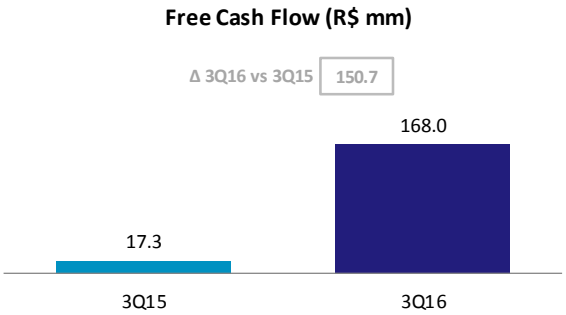


Table 11

(R$ million)	9M15	9M16	3Q15	3Q16
Cash Flow from Operations	199.3	703.1	76.8	221.8
Net Purchase of Property, Plant and Equipment	(126.0)	1,846.0	(49.8)	(46.8)
Purchase of Property, Plant and Equipment	(164.7)	(122.1)	(58.2)	(59.1)
Sale of Property, Plant and Equipment	38.7	1,968.1	8.4	12.3
Purchase of Intangible Assets	(27.7)	(29.2)	(9.8)	(7.0)
(=) Free Cash Flow	**45.5**	**2,519.9**	**17.3**	**168.0**

Cash Flow from Operations increased to R$221.8 million in 3Q16, compared to R$76.8 million in 3Q15, as a result of lower working capital investment, mainly in Receivables and Inventory and in spite of a reduction in Suppliers. In 9M16, there was also an expressive working capital reduction, resulting in Cash Flow from Operations of R$703.1 million, an R$503.8 million increase compared to 9M15.

In 9M16, the Free Cash Flow of R$2,519.9 million, compared to R$45.5 million in the same period of the prior year, was mostly impacted by the proceeds received in 1Q16 from the sale of the Cosmetics and Condoms Businesses, in addition to the Cash Flow from Operations improvement in the period.



Net Debt

Table 12

(R$ million)	Balance on 3Q16	Short Term	Long Term						
			4Q17	2018	2019	2020	2021	2022	2023	2024>
Loans and Financing	1,312.5	208.2	215.9	539.6	153.5	36.0	36.0	35.8	32.4	55.2
Notes Payable	40.0	40.0	-	-	-	-	-	-	-	-
Gross Debt	**1,352.5**	**248.2**	**215.9**	**539.6**	**153.5**	**36.0**	**36.0**	**35.8**	**32.4**	**55.2**
Cash and Cash Equivalents	(1,156.2)									
Net Debt	**196.2**									
Unrealized Gain/Loss on Debt Hedge	(348.1)									
Net Debt After Hedge	**(151.8)**									

Considering non-realized hedge results, the net cash position ended the quarter at R$151.8 million, even after the payment of R$158.1 million as dividends in August and the repurchase of the equivalent to R$85.9 million in shares in the quarter. During the year, the Company distributed R$316.2 million as dividends, corresponding to R$0.50 per share.

In addition, Hypermarcas reduced its Gross Debt by R$565.6 million compared to 2Q16, to R$1,352.5 million by the end of 3Q16, mostly because of the early redemption of the Company's 7th issuance of debentures, whose principal amount was equivalent to R$400.0 million.

After receiving R$570.8 million in October corresponding to the remaining amount related to the sale of the Condoms Business, the Company held a *pro forma* net cash position of R$722.6 million.

Subsequent Events

Closing of Condoms Business sale

On October 4, 2016, Hypermarcas completed the sale of its Condoms Business to Reckitt Benckiser Brasil, receiving R$570.8 million that corresponded to the remaining portion, adjusted according to the contract, of the transaction price, which totaled R$705.8 million.

Change in controlling shareholders' block

On October 24, 2016, the Gonçalves Family (Marcelo Henrique Limírio Gonçalves, Cleonice Barbosa Limírio Gonçalves, Marcelo Henrique Limírio Gonçalves Filho e Luana Barbosa Limírio Gonçalves de Sant'Anna Braga) release from the controlling shareholders' block 35 million shares which represented the totality of the shares jointly owned by the Family on that date. Thus, the family left the Company's shareholders' agreement, which was amended on the same date to reflect such release.



Investor Relations Agenda

Earnings Conference Call

	Portuguese	English
Date:	October 31, 2016	October 31, 2016
Time:	10:30 (Brasília) 08:30 (New York)	12:30 (Brasília) 10:30 (New York)
Phone:	+55 (11) 2188-0155	+1 (844) 846-8977 (USA only) +1 (412) 317-5458 (other countries)
Code:	Hypermarcas	Hypermarcas
Webcast:	Click here	Click here
Replay:	+55 (11) 2188-0400	+1 (877) 344-7529 (USA only) +1 (412) 317-0088(other countries)
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Contact Information

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Upcoming events

Table 13

Date	Event	City
14-nov	NDRS Bradesco BBI	Boston
15-16-nov	Bradesco CEO Forum	New York
16-17-nov	Jefferies Global London Healthcare Conference	London
17-18nov	NDRS Bradesco BBI	Toronto & Chicago
18-nov	NDRS UBS	London
21-22-nov	Itaú Latam Conference	London
23-nov	Itaú Latam Conference	Edinburgh
24-25-nov	NDRS UBS	Amsterdan & Frankfurt
29-nov-01-dec	JP Morgan Brazil Opportunities Conference	São Paulo
05-dec	Hype Day	São Paulo
09-13-jan	JP Morgan Healthcare Conference	San Francisco
11-13-jan	Morgan Stanley Latin America Executive Conference	Miami
17-19-jan	Santander Latin American CEO Conference	Cancun



Disclaimer

This release contains forward-looking statements that are exclusively related to the prospects of the business, its operating and financial results, and prospects for growth. These data are merely projections and, as such, based exclusively on our management's expectations for the future of the business and its continued access to capital to fund its business plan. These forward-looking statements substantially depend on changing market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors, as well as the risks shown in our filed disclosure documents, and are therefore subject to change without prior notice.

In addition, unaudited information herein reflects management's interpretation of information taken from its quarterly information and their respective adjustments, which were prepared in accordance with market practices and for the sole purpose of a more detailed and specific analysis of our results. Therefore, these additional points and data must also be analyzed and interpreted independently by shareholders and market agents, who should carry out their own analysis and draw their own conclusions from the results reported herein. No data or interpretative analysis provided by our management should be treated as a guarantee of future performance or results and are merely illustrative of our directors' vision of our results.

Our management is not responsible for compliance or accuracy of the management financial data discussed in this report, which must be considered as for informational purposes only, and should not override the analysis of our audited consolidated financial statements or our reviewed quarterly information for purposes of a decision to invest in our stock, or for any other purpose.



Consolidated Income Statement (R$ thousand)

Table 14

	9M15	9M16	3Q15	3Q16
Net Revenue	**2,200,481**	**2,445,408**	**738,391**	**811,048**
Cost of Goods Sold	(539,471)	(618,548)	(187,138)	(202,360)
Gross Profit	**1,661,010**	**1,826,860**	**551,253**	**608,688**
Operating Income (Expenses)				
Selling and Marketing Expenses	(832,810)	(891,850)	(306,007)	(328,386)
General and Administrative Expenses	(121,297)	(114,951)	(37,078)	(35,385)
Other Operating Income (Expenses)	(8,687)	3,907	25	(5,099)
Equity in Subsidiaries	(1,730)	1,598	(287)	572
Operating Income Before Equity Income and Financial Result	**696,486**	**825,564**	**207,906**	**240,390**
Net Financial Expenses	(373,627)	(199,165)	(141,915)	688
Financial Expenses	(526,686)	(411,659)	(193,882)	(53,364)
Financial Income	153,059	212,494	51,967	54,052
Profit Before Income Tax and Social Contribution	**322,859**	**626,399**	**65,991**	**241,078**
Income Tax and Social Contribution	(56,828)	(148,591)	(7,000)	(57,225)
Net Income from Contining Operations	**266,031**	**477,808**	**58,991**	**183,853**
Net Results from Discontinued Operations	10,876	909,233	16,391	18,661
Income for the Period	**276,907**	**1,387,041**	**75,382**	**202,514**
Earnings per Share – R$	**0.44**	**2.19**	**0.12**	**0.32**



Consolidated Balance Sheet (R$ thousand)

Table 15

Assets	31/12/2015	30/09/2016	Liabilities and Shareholders' Equity	31/12/2015	30/09/2016
Current Assets	**9,771,757**	**6,676,828**	**Current Liabilities**	**3,350,320**	**1,633,508**
Cash and Cash Equivalents	2,756,138	1,156,228	Suppliers	69,191	144,263
Accounts Receivables	980,080	1,196,199	Suppliers' Assignment of Receivables	223,812	145,573
Inventories	369,677	396,604	Loans, Financing and Debentures	765,659	208,246
Recoverable Taxes	102,576	102,119	Salaries Payable	126,630	150,735
Financial Derivatives	170,817	354,338	Income Tax and Social Contribution	31,186	10,020
Other Assets	214,342	178,423	Taxes Payable	23,308	49,120
Assets Held for Sale	5,178,127	3,292,917	Accounts Payable	1,286,555	264,528
			Dividends Payable	6,227	10
			Notes Payable	36,546	39,965
			Financial Derivatives	28,150	45,885
			Liabilities Held for Sale	753,056	575,163
Non-Current Assets	**6,051,673**	**5,777,363**	**Non-Current Liabilites**	**4,442,655**	**1,787,408**
Long Term Assets	**588,876**	**220,576**			
Related parties	0	0	Loans, Financing and Debentures	4,155,486	1,104,261
Deferred Income Tax and Social Contribution	16,074	12,776	Deferred Income Tax and Social Contribution	100,357	500,483
Recoverable Taxes	60,732	69,132	Taxes Payable	19,034	99
Financial Derivatives	363,043	3,602	Notes Payable	0	0
Other Assets	149,027	135,066	Other Accounts Payable	6,139	1,841
			Provisions for Contingencies	156,299	170,746
			Financial Derivatives	5,340	9,978
Investments	**5,462,797**	**5,556,787**	**Shareholders' Equity**	**8,030,455**	**9,033,275**
Investments	597	2,195	Capital	5,270,726	5,270,726
Other Investments	564	564	Capital Reserve	1,472,735	1,396,673
Property, Plants and Equipments	740,661	758,170	Equity Valuation Adjustments	(256,562)	(254,830)
Intangible Assets	4,720,975	4,795,858	Profit Reserves	1,543,556	1,524,875
			Income for the Period	0	1,095,831
Total Assets	**15,823,430**	**12,454,191**	**Total Liabilities and Shareholders' Equity**	**15,823,430**	**12,454,191**



Consolidated Cash Flow Statement (R$ thousand)

Table 16

	9M15	9M16	3Q15	3Q16
Cash Flows from Operating Activities				
Income (Loss) Before Income Taxes including Discontinued Operations	288,078	1,985,432	70,163	255,391
Depreciation and Amortization	77,390	51,320	25,801	13,684
Asset Impairment	(2,668)	(9,348)	1,345	(9,114)
Gain on Permanent Asset Disposals	5,862	(1,449,556)	144	13,294
Equity Method	1,730	12,191	287	13,217
Foreign Exchange (Gains) Losses	108,534	85,691	63,736	4,588
Interest and Related Expense	288,534	137,193	92,422	(4,122)
Stock Option Expense	2,669	1,143	271	429
Provisions (Delinquency, Inventories and Contingencies)	53,861	42,560	18,216	(5,468)
Adjusted Results	**823,990**	**856,626**	**272,385**	**281,899**
Decrease (Increase) in Assets	**(713,750)**	**80,372**	**(264,870)**	**(774)**
Trade Accounts Receivable	(255,759)	95,300	(89,716)	(22,242)
Inventories	(311,911)	(79,629)	(115,454)	(22,029)
Recoverable Taxes	(103,748)	48,817	(32,282)	(1,073)
Judicial Deposits and Others	(10,693)	(3,725)	(451)	(1,384)
Other Accounts Receivable	(31,639)	19,609	(26,967)	45,954
Increase (Decrease) in Liabilities	**89,051**	**(233,858)**	**69,327**	**(59,336)**
Suppliers	165,903	(74,285)	46,411	(29,244)
Financial Derivatives	80,755	(57,330)	41,302	(36,601)
Income Tax and Social Contribution Paid	(22,729)	(8,998)	(15,103)	(7,588)
Taxes Payable	6,638	(293)	2,179	(3,965)
Salaries and Payroll Charges	9,712	32,814	14,334	27,690
Accounts Payable	(56,346)	(151,436)	22,535	(44,341)
Operations Interest Paid	(89,222)	(14,673)	(40,347)	14,327
Other Accounts Payable	(5,660)	40,343	(1,984)	20,386
Net Cash Provided by Operating Activities	**199,291**	**703,140**	**76,842**	**221,789**
Cash flows from Investing Activities				
Capital Increase in Subsidiaries/Affiliates	(3,500)	(0)	(0)	(0)
Acquisitions of Subsidiaries, Net of Cash Acquired	0	(18,636)	0	1
Acquisitions of Property, Plant and Equipment	(164,707)	(122,085)	(58,179)	(59,116)
Intangible Assets	(27,738)	(29,183)	(9,786)	(7,021)
Proceeds from the Sale of Assets with Permanent Nature	38,671	1,968,051	8,394	12,338
Interest and Others	93,645	146,031	30,186	34,148
Net Cash Used in Investing Activities	**(63,629)**	**1,944,178**	**(29,385)**	**(19,650)**
Cash Flows from Financing Activities				
Capital Integralization	1,602	0	1,454	0
Borrowings	457,405	16,817	331,692	(76)
Treasury Stock Purchase / Sale	0	(85,903)	0	(85,903)
Repayment of Loans - Principal	(760,403)	(3,577,959)	(433,491)	(591,477)
Repayment of Loans - Interest	(293,173)	(356,534)	(87,560)	(43,859)
Dividends Paid	0	(316,109)	0	(158,050)
Loan Derivatives	245,817	72,460	138,544	(2,609)
Net Cash Used in Financing Activities	**(348,752)**	**(4,247,228)**	**(49,361)**	**(881,974)**
Net Increase in Cash and Cash Equivalents	**(213,090)**	**(1,599,910)**	**(1,904)**	**(679,835)**
Statement of Increase in Cash and Cash Equivalents, Net				
Cash and Cash Equivalents at the Beginning of the Period	1,829,905	2,756,138	1,618,719	1,836,063
Cash and Cash Equivalents at the End of the Period	1,616,815	1,156,228	1,616,815	1,156,228
Change in Cash and Cash Equivalent	**(213,090)**	**(1,599,910)**	**(1,904)**	**(679,835)**



Other Information

Cash Conversion Cycle - Continuing Operations

Table 17

(Days)	3Q15	4Q15	1Q16	2Q16	3Q16
Receivables [1]	107	103	108	116	119
Inventories [2]	182	161	146	180	176
Payables [2] [3]	(142)	(127)	(117)	(140)	(129)
Cash Conversion Cycle	**147**	**137**	**137**	**156**	**167**

(R$ million)	3Q15	4Q15	1Q16	2Q16	3Q16
Receivables	985	980	1,082	1,149	1,196
Inventories	379	370	359	391	397
Payables [3]	(296)	(293)	(287)	(303)	(290)
Working Capital	**1,068**	**1,057**	**1,154**	**1,237**	**1,303**
% of Annualized Net Revenue	***36%***	***35%***	***35%***	***38%***	***40%***

(1) Calculated based on Gross Revenue of Continuing Operations.
(2) Calculated based on COGS of Continuing Operations.
(3) Includes Suppliers' Assignment of Credit.

Goodwill Amortization for Fiscal Purposes / Tax Credits

The Company holds R$1,580.3 million in goodwill to be amortized for fiscal purposes over the coming years, generating a cash effect of R$537.3 million, according to the following table:

Table 18

Period	R$ million
4Q16	281.6
2017	555.3
2018	541.1
2019	197.9
2020	4.4
Total	**1,580.3**
Tax Rate	34%
Cash Effect	**537.3**

Source: Hypermarcas

In addition, the Company holds the following tax credits:

i) Federal Recoverable Taxes: R$309.3 million;

ii) Cash effect of Income Tax and Social Contribution Losses Carryforward: R$1,009.0 million (please refer to Explanatory Note 23(a) of the Quarterly Financial Information).

Net Debt After Hedge

Table 19

(R$ million)	3Q15	4Q15	1Q16	2Q16	3Q16
Net Debt	(3,860.9)	(2,201.6)	(135.5)	(82.1)	(196.2)
Non-realized gains/losses on debt hedges	524.3	505.8	352.0	334.2	348.1
Net Debt After Hedge	**(3,336.6)**	**(1,695.8)**	**216.6**	**252.2**	**151.8**



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Report on review of Quarterly Information - ITR

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

We have reviewed the accompanying individual and consolidated interim financial information of Hypermarcas S.A. ("The Company"), comprised in the Quarterly Information Form – ITR for the quarter ended September 30, 2016, comprising the balance sheet as at September 30, 2016 and the respective statements of income and comprehensive income for the three and nine month periods then ended and the statements of changes in shareholders' equity and cash flows for the nine-month period then ended, including the footnotes.

Management is responsible for the preparation of the individual interim financial information in accordance with the Technical Pronouncement CPC 21(R1) - Interim Financial Information, and the consolidated interim financial information in accordance with CPC 21(R1) and the international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), such as for the presentation of these information in accordance with the standards issued by the Brazilian Securities Commission - CVM, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on these interim financial information based on our review.

Review scope
We conducted our review in accordance with the Brazilian and International standards on reviews of interim information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries primarily of the persons responsible for the financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the audit standards and, consequently, does not enable us to obtain assurance that we would became aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information
Based on our review, nothing has come to our attention that causes us to believe that the individual interim financial information included in the Quarterly Information – ITR referred to above has not been prepared, in all material respects, in accordance with CPC 21(R1), applicable to the preparation of Quarterly Information - ITR, and presented in accordance with the standards issued by the Brazilian Securities Commission - CVM.

Conclusion on the consolidated interim financial information
Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information included in the Quarterly Information – ITR referred to above has not been prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, applicable to the preparation of Quarterly Information - ITR and presented in accordance with the standards issued by the Brazilian Securities Commission - CVM.

Other matters

Interim information of the value added
We have also reviewed the individual and consolidated statements of value added (DVA), related to the nine-month period ended September 30, 2016, prepared under the responsibility of the Company's management, which presentation in the interim information is required in accordance with standards issued by the Brazilian Securities Commission - CVM applicable to the preparation of Quarterly Information – ITR and is considered as a supplementary information under IFRS, which do not require the presentation of DVA. These statements were subject to the same review procedures described above, and based on our review, nothing has come to our attention that causes us to believe that it has not been prepared, in all material respects, in accordance with the individual and consolidated interim financial information, taken as a whole.

Goiânia, October 28, 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 sheet
In thousands of reais

Assets	Parent company		Consolidated		Liabilities and shareholders' equity	Parent company		Consolidated	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015		September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
					Current liabilities				
Current assets									
Cash and cash equivalents (Note 10)	694,187	2,382,926	1,156,228	2,756,138	Accounts payable to suppliers (Note 20)	351,048	268,008	144,263	69,191
Accounts receivable (Note 11)	1,198,769	984,241	1,196,199	980,080	Suppliers' assignment of receivables (Note 21)	4,911	-	145,573	223,812
Inventories (Note 12)	98,026	70,264	396,604	369,677	Loans, financings and debentures (Note 22)	155,347	715,570	208,246	765,659
Related parties (Note 32)	13	57	-	-	Salaries/wages payable	93,377	80,449	150,735	126,630
Recoverable taxes (Note 13)	63,817	66,563	102,119	102,576	Related parties (Note 32)	17,151	46,240	-	-
Derivative financial instruments (Note 4(f))	353,560	167,563	354,338	170,817	Income tax and social contribution payable	-	27,335	10,020	31,186
Other assets (Note 14)	155,442	198,373	178,423	214,342	Taxes payable (Note 24)	26,278	11,234	49,120	23,308
Assets held for sale (Note 15 (a))	3,220,605	4,736,879	3,292,917	5,178,127	Notes payable (Note 26)	20,878	36,546	39,965	36,546
	5,784,419	8,606,866	6,676,828	9,771,757	Proposed dividends	10	6,227	10	6,227
					Derivative financial instruments (Note 4(f))	20,790	24,841	45,885	28,150
					Accounts payable (Note 25)	233,153	1,256,215	264,528	1,286,555
					Liabilities held for sale (Note 15(a))	451,293	531,600	575,163	753,056
						1,374,236	3,004,265	1,633,508	3,350,320
Non-current assets					Non-current liabilities				
Long-term receivable					Loans, financings and debentures (Note 22)	605,758	3,595,870	1,104,261	4,155,486
Related parties (Note 32)	-	91	-	-	Related parties (Note 32)	54	20	-	-
Deferred income tax and social contribution (Note 23 (a))	-	-	12,776	16,074	Taxes payable (Note 24)	99	18,900	99	19,034
Recoverable taxes (Note 13)	54,036	48,601	69,132	60,732	Deferred income tax and social contribution (Note 23 (b))	445,509	65,134	500,483	100,357
Derivative financial instruments (Note 4(f))	3,602	363,043	3,602	363,043	Provisions for contingencies (Note 27)	155,907	143,250	170,746	156,299
Other assets (Note 14)	108,377	123,873	135,066	149,027	Derivative financial instruments (Note 4(f))	9,978	5,340	9,978	5,340
	166,015	535,608	220,576	588,876	Accounts payable (Note 25)	867	4,786	1,841	6,139
						1,218,172	3,833,300	1,787,408	4,442,655
Investments (Note 16)	970,823	1,035,043	2,195	597	Shareholders' equity				
Other investments	564	564	564	564	Share Capital (Note 28 (a))	5,270,726	5,270,726	5,270,726	5,270,726
Property, plant and equipment (Note 17)	59,441	58,698	758,170	740,661	Capital reserves	1,396,673	1,472,735	1,396,673	1,472,735
Intangible assets (Note 18)	4,644,421	4,631,241	4,795,858	4,720,975	Equity valuation adjustments	(254,830)	(256,562)	(254,830)	(256,562)
	5,675,249	5,725,546	5,556,787	5,462,797	Profit reserves	1,524,875	1,543,556	1,524,875	1,543,556
					Profit for the period	1,095,831	-	1,095,831	-
	5,841,264	6,261,154	5,777,363	6,051,673		9,033,275	8,030,455	9,033,275	8,030,455
Total assets	11,625,683	14,868,020	12,454,191	15,823,430	Total liabilities and shareholders' equity	11,625,683	14,868,020	12,454,191	15,823,430

See the accompanying notes to the quarterly information.

Hypermarcas S.A.

Statements of income
Periods ended September 30, 2016 and 2015
In thousands of Reais, except when indicated otherwise

			Parent company	
	July 1, 2016 to Sept 30, 2016	Jan 1, 2016 to Sept 30, 2016	July 1, 2015 to Sept 30, 2015 (Reclassified)	Jan 1, 2015 to Sept 30, 2015 (Reclassified)
Continuing operations				
Net revenue (Note 29)	837,400	2,520,850	756,760	2,231,387
Cost of sales (Note 30(a))	(308,183)	(854,987)	(255,697)	(719,418)
Gross profit	529,217	1,665,863	501,063	1,511,969
Selling and marketing expenses (Note 30(a))	(304,640)	(817,639)	(292,159)	(790,992)
General and administrative expenses (Note 30(a))	(29,408)	(95,311	(30,474)	(102,581)
Other operating (expenses) income, net (Note 30(b))	(5,127)	3,566	899	844
Equity accounting (Note 16(b))	28,143	18,469	18,224	58,540
Income before financial income and expenses	218,185	774,948	197,553	677,780
Financial income (Note 30(c))	45,800	178,333	30,057	98,210
Financial expenses (Note 30(b))	(33,298)	(336,862	(172,967)	(488,041)
Net financial expenses	(12,502)	(158,529)	(142,910)	(389.831)
Income before income tax and social contribution	230,687	616,419	54,643	287,949
Income tax and social contribution (Note 23(c))	(46,834)	(138,611)	4,348	(21,918)
Net income from continuing operations	183,853	477,808	58,991	266,031
Discontinued operations				
Net income from discontinued operations (Note 15)	18,661	909,233	16,391	10,876
Net income for the period	202,514	1,387,041	75,382	276,907
Income per share				
Basic income per share (in R$)	0.32120	2.19475	0.11925	0.43807
Diluted income per share (in R$)	0.32068	2.16079	0.11704	0.42992
Income per share - Continuing operations				
Basic income per share (in R$)	0.29111	0.75605	0.09333	0.42087
Diluted income per share (in R$)	0.28770	0.74435	0.09158	0.41303

See the accompanying notes to the quarterly information.

Hypermarcas S.A.

Statements of income
Periods ended September 30, 2016 and 2015
In thousands of Reais, except when indicated otherwise

			Consolidated	
	July 1, 2016 to Sept 30, 2016	**Jan 1, 2016 to Sept 30, 2016**	**July 1, 2015 to Sept 30, 2015 (Reclassified)**	**Jan 1, 2015 to Sept 30, 2015 (Reclassified)**
Continuing operations				
Net revenue (Note 29)	811,048	2,445,408	738,391	2,200,481
Cost of sales (Note 30(a))	(202,360)	(618,548)	(187,138)	(539,471)
Gross profit	608,688	1,826,860	551,253	1,661,010
Selling and marketing expenses (Note 30(a))	(328,386)	(891,850)	(306,007)	(832,810)
General and administrative expenses (Note 30(a))	(35,385)	(114,951)	(37,078)	(121,297)
Other operating (expenses) income, net (Note 30(b))	(5,099)	3,907	25	(8,687)
Equity accounting (Note 16(b))	572	1,598	(287)	(1,730)
Income before financial income and expenses	240,390	825,564	207,906	696,486
Financial income (Note 30(c))	54,052	212,494	51,967	153,059
Financial expenses (Note 30(b))	(53,364)	(411,659)	(193,882)	(526,686)
Net financial expenses	688	(199,165)	(141,915)	(373,627)
Income before income tax and social contribution	241,078	626,399	65,991	322,859
Income tax and social contribution (Note 23(c))	(57,225)	(148,591)	(7,000)	(56,828)
Net income from continuing operations	183,853	477,808	58,991	266,031
Discontinued operations				
Net income from discontinued operations (Note 15)	18,661	909,233	16,391	10,876
Net income for the period	202,514	1,387,041	75,382	276,907
Income per share				
Basic income per share (in R$)	0.32120	2.19475	0.11925	0.43807
Diluted income per share (in R$)	0.32068	2.16079	0.11704	0.42992
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Basic income per share (in R$)	0.29111	0.75605	0.09333	0.42087
Diluted income per share (in R$)	0.28770	0.74435	0.09158	0.41303

See the accompanying notes to the quarterly information.

Statements of comprehensive income
Periods ended September 30, 2016 and 2015
In thousands of Reais, except when indicated otherwise

	Parent company			
	July 1, 2016 to Sept 30, 2016	Jan 1, 2016 to Sept 30, 2016	July 1, 2015 to Sept 30, 2015 (Reclassified)	Jan 1, 2015 to Sept 30, 2015 (Reclassified)
Net income for the period	202,514	1,387,041	75,382	276,907
Other comprehensive income				
Items that will be reclassified to income				
Cash flow hedge - actual portion of the changes in fair value	(247)	2,624	(10,591)	(10,591)
Standstill of depreciation/amortization of assets held for sale	(2,981)	-	-	-
Income tax and social contribution on other comprehensive income	1,097	(892)	3,600	3,600
Other comprehensive income, net of income tax and social contribution	(2,131)	1,732	(6,991)	(6,991)
Comprehensive income for the period	**200,383**	**1,388,773**	**68,391**	**269,916**

	Consolidated			
	July 1, 2016 to Sept 30, 2016	Jan 1, 2016 to Sept 30, 2016	July 1, 2015 to Sept 30, 2015 (Reclassified)	Jan 1, 2015 to Sept 30, 2015 (Reclassified)
Net income for the period	202,514	1,387,041	75,382	276,907
Other comprehensive income				
Items that will be reclassified to income				
Cash flow hedge - actual portion of the changes in fair value	(247)	2,624	(10,591)	(10,591)
Standstill of depreciation/amortization of assets held for sale	(2,981)	-	-	-
Income tax and social contribution on other comprehensive income	1,097	(892)	3,600	3,600
Other comprehensive income, net of income tax and social contribution	(2,131)	1,732	(6,991)	(6,991)
Comprehensive income for the period	**200,383**	**1,388,773**	**68,391**	**269,916**

See the accompanying notes to the quarterly information.

Hypermarcas S.A.

Statements of changes in shareholders' equity as at September 30, 2016 and 2015
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 subsidy reserve	Profit retention reserve	Proposed additional dividends	Retained earnings	Total
At January 1, 2015	**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 28)	1,602	-	-	-	-	-	-	-	-	-	-	1,602
Share purchase option	-	-	2,670	-	-	-	-	-	-	-	-	2,670
Net income for the period	-	-	-	-	-	-	-	-	-	-	276,907	276,907
Other comprehensive income												
Gains or losses from derivatives, net of tax	-	-	-	-	-	(6,991)	-	-	-	-	-	(6,991)
At September 30, 2015	**5,270,726**	**1,367,612**	**56,440**	**(11)**	**-**	**(211,434)**	**61,112**	**928,790**	**9**	**-**	**276,907**	**7,750,151**
At January 1, 2016	**5,270,726**	**1,367,612**	**54,890**	**(11)**	**50,244**	**(256,562)**	**89,105**	**1,435,761**	**9**	**18,681**	**-**	**8,030,455**
Share purchase option	-	-	1,143	-	-	-	-	-	-	-	-	1,143
Proposed additional dividends	-	-	-	-	-	-	-	-	-	(18,681)	-	(18,681)
Interim dividends (Note 28(c))	-	-	-	-	-	-	-	-	-	-	(291,210)	(291,210)
Result on sales of treasury shares	-	(17,014)	-	-	-	-	-	-	-	-	-	(17,014)
Sales of shares (Note 28(b))	-	-	-	34,066	-	-	-	-	-	-	-	34,066
Acquisitions of shares (Note 28(b))	-	-	-	(94,257)	-	-	-	-	-	-	-	(94,257)
Net income for the period	-	-	-	-	-	-	-	-	-	-	1,387,041	1,387,041
Other comprehensive income												
Gains or losses from derivatives, net of tax	-	-	-	-	-	1,732	-	-	-	-	-	1,732
At September 30, 2016	**5,270,726**	**1,350,598**	**56,033**	**(60,202)**	**50,244**	**(254,830)**	**89,105**	**1,435,761**	**9**	**-**	**1,095,831**	**9,033,275**

See the accompanying notes to the quarterly information.

Hypermarcas S.A.

Statements of cash flows
Periods ended September 30, 2016 and 2015
In thousands of reais

	Parent company		Consolidated	
	September 30, 2016	June 30, 2015 (Reclassified)	September 30, 2016	September 30, 2015 (Reclassified)
Cash flows from operating activities				
Income before income tax and social contribution, including discontinued operations	1,981,866	255,437	1,985,432	288,078
Adjustments				
Depreciation and amortization	12,473	26,045	51,320	77,390
Decrease to recoverable value of assets (Impairment)	(240)	(5,370)	(9,348)	(2,668)
Results of the sale of permanent assets	(1,477,406)	6,595	(1,449,556)	5,862
Equity accounting	14,376	(84,754)	12,191	1,730
Foreign exchange losses	60,278	75,447	85,691	108,534
Interest and related expenses	122,871	337,825	137,193	288,534
Costs of stock options	966	1,414	1,143	2,669
Provisions (Doubtful accounts, Inventories and Contingencies)	45,541	63,815	42,560	53,861
Adjusted results	760,725	676,454	856,626	823,990
Changes in asset and liability accounts				
Trade accounts receivable	107,877	(253,359)	95,300	(255,759)
Inventories	(12,337)	(178,672)	(79,629)	(311,911)
Recoverable taxes	117,144	(95,429)	48,817	(103,748)
Deposits in court and others	(2,811)	(7,531)	(3,725)	(10,693)
Other accounts receivable	22,196	(4,407)	19,609	(31,639)
Suppliers' assignment of receivables	(5,318)	30,102	(74,285)	165,903
Derivative financial instruments	(22,886)	21,342	(57,330)	80,755
Income tax and social contribution paid	-	-	(8,998)	(22,729)
Taxes payable	3,096	3,698	(293)	6,638
Salaries/wages and payroll charges	11,970	4,500	32,814	9,712
Accounts payable	(146,554)	(57,720)	(151.436)	(56,346)
Interest on the transaction	(2,883)	(31.713)	(14,673)	(89.222)
Other accounts payable	33,297	(1,664)	40,343	(5,660)
Net cash provided by operating activities	863,516	105,601	703,140	199,291
Cash flows from investment activities				
Acquisition of subsidiaries (less net cash on acquisition)	-	-	(18,636)	-
Capital (increase) decrease in the subsidiaries	(220,000)	(153,655)	-	(3,500)
Purchase of property, plant and equipment	(14,729)	(23,511)	(122,085)	(164,707)
Purchase of Intangible assets	(18,527)	(16,469)	(29,183)	(27,738)
Dividends received	-	69,228	-	-
Proceeds from sale of assets of a permanent nature	1,721,148	37,009	1,968,051	38,671
Interest and others	120,760	60,529	146,031	93,645
Loans receivable	167	4,923	-	-
Net cash provided by (used in) investment activities	1,588,819	(21,946)	1,944,178	(63,629)
Cash flows from financing activities				
Purchase of treasury shares	(94.257)	-	(94.257)	-
Proceeds from sale of treasury shares	8,354	-	8,354	-
Proceeds from loans	16,817	471,953	16,817	457,405
Payment of loans - principal	(3,473,292)	(739,101)	(3,577,959)	(760,403)
Payment of loans - interest	(325,823)	(285,907)	(356,534)	(293,173)
Capital payment	-	1,602	-	1,602
Loans derivatives	72,460	245,817	72,460	245,817
Borrowings	(29,224)	(28,088)	-	-
Dividends paid	(316,109)	-	(316,109)	-
Net cash (used in) financing activities	(4,141,074)	(333,724)	(4,247,228)	(348,752)
Net decrease in cash and cash equivalents	(1,688,739)	(250,069)	(1,599,910)	(213,090)
Cash and cash equivalents at beginning of year	2,382,926	1,374,225	2,756,138	1,829,905
Cash and cash equivalents at end of year	694,187	1,124,156	1,156,228	1,616,815
Change in cash and cash equivalents	(1,688,739)	(250,069)	(1,599,910)	(213,090)
Transactions not involving cash	**837**	**-**	**52,367**	**981**
Acquisition of property, plant and equipment	837	-	12,367	981
Acquisition of subsidiaries	-	-	40,000	-

See the accompanying notes to the quarterly information.

Hypermarcas S.A.

Value added
In thousands of reais

	Parent company		Consolidated	
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**
Gross income				
Sales of goods and products, including discontinued operations	3,966,280	4,073,205	3,724,464	4,063,999
Other income	1,733,191	3,448	1,719,705	943
Income related to the construction of own assets	8,485	21,954	63,942	118,923
Allowance for doubtful accounts	(28,805)	(15,141)	(28.514)	(14,932)
	5,679,151	4,083,466	5,479,597	4,168,933
Inputs acquired from third parties				
Costs of materials, goods and services sold	(1,721,731)	(1,904,396)	(1,124,236)	(1,487,726)
Materials, power, third-party services and others	(1,345,659)	(1,215,047)	(1,541,557)	(1,496,703)
Losses of asset amounts	(41,643)	(57,835)	(33,710)	(52,022)
	(3,109,033)	(3,177,278)	(2,699,503)	(3,036,451)
Gross added value	2,570,118	906,188	2,780,094	1,132,482
Depreciation and amortization	(12,473)	(26,045)	(51,320)	(77,390)
Net added value produced by the Company	2,557,645	880,143	2,728,774	1,055,092
Transferred added value received				
Equity accounting, including discontinued operations	(14,376)	84,754	(12,191)	(1,730)
Financial income	186,887	99,676	222,891	155,596
	172,511	184,430	210,700	153,866
Total added value to be distributed	2,730,156	1,064,573	2,939,474	1,208,958
Distribution of added value				
Personnel and charges	321,138	373,683	585,935	659,723
Direct remuneration	259,029	300,385	462,182	518,865
Benefits	44,722	51,807	93,001	104,123
FGTS (Government severance indemnity fund for employees)	17,387	21,491	30,752	36,735
Taxes, fees and contributions	628,886	(144,390)	489,150	(340,258)
Federal	649,163	(62,468)	661,908	(87,923)
State	(21,245)	(83,240)	(174,364)	(254,183)
Municipal	968	1,318	1,606	1,848
Interest	364,426	526,014	446,054	576,835
Rents	28,665	32,359	31,294	35,751
Retained earnings	1,387,041	276,907	1,387,041	276,907
Added value distributed	2,730,156	1,064,573	2,939,474	1,208,958

(*) The Statement of added value is not an integral part of the consolidated quarterly information in conformity with IFRS.

See the accompanying notes to the quarterly information.

Notes to the quarterly information

(In thousands of Reais, except when indicated otherwise)

1 General Information

Hypermarcas S.A. ("Company"), headquartered in São Paulo, SP, is a Brazilian Company of health and well-being products, with operations focused on medicines and sweeteners.

The Company holds one of the most comprehensive 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 generics and a prominent position in prescription products. The main brands include Addera D3, Alivium, Benegrip, Biotônico Fontoura, Doril, Engov, Epocler, Histamin, Lisador, Polaramine, Predsim, Rinosoro, Torsilax and Neo Química. In addition, the Company is leader in the sweeteners market, 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., located in the State of Goiás. Its main distribution centers are located in Anápolis, GO and Goiânia, GO.

The Company also has a wide sales and distribution structure with national coverage. 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.

In 2015, it began to focus on the health and well-being business announcing the sale of its former Cosmetics business to Coty, in a transaction completed on February 01, 2016. Hypermarcas also announced the availability for sale of its Disposables business, basically comprising baby and incontinence diapers of the Pom Pom, Cremer Disney, Sapeka and BigFral brands. As a result, these businesses are now reported as discontinued operations as from fiscal year 2015.

In addition, on December 28, 2015, Hypermarcas approved the firm plan for the sale of the Condom business and in January 2016, announced that it had reached an agreement for the sale of its Condom business, which was concluded on October 4, 2016. This business, related to the Jontex, Olla and Lovetex brands, also became part of discontinued operations as from fiscal year 2015.

In January 2016, the total number of shares representing the share capital of Neolatina Comércio e Indústria Farmacêutica S.A. was acquired by the subsidiary Brainfarma Indústria

Química Farmacêutica S.A., for R$ 60,000 (sixty million reais). The transaction includes a factory and land located in Anápolis, GO.

Currently the strategy of Hypermarcas is focused on sustainable growth with continual value creation for its shareholders, based on strong brands, efficient low-cost operations and streamlined organization focused on results.

2 Description of significant accounting policies

The main accounting policies applied in the preparation of these individual and consolidated Quarterly Information have not changed materially with respect to the policies presented in the financial statements for the year ended December 31, 2015. In cases where the notes to these quarterly information reports are not presented in full, due to redundancy of information in relation to that presented in the financial statements, the complete information should be read in the corresponding note to the annual financial statements. Certain new accounting standards in force for 2016, as disclosed in the annual financial statements for 2015, have had no impact on the accounting policies adopted previously.

Reclassification of corresponding values

For a better presentation of the quarterly information, the Company reclassified, in the income statement of September 30 2015, discontinued operations, due to the sale of cosmetics and condom businesses, and the availability for sale of the disposables business. The amounts were reclassified from the corresponding lines to discontinued operations. In the information on the nine months accumulated in 2015, the result was a profit of R$ 10,876, as disclosed in note 15.

Assets held for sale and discontinued operations

Discontinued operations arising from components that were 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 - The income and expenses from discontinued operations and the gains and losses resulting from the write-off of assets held for sale are presented under a single heading "Net Income from Discontinued Operations", net of the effects of income tax and social contribution. The income statement of the information for the accumulated nine months of 2015, 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 the other assets and liabilities in the balance sheet.

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

Preparation basis

The individual and consolidated interim financial information reports were prepared in accordance with Technical Pronouncement CPC 21 (R1) - Interim Financial Reporting and with International Accounting Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of the Quarterly Information.

The present quarterly information was approved by the Board of Directors on October 28, 2016

3 Critical accounting estimates and judgments

Accounting estimates and judgments are evaluated on an on-going basis and are based on experience and other factors, including expectations of future events that are considered reasonable under the circumstances. The estimates and critical accounting judgments of these quarterly information have not been changed in relation to that published in the annual financial statements of 2015.

4 Financial risk management

a. Financial risk factors

There has been no change in the financial risk factors and in the management policy for these risks in relation to that described in the financial statements presented as of December 31, 2015.

In the following tables the financial data for the current period are presented comparatively with the financial data as of December 31, 2015.

b. Foreign exchange risk

On September 30, 2016 and December 31, 2015, the assets and liabilities denominated in foreign currencies and the financial instruments that mitigate exchange risks are as follow:

	Consolidated			
	09/30/2016		12/31/2015	
	US$ '000	R$ '000	US$ '000	R$ '000
Assets				
Accounts receivable	-	-	(181)	(716)
Liabilities				
Suppliers	13,817	45,098	2,289	9,060
Suppliers' assignment of receivables	29,989	97,882	42,619	168,790
Loans and financing	102,030	333,015	685,313	2,714,183
Derivative instruments that mitigate risks	(172,598)	(563,344)	(726,563)	(2,877,554)
Net exposure	(26,762)	(87,349)	3,477	13,763

c. Cash flow or fair value risk associated with the interest and inflation rates

The exposure to interest rate risk of the transactions related to the variation of the CDI (Interbank Deposit Certificate), TJLP (long-term interest rate) and Referential Rate (TR) is presented in the following table:

	September 30, 2016	
	Parent company	**Consolidated**
Loans, financing and Swaps - CDI	337,225	337,225
Financing - TJLP	72,668	72,668
Financing – TR	54,190	173,711
Debentures - CDI	-	371,561
Notes payable - CDI	20,878	20,878
Financial investments (note 10)	(681,092)	(1,141,766)
Net exposure	(196,131)	(165,723)

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.

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 amounts disclosed in the table below are the non-discounted future cash flows, which include interest to be incurred, which is why these amounts do not match the amounts disclosed on the balance sheet.

	September 30, 2016				
	Consolidated				
	Less than one year	**From one to two years**	**From two to five years**	**More than five years**	**Overall total**
Debentures	166,613	259,326	311,096	-	737,035
Loans and financing	62,884	63,256	163,316	209,872	499,328
Notes payable	36,947	-	-	-	36,947
Suppliers	144,263	-	-	-	144,263
Suppliers` assignment of receivables	145,573	-	-	-	145,573
Accounts payable	264,528	1,841	-	-	266,369
Derivative financial instruments	(168,464)	(63,864)	(35)	-	(232,363)
	652,344	260,559	474,377	209,872	1,597,152

	December 31, 2015				
	Consolidated				
	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
Suppliers	69,191	-	-	-	69,191
Suppliers` 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

f. Derivatives

On September 30, 2016, derivative instrument operations contracted by the Company totaled R$ 623,344 (On December 31, 2015 - R$ 2,967,554) in consolidated and R$ 387,056 (On December 31, 2015 - R$ 2,841,034) in the parent company. The results of the transactions not yet settled represented gains of R$ 302,077 (On December 31, 2015 gains of R$ 500,370) in consolidated and gains of R$ 326,394 (On December 31, 2015 gains of R$ 500,425) in the parent company.

On September 30, 2016 and December 31, 2015, these transactions can be summarized as follows:

Parent company

Type	Counterparties	Notional value		Fair value receivable (payable)		Realized gains (losses)	
(In thousand of reais R$)		Sep 2016	Dec 2015	Sep 2016	Dec 2015	Sep 2016	Dec 2015
Foreign Currency							
Forward contracts		**666**	**1,306,212**	**(20,691)**	**85,707**	**36,440**	**292,430**
Long position	BofA, Citibank, Deutsche Bank, Morgan Stanley, Safra, Santander	82,676	1,306,212	(20,496)	85,707	36,440	289,764
Short position	BofA, Bradesco, Citibank, Safra	(82,010)	-	(195)	-		2,666
Swaps		**326,390**	**1,444,822**	**348,063**	**420,058**	**(17,145)**	**(36,203)**
Long position	Citibank, Itaú, Tokyo-Mitsubishi, BofA	994,863	1,444,822	176,726	420,058	(36,861)	(36,203)
Short position	BofA, Bradesco, Citibank	(668,473)	-	171,337	-	19,716	-
Subtotal		**327,056**	**2,751,034**	**327,372**	**505,765**	**19,295**	**256,227**
Rate of interest							
Swaps		**60,000**	**90,000**	**(978)**	**(5,340)**	**(1,072)**	**(1,159)**
Asset Position-Pre	Santander	60,000	90,000	(978)	(5,340)	(1,072)	(1,159)
Total		**387,056**	**2,841,034**	**326,394**	**500,425**	**18,223**	**255,068**

Consolidated

Type	Counterparties	Notional value		Fair Value receivable (payable)		Realized gains (losses)	
(In thousand of reais R$)		Sept 2016	Dec 2015	Sept 2016	Dec 2015	Sept 2016	Dec 2015
Foreign Currency							
Forward contracts		**236,954**	**1,432,732**	**(45,008)**	**85,652**	**12,205**	**335,700**
Long position	BofA, BR Partners, Bradesco, Citibank, Deutsche Bank, Itaú, JP Morgan, Morgan Stanley, Original, Safra, Santander	348,418	1,432,732	(44,731)	85,652	12,234	333,034
Short position	BofA, Bradesco, Citibank, Itaú, Original, Safra	(111,464)	-	(277)	-	(29)	2,666
Swaps		**326,390**	**1,444,822**	**348,063**	**420,058**	**(17,145)**	**(36,203)**
Long position	Citibank, Itaú, Tokyo-Mitsubishi, BofA	994,863	1,444,822	176,726	420,058	(36,861)	(36,203)
Short position	BofA, Bradesco, Citibank	(668,473)	-	171,337	-	19,716	-
Subtotal		**563,344**	**2,877,554**	**303,055**	**505,710**	**(4,940)**	**299,497**
Rate of interest							
Swaps		**60,000**	**90,000**	**(978)**	**(5,340)**	**(1,072)**	**(1,159)**
Asset Position-Pre	Santander	60,000	90,000	(978)	(5,340)	(1,072)	(1,159)
Total		**623,344**	**2,967,554**	**302,077**	**500,370**	**(6,012)**	**298,338**

g. 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.

h. Sensitivity analysis

We present below the sensitivity analysis table of 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 4.23% for the US dollar which corresponds to 3 standard deviations of the fluctuation of the three months of the third quarter of the year) according to the evaluation made by Management, considering a a three months horizon, when the next quarterly 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 thousand of reais R$)				**25% fluctuation**		**50% fluctuation**
	Appreciation	**Depreciation**	**Appreciation**	**Depreciation**	**Appreciation**	**Depreciation**
Quotation of the dollar	3.126	3.402	2.448	4.080	1.632	4.896
Foreign Currency						
Economic hedge	**(23,781)**	**23,781**	**(140,412)**	**140,412**	**(280,815)**	**280,825**
Forward contracts	(9,961)	9,961	(58,812)	58,812	(117,625)	117,625
Swap	(13,820)	13,820	(81,600)	81,600	(163,190)	163,200
Object of the economic hedge	**23,853**	**(23,853)**	**140,838**	**(140,838)**	**281,667**	**(281,867)**
Loans and financing, suppliers and notes payable subject to short term exchange rate variation	23,853	(23,853)	140,838	(140,838)	281,667	(281,867)
Net effect	**72**	**(72)**	**426**	**(426)**	**852**	**(852)**

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 fourth quarter of 2016.

Parent company

Variation scenarios	**Likely scenario***	**25% change**	**50% change**
Loan - CDI	(1,034)	11,912	23,825
Financing - TJLP	-	1,363	2,725
Debentures - CDI	-	-	-
Loan - TR	(75)	196	393
Notes payable - CDI	(64)	738	1,475
Short-term financial investments	2,089	(24,060)	(48,119)
Total effect loss (gain)	**916**	**(9,851)**	**(19,701)**

Consolidated

Variation scenarios	**Likely scenario***	**25% change**	**50% change**
Loan – CDI	(1,034)	11,912	23,825
Financing - TJLP	-	1,363	2,725
Debentures - CDI	(1,139)	13,125	26,251
Loan – TR	(240)	630	1,259
Notes payable - CDI	(64)	738	1,475
Financial investments	3,501	(40,333)	(80,666)
Total effect loss (gain)	**1,024**	**(12,565)**	**(25,131)**

*** Likely scenario assumptions**
Predicted CDI of 13.78% p.a.
Predicted TJLP of 7.50% p.a.
Predicted TR of 1.31% 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, corresponds to total loans (including short and long term loans, financing, debentures and short and long-term notes payable and also loss (gain) on financial hedge on loans, as presented in the consolidated balance sheet), less the amount of cash and cash equivalents and financial hedge result, related to the loans, financing and debentures. 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 September 30, 2016 and December 31, 2015 may be summarized as follows:

	Consolidated	
	September 30, 2016	**December 31, 2015**
Total loans, financings and debentures (Note 22)	1,312,507	4,921,145
Total notes payable	39,965	36,546
Gain (net) with financial hedge	(348,063)	(505,755)
Less: Cash and cash equivalents (Note 10)	(1,156,228)	(2,756,138)
Net debt	(151.819)	1,695,798
Total shareholders' equity	9,033,275	8,030,455
Adjusted shareholders' equity	8,881,456	9,726,253
Index of net debt by adjusted equity (*)	n.a.	17%

(*) Not applicable in 2016 because the amount of cash and cash equivalents is higher than the debt considering a gain with financial hedge, loans, financings and debentures.

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 22 b).

The company applies CPC 40/IFRS 7 to financial instruments stated in 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 September 30, 2016, as well as the amounts stated for disclosure purposes at fair value. During the period ended September 30, 2016, there was no transfer between levels 1 and 2 of the fair value measurement or transfer to level 3.

	Consolidated		
	Level 1	**Level 2**	**Total balance**
Assets			
Financial investments (Note 10)	-	1,141,766	1,141,766
Derivative financial instruments	-	357,940	357,940
Total assets	-	1,499,706	1,499,706
Liabilities			
Loans and financing stated at fair value (Note 22 (b))	-	1,265,035	1,265,035
Derivative financial instruments	-	55,863	55,863
Total liabilities	-	1,320,898	1,320,898

The table below presents the Company's assets and liabilities measured at fair value on December 31, 2015, as well as the amounts stated for disclosure purposes at fair value.

	Consolidated		
	Level 1	**Level 2**	**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 22(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 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 when 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 are expectations 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

Currently, the company adopts the hedge of fair value for its transactions, so that both the hedge instruments and the hedge objects are recorded in the accounting by the 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	Asset/(Liabilities) balance	Gain (loss) in the income
Loan	USD + spread	Fair value	326,390	(333,015)	(895)
Swap - 4131	USD + spread vs. % CDI	Fair value	326,390	(5,398)	-
Debentures pre	Fixed Rate	Fair value	60,000	(62,933)	(490)
Swap	Fixed rate vs. % CDI	Fair value	60,000	(978)	-

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 at amortized cost.

Cash flow hedges

Currently the Company adopts the cash flow hedge for most supplier operations and assignment of receivable by suppliers. Hedge instruments are accounted for at fair value and the hedge object is accounted 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 hedge affect 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	Asset/(Liabilities) balance	Gain (Loss) in the comprehensive income
Suppliers and assignment of receivables by suppliers in foreign currency	USD	Cash flow	120,797	(120,797)	-
NDF	USD vs. BRL	Cash flow	120,797	(7,106)	(179)

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

	September 30, 2016		
	Loans and receivables	Assets at fair value through profit or loss	Total
Assets, according to the balance sheet			
Trade accounts receivable (Note 11)	1,196,199	-	1,196,199
Financial investments (Note 10)	-	1,141,766	1,141,766
Cash and banks (Note 10)	14,462	-	14,462
Derivative financial instruments	-	357,940	357,940
Other assets	-	78,321	78,321
	1,210,661	1,578,027	2,788,688

	September 30, 2016		
	Fair value through profit or loss	Other financial liabilities	Total
Liabilities, according to the balance sheet			
Loans, financings and debentures (Note 22)	395,948	916,559	1,312,507
Suppliers (Note 20)	-	144,263	144,263
Suppliers' assignment of receivables (Note 21)	-	145,573	145,573
Derivative financial instruments	55,863	-	55,863
Accounts payable	-	108,098	108,098
	451,811	1,314,493	1,766,304

	December 31, 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
Other assets	96,448	-	96,448
	1,095,154	3,271,372	4,366,526

	December 31, 2015		
	Fair value through profit or loss	**Other financial liabilities**	**Total**
Liabilities, according to the balance sheet			
Loans, financings and debentures (Note 22)	1,619,787	3,301,358	4,921,145
Suppliers (Note 20)	-	69,191	69,191
Suppliers' assignment of receivables (Note 21)	-	223,812	223,812
Derivative financial instruments	33,490	-	33,490
Accounts payable	-	162,287	162,287
	1,653,277	3,756,648	5,409,925

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	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Current account and short-term bank deposits (*)				
AAA	694,167	2,382,895	1,156,138	2,756,018
	694,167	2,382,895	1,156,138	2,756,018

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

	Parent company		Consolidated	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Derivative financial assets				
AAA	357,162	495,736	357,940	498,704
AA+	-	32,817	-	32,833
A+	-	2	-	14
BBB	-	2,051	-	2,309
	357,162	530,606	357,940	533,860

(*)Source: Moody's, Standard & Poor's and Fitch rating agencies, on a local scale, when available, otherwise on a global scale.

None of the fully performing financial assets was renegotiated in the last period. 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 their 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 date in Note 11.

10 Cash and cash equivalents

	Parent company		Consolidated	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Cash and banks	13,095	17,655	14,462	18,626
Financial investments:				
Repurchase operations	386,648	1,414,200	736,985	1,633,964
CDB (Bank deposit certificates)	294,444	951,071	404,781	1,103,548
	681,092	2,365,271	1,141,766	2,737,512
	694,187	2,382,926	1,156,228	2,756,138

Financial investments yield between 96.25% and 102.0% (on December 31, 2015 between 94.0% and 102.0%) of the CDI with a weighted average of 101.1% (on December 31, 2015 - 101.0%).

11 Accounts receivable

	Parent company		Consolidated	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Domestic customers/ foreign customers	1,233,389	1,020,736	1,235,440	1,019,795
Customers - related parties (Note 32 (a))	-	25	-	-
	1,233,389	1,020,761	1,235,440	1,019,795
Allowance for doubtful accounts	(34,620)	(36,520)	(39,241)	(39,715)
	1,198,769	984,241	1,196,199	980,080

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

	Parent company		Consolidated	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Up to three months	30,951	13,770	30,951	13,770
Over three months	3,247	-	3,247	-
	34,198	13,770	34,198	13,770

The additions and write-off 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 22 (a).

Changes in the allowance for doubtful accounts for the period ended September 30, 2016 are presented as follows:

	Parent company	**Consolidated**
Balance on December 31,2015	(36,520)	(39,715)
Additions by purchase (*)	-	(1,680)
Additions for the period	(1,597)	(1,307)
Write-offs for the period	3,497	3,461
Balance on September 30, 2016	(34,620)	(39,241)

* Titles arising from the acquisition of Neolatina, recorded as an allowance for doubtful debts.

12 Inventories

	Parent company		Consolidated	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Finished goods and resale	97,392	69,603	145,045	139,399
Semi-finished goods	-	-	18,464	20,584
Raw material	99	73	203,281	192,560
Maintenance and Supplies	535	588	29,814	17,134
	98,026	70,264	396,604	369,677

The balance of inventories is presented net of the provision for losses which was registered in the income of the period as "cost of sales".

The table below presents the changes in the provision:

	Parent Company	**Consolidated**
Balance on December 31, 2015	(7,634)	(28,922)
Additions for the period (a)	(20,835)	(19,583)
Write-offs for the period (b)	13,977	13,045
Balance on September 30, 2016	(14,492)	(35,460)

(a) Refer to the addition of a provision for losses due to discontinuity, validity, quality and realization of 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	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
PIS/COFINS/IPI and others	-	3,840	2,882	3,840
ICMS (credit balance and tax substitution)	107,579	111,324	149,611	155,347
Recoverable IRPJ and CSSL	10,274	-	18,758	4,121
	117,853	115,164	171,251	163,308
Current	63,817	66,563	102,119	102,576
Non-current	54,036	48,601	69,132	60,732

14 Other assets

	Parent company		Consolidated	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Prepaid expenses	71,398	110,366	88,413	117,372
Bills receivable	78,321	96,448	78,321	96,448
Deposits in court	97,912	96,100	123,259	119,502
Advances	15,820	17,790	23,163	27,300
Others	368	1,542	333	2,747
	263,819	322,246	313,489	363,369
Current	155,442	198,373	178,423	214,342
Non-current	108,377	123,873	135,066	149,027

15 Discontinued operations

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

Effect of reclassifications on the Company's financial position:

	Consolidated	
	September 30, 2016	**December 31, 2015**
Accounts receivable	489,039	1,006,046
Inventories	191,215	353,506
Recoverable taxes	366,519	644,805
Derivative financial instruments	240	3,900
Other assets	13,802	25,056
Deferred income tax and social contribution	2,187	1,995
Recoverable taxes (non-current)	38,155	42,109
Other assets (non-current)	-	81
Investments	9,108	-
Property, plant and equipment	646,019	930,085
Intangible assets	1,536,633	2,170,544
Total assets held for sale	3,292,917	5,178,127
Suppliers	181,998	228,220
Suppliers` assignment of receivables	147,780	256,098
Taxes payable	14,831	35,409
Derivative financial instruments	12,552	2,229
Salaries/wages payable	17,656	25,574
Taxes payable (non-current)	8,054	-
Accounts payable	101,227	89,816
Deferred income tax and social contribution	91,065	115,710
Total liabilities held for sale	575,163	753,056
	2,717,754	4,425,071

During the period, there was the acquisition of fixed assets in the amount of R$ 6,333 that did not involve cash.

Analysis and reconciliation of continuing and discontinued operations

Below, there is an analysis of the results of discontinued operations and reconciliation of the income statements of the continuing and discontinued operations with the income statements.

	Accumulated at Sept 30, 2016		Accumulated at Sept 30, 2015	
	Discontinued operations	**Total operations**	**Discontinued operations**	**Total operations**
Net revenue	989,728	3,435,136	1,562,122	3,762,603
Costs of sale	(625,694)	(1,244,242)	(951,856)	(1,491,327)
Gross profit	**364,034**	**2,190,894**	**610,266**	**2,271,276**
(Expenses)/income	(498,716)	(1,500,012)	(616,872)	(1,581,396)
Income from sale	1,517,436	1,517,436	(4,734)	(4,734)
Income before financial income and expenses	**1,382,754**	**2,208,318**	**(11,340)**	**685,146**
Net financial expenses	(23,721)	(222,886)	(23,441)	(397,068)
Income before income tax and social contribution	**1,359,033**	**1,985,432**	**(34,781)**	**288,078**
Income tax and social contribution	(449,800)	(598,391)	45,657	(11,171)
Net income (loss) for the period	**909,233**	**1,387,041**	**10,876**	**276,907**

	Accumulated at June 30, 2016		Accumulated at June 30, 2015	
	Discontinued operations	**Total operations**	**Discontinued operations**	**Total operations**
Net revenue	643,138	2,277,498	981,180	2,443,270
Costs of sale	(419,528)	(835,716)	(606,598)	(958,931)
Gross profit	**223,610**	**1,441,782**	**374,582**	**1,484,339**
(Expenses)/income	(361,465)	(994,463)	(400,239)	(1,021,416)
Income from sale	1,505,139	1,505,139	(4,100)	(4,100)
Income before financial income and expenses	**1,367,284**	**1,952,458**	**(29,757)**	**458,823**
Net financial expenses	(22,564)	(222,417)	(9,196)	(240,908)
Income before income tax and social contribution	**1,344,720**	**1,730,041**	**(38,953)**	**217,915**
Income tax and social contribution	(454,148)	(545,514)	33,438	(16,390)
Net income (loss) for the period	**890,572**	**1,184,527**	**(5,515)**	**201,525**

	Accumulated at March 31, 2016		Accumulated at March 31, 2015	
	Discontinued operations	Total operations	Discontinued operations	Total operations
Net revenue	290,044	1,117,343	449,961	1,187,709
Costs of sales	(198,976)	(419,656)	(289,845)	(470,878)
Gross profit	**91,068**	**697,687**	**160,116**	**716,831**
(Expenses)/income	(209,323)	(521,066)	(194,342)	(487,749)
Income from sale	1,485,913	1,485,913	(2,739)	(2,739)
Income before financial income and expenses	**1,367,658**	**1,662,534**	**(36,965)**	**226,343**
Net financial expenses	(10,967)	(159,705)	(10,610)	(132,090)
Income before income tax and social contribution	**1,356,691**	**1,502,829**	**(47,575)**	**94,253**
Income tax and social contribution	(466,404)	(494,706)	23,647	(3,584)
Net income (loss) for the period	**890,287**	**1,008,123**	**(23,928)**	**90,669**

The Company's discontinued operations include the following businesses:

Cosmetics (only until February 1, 2016)
Sale of the business for manufacturing and trading of Cosmetics to Coty for the amount of R$ 3,800,000 (three billion, eight hundred million reais) including the Bozzano, Biocolor, Monange, Risqué, Paixão and Cenoura & Bronze trademarks, among others. The amounts for the sale of the cosmetics business have been fully received.

Condoms
Agreement for sale of the Condom business to Reckitt Benckiser (Brasil) Ltda. for R$ 675,000 (six hundred and seventy five million reais) including the Jontex, Olla and Lovetex trademarks. This amount may be impacted by the change in net working capital in conformity with a clause for a price adjustment in the contract of sale. The amounts for the sale of the condom business - equivalent to R$ 705,810 (seven hundred and five million eight hundred and ten thousand), including adjustments foreseen in contract - were fully received on October 04, 2016, with the closing of the transaction.

Disposable products
In conformity with the Minutes of the Board of Directors' Meeting of December 7, 2015, the company decided not to maintain this business, and it may sell it or seek other alternatives for its segregation.

16 Investments

The continuing investments held by the Company are presented below:

Company	Country	Business	Interest in shares/quotas	Type of interest
Cosmed Indústria de Cosméticos e Medicamentos S.A.	Brazil	Disposables/Sweeteners	100%	Direct
My Agência de Propaganda Ltda.	Brazil	Advertising agency	100%	Direct
Brainfarma Indústria Química e Farmacêutica S.A.	Brazil	Pharma	100%	Direct
Bionovis S.A.	Brazil	Biotechnology	25%	Direct
Hypera Participações Ltda.	Brazil	Pharma	100%	Direct

a. Changes in investments

	Brainfarma	Cosmed	My	Bionovis	
	Cost	Cost	Cost	Cost	Total
Balance on December 31, 2015	517,336	510,442	6,668	597	1,035,043
Equity accounting	1,289	16,290	(708)	1,598	18,469
Stock Option	113	55	3	-	171
Equity valuation adjustment	266	(8)	-	-	258
Disposal of investments	-	(214)	-	-	(214)
Transfers of discontinued operations	4,947	(88,021)	170	-	(82,904)
Balance on September 30, 2016	523,951	438,544	6,133	2,195	970,823

Below are the Company's interests in the results of its main direct subsidiaries, as well as in their total assets and liabilities:

September 30, 2016	Assets	Liabilities	Earnings	Net income (loss)	Adjusted net income (loss) (*)
Cosmed Indústria de Cosméticos e Medicamentos S.A.	1,122,852	532,395	1,119,857	91,082	16,290
My Agência de Propaganda Ltda.	8,143	2,010	7,200	(538)	(708)
Brainfarma Indústria Química e Farmacêutica S.A.	1,435,911	901,478	770,716	17,530	1,289

December 31, 2015	Assets	Liabilities	Earnings	Net income (loss)	Adjusted net income (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

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

b. Equity in the results of investees

	Number of shares and quotas	Adjusted shareholders' equity on September 30, 2016	Ownership %	Equity accounting on September 30, 2016 (i)	Balance of the investment on September 30, 2016	Equity accounting on September 30, 2015	Balance of the investment on December 31, 2015
Cosmed Indústria de Cosméticos e Medicamentos S.A.	1,525,000,947	438,544	100%	16,290	438,544	19,519	510,442
My Agência de Propaganda Ltda.	14,009,999	6,133	100%	(708)	6,133	23	6,668
Brainfarma Indústria Química e Farmacêutica S.A.	182,749,221	523,951	100%	1,289	523,951	40,728	517,336
Bionovis S.A.	6,000,000	8,775	25%	1,598	2,195	(1,730)	597
				18,469	970,823	58,540	1,035,043

17 Property, Plant and Equipment

Parent company

	Land	Buildings and improvements	Machinery, equipment and facilities	Vehicles	Furniture and fixtures	Others	Total in operation	Fixed assets under construction	Total property, plant and equipment
Balance on December 31, 2015	271	17,487	15,016	43	7,837	12,774	53,428	5,270	58,698
Additions	-	111	3,443	160	884	4	4,602	2,189	6,791
Divestiture	-	-	(240)	-	(20)	(83)	(343)	-	(343)
Depreciation	-	(2,377)	(1,982)	(17)	(391)	(1,045)	(5,812)	-	(5,812)
Transfer	-	-	923	-	8	-	931	(824)	107
Balance on September 30, 2016	271	15,221	17,160	186	8,318	11,650	52,806	6,635	59,441
Total cost	271	25,511	39,107	408	11,511	16,652	93,460	6,635	100,095
Accumulated depreciation	-	(10,290)	(21,947)	(222)	(3,193)	(5,002)	(40,654)	-	(40,654)
Residual value	271	15,221	17,160	186	8,318	11,650	52,806	6,635	59,441

Consolidated

	Land	Buildings and improvements	Machinery, equipment and facilities	Vehicles	Furniture and fixtures	Others	Total in operation	Fixed assets under construction (*)	Total property, plant and equipment
Balance on December 31, 2015	4,230	211,738	423,514	247	18,015	24,596	682,340	58,321	740,661
Additions through acquisition of a company	296	1,506	1,030	-	13	4	2,849	-	2,849
Additions	-	135	22,854	162	1,363	1,060	25,574	27,215	52,789
Divestiture	-	-	(361)	-	(38)	(82)	(481)	(108)	(589)
Depreciation	-	(6,488)	(26,585)	(46)	(1,231)	(2,803)	(37,153)	-	(37,153)
Transfer	-	4,083	12,485	-	8	-	16,576	(16,963)	(387)
Balance on September 30, 2016	4,526	210,974	432,937	363	18,130	22,775	689,705	68,465	758,170
Total cost	4,526	258,797	740,930	2,656	38,622	40,358	1,085,889	68,465	1,154,354
Accumulated depreciation	-	(47,823)	(307,993)	(2,293)	(20,492)	(17,583)	(396,184)	-	(396,184)
Residual value	4,526	210,974	432,937	363	18,130	22,775	689,705	68,465	758,170

(*) Substantially adaptation of the Anápolis Industrial Park. It includes capitalized interest in the amount of R$ 10,524 at a rate of 13.54% p.a. (December 31, 2015 - R$ 26,802 at a rate of 10.33% p.a.).

During the period, acquisition of fixed assets in the amount of R$ 6,034 that did not involve cash were made.

18 Intangible Assets

	Parent company		Consolidated	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Goodwill in non-merged company				
Neolatina Comércio e Indústria Farmacêutica S.A.	-	-	52,133	-
Goodwill on acquisition of investments in merged companies				
Mantecorp Indústria Química Farmacêutica S.A.	1,798,470	1,798,470	1,798,470	1,798,470
Luper Indústria Farmacêutica Ltda.	45,917	45,917	45,917	45,917
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
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
	4,273,190	4,273,190	4,325,323	4,273,190
Trademarks and patents	349,909	338,478	350,212	338,780
Rights of use and software	12,541	13,781	18,695	19,095
Product development	8,781	5,792	101,628	89,910
	4,644,421	4,631,241	4,795,858	4,720,975

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 consideration transferred was allocated to certain assets acquired in the business (inventories, property, plant and equipment, and trademarks, among others).

Changes in the balances

Parent company

	Trademarks and patents	Rights of use and software	Product development	Goodwill	Total
Balances on December 31, 2015	338,478	13,781	5,792	4,273,190	4,631,241
Additions	13,778	3,007	3,018	-	19,803
Amortization	(2,347)	(4,285)	(29)	-	(6,661)
Transfer	-	38	-	-	38
					-
Balances on September 30, 2016	349,909	12,541	8,781	4,273,190	4,644,421
					-
Total cost	367,052	73,644	9,112	4,273,190	4,722,998
Accumulated amortization	(17,143)	(61,103)	(331)	-	(78,577)
Residual value	349,909	12,541	8,781	4,273,190	4,644,421

Consolidated

	Trademarks and patents	Rights of use and software	Product development	Goodwill	Total
Balances on December 31, 2015	338,780	19,095	89,910	4,273,190	4,720,975
Additions	13,779	4,624	17,371	52,133	87,907
Amortization	(2,347)	(5,076)	(5,655)	-	(13,078)
Transfer	-	52	2	-	54
Balances on September 30, 2016	350,212	18,695	101,628	4,325,323	4,795,858
Total cost	367,379	90,372	173,561	4,325,323	4,956,635
Accumulated amortization	(17,167)	(71,677)	(71,933)		(160,777)
Residual value	350,212	18,695	101,628	4,325,323	4,795,858

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 recovered. These assets are represented mainly by the portion of goodwill for expected future income and trademarks arising from business combinations.

19 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured by the sum of the considerations transferred, based on the fair value on the date of acquisition. Costs directly attributable to the acquisition are recorded as expenses 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 on the date of acquisition.

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

In January 2016, the total number of shares representing the share capital of Neolatina Comércio e Indústria Farmacêutica S.A. was acquired by the subsidiary Brainfarma Indústria Química Farmacêutica S.A. for R$ 60,000 (sixty million reais) of which R$ 40,000 (forty million Of reais) through notes payable. The transaction includes a factory and land located in Anápolis, GO.

					2016
Company	**Period of acquisition**	**Net consideration**	**Identifiable assets and liabilities, adjusted to fair value**	**Further fair value adjustments to the identifiable assets and liabilities**	**Accounting goodwill**
Neolatina Comércio e Indústria Farmacêutica S.A.	Jan 2016	60,000	(1,136)	(6,731)	52,133

20 Suppliers

	Parent company		Consolidated	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Domestic suppliers	3,758	2,425	84,459	51,085
Foreign suppliers	26	34	45,098	9,060
Related party suppliers (Note 32(a))	347,264	265,549	14,706	9,046
	351,048	268,008	144,263	69,191

21 Suppliers' assignment of receivables

	Parent company		Consolidated	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Local market (risco sacado)	4,911	-	47,691	55,022
External market (forfait)	-	-	97,882	168,790
	4,911	-	145,573	223,812

Some suppliers have the option to assign company titles, without right to recourse, to financial institutions. In this operation, the supplier may have a decrease in its financial costs, because the financial institution takes into consideration the credit risk of the buyer.

On September 30, 2016, the discount rates in transfer operations carried out by our suppliers with the financial institutions in the local market were between 1.21% and 1.29%, with a weighted average of 1,27% per month (on December 31, 2015, these rates were between 1.21% and 1.73% with a weighted average of 1.25% per month).

On September 30, 2016, the discount rates in transfer operations carried out by our suppliers with the financial institutions in the local market were between 1.78% and 8.30%, with a weighted average of 3,70% p.a. (on December 31, 2015, these rates were between 1.57% and 6.94% with a weighted average of 2.53% p.a.).

22 Loans, financing and debentures

		Parent company		Consolidated	
	Nominal rate	**September 30, 2016**	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Foreign Currency					
Loans (i)	US$ + 2.77% p.a., US$ + Libor3m + 1.7% p.a.	333,015	1,441,488	333,015	1,441,488
Bonds (ii)	US$ + 6.50% p.a.	-	1,272,695	-	1,272,695
Domestic currency					
FCO (i)	Fixed rate from 2.50% to 8.50% p.a.	34,484	37,639	82,234	165,609
Financing	Fixed rate from 2.50% to 8.70% p.a.	7,890	11,896	19,389	24,706
BNDES (i)	Fixed rate of 3.50% to 4.50% p.a.	17,171	10,804	18,241	14,977
Debentures (i)	110% of CDI and fixed rate of 11.30% p.a.	240,367	1,414,319	611,928	1,769,786
Finep	TJLP - 1.00% p.a.	73,903	73,427	73,904	73,427
Real Estate Financing	TR + 9.60% p.a.	54,275	49,172	173,796	158,457
		761,105	4,311,440	1,312,507	4,921,145
Current		155,347	715,570	208,246	765,659
Non-current		605,758	3,595,870	1,104,261	4,155,486

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

	Parent company	**Consolidated**
	September 30, 2016	**September 30, 2016**
2017	17,273	35,074
2018	341,011	358,773
2019	20,023	37,543
2020	18,575	36,024
2021	18,575	35,979
2022	18,447	35,755
2023	18,102	32,359
2024	14,838	25,248
2025	4,671	14,984
2026	4,671	14,975
	476,186	626,714

(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 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 June 30, 2016 the covenants were met. The next measurement will be made on December 31, 2016.

Debentures - Breakdown (consolidated)

	Date of Issue	Due Date	Form of amortization	Type of issue	Value on date of issue	Number issued	Number placed on the market	Unit Value	Annual financial charges	Convertibility
1st Private Issue 2nd Series	10/15/2010	10/15/2018	Semiannual as from 4/15/2013	Private	549,998,042	548,725	548,725	1,002.32	11.30%	Not convertible into shares
1st Public Issue Single Series Brainfarma	10/15/2015	10/8/2019	Annual as from 10/8/2017	Public	350,000,000	350	350	1,000,000	110.00% Interbank deposit	Not convertible into shares

Debentures - Transactions (consolidated)

	1st Private Issue 2nd series	1st Public Issue (Brainfarma) 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, 2015	280,672	355,468	85,348	423,902	213,016	411,380	1,769,786
Amortization of principal	(45,833)	-	(86,280)	(400,000)	(200,000)	(400,000)	(1,132,113)
Financial charges	20,507	41,190	8,211	16,147	8,302	42,970	137,327
Amortization of interest	(14,979)	(25,097)	(7,279)	(40,049)	(21,318)	(54,350)	(163,072)
Balance on September 30, 2016	240,367	371,561	-	-	-	-	611,928
Current	110,795	23,586	-	-	-	-	134,381
Non-current	129,572	347,975	-	-	-	-	477,547
Unrealized transaction cost	186	3,959	-	-	-	-	4,145
Current	126	1,935	-	-	-	-	2,061
Non-current	60	2,024	-	-	-	-	2,084

The breakdown of the long term amounts of the debentures (Parent company and Consolidated), by year of maturity, is as follows:

	Parent company September 30, 2016	Consolidated September 30, 2016
2017	64,786	180,778
2018	64,786	180,778
2019	-	115,991
	129,572	477,547

a. Guarantee for loans and financing

	Parent company	Consolidated
	September 30, 2016	September 30, 2016
Accounts receivable – pledged guarantee	27,584	43,286
Letter of Guarantee	91,216	92,285
Pledged fixed assets	70,331	236,763
	189,131	372,334

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	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Foreign Currency					
Loans	US$ + 2.77% p.a., US$ + Libor3m + 1.7% p.a.	333,015	1,441,488	333,015	1,441,488
Bonds	US$ + 6.50% p.a.	-	1,272,695	-	1,294,394
Domestic Currency					
FCO	Fixed rate from 2.50% to 8.50% p.a.	82,234	165,609	69,569	108,633
Financing	Fixed rate from 2.50% to 8.70% p.a.	19,389	24,706	16,608	20,403
BNDES	Fixed rate from 3.50% to 4.50% p.a.	18,241	14,977	16,945	12,978
Debentures	110% of CDI and fixed rate of 11.30% p.a.	611,928	1,769,786	610,570	1,749,995
Finep	TJLP - 1.00% p.a.	73,904	73,427	58,769	45,000
Real Estate Financing	TR + 9.60% p.a.	173,796	158,457	159,559	122,062
		1,312,507	4,921,145	1,265,035	4,794,953

The fair value of some of the current loans is equal to their book value, since the impact of the discount is not material. The fair values are based on discounted cash flows using a market rate of CDI + 0.56% to CDI + 2.11% p.a. (December 31, 2015 - CDI + 0.60% to CDI + 2.31% p.a.).

23 Deferred income and social contribution taxes

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 fiscal 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	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Deferred tax assets:				
Tax loss carry forwards and negative bases of CSLL	997,785	1,087,800	1,009,003	1,111,121
Exchange Variation/Hedge	-	401,468	-	401,468
Contingencies	59,621	53,391	65,926	58,879
Amortized goodwill	76,957	108,099	76,957	109,982
Allowance for doubtful accounts and others	53,347	56,310	56,716	59,765
Allowance for losses on inventories	10,541	10,243	24,219	27,072
Other temporary differences	70,371	60,244	102,439	97,107
Total deferred tax assets	1,268,622	1,777,555	1,335,260	1,865,394
(-) 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)	(1,268,622)	(1,777,555)	(1,320,297)	(1,854,002)
Remaining balance of deferred tax assets	**-**	**-**	**14,963**	**11,392**
Transfer assets held for sale	-	-	(2,187)	4,682
Remaining balance of the tax credit after asset transfer	**-**	**-**	**12,776**	**16,074**

b. Deferred tax liabilities

It is 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	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Goodwill	1,611,949	1,657,797	1,611,949	1,657,797
Other adjustments from business combinations	16,403	34,088	89,609	113,246
Exchange Variation/Hedge	109,435	179,405	109,435	179,405
Other	21,033	24,625	100,852	57,137
Total tax debt	1,758,820	1,895,915	1,911,845	2,007,585
(-) 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)	(1,268,622)	(1,777,555)	(1,320,297)	(1,854,002)
Remaining balance of deferred liabilities	**490,198**	**118,360**	**591,548**	**153,583**
Transfer liabilities held for sale	(44,689)	(53,226)	(91,065)	(53,226)
Remaining balance of deferred liabilities after transfer held for sale	**445,509**	**65,134**	**500,483**	**100,357**

c. Reconciliation of the income and social contribution taxes expense

	Parent company		Consolidated	
	September 30, 2016	**September 30, 2015 (Reclassified)**	**September 30, 2016**	**September 30, 2015 (Reclassified)**
Continuing and discontinued operations				
Income before income taxes and social contribution	1,981,866	255,437	1,985,432	288,078
Income tax and Social contribution rate - %	34%	34%	34%	34%
Income tax and social contribution at the combined rate	(673,816)	(86,849)	(676,348)	(97,911)
Equity accounting result	(4,888)	28,817	(4,145)	(588)
Permanent additions /exclusions	(19,721)	(33,894)	(21,500)	(26,068)
Tax incentives	103,603	113,396	103,602	113,396
Income tax and social contribution expense	(594,822)	21,470	(598,391)	(11,171)
Current	(209,822)	82,255	(231,938)	65,802
Deferred	(385,000)	(60,785)	(366,453)	(76,973)
Transfer discontinued operations	(456,211)	43,388	(449,800)	45,657
Continuing operations	(138,611)	(21,918)	(148,591)	(56,828)
	(594,822)	21,470	(598,391)	(11,171)
	30%	8%	30%	4%

24 Taxes payable

	Parent company		Consolidated	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
ICMS (value added tax) payable	19,752	29,173	29,354	31,191
IPI/PIS/COFINS payable	6,156	54	15,534	6,785
Other taxes payable	469	907	4,331	4,366
	26,377	30,134	49,219	42,342
Current liabilities	26,278	11,234	49,120	23,308
Non-current liabilities	99	18,900	99	19,034

25 Accounts payable

	Parent company		Consolidated	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Freight payable	10,221	9,091	12,033	9,654
Services provided	20,491	27,133	29,612	36,399
Commercial agreements and advertising	55,270	103,927	55,373	103,927
Rents	1,953	1,047	7,208	6,329
Revenue to elapse	867	1,207	1,840	2,560
Purchases of fixed assets	678	9	10,578	5,978
Advances for sale of permanent assets (*)	135,000	1,110,000	135,000	1,110,000
Other	9,540	8,587	14,725	17,847
	234,020	1,261,001	266,369	1,292,694
Current liabilities	233,153	1,256,215	264,528	1,286,555
Non-current liabilities	867	4,786	1,841	6,139

(*) In 2016 advance for the sale of the condom business

26 Notes payable

	Parent company		Consolidated	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Acquisition of Sapeka Indústria de Fraldas Descartáveis Ltda. (i)	12,809	28,155	12,809	28,155
Acquisition of Facilit Odontológica e Perfumaria Ltda. (i)	3,210	3,725	3,210	3,725
Acquisition of Bitufo (IPH&C, Maripa and DPH) (i)	1,371	1,241	1,371	1,241
Acquisition of Neolatina Com. e Ind. Farmacêutica Ltda.	-	-	19,087	-
Acquisitions of Aprov Comércio de Cosméticos Ltda. / Niasi Ind. de Cosméticos Ltda. (i)	2,856	2,586	2,856	2,586
Other	632	839	632	839
	20,878	36,546	39,965	36,546

(i) Updated according to CDI.

Adjustments to present value

Adjustments to present value were applied in accordance with Technical Pronouncement CPC-12 for notes payable resulting from the acquisition of companies and/or assets, adjusted by the exchange rate or CDI, without interest. For the calculation of the initial adjustment and the applicable updates, the average rate for raising funds on the date of acquisition was used.

27 Provisions for contingencies

Provisions for contingencies

On September 30, 2015 the Company had the following provisions for contingencies and corresponding deposits in court related to the contingencies:

	Parent company							
	September 30, 2016				December 31, 2015			
	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)	1,240	7,975	-	9,215	661	7,809	-	8,470
Labor (ii)	50,254	37,973	(15,601)	72,626	30,653	35,942	(10,097)	56,498
Fiscal and Tax (iii)	40	72,470	(3,768)	68,742	36	76,828	(3,668)	73,196
Administrative/other (iv)	3,394	2,011	(81)	5,324	3,320	1,783	(17)	5,086
	54,928	120,429	(19,450)	155,907	34,670	122,362	(13,782)	143,250

	Consolidated							
	September 30, 2016				December 31, 2015			
	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)	1,243	7,975	(1)	9,217	712	7,809	-	8,521
Labor (ii)	68,292	37,973	(19,291)	86,974	46,388	35,942	(13,191)	69,139
Fiscal and Tax (iii)	111	72,470	3,781	68,800	36	76,828	(3,668)	73,196
Administrative/other (iv)	3,826	2,011	(82)	5,755	3,677	1,783	(17)	5,443
	73,472	120,429	(23,155)	170,746	50,813	122,362	(16,876)	156,299

Changes in the contingencies

	Parent company					
	December 31, 2015	Monetary restatements	Additions	Reversals	Payments	September 30, 2016
Civil	8,470	862	839	(855)	(101)	9,215
Labor	66,595	6,421	37,593	(9,691)	(12.691)	88,227
Fiscal and Tax	76,864	2,071	-	(6,425)	-	72,510
Administrative/ other	5,103	488	1,350	(1,023)	(513)	5,405
	157,032	9,842	39,782	(17,994)	(13,305)	175,357
Deposits in Court	(13,782)	(2,191)	(5,928)	1,490	961	(19,450)
	143,250	7,651	33,854	(16,504)	(12,344)	155,907

						Consolidated
	December 31, 2015	**Monetary restatements**	**Additions**	**Reversals**	**Payments**	**September 30, 2016**
Civil	8,521	862	861	(875)	(151)	9,218
Labor	82,330	7,856	45,499	(12,972)	(16,448)	106,265
Fiscal and Tax	76,864	2,072	73	(6,428)	-	72,581
Administrative/ other	5,460	531	1,570	(1,067)	(657)	5.837
	173,175	11,321	48,003	(21,342)	(17,256)	193,901
Deposits in Court	(16,876)	(2,585)	(8,713)	3,156	1,863	(23,155)
	156,299	8,736	39,290	(18,186)	(15,393)	170,746

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 loss	**Possible**	**Probable loss**	**Possible**	**Total**
Mabesa	4,423	10	10,814	8,070	23,317
Mantecorp	39,338	4,188	-	53,586	97,112
	43,761	4,198	10,814	61,656	120,429

On acquisitions 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, as required by CPC 15 (R1) - Business combinations, at fair value.

The possible and probable losses arising from the business combination are estimated at R$ 120,429, of which R$ 37,973 refers to labor lawsuit, R$ 7,975 to civil processes, R$ 72,470 to tax processes and R$ 2,011 refers to regulatory and other administrative processes.

(i) Civil

There are approximately 14 processes, 2 of which resulted from the acquisition of Mabesa and 12 from the acquisition of Mantecorp Indústria Química, where the loss prognosis in the business combination is estimated at R$ 7,975.

The Medicine Market Chamber (CMED) applied a fine in the restated amount of R$ 7,066, 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 280 processes, 102 of which resulted from the acquisition of Mabesa, 101 from the acquisition of Mantecorp Logística and 77 from the acquisition of Mantecorp Indústria Química, with a consolidated loss prognosis estimated at R$ 37,973.

(iii) Fiscal and Tax

There are approximately 206 processes, 98 of which resulted from the acquisition of Mabesa, 14 from the acquisition of Mantecorp Logística and 94 from the acquisition of Mantecorp Indústria Química, where the forecast of loss in the business combination is estimated at R$ 72,470.

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 amounts to R$ 18,043, and the process is at the administrative level, with the debt guaranteed by a Letter of Guarantee.

(iv) Administrative / other

There are approximately 35 claims of a regulatory nature, arising from the acquisition of Mantecorp Indústria Química, with a consolidated loss prognosis in the business combination estimated at R$ 2,011.

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

The Company and its subsidiaries are involved in labor, civil, tax and regulatory processes where 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	
	September 30, 2016	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
	Possible loss	**Possible loss**	**Possible loss**	**Possible loss**
Civil	32,323	39,096	32,393	39,450
Labor	297,716	186,901	444,878	303,064
Fiscal and Tax	109,818	98,246	131,004	118,469
Administrative/other	2,075	2,266	2,204	2,563
	441,932	326,509	610,479	463,546

The Company is in litigation with competitors, where it is discussing the registration of trademarks at the National Institute of Industrial Property (INPI), 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 to the rules of the Medicines Market Regulation Chamber (CMED). The Public Prosecution Office also required the conviction of the laboratories to pay for collective moral damages in an amount to be determined in Court.
A decision was handed down that pronounced the process as extinct and currently is awaiting the hearing of an appeal brought by the public prosecutor. The amount involved is inestimable and, according to the opinion of external 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 counsel, the chance 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 a possible loss for the Company and/or its subsidiaries estimated at R$ 444,878 (R$ 303,064 on December 31, 2015).

In these proceedings subjects as overtime, wage differential, 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.

51 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 possible loss prognosis for the Company in the amount of R$ 4,052 (R$ 1,349 on December 31, 2015) and 178 (157 on December 31, 2015) arise from the acquisition of Mantecorp Logística Distribuição e Comércio S.A. and Mantecorp Indústria Química e Farmacêutica S.A, which present possible losses for the company in the amount of R$ 89.118 (R$ 75.296 on December 31, 2015), 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 and/or its subsidiaries are subject of a civilian investigation in which the São Paulo Regional Prosecutor's Office of Labor investigates (i) compliance with the quota for junior apprentices by the company; (ii) the employment contracts of the employees of the company's sales planning department in Sao Paulo (overtime compensation and targets establishment) and the Goiânia Regional Prosecutor's Office of Labor investigates (i) compliance with medical standards and work safety at Cosmed Indústria de Cosméticos e Medicamentos S.A. This relates to investigative procedures with respect to which the Company at this time is unable to estimate the amounts involved.

Brainfarma Indústria Química e Farmacêutica S.A. is a defendant in labor claims filed by the Union of Workers in the Chemical and Pharmaceutical Industries and Plastic Material and Alcohol Industries in the State of Goiás, in which the plaintiff union is filing with respect to the workers of Goiânia for (i) the payment of time on-call at home for analysts.

Brainfarma Indústria Química e Farmacêutica S.A. appears as defendant in a collective labor claim filled by the Workers' Union of the Chemical-Pharmaceutical Industries in the Municipality of Anápolis is requesting for the factory workers of Anápolis (i) the payment of additional allowance for night work in which the possible loss is estimated at R$ 8,550 and (ii) is questioning the methodology for the planning of jobs and salaries in order to demand the payment of wage differences in a grievance in which it is not yet possible to estimate the amount involved.

Cosmed Indústria de Cosméticos e Medicamentos S.A. is a 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 effects for employees using transports provided by Cosmed, where the possible loss is estimated at R$ 3,826; (ii) is requesting the payment of overtime due to the time the employee in on stand-by, where the possible loss is estimated at R$ 4,165; and (iii) is discussing the payment of additional allowances for night work, where the possible loss is estimated at R$ 983. This lawsuit is being heard in the 1st Labor Court of Aparecida de Goiânia and involves the workers of the factory in Senador Canedo, State of Goiás.

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

The Company has no provision for contingencies with probable and possible losses, 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 for alleged illegal sale of medicines by Mantecorp in 2008. The amount involved was assessed at R$ 158,349, and according to the opinion of external lawyers the chance of loss is possible. The process is in the fact-finding phase.

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 unraveling”. The action was considered to have grounds and the calculation of amounts of damages was determined through calculation of the award. The probability of loss is probable and the process is at the appellate level.

Below, there is a summary of the contingencies of the probable and possible forecasts of liability of the former owners:

Company and/or acquired brands	Possible	Probable	Total
Aprov	699	863	1,562
Bitufo	951	219	1,170
Ceil	4,340	2,356	6,696
Cosmed-Pompom	5,009	2,931	7,940
Facilit	-	2,956	2,956
Farmasa	119,745	836	120,581
Inal	62	-	62
Neolatina	7,702	11,117	18,819
Luper	243	273	516
Mabesa	1,058	898	1,956
Mantecorp	158,349	-	158,349
Brainf.-NQ	15,256	16,108	31,364
Ny Looks	1,662	420	2,082
Sapeka	4,309	1,475	5,784
Sul Química	562	1,142	1,704
York	6,079	827	6,906
	326,026	42,421	368,447

28 Share capital and reserves

a. Share capital

On September 30, 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 the Board of Directors at the Extraordinary General Meeting held on January 24, 2011.

The share capital on June 30, 2016 is R$ 5,270,726 (on December 31, 2015 - R$ 5,270,726), represented by 632,238,060 common shares (on December 31, 2015 - 632.238.060).

b. Treasury shares

The changes in treasury shares occurred as shown in the table below:

	Number	Amount
Balance on December 31,2015	635	11
Purchase in the period	3,504,000	94,257
Sale in the period	(1,268,938)	(34,066)
Balance on September 30, 2016	2,235,697	60,202

c. Distribution of interim dividends

The Company's bylaws and Law 6,404/76 establish the possibility of distribution of interim dividends based on profits earned in six month or shorter periods, respectively, observing the legal provisions.

In a meeting of the Board of Directors, held on July 22, 2016, the distribution of interim dividends in the amount of R$ 158,060 was approved, based on the net income for the quarter ended June 30, 2016. These interim dividends were recorded under current liabilities in the same period of 2016. The payment of the interim dividends was made on August 15, 2016.

In a meeting of the Board of Directors, held on April 28, 2016, the distribution of interim dividends in the amount of R$ 133,150 was approved based on the net income for the first quarter of 2016. These interim dividends were recorded under current liabilities in the same period of 2016. The payment of the interim dividends was made on May 20, 2016.

29 Revenue

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

				Parent company
	July 1, 2016 to Sept 30, 2016	Jan 1, 2016 to Sept 30, 2016	July 1, 2015 to Sept 30, 2015 (Reclassified)	Jan 1, 2015 to Sept 30, 2015 (Reclassified)
Gross revenue of products and services	902,841	2,699,979	831,308	2,441,290
Returns	(5,988)	(25,796)	(10,843)	(28.828)
Unconditional discounts	(16,498)	(35,905)	(18,275)	(62,541)
Promotional discounts	(9,036)	(25,996)	(15,614)	(32,866)
Taxes	(33,919)	(91,432)	(29,816)	(85,668)
Net revenue	837,400	2,520,850	756,760	2,231,387

	Consolidated			
	July 1, 2016 to Sept 30, 2016	**Jan 1, 2016 to Sept 30, 2016**	**July 1, 2015 to Sept 30, 2015 (Reclassified)**	**Jan 1, 2015 to Sept 30, 2015 (Reclassified)**
Gross revenue of products and services	902,841	2,700,059	831,308	2,431,115
Returns	(5,988)	(25,796)	(10,842)	(27.913)
Unconditional discounts	(16,498)	(35,905)	(18,275)	(62,541)
Promotional discounts	(9,036)	(25,996)	(15,614)	(32,866)
Taxes	(60,271)	(166,954)	(48,186)	(107,314)
Net revenue	811,048	2,445,408	738,391	2,200,481

30 Breakdown of the statement of income accounts

a. Operating expenses and cost of sales

	Parent company			
	July 1, 2016 to Sept 30, 2016	**Jan 1, 2016 to Sept 30, 2016**	**July 1, 2015 to Sept 30, 2015 (Reclassified)**	**Jan 1, 2015 to Sept 30, 2015 (Reclassified)**
Cost of sales	**(308,183)**	**(854,987)**	**(255,697)**	**(719,418)**
Resale	(299,605)	(828,477)	(256,880)	(694,962)
Inventories losses	(8,578)	(26,510)	(4,080)	(15,392)
Changes in inventories/others	-	-	5,263	(9,064)
Selling and marketing expenses	**(304,640)**	**(817,639)**	**(292,159)**	**(790,992)**
Advertising and consumer promotion expenses	(91,706)	(224,110)	(82,959)	(209,095)
Trade deals	(49,338)	(125,798)	(41,973)	(112,426)
Medical visitation, promotions, gifts and samples	(92,983)	(255,542)	(93,197)	(251,434)
Sales force and selling expenses	(61,036)	(174,981)	(59.586)	(177,873)
Freight and insurance on sales	(9,144)	(31,913)	(10,841)	(31,237)
Allowance for doubtful accounts and losses	853	(1,597)	(2,051)	(4,107)
Depreciation and amortization expenses	(1,286)	(3,698)	(1,552)	(4,820)
Administrative and general expenses	**(29,408)**	**(95,311)**	**(30,474)**	**(102,581)**
Depreciation and amortization expenses	(1,387)	(4,381)	(1,688)	(5,433)
Other expenses	(28,021)	(90,930)	(28,786)	(97,148)

	Consolidated			
	July 1, 2016 to Sept 30, 2016	**Jan 1, 2016 to Sept 30, 2016**	**July 1, 2015 to Sept 30, 2015 (Reclassified)**	**Jan 1, 2015 to Sept 30, 2015 (Reclassified)**
Cost of sales	**(202,360)**	**(618,548)**	**(187,138)**	**(539,471)**
Raw material	(93,643)	(254,297)	(87,068)	(222,840)
Packaging material	(50,389)	(135,837)	(48,073)	(133,566)
Cost of processing	(49,361)	(138,251)	(45,347)	(142,134)
Depreciation and amortization expenses	(4,527)	(13,812)	(3,848)	(12,245)
Resale	(13,922)	(34,474)	(12,130)	(33,224)
Inventories losses	(1,314)	(21,200)	(7,155)	(15,755)
Changes in inventories/others	10,796	(20,677)	16,483	20,293
Selling and marketing expenses	**(328,386)**	**(891,850)**	**(306,007)**	**(832,810)**
Advertising and consumer promotion expenses	(89,644)	(218,283)	(81.030)	(203,173)
Trade deals	(49,275)	(125,272)	(40,946)	(109,547)
Medical visitation, promotions, gifts and samples	(88,173)	(247,463)	(86,246)	(239,096)
Sales force and selling expenses	(84,470)	(241,835)	(75,746)	(217,855)
Freight and insurance on sales	(9,222)	(32,273)	(11,006)	(31.724)
Allowance for doubtful accounts and losses	945	(1,307)	(2.055)	(3,904)
Depreciation and amortization expenses	(8.547)	(25,417)	(8.978)	(27,511)
General and administrative	**(35,385)**	**(114,951)**	**(37,078)**	**(121,297)**
Depreciation and amortization expenses	(1,798)	(5,586)	(1,906)	(6,004)
Other expenses	(33,587)	(109,365)	(35,172)	(115,293)

b. Other operating (expenses) income, net

	Parent company			
	July 1, 2016 to Sept 30, 2016	**Jan 1, 2016 to Sept 30, 2016**	**July 1, 2015 to Sept 30, 2015 (Reclassified)**	**Jan 1, 2015 to Sept 30, 2015 (Reclassified)**
Other revenues (*)	2,333	21,868	8,952	7,818
Operational restructuring expenses	(968)	(1,104)	(2,008)	(15,459)
Sporadic gains/(losses) and others	(6,492)	(17,198)	(6,045)	8,485
	(5,127)	3,566	899	844

	Consolidated			
	July 1, 2016 to Sept 30, 2016	**Jan 1, 2016 to Sept 30, 2016**	**July 1, 2015 to Sept 30, 2015 (Reclassified)**	**Jan 1, 2015 to Sept 30, 2015 (Reclassified)**
Other revenues (*)	2,887	30,300	8,736	5,582
Operational restructuring expenses	(1,307)	(1,825)	(2,600)	(22,428)
Sporadic gains/(losses) and others	(6,679)	(24,568)	(6,111)	8,159
	(5,099)	3,907	25	(8,687)

(*) On 28 June and July 1, 2016, the Company disclosed a material fact and notice to the market, respectively, reporting that between 2013 and 2015 Mr. Nelson José de Mello, the company's former director of institutional relations, authorized on his own initiative, expenses contrary to the company's code of ethical conduct. These irregularities were confirmed in an investigation

conducted by the external advisors Souza Cescon and ICTS Protiviti, which concluded that no evidence were found of involvement of other director and/or employer of the Company in the acts practiced by him.

After the completion of the investigation and aiming at preserving its interests and its shareholders', on June 24, 2016 the Company signed a binding agreement with Mr. Mello in which he agreed, irrevocably and irreversibly, to reimburse the Company for contracting these expenditures, through the sale of the company's shares of his ownership, corresponding to the amount of R$ 26,672 on that date, as well as renouncing his rights to 960,000 share options, which were granted to him within the scope of the Company's stock option programs.

The amounts were received on July 14, 2016, considering the prices of the shares on the dates of sale.

c. Financial income

	Parent company			
	July 1, 2016 to Sept 30, 2016	**Jan 1, 2016 to Sept 30, 2016**	**July 1, 2015 to Sept 30, 2015**	**Jan 1, 2015 to Sept 30, 2015**
Interest received	7,144	21,115	8,634	23,982
Income from financial investments and others	38,656	157,218	21,423	74,228
	45,800	178,333	30,057	98,210

	Consolidated			
	July 1, 2016 to Sept 30, 2016	**Jan 1, 2016 to Sept 30, 2016**	**July 1, 2015 to Sept 30, 2015**	**Jan 1, 2015 to Sept 30, 2015**
Interest received	8,228	23,507	13,080	30,588
Income from financial investments and others	45,824	188,987	38,887	122,471
	54,052	212,494	51,967	153,059

d. Financial expenses

	Parent company			
	July 1, 2016 to Sept 30, 2016	**Jan 1, 2016 to Sept 30, 2016**	**July 1, 2015 to Sept 30, 2015 (Reclassified)**	**Jan 1, 2015 to Sept 30, 2015 (Reclassified)**
Interest on financing	(3,421)	(9,989)	(3,981)	(10,391)
Interest on loans	(2,121)	(57,113)	(48,660)	(112,745)
Interest on notes payable	(682)	(2,741)	(1,678)	(5,397)
Expenses with pre-payments of debt	(4,656)	(105,245)	-	-
Monetary restatement on contingencies	(3,335)	(9,842)	(2,687)	(8,499)
Refis (Financing of tax liabilities)	(1.184)	(2,908)	(1,715)	(5,205)
Debentures	(15,916)	(91,398)	(66,976)	(244,245)
Interest and commission on letter of guarantee	(1,034)	(2,899)	(905)	(2,504)
Bank expenses, discounts granted and others	(2,917)	(8,822)	(2,731)	(8,745)
Cost of hedge, foreign exchange and monetary variations of loans	2,969	(8.199)	(39,240)	(72,074)
Cost of hedge, foreign exchange and monetary variations of suppliers and clients	(1,020)	(27,600)	9,914	20,068
Others	19	(10,048)	(8,707)	(22,266)
Reversals of present value adjustment	-	(58)	(5,601)	(16,038)
	(33,298)	(336,862)	(172,967)	(488,041)

				Consolidated
	July 1, 2016 to Sept 30, 2016	**Jan 1, 2016 to Sept 30, 2016**	**July 1, 2015 to Sept 30, 2015 (Reclassified)**	**Jan 1, 2015 to Sept 30, 2015 (Reclassified)**
Interest on financing	(7,862)	(23,751)	(9,232)	(25,487)
Interest on loans	(1,321)	(53,069)	(46,380)	(107,929)
Interest on notes payable	(682)	(2,741)	(1,678)	(5,397)
Expenses with pre-payment of debt	(4,656)	(105,245)	-	-
Monetary restatements on contingencies	(3,855)	(11,321)	(2,878)	(9,453)
Refis (Financing of tax liabilities)	(1,188)	(2,922)	(1,730)	(5,241)
Debentures	(24,988)	(122,796)	(63,559)	(233,812)
Interest and commission on letter of guarantee	(1,043)	(3,041)	(1,010)	(2,851)
Bank expenses, discounts granted and others	(3,088)	(9,235)	(2,943)	(9,413)
Cost of hedge, foreign exchange and monetary variations of loans	2,969	(8.199)	(39,241)	(72,075)
Cost of hedge, foreign exchange and monetary variations of suppliers and clients	(6,518)	(53,774)	(10,252)	(13,018)
Others	(250)	(12,451)	(9,378)	(25,972)
Reversals of present value adjustment	(882)	(3,114)	(5,601)	(16,038)
	(53,364)	(411,659)	(193,882)	(526,686)

31 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	480,627	1,703,206
Change in values at risk	100,000	300,000
Other Coverage	506,148	1,870,213

32 Transaction with related parties

Transactions and balances

The main asset and liability balances as well as transactions between related parties that influenced the results for the period 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 transactions.

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

In commercial 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 loan transactions and fund raising between companies of the group are presented as follows:

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

- The rent agreement with Brainfarma Indústria Química Farmacêutica S.A. is inflation adjusted by the IGPM - FGV and the date of maturity is May 01, 2018, which may be extended according to the desire of the parties.

a. In assets and liabilities

	Parent company					
	September 30, 2016					
Companies	**Clients**	**Other receivables**	**Loans receivable**	**Suppliers**	**Other amounts payable**	**Loans payable**
Cosmed Indústria de Cosméticos e Medicamentos S.A.	-	-	-	(60,080)	(11,811)	(47)
My - Agência Propaganda Ltda.	-	13	-	(2,401)	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	-	-	-	(284,783)	(5,340)	(7)
Hypera Participações Ltda.	-	-	-	-	-	-
Total	**-**	**13**	**-**	**(347,264)**	**(17,151)**	**(54)**

	Consolidated					
	September 30, 2016					
Companies	**Clients**	**Other receivables**	**Loans receivable**	**Suppliers**	**Other amounts payable**	**Loans payable**
Cosmed Indústria de Cosméticos e Medicamentos S.A.	-	-	-	-	-	-
My - Agência Propaganda Ltda.	-	-	-	-	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	-	-	-	-	-	-
Hypera Participações Ltda.	-	-	-	-	-	-
Embalagens Allbox Ltda.	-	-	-	(5,694)	-	-
Macro Etiquetas e Rótulos Adesivos Ltda.	-	-	-	(640)	-	-
ICF Instituto de Ciências Farmacêuticas Ltda.	-	-	-	(17)	-	-
Gráfica e Editora Faberprint Ltda.	-	-	-	(7,455)	-	-
Indústria Farmacêutica Melcon do Brasil S.A.	-	-	-	(900)	-	-
Total	-	-	-	(14,706)	-	-

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

	Consolidated					
	12/31/2015					
Companies	**Clients**	**Other amounts receivable**	**Loans receivable**	**Suppliers**	**Other amounts payable**	**Loans payable**
Cosmed Indústria de Cosméticos e Medicamentos S.A.	-	-	-	-	-	-
My - Agência Propaganda Ltda.	-	-	-	-	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	-	-	-	-	-	-
Neolatina Comércio e Ind. Farmacêutica S.A.	-	-	-	-	-	-
Savoy Ind. Cosméticos S.A.	-	-	-	-	-	-
Embalagens Allbox Ltda.	-	-	-	(5,457)	-	-
Macro Etiquetas e Rótulos Adesivos Ltda.	-	-	-	(350)	-	-
Gráfica e Editora Faberprint Ltda.	-	-	-	(3,206)	-	-
Indústria Farmacêutica Melcon do Brasil S.A.	-	-	-	(33)	-	-
Total	-	-	-	(9,046)	-	-

b. In the income for the year

	Parent company						
	September 30, 2016						
	Transactions		Other (expenses)/income			Interest on loan	
Companies	Sales of goods/products	Purchases of goods/products	Advertising	Rents	Services provided	Financial expenses	Financial income
Cosmed Indústria de Cosméticos e Medicamentos S.A.	-	(155,165)	-	-	-	(20)	-
My - Agência Propaganda Ltda.	-	-	(7,200)	-	-	-	-
TV Serra Dourada Ltda.	-	-	(18,172)	-	-	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	-	(770,403)	-	1,852	-	(86)	-
Macro Etiquetas e Rótulos Adesivos Ltda.	-	(11)	-	-	-	-	-
Universo Online S.A.	-	-	(5,353)	-	-	-	-
Megatelecom Telecommunications S.A.	-	-	-	-	(22)	-	-
Total	**-**	(925,579)	(30,725)	1,852	(22)	(106)	**-**

	Consolidated						
	September 30, 2016						
	Transactions		Other (expenses)/income			Interest on loan	
Companies	Sales of goods/ products	Purchases of goods/ products	Advertising	Rents	Services Provided	Financial expenses	Financial income
Cosmed Indústria de Cosméticos e Medicamentos S.A.	-	-	-	-	-	-	-
My - Agência Propaganda Ltda.	-	-	-	-	-	-	-
TV Serra Dourada Ltda.	-	-	(18,172)	(408)	-	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	-	-	-	-	-	-	-
Embalagens Allbox Ltda.	-	(24,239)	-	-	-	-	-
ICF Instituto de Ciências Farmacêuticas Ltda.	-	-	-	-	(739)	-	-
Macro Etiquetas e Rótulos Adesivos Ltda.	-	(2,284)	-	-	-	-	-
Gráfica e Editora Faberprint Ltda.	-	(17,699)	-	-	-	-	-
Universo Online S.A.	-	-	(5,353)	-	-	-	-
Indústria Farmacêutica Melcon do Brasil S.A.	-	(1,716)	-	-	-	-	-
Megatelecom Telecommunications S.A.	-	-	-	-	(52)	-	-
Total	**-**	**(45,938)**	**(23,525)**	**(408)**	**(791)**	**-**	**-**

	Parent company						
	Sept 30, 2015						
	Transactions		Other (expenses)/income			Interest on loan	
Companies	Sales of goods/ products	Purchases of goods/ products	Advertising	Rents	Services provided	Financial expenses	Financial income
Cosmed Indústria de Cosméticos e Medicamentos S.A.	-	(1,265,176)	-	-	-	(33)	-
My - Agência Propaganda Ltda.	-	-	(7,200)	-	-	-	-
TV Serra Dourada Ltda.	-	-	(14,593)	-	-	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	10,501	(692,518)	-	(1,692)	-	(1)	-
Neolatina Comércio e Ind. Farmacêutica S.A.	-	-	-	-	-	-	5
Macro Etiquetas e Rótulos Adesivos Ltda.	-	(38)	-	-	-	-	-
Gráfica e Editora Faberprint Ltda.	-	(414)	-	-	-	-	-
Universo Online S.A.	-	-	-	-	(4,646)	-	-
Total	**10,501**	**(1,958,146)**	**(21,793)**	**(1,692)**	**(4,646)**	**(34)**	**5**

	Consolidated						
	Sept 30, 2015						
	Transactions		Other (expenses)/income			Interest on loan	
Companies	Sales of goods/products	Purchases of goods/products	Advertising	Rents	Services provided	Financial expenses	Financial income
Cosmed Indústria de Cosméticos e Medicamentos S.A.	-	-	-	-	-	-	-
My - Agência Propaganda Ltda.	-	-	-	-	-	-	-
TV Serra Dourada Ltda.	-	-	(14,593)	(404)	-	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	-	-	-	-	-	-	-
Neolatina Comércio e Ind. Farmacêutica S.A.	-	-	-	-	-	-	-
Embalagens Allbox Ltda.	-	(21,851)	-	-	-	-	-
ICF Instituto de Ciências Farmacêuticas Ltda.	-	-	-	-	(331)	-	-
Macro Etiquetas e Rótulos Adesivos Ltda.	-	(2,702)	-	-	-	-	-
Gráfica e Editora Faberprint Ltda.	-	(10,691)	-	-	-	-	-
Universo Online S.A.	-	-	-	-	(4,646)	-	-
Indústria Farmacêutica Melcon do Brasil S.A.	-	(2,538)	-	-	-	-	-
Megatelecom Telecommunications S.A.	-	-	(7)	-	-	-	-
Total	**-**	**(37,782)**	**(14,600)**	**(404)**	**(4,977)**	**-**	**-**

On January 29, 2016 the subsidiary Brainfarma Indústria Química Farmacêutica S.A. acquired from Toscana II Fundo de Investimento em Participações the company Neolatina Comércio e Indústria Farmacêutica S.A. (See note 19).

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	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Salaries and other short term benefits	42,786	40,071	58,406	50,830
Board members' fees	987	908	1,049	958
Share-based payments	966	1,414	1,143	2,670
Sporadic bonus*	32,763	-	33,829	-
	77,502	42,393	94,427	54,458

* Remuneration related to the alienation of the cosmetics business.

33 Subsequent events

a) Closing of the condom business

The sale of the Company's condom business to Reckitt Benckiser (Brazil) Ltda. ("RB") was completed on October 04, 2016, after the implementation of the conditions precedent established in the Agreement for Purchase and Sale of Shares and Other Covenants concluded on January 29, 2016. ("Agreement")

On the date of completion, the remaining balance of the purchase price was received in the amount of R$ 570,810 (five hundred and seventy million, eight hundred and ten thousand), which was updated as provided in the contract, amounting to the total sales price of R$ 705,810 (seven hundred and five million, eight hundred and ten thousand).

b) Change in the control block

On 24 October 2016, Messrs. Marcelo Henrique Limírio Gonçalves, Cleonice Barbosa Limírio Gonçalves, Marcelo Henrique Limírio Gonçalves Filho and Luana Barbosa Limírio Gonçalves de Sant'Anna Braga ("Gonçalves Family') disentailed from the control block 35,000,000 (thirty five million) common shares of the Company, which represented the total shares held jointly by the Gonçalves family at that time. Accordingly, they withdrew from the company's shareholders' agreement, which was amended on the same date to reflect this disentailment of shares.

As a result of this exit, Messrs. Marcelo Henrique Limírio Gonçalves and Marcelo Henrique Limírio Gonçalves Filho renounced their positions as members of the Company's Board of Directors. In their place, the Chairman of the Board of Directors in accordance with the Bylaws, appointed the new council member Mrs. Maria Carolina Ferreira Lacerda (independent council member), so that the company now has four independent council members on its Board of Directors, among the ten members currently in office.

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