

Blau Farmacêutica  
S.A.

**Quarterly information - ITR**

**June 30, 2017**

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KPMG Auditores Independentes  
Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A  
04711-904 - São Paulo/SP - Brazil  
Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brazil  
Ph. +55 (11) 3940-1500, Fax +55 (11) 3940-1501  
www.kpmg.com.br

## Report on the review of quarterly information - ITR

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

### Introduction

We have reviewed the interim, individual and consolidated financial information of Blau Farmacêutica S.A. ("Company"), contained in the Quarterly Information - ITR Form for the quarter ended June 30, 2017, which comprises the balance sheet as of June 30, 2017 and related statements of income, of comprehensive income for the three and six-month period then ended, statements of changes in shareholders' equity and of cash flows for the quarter then ended, including the explanatory notes.

Company's Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with CPC 21(R1) - Interim Statement and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of the review

Our review was carried out in accordance with the Brazilian and international review standards for 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 in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



### **Conclusion**

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above was not 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 a manner consistent with the standards issued by the Securities Commission.

### **Other issues**

On November 13, 2017, we issued a review report without changes on individual and consolidated interim financial information of Blau Farmacêutica S.A. for the quarter ended June 30, 2017 which are restated. As described in note 8, this interim financial information was changed and is being restated to reflect correction of information referring to earnings per share and other improvements in disclosures of inventories, financial instruments, net income, related parties, shareholders' equity and subsequent events described in said note.

Accordingly, our conclusion considers these changes and replaces previously issued conclusion. Our conclusion is not qualified in respect of this matter.

### **Statements of added value**

We also reviewed the individual and Consolidated value-added statements for the six-month period ended on June 30, 2017, prepared by the Company's management, whose presentation in the interim information is required according to the standards issued by the CVM - Securities Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SAV. These statements were subjected to the review procedures previously described and, based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Sao Paulo, February 28, 2018

KPMG Auditores Independentes  
CRC 2SP014428/O-6

Leonardo Augusto Giusti  
Accountant CRC 1SP203952/O-9

**Blau Farmacêutica S.A.**

**Balance sheets at June 30, 2017 and December 31, 2016**

(In thousands of reais)

| Assets                                      | Notes | Parent company |                | Consolidated   |                | Liabilities                                       | Notes | Parent company |                | Consolidated   |                |
|---|-------|----------------|----------------|----------------|----------------|---|-------|----------------|----------------|----------------|----------------|
|   |       | 30/06/2017     | 31/12/2016     | 30/06/2017     | 31/12/2016     |   |       | 30/06/2017     | 31/12/2016     |                |                |
| Cash and cash equivalents                   | 11    | 6.587          | 1.764          | 14.097         | 10.199         | Suppliers   | 19    | 76.459         | 45.216         | 76.306         | 45.998         |
| Trade accounts receivable                   | 12    | 156.018        | 97.453         | 154.871        | 98.721         | Loans and financing                               | 21    | 111.653        | 105.831        | 111.917        | 108.198        |
| Inventories                                 | 13    | 107.683        | 96.124         | 114.379        | 104.440        | Tax liabilities                                   |       | 2.380          | 1.063          | 2.659          | 1.230          |
| Recoverable taxes                           | 14    | 10.438         | 4.027          | 11.484         | 4.902          | Income and social contribution taxes              | 20    | 19.626         | 6.279          | 19.626         | 6.279          |
| Other receivables                           |       | 11.422         | 3.120          | 13.407         | 3.760          | Labor obligations                                 |       | 14.344         | 11.085         | 14.510         | 11.518         |
|   |       |                |                |                |                | Other accounts payable                            |       | 27.585         | 7.334          | 28.124         | 7.857          |
| <b>Total current assets</b>                 |       | <b>292.148</b> | <b>202.488</b> | <b>308.238</b> | <b>222.022</b> | <b>Total current liabilities</b>                  |       | <b>252.047</b> | <b>176.808</b> | <b>253.142</b> | <b>181.080</b> |
| Judicial deposits                           |       | 1.263          | 1.254          | 1.263          | 1.254          | Loans and financing                               | 21    | 8.828          | 33.234         | 8.888          | 33.707         |
| Loans receivable - related parties          | 18    | 1.129          | 1.462          | 1.129          | 1.462          | Provisions for contingencies                      | 22    | 3.610          | 3.443          | 3.716          | 3.450          |
| Recoverable taxes                           | 14    | 5.106          | 7.455          | 5.106          | 7.455          |   |       |                |                |                |                |
| Deferred income tax and social contribution | 20    | 1.727          | 957            | 2.172          | 1.402          |   |       |                |                |                |                |
| Other receivables                           |       | -              | -              | 401            | -              |   |       |                |                |                |                |
|   |       | <b>9.225</b>   | <b>11.128</b>  | <b>10.071</b>  | <b>11.573</b>  | <b>Total non-current liabilities</b>              |       | <b>12.438</b>  | <b>36.677</b>  | <b>12.604</b>  | <b>37.157</b>  |
| Investments                                 | 15    | 24.040         | 24.027         | -              | 10             | Shareholders' equity                              | 23    |                |                |                |                |
| Biological assets                           |       | 306            | 306            | 306            | 306            | Capital   |       | 56.070         | 56.070         | 56.070         | 56.070         |
| Property, plant and equipment               | 16    | 94.260         | 70.885         | 95.291         | 72.023         | Retained earnings (loss)                          |       | 64.605         | -              | 64.605         | -              |
| Intangible assets                           | 17    | 1.809          | 2.138          | 9.143          | 9.790          | Profit reserves                                   |       | 31.716         | 35.631         | 31.716         | 35.631         |
|   |       |                |                |                |                | Other comprehensive income                        |       | 4.912          | 5.786          | 4.912          | 5.786          |
|   |       | <b>120.415</b> | <b>97.356</b>  | <b>104.740</b> | <b>82.129</b>  | <b>Total shareholders' equity</b>                 |       | <b>157.303</b> | <b>97.487</b>  | <b>157.303</b> | <b>97.487</b>  |
| <b>Total non-current assets</b>             |       | <b>129.640</b> | <b>108.484</b> | <b>114.811</b> | <b>93.702</b>  | <b>Total liabilities</b>                          |       | <b>264.485</b> | <b>213.485</b> | <b>265.746</b> | <b>218.237</b> |
|   |       |                |                |                |                |   |       |                |                |                |                |
| <b>Total assets</b>                         |       | <b>421.788</b> | <b>310.972</b> | <b>423.049</b> | <b>315.724</b> | <b>Total liabilities and shareholders' equity</b> |       | <b>421.788</b> | <b>310.972</b> | <b>423.049</b> | <b>315.724</b> |

See the accompanying notes to the financial statements.

# Blau Farmacêutica S.A.

## Statements of income

Periods ended June 30, 2017 and 2016

(In thousands of reais)

|   | Notes | Parent company  |                 |                 |                 | Consolidated    |                 |                 |                 |
|---|-------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   |       | 2017            |                 | 2016            |                 | 2017            |                 | 2016            |                 |
|   |       | 2nd QTR         | Accumulated     | 2nd QTR         | Accumulated     | 2nd QTR         | Accumulated     | 2nd QTR         | Accumulated     |
| Net Revenues  | 24    | 197.297         | 330.824         | 108.799         | 186.320         | 200.195         | 335.945         | 107.458         | 186.458         |
| Cost of goods and products sold   | 25    | (90.433)        | (169.326)       | (61.147)        | (108.823)       | (92.653)        | (172.242)       | (58.326)        | (107.845)       |
| <b>Gross income</b>   |       | <b>106.864</b>  | <b>161.498</b>  | <b>47.652</b>   | <b>77.497</b>   | <b>107.542</b>  | <b>163.703</b>  | <b>49.132</b>   | <b>78.613</b>   |
| Commercial expenses   | 26    | (11.169)        | (18.918)        | (7.659)         | (14.081)        | (12.350)        | (21.082)        | (10.016)        | (17.753)        |
| Administrative expenses   | 26    | (21.115)        | (40.985)        | (20.559)        | (37.896)        | (21.936)        | (42.593)        | (20.068)        | (38.462)        |
| Other operating income, net   |       | 798             | 1.898           | 1.603           | 7.415           | 812             | 1.974           | 1.839           | 7.653           |
| Total operating expenses, net   |       | (31.486)        | (58.005)        | (26.615)        | (44.562)        | (33.474)        | (61.701)        | (28.245)        | (48.562)        |
| <b>Income (loss) before financial income (loss) and taxes</b>                   |       | <b>75.378</b>   | <b>103.493</b>  | <b>21.037</b>   | <b>32.935</b>   | <b>74.068</b>   | <b>102.002</b>  | <b>20.887</b>   | <b>30.051</b>   |
| Financial income  | 27    | 928             | 5.198           | 12.518          | 22.453          | 1.026           | 5.367           | 12.679          | 22.665          |
| Financial expenses  | 27    | (7.986)         | (16.853)        | (16.546)        | (31.053)        | (8.172)         | (17.169)        | (16.386)        | (31.413)        |
| Net financial expenses  |       | (7.058)         | (11.655)        | (4.028)         | (8.600)         | (7.146)         | (11.802)        | (3.707)         | (8.748)         |
| Profit sharing of investees accounted for under the equity method, net of taxes | 15    | (1.438)         | (320)           | 195             | (2.011)         | -               | -               | -               | -               |
| <b>Income (loss) before taxes</b>   |       | <b>66.882</b>   | <b>91.518</b>   | <b>17.204</b>   | <b>22.324</b>   | <b>66.922</b>   | <b>90.200</b>   | <b>17.180</b>   | <b>21.303</b>   |
| Current income tax and social contribution                                      | 20    | (21.535)        | (28.327)        | (5.728)         | (11.974)        | (21.793)        | (28.585)        | (5.757)         | (12.003)        |
| Deferred income tax and social contribution                                     | 20    | 1.054           | 708             | (4.621)         | (252)           | 1.054           | 708             | (4.621)         | (252)           |
| <b>Income tax and social contribution</b>                                       |       | <b>(20.481)</b> | <b>(27.619)</b> | <b>(10.349)</b> | <b>(12.226)</b> | <b>(20.739)</b> | <b>(27.877)</b> | <b>(10.378)</b> | <b>(12.255)</b> |
| <b>Net income for the period</b>  |       | <b>46.401</b>   | <b>63.899</b>   | <b>6.855</b>    | <b>10.098</b>   | <b>46.183</b>   | <b>62.323</b>   | <b>6.802</b>    | <b>9.048</b>    |
| <b>Income (loss) attributed to:</b>   |       |                 |                 |                 |                 |                 |                 |                 |                 |
| Controlling shareholders  |       | 46.401          | 63.899          | 6.855           | 10.098          | 46.183          | 62.323          | 6.802           | 9.048           |
| <b>Net income for the period</b>  |       | <b>46.401</b>   | <b>63.899</b>   | <b>6.855</b>    | <b>10.098</b>   | <b>46.183</b>   | <b>62.323</b>   | <b>6.802</b>    | <b>9.048</b>    |
| <b>Basic and diluted earnings per common share (Restated)</b>                   |       | <b>0,31</b>     | <b>0,43</b>     | <b>0,05</b>     | <b>0,07</b>     | <b>0,31</b>     | <b>0,42</b>     | <b>0,05</b>     | <b>0,06</b>     |

See the accompanying notes to the financial statements.

## Blau Farmacêutica S.A.

### Statements of comprehensive income

Periods ended June 30, 2017 and 2016

(In thousands of reais)

|  | Parent company |               |              |              | Consolidated  |               |              |              |
|--|----------------|---------------|--------------|--------------|---------------|---------------|--------------|--------------|
|  | 2017           |               | 2016         |              | 2017          |               | 2016         |              |
|  | 2nd QTR        | Accumulated   | 2nd QTR      | Accumulated  | 2nd QTR       | Accumulated   | 2nd QTR      | Accumulated  |
| Net income for the period                                    | 46.401         | 63.899        | 6.855        | 10.098       | 46.183        | 62.323        | 6.802        | 9.048        |
| <b>Other comprehensive income (OCI)</b>                      |                |               |              |              |               |               |              |              |
| <b>Items that will not be reclassified to profit or loss</b> |                |               |              |              |               |               |              |              |
| Accumulated translation adjustment in subsidiaries           | (403)          | (168)         | (1.483)      | (1.257)      | (403)         | (168)         | (1.483)      | (1.257)      |
| <b>Total comprehensive income</b>                            | <b>45.998</b>  | <b>63.731</b> | <b>5.372</b> | <b>8.841</b> | <b>45.780</b> | <b>62.155</b> | <b>5.319</b> | <b>7.791</b> |
| <b>Comprehensive income attributable to</b>                  |                |               |              |              |               |               |              |              |
| Controlling shareholders                                     | 45.998         | 63.731        | 5.372        | 8.841        | 45.780        | 62.155        | 5.319        | 7.791        |
| <b>Total comprehensive income</b>                            | <b>45.998</b>  | <b>63.731</b> | <b>5.372</b> | <b>8.841</b> | <b>45.780</b> | <b>62.155</b> | <b>5.319</b> | <b>7.791</b> |

See the accompanying notes to the financial statements.

## Blau Farmacêutica S.A.

### Statements of changes in shareholders' equity

Periods ended June 30, 2017 and 2016

(In thousands of reais)

|   | Profit reserves |                |                     |                               |                            | Retained earnings | Total parent company's shareholders' equity | Total consolidated shareholders' equity |
|---|-----------------|----------------|---------------------|-------------------------------|----------------------------|-------------------|---|---|
|   | Capital         | Legal reserves | Investment reserves | Additional dividends proposed | Other comprehensive income |                   |   |   |
| <b>Balance at December 31, 2015</b>                                   | <b>56.070</b>   | <b>3.117</b>   | <b>11.465</b>       | <b>-</b>                      | <b>8.536</b>               | <b>-</b>          | <b>79.188</b>                               | <b>79.188</b>                           |
| <b>Comprehensive income for the year</b>                              |                 |                |                     |                               |                            |                   |   |   |
| Net income for the period   | -               | -              | -                   | -                             | -                          | 10.098            | 10.098                                      | 10.098                                  |
| Accumulated translation adjustment in subsidiary                      | -               | -              | -                   | -                             | (1.257)                    | -                 | (1.257)                                     | (1.257)                                 |
| <b>Total comprehensive income, net of taxes</b>                       | <b>-</b>        | <b>-</b>       | <b>-</b>            | <b>-</b>                      | <b>(1.257)</b>             | <b>10.098</b>     | <b>8.841</b>                                | <b>8.841</b>                            |
| <b>Transactions with shareholders and formation of reserves</b>       |                 |                |                     |                               |                            |                   |   |   |
| Realization of equity valuation adjustments                           | -               | -              | -                   | -                             | (715)                      | 715               | -   | -                                       |
| Interim dividends   | -               | -              | (2.789)             | -                             | -                          | -                 | (2.789)                                     | (2.789)                                 |
| Formation of reserves   | -               | -              | -                   | -                             | -                          | -                 | -   | -                                       |
| <b>Total transactions with shareholders and formation of reserves</b> | <b>-</b>        | <b>-</b>       | <b>(2.789)</b>      | <b>-</b>                      | <b>(715)</b>               | <b>715</b>        | <b>(2.789)</b>                              | <b>(2.789)</b>                          |
| <b>Balance at June 30, 2016</b>                                       | <b>56.070</b>   | <b>3.117</b>   | <b>8.676</b>        | <b>-</b>                      | <b>6.564</b>               | <b>10.813</b>     | <b>85.240</b>                               | <b>85.240</b>                           |
| <b>Balance at December 31, 2016</b>                                   | <b>56.070</b>   | <b>4.722</b>   | <b>232</b>          | <b>30.677</b>                 | <b>5.786</b>               | <b>-</b>          | <b>97.487</b>                               | <b>97.487</b>                           |
| <b>Comprehensive income for the year</b>                              |                 |                |                     |                               |                            |                   |   |   |
| Net income for the period   | -               | -              | -                   | -                             | -                          | 63.899            | 63.899                                      | 63.899                                  |
| Accumulated translation adjustment in subsidiary                      | -               | -              | -                   | -                             | (168)                      | -                 | (168)                                       | (168)                                   |
| <b>Total comprehensive income, net of taxes</b>                       | <b>-</b>        | <b>-</b>       | <b>-</b>            | <b>-</b>                      | <b>(168)</b>               | <b>63.899</b>     | <b>63.731</b>                               | <b>63.731</b>                           |
| <b>Transactions with shareholders and formation of reserves</b>       |                 |                |                     |                               |                            |                   |   |   |
| Realization of equity valuation adjustments                           | -               | -              | -                   | -                             | (706)                      | 706               | -   | -                                       |
| Interim dividends   | -               | -              | -                   | (3.915)                       | -                          | -                 | (3.915)                                     | (3.915)                                 |
| Formation of reserves   | -               | -              | -                   | -                             | -                          | -                 | -   | -                                       |
| Additional dividends proposed   | -               | -              | (232)               | 232                           | -                          | -                 | -   | -                                       |
| <b>Total transactions with shareholders and formation of reserves</b> | <b>-</b>        | <b>-</b>       | <b>(232)</b>        | <b>(3.683)</b>                | <b>(706)</b>               | <b>706</b>        | <b>(3.915)</b>                              | <b>(3.915)</b>                          |
| <b>Balance at June 30, 2017</b>                                       | <b>56.070</b>   | <b>4.722</b>   | <b>-</b>            | <b>26.994</b>                 | <b>4.912</b>               | <b>64.605</b>     | <b>157.303</b>                              | <b>157.303</b>                          |

See the accompanying notes to the financial statements.



# Blau Farmacêutica S.A.

## Statements of cash flows

Periods ended June 30, 2017 and 2016

(In thousands of reais)

|  | Parent company  |                 | Consolidated    |                |
|--|-----------------|-----------------|-----------------|----------------|
|  | 30/06/2017      | 30/06/2016      | 30/06/2017      | 30/06/2016     |
| <b>Cash flow from operating activities</b>   |                 |                 |                 |                |
| Income (loss) before income tax  | 91.518          | 22.324          | 90.200          | 21.303         |
| <b>Adjustments to reconcile income for the year with cash from operating activities:</b> |                 |                 |                 |                |
| Depreciation and amortization  | 4.236           | 4.032           | 4.320           | 4.313          |
| Decreases in fixed and intangible assets   | 4.452           | 3.968           | 4.999           | 3.968          |
| Financial charges on financing   | 5.895           | 10.668          | 5.894           | 10.668         |
| Unrealized exchange-rate change on loans and SWAP/MTM provision                          | (146)           | (7.782)         | (146)           | (7.782)        |
| Equity in net income of subsidiaries   | 320             | 2.011           | -               | -              |
| Allowance for doubtful accounts, net   | (470)           | 298             | (470)           | 298            |
| Provision for inventory losses, net  | 1.622           | 6.173           | 1.622           | 6.173          |
| Other (reversals), net   | 911             | -               | (1.186)         | (2.036)        |
| Provision for contingencies, net   | 203             | (1.272)         | 203             | (1.272)        |
|  | <u>108.541</u>  | <u>40.420</u>   | <u>105.436</u>  | <u>35.633</u>  |
| <b>(Increase) decrease in asset accounts</b>   |                 |                 |                 |                |
| Trade accounts receivable  | (58.095)        | (5.913)         | (55.680)        | (913)          |
| Inventories  | (13.181)        | (18.499)        | (11.561)        | (20.925)       |
| Recoverable taxes  | (4.125)         | (6.835)         | (4.296)         | (8.201)        |
| Other receivables  | (8.302)         | (4.844)         | (10.048)        | (5.770)        |
| Judicial deposits  | (9)             | (149)           | (9)             | (615)          |
| <b>Increase (decrease) in liability accounts</b>   |                 |                 |                 |                |
| Suppliers  | 31.243          | 12.455          | 30.308          | 11.591         |
| Labor obligations  | 3.259           | 3.777           | 2.992           | (6.232)        |
| Tax liabilities  | 1.317           | 9.621           | 1.429           | 9.951          |
| Salaries and charges payable   | -               | -               | -               | 10.137         |
| Other accounts payable   | 20.251          | 1.406           | 20.266          | 2.011          |
| Labor provisions   | (36)            | -               | 63              | 62             |
| <b>Cash generated by operating activities</b>  | <u>80.863</u>   | <u>31.439</u>   | <u>78.900</u>   | <u>26.729</u>  |
| Income tax and social contribution paid  | (14.979)        | (9.130)         | (14.979)        | (9.130)        |
| <b>Net cash flow from operating activities</b>   | <u>65.884</u>   | <u>22.309</u>   | <u>63.921</u>   | <u>17.599</u>  |
| <b>Cash flows from investment activities</b>   |                 |                 |                 |                |
| Additions in property, plant and equipment   | (31.723)        | (9.079)         | (31.905)        | (9.079)        |
| Advance for future capital increase in investee  | (1.412)         | (3.918)         | -               | -              |
| Additions to intangible assets   | (11)            | (2)             | (35)            | (36)           |
| <b>Net cash flow used in investment activities</b>                                       | <u>(33.146)</u> | <u>(12.999)</u> | <u>(31.940)</u> | <u>(9.115)</u> |
| <b>Cash flows from financing activities</b>  |                 |                 |                 |                |
| Dividends and interest on own capital  | (3.915)         | (2.371)         | (3.915)         | (2.371)        |
| Loans and financing  | 34.438          | 186.076         | 34.438          | 186.076        |
| Receipt of loans made to related parties   | 333             | 6.480           | 333             | 6.480          |
| Loans made to related parties  | -               | -               | -               | -              |
| Payment of loans and financing - principal   | (53.029)        | (189.360)       | (53.029)        | (189.610)      |
| Payment of loans and financing - interest  | (5.742)         | (10.471)        | (5.742)         | (10.471)       |
| <b>Net cash flow invested in financing activities</b>                                    | <u>(27.915)</u> | <u>(9.646)</u>  | <u>(27.915)</u> | <u>(9.896)</u> |
| <b>Net increase (decrease) in cash and cash equivalents</b>                              | <u>4.823</u>    | <u>(336)</u>    | <u>4.066</u>    | <u>(1.412)</u> |
| Cash and cash equivalents at January 1   | 1.764           | 350             | 10.199          | 10.044         |
| Effect of changes in exchange rate on the balance of cash and cash equivalents           | -               | -               | (168)           | (1.257)        |
| Cash and cash equivalents at December 31   | <u>6.587</u>    | <u>14</u>       | <u>14.097</u>   | <u>7.375</u>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                              | <u>4.823</u>    | <u>(336)</u>    | <u>4.066</u>    | <u>(1.412)</u> |

See the accompanying notes to the financial statements.

## Blau Farmacêutica S.A.

### Statements of added value

Periods ended June 30, 2017 and 2016

(In thousands of reais)

|  | Parent company   |                  | Consolidated     |                  |
|--|------------------|------------------|------------------|------------------|
|  | 30/06/2017       | 30/06/2016       | 30/06/2017       | 30/06/2016       |
| <b>Revenues</b>  | <b>346.680</b>   | <b>200.371</b>   | <b>352.150</b>   | <b>202.717</b>   |
| Sale of merchandise, products and services                                 | 345.259          | 200.838          | 350.379          | 200.977          |
| Other (expenses) income, net   | 2.121            | 521              | 2.516            | 2.770            |
| Allowance for doubtful accounts  | (700)            | (988)            | (745)            | (1.030)          |
| <b>Inputs acquired from third parties</b>                                  | <b>(168.539)</b> | <b>(109.492)</b> | <b>(172.980)</b> | <b>(110.306)</b> |
| Cost of products and goods sold and services rendered                      | (137.033)        | (85.205)         | (139.949)        | (84.228)         |
| Materials, energy, outsourced services and other                           | (31.506)         | (24.316)         | (33.031)         | (26.107)         |
| Gain (loss) from asset values  | -                | 29               | -                | 29               |
| <b>Gross added value</b>   | <b>178.141</b>   | <b>90.879</b>    | <b>179.170</b>   | <b>92.411</b>    |
| <b>Depreciation, amortization and depletion</b>                            | <b>(4.237)</b>   | <b>(4.090)</b>   | <b>(4.321)</b>   | <b>(4.175)</b>   |
| <b>Net added value produced by the Entity</b>                              | <b>173.904</b>   | <b>86.789</b>    | <b>174.849</b>   | <b>88.236</b>    |
| <b>Added value received as transfer</b>                                    | <b>5.018</b>     | <b>20.443</b>    | <b>5.188</b>     | <b>20.654</b>    |
| Income (loss) from ownership interest                                      | (320)            | (2.011)          | (320)            | (2.011)          |
| Financial income   | 5.338            | 22.454           | 5.508            | 22.665           |
| Other  | -                | -                | -                | -                |
| <b>Total added value payable</b>   | <b>178.922</b>   | <b>107.232</b>   | <b>180.037</b>   | <b>108.890</b>   |
| <b>Personnel</b>   | <b>38.420</b>    | <b>34.498</b>    | <b>40.503</b>    | <b>36.798</b>    |
| Direct remuneration  | 29.365           | 25.607           | 31.109           | 27.482           |
| Benefits   | 5.108            | 4.276            | 5.447            | 4.701            |
| FGTS   | 3.947            | 4.615            | 3.947            | 4.615            |
| <b>Taxes, duties and contributions</b>                                     | <b>46.626</b>    | <b>17.866</b>    | <b>46.919</b>    | <b>17.915</b>    |
| Federal  | 34.500           | 9.446            | 34.758           | 9.475            |
| State  | 10.695           | 8.141            | 10.730           | 8.161            |
| Municipal  | 1.431            | 279              | 1.431            | 279              |
| <b>Third-party capital remuneration</b>                                    | <b>29.978</b>    | <b>44.770</b>    | <b>30.292</b>    | <b>45.129</b>    |
| Interest   | 7.902            | 23.798           | 7.902            | 23.798           |
| Financial expenses (incl. exchange-rate changes)                           | 8.950            | 7.256            | 9.266            | 7.615            |
| Rentals  | 13.126           | 13.716           | 13.124           | 13.716           |
| <b>Remuneration of own capital</b>   | <b>63.898</b>    | <b>10.098</b>    | <b>62.323</b>    | <b>9.048</b>     |
| Dividends and interest on own capital                                      | 3.915            | 2.372            | 3.915            | 2.372            |
| Retained earnings (losses) for the year, including discontinued operations | 59.983           | 7.726            | 58.408           | 6.676            |
| Non-controlling interest at Blau Colombia                                  | -                | -                | -                | -                |
| <b>Total added value paid</b>  | <b>178.922</b>   | <b>107.232</b>   | <b>180.037</b>   | <b>108.890</b>   |

See the accompanying notes to the financial statements.

## **Notes to the financial statements**

*(In thousands of reais)*

### **1 Operations**

Blau Farmacêutica S.A., hereinafter referred to as “Blau” or “Company”, is a privately-held corporation headquartered in the city of Cotia, State of São Paulo, at Rodovia Raposo Tavares km 30,5.

The Company’s individual and consolidated interim financial information for the period ended June 30, 2017 includes the Company and its subsidiaries. The Company and its subsidiaries are engaged in the wholesale trade, distribution, import and export, industrialization of pharmaceutical products, medicines and the like for human use.

Currently, the Company is comprised of nine subsidiaries, seven of which are located in the State of São Paulo, one in Paraná and one in Ceará.

- (i) Unit I - Building 100 - Head Office:**  
Located at Rodovia Raposo Tavares, 2.833, Km 30, Barro Branco, Cotia - SP.  
Wholesale trade, distribution, import and export of medicines and drugs for human use, pharmaceutical products, inputs for the production of medicines and raw materials.
- (ii) Branch 01:**  
Located at Avenida Mario Isaac Pires, 7.602, Caucaia, Cotia - SP.  
Industrialization of cancer drugs in the form of injectable solution, lyophilic powder, tablets and capsules, intended to serve the pharmaceutical and hospital division.
- (iii) Branch 02:**  
Located at Rodovia Raposo Tavares, 2.833, Km 30,5, Barro Branco, Cotia - SP.  
Production of allopathic, biological and biotechnological drugs for human use in the form of injectable solution, lyophilic powder, intended to serve the pharmaceutical and hospital division.
- (iv) Branch 03:**  
Located at Rua João Bettega, 101, Sala 213, Curitiba - PR.  
Contact office for rental of equipment and vehicles (rental not included in the lease act).
- (v) Branch 04:**  
Located at Rua Tomas Acioli, 840, Sala 701, in the State of Ceará.  
Administrative office, exclusively for contacts of sellers and sales representatives.
- (vi) Branch 05:**  
Located at Rodovia Raposo Tavares, 2.833, Km 30,5, Barro Branco, Cotia - SP.  
Manufacturing of raw materials to meet the consumption needs in the production of medicines for human use, including the manufacturing of pharmaceutical specialties and quality control for third parties; research, development and innovations in inputs, including raw materials and medicines, biological, biopharmaceutical and biotechnology products.

- (vii) **Branch 06:**  
 Located at Rua Thomaz Sepe, 454, Jardim da Glória, Cotia - SP.  
 Warehouse of primary and secondary packaging material, semi-finished preservatives, pharmaceutical retention material and related items of plants I and II, obsolete equipment and material for product incineration, shipping and storing of packaging materials.
- (viii) **Branch 07:**  
 Located at Rua Etiópia 258, Parque São Lourença, Cotia - SP.  
 Warehouse of primary and secondary packaging material, semi-finished preservatives, pharmaceutical retention material and related items of plants I and II, obsolete equipment and material for product incineration, shipping and storing of packaging materials.
- (ix) **Branch 08:**  
 Located at Rua Adherbal Stresser, 84, Jardim Arpoador, São Paulo - SP  
 Industrialization of condoms, related products, injectable and lyophilic powder antibiotics intended to serve the pharmaceutical and hospital division.

## 2 List of subsidiary

### Subsidiaries

| Company                           | Country  | Interest   |            |
|-----------------------------------|----------|------------|------------|
|                                   |          | 06/30/2017 | 12/31/2016 |
| Blau Farmacêutica Colombia S.A.S. | Colombia | 100%       | 100%       |
| Blau Farma Uruguay S.A.           | Uruguay  | 100%       | 100%       |
| Preserv S.A.                      | Brazil   | -          | 100%       |

#### ***Blau Farmacêutica Colombia S.A.S.***

Blau Farmacêutica Colombia is a subsidiary headquartered in the city of Bogota, Colombia, engaged in the production and trading of pharmaceutical drugs for human consumption and biopharmaceutical inputs, operating in the main pharmaceutical segments. The company's main activity is the import of Company's products for distribution in Colombia other countries. The commercial operations started in August 2012.

#### ***Blau Farma Uruguay S.A.***

Blau Farma Uruguay is a subsidiary headquartered in the city of Montevideo, Uruguay, engaged in the production and trading of pharmaceutical drugs for human consumption and biopharmaceutical inputs, operating in the main pharmaceutical segments. The company's main activity is the import of Company's products for distribution in Uruguay and other countries. The commercial operations started in February 2015.

#### ***Preserv S.A.***

Preserv is a subsidiary headquartered in the city of Cotia, State of Sao Paulo, engaged in the trading, import and export of condoms and related products intended for intimate and personal hygiene.

### 3 Acquisition of jointly-controlled entity

#### Acquisition of jointly-controlled subsidiary

Based on its expansion project for the pharmaceutical market, on November 11, 2016 the Company acquired full equity control of Preserv S.A. for R\$ 2,274. Considering that Preserv was controlled by the same shareholders of the Company, following the accounting practices adopted in Brazil, the transaction was carried out by the accounting net assets based on the balance sheet as of October 31, 2016, as follows:

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

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

### 4 Preparation basis

#### Declaration of conformity

This individual and consolidated interim financial information was prepared according to the International Financial Reporting Standards ("Interim Financial Reporting - IAS 34"), issued by the International Accounting Standards Board (IASB) and also in accordance with Technical Pronouncement CPC 21 (R1) - Interim Statement, also including the supplementary standards issued by Securities Commission (CVM).

On February 28, 2018, the Company's Board of Directors held a meeting and authorized the conclusion and preparation of the interim financial information.

Company's Management affirms that all relevant information characteristic of quarterly information, and are being evidenced and correspond to those used by Management.

### 5 Functional and presentation currency

The individual and consolidated interim financial information is presented in Brazilian Real, functional currency of the Company. All balances have been rounded to the nearest value, except otherwise indicated.

## **6 Use of estimates and judgments**

The preparation of this individual and consolidated interim financial information, Management used judgments, estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of interim financial information requires the use of accounting estimates, with a basis on Management's judgment for determination of the adequate amount to be recorded in the financial information.

Significant items subject to these estimates and assumptions include:

- **Note 12** – Trade accounts receivable - allowance for doubtful accounts;
- **Note 13** - Inventories - Provision for inventory losses;
- **Note 17** - Intangible assets - amortization and goodwill impairment test - main assumptions in relation to recoverable values;
- **Note 22** – Provision for contingencies.

The settlement of transactions involving these estimates may result in significantly different amounts described in financial information due to the process related to estimates. The Company reviews its estimates at each reporting date, and if changes in estimates are required, they will be recognized prospectively.

### ***Measurement of fair value***

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

Significant assessment issues are reported to the Company's Management.

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

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

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

- **Note 28** – Financial instruments.

## **7 Measuring basis**

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

- Derivative financial instruments measured at fair value;
- Non-derivative financial instruments are measured at fair value through profit or loss; and
- Biological assets are measured at acquisition cost and any changes are recognized in income (loss).

## **8 Restatement of corresponding amounts**

The financial information for the three and six-month period ended June 30, 2017 and 2016 is restated due to the following reasons:

### **a. Earnings per share**

- As disclosed in note 30, on September 20, 2017, Shareholders' Meeting approved split of shares issued by the Company. Information related to earnings per share for the three and six-month periods ended June 30, 2017 and 2016 included in respective accounting information originally issued on November 13, 2017 has been prepared considering the number of shares then existing, instead of the number approved and paid-up on accounting information issuance date. According to applicable accounting practice, financial information should be restated and is, in fact, restated below.

- Impact on Statement of Income and Note 23, Shareholders' equity

|   | Impacts of rectification of errors |             |             |             |              |             |             |             |
|---|------------------------------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
|   | Parent company                     |             |             |             | Consolidated |             |             |             |
|   | 2017                               |             | 2016        |             | 2017         |             | 2016        |             |
|   | 2nd Quarter                        | Accumulated | 2nd Quarter | Accumulated | 2nd Quarter  | Accumulated | 2nd Quarter | Accumulated |
| Net income for the period                                       | 46,633                             | 64,131      | 6,855       | 10,098      | 46,415       | 62,555      | 6,802       | 9,048       |
| Basic and diluted earnings per common share (previously stated) | 2.52                               | 3.47        | 0.37        | 0.55        | 2.51         | 3.38        | 0.37        | 0.49        |
| Adjustment  | (2.21)                             | (3.03)      | (0.32)      | (0.48)      | (2.20)       | (2.96)      | (0.32)      | (0.43)      |
| Basic and diluted earnings per common share (restated)          | 0.32                               | 0.43        | 0.05        | 0.07        | 0.31         | 0.42        | 0.05        | 0.06        |



**b. Improvement of disclosing**

Additional information was included in notes: (i) related parties, note 18, in relation to policies applied to related-party transactions, (ii) financial instruments, note 28, in relation to derivative contracts (book account recorded in the balance sheet), as well as inclusion of foreign exchange rate for probable scenario in sensitivity analysis table, (iii) inventories, note 13, in relation to policy for valuation of inventories, (iv) net income, note 24, in relation to disclosure of consolidated income per types of treatment, geographical location and main clients, (v) shareholders' equity, note 23, in relation to information on earnings per share and (vi) subsequent events note 30, in relation to split of common shares issued by the Company. Changes made to said notes have the purpose of improving presented information.

## **9 Consolidation**

**(i) Business combination**

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

The Company calculates goodwill in the date of acquisition as:

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

When the value is negative, the gain from an advantageous purchase is recorded directly in income (loss) for the period.

Transferred consideration does not include amounts referring to payment of pre-existing relations. These amounts are usually recognized in income (loss) for the period.

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

**(ii) Interest of non-controlling shareholders**

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

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

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

**(iii) Subsidiaries**

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

In the individual interim financial information of the parent company, financial information of subsidiaries is recognized under the equity method, considering the financial information of subsidiaries.

The consolidated interim financial information includes the information of the parent company and the subsidiaries in operation, Blau Farmacêutica Colombia S.A.S. and Blau Farma Uruguay S.A. The remaining subsidiaries established in 2017 and still without relevant operations were not consolidated and their respective balances are recognized by the investment cost.

**(iv) Transactions eliminated in the consolidation**

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

## **10 Significant accounting policies**

The financial statements for the year ended December 31, 2016 were prepared and presented by the Company in accordance with IFRS International accounting standards issued by *International Accounting Standards Board* (IASB) and also with accounting practices adopted in Brazil in force until December 31, 2016. Significant accounting practices adopted by the Company in the preparation of its interim financial information - ITS for the three and six-month period ended June 30, 2017 have been applied consistently with those disclosed in Note 9 of the financial statements for the year ended December 31, 2016, and therefore should be read together.

The Company adopted all pronouncements, interpretations and guidance issued by the CPC and the IASB. The changes in existing standards were disclosed and are mandatory for the subsequent periods. None of those standards or changes in standards was adopted by the Company.

**(i) IFRS 9 - Financial Instruments**

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

IFRS 9 will become effective for annual periods starting on or after January 1, 2018, with early adoption allowed only to financial statements, pursuant to IFRSs.

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

***Disclosures***

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

***Transition***

The main issues addressed in IFRS 9 to be assessed by the Company are as follows:

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

**(ii) IFRS 15 Revenues from Contracts with Customers**

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

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

### ***Sale of products***

Regarding sales, the income is currently recognized when the goods are delivered to the client's location, considered as the time when the client accepts the goods and the risks and benefits related to ownership are transferred. Income is recognized at this time, provided that the income and costs can be measured reliably, receipt of consideration is probable, and there is no continuous involvement of Management with the products.

### ***Transition***

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

The Company plans to use practical expedients for completed contracts. This means that completed contracts that started and ended in the same comparative reporting period, as well as those that are completed contracts at the beginning of the oldest period reported, will not be re-reported.

### **(iii) IFRS 16 Leases**

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

IFRS 16 replaces existing lease standards, including CPC 06 (IAS 17).

Lease operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) - Supplementary aspects of lease transactions.

The standard is effective in years starting on or after January 1, 2019. The early adoption is only permitted for financial statements in accordance with IFRSs and only to entities that adopt IFRS 15 Income from Contracts with Clients on or before the date of early adoption of IFRS 16.

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

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

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

Changes are effective in years starting on or after January 1, 2017. Early adoption is permitted only for financial statements in accordance with IFRS.

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

**(v) Recognition of deferred tax assets for unrealized losses (Amendments to CPC 32 / IAS 12)**

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

Amendments are effective in years starting on or after January 1, 2017, and early adoption is allowed only to financial statements, pursuant to IFRSs.

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

**(vi) Other amendments**

- Amendments to CPC 10 (IFRS 2) – Share-based payment in relation to the classification and measurement of certain share-based payment transactions.
- Amendments to CPC 36 Consolidated Statements (IFRS 10) and CPC 18 Investments in Associated Company (IAS 28) in relation to sales or contributions of assets between an investor and its associated company or joint venture.
- The Company's Management started an assessment and understands that applying the mentioned pronouncements to be adopted in the financial statements on the dates required may have some effect on the balances to be reported. Nonetheless, this assessment's current stage does not allow quantifying these effects, if any, until a detailed review is made at the time of actual adoption.
- The Accounting Pronouncements Committee has not yet issued any accounting pronouncement or amendments in current pronouncements corresponding to all IFRS new standards. Therefore, the early adoption of these IFRS is not permitted for entities that disclose their financial statements according to accounting practices adopted in Brazil.
- The Company adopted these changes in the preparation of financial statements and does not intend to early adopt such standards.

## 11 Cash and cash equivalents

|  | Parent company |              | Consolidated  |               |
|--|----------------|--------------|---------------|---------------|
|  | 06/30/2017     | 12/31/2016   | 06/30/2017    | 12/31/2016    |
| Cash equivalent in US\$                | 8              | -            | 10            | -             |
| Cash equivalent in Euros               | -              | 3            | -             | 3             |
| Cash in Reais                          | 2              | 3            | 2             | 154           |
|  | 10             | 6            | 12            | 157           |
| Bank checking account                  | 6,577          | 1,758        | 9,758         | 7,624         |
| Interest earnings bank deposits        | -              | -            | 4,327         | 2,418         |
|  | 6,577          | 1,758        | 14,085        | 10,042        |
| <b>Total cash and cash equivalents</b> | <b>6,587</b>   | <b>1,764</b> | <b>14,097</b> | <b>10,199</b> |

Highly liquid short-term interest earning bank deposits are promptly convertible into a known sum of cash and subject to an insignificant risk of change of value. The subsidiary Blau Farmacêutica Colombia SAS has the option of early redemption of said securities, without penalties or loss of profitability, whose average rate is 5.2% p.a. for the period ended June 30, 2017 and 2.5% p.a. for the year ended December 31, 2016.

The Company's exposure to risks of interest rate and changes in exchange rates are disclosed in Note 28.

## 12 Trade accounts receivable

|                                 | Parent company |               | Consolidated   |               |
|---------------------------------|----------------|---------------|----------------|---------------|
|                                 | 06/30/2017     | 12/31/2016    | 06/30/2017     | 12/31/2016    |
| Domestic                        | 147,198        | 90,169        | 147,198        | 91,709        |
| Abroad                          | 3,759          | 2,657         | 10,762         | 10,150        |
| Related parties (note 18)       | 8,803          | 7,899         | 1,719          | 1,395         |
|                                 | 159,760        | 100,725       | 159,679        | 103,254       |
| Allowance for doubtful accounts | (3,742)        | (3,272)       | (4,808)        | (4,533)       |
|                                 | <b>156,018</b> | <b>97,453</b> | <b>154,871</b> | <b>98,721</b> |

### Age of balances of trade accounts receivable

|                                 | Parent company      |               |                |               |                |               |
|---------------------------------|---------------------|---------------|----------------|---------------|----------------|---------------|
|                                 | Private             |               | Public         |               | Total          |               |
|                                 | 06/30/2017          | 12/31/2016    | 06/30/2017     | 12/31/2016    | 06/30/2017     | 12/31/2016    |
| Falling due                     | 46,133              | 44,158        | 47,411         | 23,530        | 93,544         | 67,688        |
| Overdue (days)                  | 9,403               | 8,903         | 56,813         | 24,134        | 66,216         | 33,037        |
| 1-30                            | 1,329               | 2,538         | 39,376         | 11,999        | 40,705         | 14,537        |
| 31-60                           | 1,608               | 980           | 2,449          | 1,056         | 4,057          | 2,036         |
| 61-180                          | 2,515               | 1,750         | 11,128         | 7,295         | 13,643         | 9,045         |
| >181                            | 3,951               | 3,635         | 3,860          | 3,784         | 7,811          | 7,419         |
| <b>Subtotal</b>                 | 55,536              | 53,061        | 104,224        | 47,664        | 159,760        | 100,725       |
| Allowance for doubtful accounts | (3,232)             | (3,272)       | (510)          | -             | (3,742)        | (3,272)       |
| <b>Total</b>                    | <u>52,304</u>       | <u>49,789</u> | <u>103,714</u> | <u>47,664</u> | <u>156,018</u> | <u>97,453</u> |
|                                 | <b>Consolidated</b> |               |                |               |                |               |
|                                 | Private             |               | Public         |               | Total          |               |
|                                 | 06/30/2017          | 12/31/2016    | 06/30/2017     | 12/31/2016    | 06/30/2017     | 12/31/2016    |
| Falling due                     | 44,986              | 43,145        | 47,411         | 23,530        | 92,397         | 66,675        |
| Overdue (days)                  | 10,469              | 12,445        | 56,813         | 24,134        | 67,282         | 36,579        |
| 1-30                            | 2,395               | 3,848         | 39,376         | 11,999        | 41,771         | 15,847        |
| 31-60                           | 1,608               | 980           | 2,449          | 1,056         | 4,057          | 2,036         |
| 61-180                          | 2,515               | 2,815         | 11,128         | 7,295         | 13,643         | 10,110        |
| >181                            | 3,951               | 4,802         | 3,860          | 3,784         | 7,811          | 8,586         |
| <b>Subtotal</b>                 | 55,455              | 55,590        | 104,224        | 47,664        | 159,679        | 103,254       |
| Allowance for doubtful accounts | (4,298)             | (4,533)       | (510)          | -             | (4,808)        | (4,533)       |
| <b>Total</b>                    | <u>51,157</u>       | <u>51,057</u> | <u>103,714</u> | <u>47,664</u> | <u>154,871</u> | <u>98,721</u> |

The Company adopts the procedure of recording an allowance for doubtful accounts for overdue notes of private clients, except related parties, whose collection is carried out at the administrative level. Currently, 35% of the balance receivable with private clients is given as collateral for bank loans and financing, as presented in Note 21.

**Changes in the allowance for doubtful accounts are shown below:**

|                                  | <u>Parent company</u> |                       |
|----------------------------------|-----------------------|-----------------------|
|                                  | <b>06/30/2017</b>     | <b>12/31/2016</b>     |
| Opening balance of provision     | (3,272)               | (3,024)               |
| Formation                        | (720)                 | (1,196)               |
| Write-off                        | 159                   | -                     |
| Reversal                         | 91                    | 948                   |
| <b>Allowance closing balance</b> | <b><u>(3,742)</u></b> | <b><u>(3,272)</u></b> |
|                                  | <u>Consolidated</u>   |                       |
|                                  | <b>06/30/2017</b>     | <b>12/31/2016</b>     |
| Opening balance of provision     | (4,533)               | (4,805)               |
| Formation                        | (720)                 | (1,381)               |
| Write-off                        | 159                   | -                     |
| Reversal                         | 286                   | 1,653                 |
| <b>Allowance closing balance</b> | <b><u>(4,808)</u></b> | <b><u>(4,533)</u></b> |

### **13 Inventories (Restated)**

|  | <u>Parent company</u> |                      | <u>Consolidated</u>   |                       |
|--|-----------------------|----------------------|-----------------------|-----------------------|
|  | <b>06/30/2017</b>     | <b>12/31/2016</b>    | <b>06/30/2017</b>     | <b>12/31/2016</b>     |
| Finished goods                           | 23,066                | 24,295               | 29,722                | 30,606                |
| Products for resale                      | -                     | -                    | -                     | 681                   |
| Semi-finished products                   | 15,975                | 17,707               | 15,975                | 18,949                |
| Work in process                          | 360                   | 94                   | 360                   | 94                    |
| Raw materials                            | 36,272                | 32,324               | 36,272                | 32,324                |
| Packaging materials                      | 16,311                | 19,385               | 16,311                | 19,465                |
| Materials in possession of third parties | 3,319                 | 83                   | 3,319                 | 83                    |
| Imports in progress                      | 10,319                | 418                  | 10,359                | 418                   |
| Advance for imports                      | 1,763                 | 1,569                | 1,763                 | 1,571                 |
| Production of auxiliary material         | 298                   | 249                  | 298                   | 249                   |
|  | <b><u>107,683</u></b> | <b><u>96,124</u></b> | <b><u>114,379</u></b> | <b><u>104,440</u></b> |

In the period ended June 30, 2017, the provision for inventory devaluation, to bring to its net realizable values, totaled R\$ 6,981 in the parent company and R\$ 7,166 in the consolidated (R\$ 6,818 in the parent company and R\$ 7,797 in the consolidated in the year ended December 31, 2016).



Provision for devaluation is calculated considering products' validity date as well as expected future trading of products. Full provision is recorded for products with expired validity, as well as for those with validity expiring in up to 180 days, regardless of whether sale is expected or not.

**Changes in provision for inventory losses:**

|                 | Parent company |                | Consolidated   |                |
|-----------------|----------------|----------------|----------------|----------------|
|                 | 06/30/2017     | 12/31/2016     | 06/30/2017     | 12/31/2016     |
| Opening balance | (6,818)        | (5,124)        | (7,797)        | (6,890)        |
| Formation       | (5,597)        | (4,745)        | (5,597)        | (3,667)        |
| Write-off       | 4,390          | 652            | 4,390          | -              |
| Reversal        | 1,044          | 2,399          | 1,838          | 2,760          |
| Closing balance | <b>(6,981)</b> | <b>(6,818)</b> | <b>(7,166)</b> | <b>(7,797)</b> |

**14 Recoverable taxes**

|                         | Parent company |               | Consolidated  |               |
|-------------------------|----------------|---------------|---------------|---------------|
|                         | 06/30/2017     | 12/31/2016    | 06/30/2017    | 12/31/2016    |
| <i>Current</i>          |                |               |               |               |
| ICMS                    | 1,874          | 1,241         | 1,874         | 1,506         |
| IPI                     | 226            | 204           | 226           | 212           |
| PIS                     | 373            | 276           | 373           | 276           |
| COFINS                  | 1,724          | 1,363         | 1,724         | 1,363         |
| Other                   | 10             | 20            | 830           | 597           |
| IR and CSLL recoverable | 6,231          | -             | 6,457         | -             |
| Taxes withheld          | -              | 923           | -             | 948           |
| <b>Subtotal</b>         | <b>10,438</b>  | <b>4,027</b>  | <b>11,484</b> | <b>4,902</b>  |
| <i>Non-current</i>      |                |               |               |               |
| CIAP                    | 637            | 551           | 637           | 551           |
| PIS                     | 873            | 1,300         | 873           | 1,300         |
| COFINS                  | 3,596          | 5,604         | 3,596         | 5,604         |
| <b>Subtotal</b>         | <b>5,106</b>   | <b>7,455</b>  | <b>5,106</b>  | <b>7,455</b>  |
| <b>Total</b>            | <b>15,544</b>  | <b>11,482</b> | <b>16,590</b> | <b>12,357</b> |

In 2016, the Company engaged a specialized company to assess and recognize amounts related to tax credits arising from overpayments and credits not recorded timely. This work involved a review of the entire process for calculation of indirect taxes and also the analysis of consistency of the tax and information recorded covering the period from January 2012 to August 2016. The credit amounts recognized in 1Q16 under "Recoverable taxes" as a contraentry to other income in the profit or loss were as follows:

|              |              |
|--------------|--------------|
| ICMS         | 2,625        |
| PIS          | 1,158        |
| COFINS       | 5,366        |
| <b>Total</b> | <b>9,149</b> |

These credits have already been offset in 2016, with IRPJ/CSLL offset against PIS and COFINS. The extemporaneous ICSM credit was used to offset the balance payable.

## 15 Investments

|  | Parent company |               | Consolidated |            |
|--|----------------|---------------|--------------|------------|
|  | 06/30/2017     | 12/31/2016    | 06/30/2017   | 12/31/2016 |
| Interest - Blau Farmacêutica Colombia S.A.S.     | 14,857         | 14,327        | -            | -          |
| Investment goodwill - Blau Colombia S.A.S.       | 6,800          | 6,800         | -            | -          |
| <b>Total investment - Blau Colombia S.A.S.</b>   | <b>21,657</b>  | <b>21,127</b> | -            | -          |
| Interest - Blaufarma Uruguay S.A.                | 361            | 1,443         | -            | -          |
| Investment goodwill - Blaufarma Uruguay S.A. (i) | 271            | 271           | -            | -          |
| Advance for future capital increase (ii)         | 1,751          | 339           | -            | -          |
| <b>Total investment - Blaufarma Uruguay S.A.</b> | <b>2,383</b>   | <b>2,053</b>  | -            | -          |
| Participação Preserv S.A (iii)                   | -              | 847           | -            | -          |
| <b>Total Investment Preserv S.A.</b>             | -              | <b>847</b>    | -            | -          |
| Other investments                                | -              | -             | -            | 10         |
| <b>Total Investment</b>                          | <b>24,040</b>  | <b>24,027</b> | -            | <b>10</b>  |

- (i) For consolidation purposes, the goodwill amounts of investees Blau Colombia (R\$ 6,800) and Blau Uruguay (R\$ 271) were reclassified to intangible assets. See Note 17.
- (ii) Remittance of capital under advance for future capital increase in the amount of USD 529 thousand, equivalent to R\$ 1.751.
- (iii) As Note 3, Preserv S.A. was merged on January 1, 2017.

### Changes in investments:

|   | Blau Colômbia        | Blau Uruguay      | Preserv           | Total                |
|---|----------------------|-------------------|-------------------|----------------------|
| <b>Balance at December 31, 2016</b>                         | <u>14,327</u>        | <u>1,443</u>      | <u>847</u>        | <u>16,617</u>        |
| <b>Write-off of investment due to merger of Preserv S.A</b> | -                    | -                 | (847)             | (847)                |
| <b>Realization of Advance for Future Capital Increase</b>   | <u>          </u>    | <u>          </u> | <u>          </u> | <u>          </u>    |
| Equity in net income of subsidiaries                        | 408                  | (913)             | -                 | (505)                |
| Realization of unrealized profit, net                       | 185                  | -                 | -                 | 185                  |
| <b>Total equity in net income of subsidiaries, net</b>      | <b>593</b>           | <b>(913)</b>      | <b>-</b>          | <b>(320)</b>         |
| Translation adjustment                                      | (1)                  | (167)             | -                 | (168)                |
| Result of deferred income tax and social contribution       | <u>(62)</u>          | <u>(2)</u>        | <u>-</u>          | <u>(64)</u>          |
| <b>Balance at June 30, 2017</b>                             | <u><u>14,857</u></u> | <u><u>361</u></u> | <u><u>-</u></u>   | <u><u>15,218</u></u> |

In compliance with CPC 45 and IFRS 12 - Disclosure of Interests in Other Entities, the Company presents below the summary of the financial information of Blau Colombia and Blau Uruguay as of June 30, 2017 and Blau Colombia, Blau Uruguay and Preserv as of December 31, 2016:

|   | 06/30/2017      |                   |          | 12/31/2016      |                   |              |
|---|-----------------|-------------------|----------|-----------------|-------------------|--------------|
|   | Blau Colombia   | Blaufarma Uruguay | Preserv  | Blau Colombia   | Blaufarma Uruguay | Preserv      |
| Current assets                                    | 20,605          | 2,850             | -        | 19,971          | 3,078             | 3,920        |
| Non-current assets                                | <u>829</u>      | <u>1,310</u>      | <u>-</u> | <u>1,141</u>    | <u>891</u>        | <u>141</u>   |
| <b>Total assets</b>                               | <u>21,434</u>   | <u>4,160</u>      | <u>-</u> | <u>21,112</u>   | <u>3,969</u>      | <u>4,061</u> |
| Current liabilities                               | (5,650)         | (1,945)           | -        | (5,752)         | 1,845             | 3,122        |
| Non-current liabilities                           | (61)            | (107)             | -        | (45)            | 343               | 92           |
| Shareholders' equity                              | <u>(15,723)</u> | <u>(2,108)</u>    | <u>-</u> | <u>(15,315)</u> | <u>1,781</u>      | <u>847</u>   |
| <b>Total liabilities and shareholders' equity</b> | <u>(21,434)</u> | <u>(4,160)</u>    | <u>-</u> | <u>(21,112)</u> | <u>3,969</u>      | <u>4,061</u> |
| Net income  | 9,105           | 1,709             | -        | 18,411          | 2,498             | 1,188        |
| Net income (loss)                                 | <u>408</u>      | <u>(992)</u>      | <u>-</u> | <u>(1,070)</u>  | <u>(1,948)</u>    | <u>(551)</u> |

## 16 Property, plant and equipment

|   | Parent company  |                |          |                |                 |                |          |                |                 |
|---|-----------------|----------------|----------|----------------|-----------------|----------------|----------|----------------|-----------------|
|   | 12/31/2015      | Addition       | Transf.  | Write-off      | 12/31/2016      | Addition       | Transf.  | Write-off      | 06/30/2017      |
| <b>Cost</b>                               |                 |                |          |                |                 |                |          |                |                 |
| Land                                      | 500             | -              | -        | -              | 500             | 8,315          | -        | -              | 8,815           |
| Buildings                                 | 1,873           | 8              | 30       | -              | 1,911           | 9,011          | -        | -              | 10,922          |
| Machinery and equipment                   | 53,392          | 6,595          | 277      | (7)            | 60,257          | 2,788          | 18       | -              | 63,063          |
| Aircrafts and vehicles                    | 1,772           | 9              | -        | (37)           | 1,744           | 572            | -        | -              | 2,316           |
| Furniture and fixtures                    | 4,329           | 197            | 2        | (8)            | 4,520           | 117            | -        | -              | 4,637           |
| Facilities in use                         | 6,939           | 167            | 283      | -              | 7,389           | 24             | -        | -              | 7,413           |
| IT equipment                              | 2,451           | 493            | 114      | -              | 3,058           | 195            | -        | -              | 3,253           |
| Property, plant and equipment in progress | 23,500          | 5,852          | (5,186)  | (236)          | 23,930          | 7,644          | (18)     | (293)          | 31,263          |
| Leasehold improvements                    | 3,968           | 35             | 4,480    | -              | 8,483           | -              | -        | (306)          | 8,177           |
| Advance of goods for future delivery      | 4,003           | 688            | -        | (2,506)        | 2,185           | 3,057          | -        | (3,861)        | 1,381           |
| <b>Total cost</b>                         | <b>102,727</b>  | <b>14,044</b>  | <b>-</b> | <b>(2,794)</b> | <b>113,977</b>  | <b>31,723</b>  | <b>-</b> | <b>(4,460)</b> | <b>141,240</b>  |
| <b>Depreciation</b>                       |                 |                |          |                |                 |                |          |                |                 |
| Buildings                                 | (102)           | (80)           | -        | -              | (182)           | (38)           | -        | -              | (220)           |
| Machinery and equipment                   | (22,798)        | (5,946)        | -        | 22             | (28,722)        | (3,114)        | -        | -              | (31,836)        |
| Aircrafts and vehicles                    | (1,662)         | (203)          | -        | 79             | (1,786)         | (107)          | -        | -              | (1,885)         |
| Furniture and fixtures                    | (3,835)         | (475)          | -        | 8              | (4,302)         | (157)          | -        | -              | (4,459)         |
| Facilities in use                         | (5,027)         | (696)          | -        | -              | (5,723)         | (190)          | -        | 8              | (5,913)         |
| IT equipment                              | (1,971)         | (228)          | -        | -              | (2,199)         | (126)          | -        | -              | (2,325)         |
| Leasehold improvements                    | -               | (178)          | -        | -              | (178)           | (164)          | -        | -              | (342)           |
|   |                 |                |          |                | -               |                |          |                |                 |
| <b>Total accumulated depreciation</b>     | <b>(35,395)</b> | <b>(7,806)</b> | <b>-</b> | <b>109</b>     | <b>(43,092)</b> | <b>(3,896)</b> | <b>-</b> | <b>8</b>       | <b>(46,980)</b> |
| <b>Net balance</b>                        | <b>67,332</b>   | <b>6,238</b>   | <b>-</b> | <b>(2,685)</b> | <b>70,885</b>   | <b>27,827</b>  | <b>-</b> | <b>(4,452)</b> | <b>94,260</b>   |

As of June 30, 2017, construction in progress totaled R\$ 31,263, of which R\$ 15,142 refers to the construction of a new warehouse for the storage of inventories. The Company's estimate for the conclusion of work is on the 4Q17.

|   | <b>Consolidated</b> |                                      |                |                 |                |                  |                   |                 |                |                  |                   |
|---|---------------------|--------------------------------------|----------------|-----------------|----------------|------------------|-------------------|-----------------|----------------|------------------|-------------------|
|   | <b>12/31/2015</b>   | <b>Acquisition of subsidiary (a)</b> |                | <b>Addition</b> | <b>Transf.</b> | <b>Write-off</b> | <b>12/31/2016</b> | <b>Addition</b> | <b>Transf.</b> | <b>Write-off</b> | <b>06/30/2017</b> |
| <b>Cost</b>                               |                     |                                      |                |                 |                |                  |                   |                 |                |                  |                   |
| Land                                      | 500                 | -                                    | -              | -               | -              | 500              | 8,315             | -               | -              | -                | 8,815             |
| Buildings                                 | 1,873               | -                                    | 8              | 30              | -              | 1,911            | 9,011             | -               | -              | -                | 10,922            |
| Machinery and equipment                   | 52,460              | 234                                  | 6,597          | 277             | (46)           | 59,522           | 2,855             | 845             | (92)           | -                | 63,130            |
| Aircrafts and vehicles                    | 2,132               | -                                    | 9              | -               | (89)           | 2,052            | 572               | -               | (5)            | -                | 2,619             |
| Furniture and fixtures                    | 5,489               | 67                                   | 200            | 2               | (72)           | 5,686            | 117               | -               | (278)          | -                | 5,525             |
| Facilities in use                         | 6,996               | 9                                    | 176            | 283             | (132)          | 7,332            | 86                | (14)            | (48)           | -                | 7,356             |
| IT equipment                              | 2,590               | 54                                   | 497            | 114             | (41)           | 3,214            | 248               | -               | -              | -                | 3,462             |
| Property, plant and equipment in progress | 24,313              | -                                    | 5,852          | (5,186)         | (236)          | 24,743           | 7,644             | (831)           | (194)          | -                | 31,262            |
| Leasehold improvements                    | 4,012               | 180                                  | 35             | 4,480           | (180)          | 8,527            | -                 | -               | (350)          | -                | 8,177             |
| Advance of goods for future delivery      | 3,994               | -                                    | 688            | -               | (2,506)        | 2,176            | 3,057             | -               | (3,861)        | -                | 1,372             |
| <b>Total cost</b>                         | <b>104,359</b>      | <b>544</b>                           | <b>14,062</b>  | <b>-</b>        | <b>(3,302)</b> | <b>115,663</b>   | <b>31,905</b>     | <b>-</b>        | <b>(4,928)</b> | <b>-</b>         | <b>142,640</b>    |
| <b>Depreciation</b>                       |                     |                                      |                |                 |                |                  |                   |                 |                |                  |                   |
| Buildings                                 | (102)               | -                                    | (80)           | -               | -              | (182)            | (42)              | -               | -              | -                | (224)             |
| Machinery and equipment                   | (22,534)            | (132)                                | (5,967)        | -               | 71             | (28,562)         | (3,116)           | -               | 45             | -                | (31,633)          |
| Aircrafts and vehicles                    | (1,959)             | -                                    | (303)          | -               | 86             | (2,176)          | (118)             | -               | 190            | -                | (2,104)           |
| Furniture and fixtures                    | (4,059)             | (43)                                 | (515)          | -               | 83             | (4,534)          | (160)             | -               | 10             | -                | (4,684)           |
| Facilities in use                         | (4,957)             | (5)                                  | (711)          | -               | 11             | (5,662)          | (190)             | -               | -              | -                | (5,852)           |
| IT equipment                              | (2,078)             | (29)                                 | (266)          | -               | 27             | (2,346)          | (164)             | -               | -              | -                | (2,510)           |
| Leasehold improvements                    | -                   | -                                    | (178)          | -               | -              | (178)            | (164)             | -               | -              | -                | (342)             |
| <b>Total accumulated depreciation</b>     | <b>(35,689)</b>     | <b>(209)</b>                         | <b>(8,020)</b> | <b>-</b>        | <b>278</b>     | <b>(43,640)</b>  | <b>(3,954)</b>    | <b>-</b>        | <b>245</b>     | <b>-</b>         | <b>(47,349)</b>   |
| <b>Net balance</b>                        | <b>68,670</b>       | <b>335</b>                           | <b>6,042</b>   | <b>-</b>        | <b>(3,024)</b> | <b>72,023</b>    | <b>27,951</b>     | <b>-</b>        | <b>(4,683)</b> | <b>-</b>         | <b>95,291</b>     |

(a) Position of the closing balance and changes in Preserv's assets as of the acquisition date on November 11 to the closing position in December 2016.

## 17 Intangible assets

|   |  | <b>Parent company</b> |                 |                  |                   |                 |                  |                   |
|---|--|-----------------------|-----------------|------------------|-------------------|-----------------|------------------|-------------------|
|   | <b>Annual weighted<br/>rates of amortization</b> | <b>12/31/2015</b>     | <b>Addition</b> | <b>Write-off</b> | <b>12/31/2016</b> | <b>Addition</b> | <b>Write-off</b> | <b>06/30/2017</b> |
| <b>Cost</b>                               |  |                       |                 |                  |                   |                 |                  |                   |
| Software                                  |  | 3,791                 | 49              | (1)              | 3,839             | 8               | -                | 3,847             |
| Patent                                    |  | 877                   | -               | -                | 877               | 3               | -                | 880               |
| <b>Total cost</b>                         |  | <b>4,668</b>          | <b>49</b>       | <b>(1)</b>       | <b>4,716</b>      | <b>11</b>       | <b>-</b>         | <b>4,727</b>      |
| <b>Amortization</b>                       |  |                       |                 |                  |                   |                 |                  |                   |
| Software                                  | 25%  | (1,875)               | (703)           | -                | (2,578)           | (340)           | -                | (2,918)           |
| <b>Total accumulated<br/>amortization</b> |  | <b>(1,875)</b>        | <b>(703)</b>    | <b>-</b>         | <b>(2,578)</b>    | <b>(340)</b>    | <b>-</b>         | <b>(2,918)</b>    |
| <b>Net balance</b>                        |  | <b>2,793</b>          | <b>(654)</b>    | <b>(1)</b>       | <b>2,138</b>      | <b>(329)</b>    | <b>-</b>         | <b>1,809</b>      |

|  |     | <b>Consolidated</b> |                                       |                 |                  |                   |                 |                  |                   |
|--|-----|---------------------|---------------------------------------|-----------------|------------------|-------------------|-----------------|------------------|-------------------|
| <b>Annual weighted rates of amortization</b> |     | <b>12/31/2015</b>   | <b>From acquisition of subsidiary</b> | <b>Addition</b> | <b>Write-off</b> | <b>12/31/2016</b> | <b>Addition</b> | <b>Write-off</b> | <b>06/30/2017</b> |
| <b>Cost</b>                                  |     |                     |                                       |                 |                  |                   |                 |                  |                   |
| Software                                     |     | 3,801               | 6                                     | 37              | -                | 3,844             | 8               | -                | 3,852             |
| Patent                                       |     | 877                 | 4                                     | 62              | -                | 943               | 23              | (306)            | 660               |
| Brand  |     | 22                  | -                                     | -               | -                | 22                | 4               | (10)             | 16                |
| Sanitary records                             |     | 272                 | -                                     | 402             | -                | 674               | -               | -                | 674               |
| Goodwill (i)                                 |     | 7,071               | -                                     | -               | -                | 7,071             | -               | -                | 7,071             |
| <b>Total cost</b>                            |     | <b>12,043</b>       | <b>10</b>                             | <b>501</b>      | <b>-</b>         | <b>12,554</b>     | <b>35</b>       | <b>(316)</b>     | <b>12,273</b>     |
| <b>Amortization</b>                          |     |                     |                                       |                 |                  |                   |                 |                  |                   |
| Software                                     | 25% | (1,893)             | -                                     | (692)           | -                | (2,585)           | (340)           | -                | (2,925)           |
| Sanitary records                             | 25% | (140)               | -                                     | (39)            | -                | (179)             | (26)            | -                | (205)             |
| <b>Total accumulated amortization</b>        |     | <b>(2,033)</b>      | <b>-</b>                              | <b>(731)</b>    | <b>-</b>         | <b>(2,764)</b>    | <b>(366)</b>    | <b>-</b>         | <b>(3,130)</b>    |
| <b>Net balance</b>                           |     | <b>10,010</b>       | <b>10</b>                             | <b>(230)</b>    | <b>-</b>         | <b>9,790</b>      | <b>(331)</b>    | <b>(316)</b>     | <b>9,143</b>      |

- (i) Goodwill derives from the acquisitions of the investees Blau Colombia, in the amount of R\$ 6,800, and of Blau Uruguay, in the amount of R\$ 271, which are being presented in intangible assets (Consolidated) pursuant to the accounting standard. See Note 15.

### **Impairment testing - Intangible assets**

The Company evaluated the recovery of the book value of goodwill using the “value in use” concept, by means of discounted cash flow models by means of an estimate of each Cash Generating Unit (“CGU”), representing the tangible and intangible assets recorded in parent company that generated a goodwill.

The process for determining the CGU recovery based on the value in use involves the use of assumptions, judgments and estimates on cash flows, such as income growth rates, costs and expenses, investment estimates and future working capital and discount rates. The assumptions of projections of growth, cash flow and future cash flows are based on Management’s best estimates, as well as on comparable market data, economic conditions during the economic life of the set of assets that provide the generation of cash flows. Future cash flows were discounted based on the rate representing the capital cost.

Based on the Company’s annual impairment test of intangible assets on projections made to the financial statements, expected growth at the time and monitoring of projections and operating income during the period, it was not identified possible losses or indications of losses, since the value in use is higher than the net book value on the date of evaluation. The main assumptions used in determining operating future cash flows discounted to present value of operations are as follows:

|  |  |
|--|--|
| <b>Sale of products - 12/31/2016</b>   | Considering sales net of taxes and returns |
| Hospital line                          | Growth of 9% p.a.                          |
| Oncology line                          | Growth of 10% p.a.                         |
| Biological line                        | Growth of 14% p.a.                         |
| Sutures                                | Growth of 9% p.a.                          |
| <b>Operating expenses - 12/31/2016</b> |  |
| Fixed                                  | Straight-line growth of 6% p.a.            |
| Variables                              | Proportional to Net Income on 12/31/2016   |
| <b>DCF - Financial cost 12/31/2016</b> | 11.7% p.a. capitalized                     |

On December 31, 2017, the Company assessed whether there was any indication that its assets at the end of their useful lives might be damaged or devalued and concluded that there is no impairment indication.

## **18 Related parties (restated)**

### **a. Ultimate parent company**

During the period as of June 30, 2017 and year ended December 31, 2016, new shares were not issued. Ultimate controlling party is still Mr. Marcelo Hahn, who holds exclusive shareholding interest in the Company.



**b. Remuneration of key management personnel**

The remuneration of key management personnel comprises salaries and direct benefits, such as healthcare, dental and food assistance. The Company does not provide non-cash benefits to directors, nor contributes to a defined post-employment benefit plan. The Company has no Company's stock option plans.

|                 | 06/30/2017 | 06/30/2016 |
|-----------------|------------|------------|
| Directors' fees | 1,225      | 894        |

**c. Balances and transactions with related parties**

Transactions with related parties are duly formalized through contract or other equivalent instrument - for example, purchase order when it refers to commercial transactions - and consider the same principles and procedures that guide negotiations made by the Company with independent parties.

The main balances between related parties in the balance sheet and statement of income accounts are as follows:

|   | Parent company |              | Consolidated |              |
|---|----------------|--------------|--------------|--------------|
|   | 06/30/2017     | 12/31/2016   | 06/30/2017   | 12/31/2016   |
| <b>Assets</b>                                     |                |              |              |              |
| <b>Current assets</b>                             |                |              |              |              |
| <b>Trade accounts receivable (note 12)</b>        |                |              |              |              |
| Kollimed Com. Mat. Hospitalares Ltda. (a)         | 383            | 664          | 383          | 664          |
| The Package Store Imp. Com. Distr. Emb. Ltda. (b) | 1,336          | 731          | 1,336        | 731          |
| Blau Farmacêutica Colombia S.A.S. (c)             | 5,622          | 5,079        | -            | -            |
| Blaufarma Uruguay S.A. (d)                        | 1,462          | 1,425        | -            | -            |
| <b>Total clients</b>                              | <b>8,803</b>   | <b>7,899</b> | <b>1,719</b> | <b>1,395</b> |
| <b>Investments (Note 15)</b>                      |                |              |              |              |
| AFAC Blaufarma Uruguay S.A.                       | 1,751          | 339          | -            | -            |
| <b>Total</b>                                      | <b>1,751</b>   | <b>339</b>   | <b>-</b>     | <b>-</b>     |
| <b>Non-current assets</b>                         |                |              |              |              |
| <b>Loans receivable</b>                           |                |              |              |              |
| Shareholders (e)                                  | 1,129          | 1,462        | 1,129        | 1,462        |
| <b>Total loans receivable</b>                     | <b>1,129</b>   | <b>1,462</b> | <b>1,129</b> | <b>1,462</b> |
| <b>Total assets</b>                               | <b>11,683</b>  | <b>9,700</b> | <b>2,848</b> | <b>2,857</b> |

|                                       | Parent company |              | Consolidated  |              |
|---------------------------------------|----------------|--------------|---------------|--------------|
|                                       | 06/30/2017     | 12/31/2016   | 06/30/2017    | 12/31/2016   |
| <b>Liabilities</b>                    |                |              |               |              |
| <b>Current liabilities</b>            |                |              |               |              |
| <b>Suppliers</b>                      |                |              |               |              |
| Kollimed Com. Mat. Hospitalares Ltda. | 110            | 104          | 110           | 104          |
| <b>Total suppliers (Note 19)</b>      | <b>110</b>     | <b>104</b>   | <b>110</b>    | <b>104</b>   |
| <b>Other accounts payable</b>         |                |              |               |              |
| Hahn Participações (f)                | 19,401         | -            | 19,401        | -            |
| F - 11 Segurança Privada Ltda (g)     | 243            | 229          | 243           | 229          |
| Interest on own capital (e)           | 3,915          | -            | 3,915         | -            |
| Minimum dividends to shareholders     | -              | 1,003        | -             | 1,003        |
| <b>Total other accounts payable</b>   | <b>23,559</b>  | <b>1,232</b> | <b>23,559</b> | <b>1,232</b> |

***Income (loss) Net income (Note 24) and costs of goods and products sold (Note 25)***

|   | Parent company |                 |               |                 |
|---|----------------|-----------------|---------------|-----------------|
|   | 06/30/2017     |                 | 06/30/2016    |                 |
|   | Income         | Cost            | Income        | Cost            |
| Kollimed Com. Mat. Hospitalares Ltda.             | 10,262         | (6,008)         | 9,110         | (8,877)         |
| The Package Store Imp. Com. Distr. Emb. Ltda.     | 1,167          | (696)           | 1,073         | (496)           |
| Blau Farmacêutica Colombia S.A.S.                 | 4,706          | (4,023)         | 8,524         | (5,942)         |
| Blaufarma Uruguay S.A.                            | 987            | (992)           | 651           | (479)           |
| Preserv S.A.                                      | -              | -               | 250           | (160)           |
| <b>Total income (loss) with related parties</b>   | <b>17,122</b>  | <b>(11,719)</b> | <b>19,608</b> | <b>(15,954)</b> |
|   | Consolidated   |                 |               |                 |
|   | 06/30/2017     |                 | 06/30/2016    |                 |
|   | Income         | Cost            | Income        | Cost            |
| Kollimed Com. Mat. Hospitalares Ltda. (a)         | 10,262         | (6,008)         | 9,110         | (8,877)         |
| The Package Store Imp. Com. Distr. Emb. Ltda. (b) | 1,167          | (696)           | 1,073         | (496)           |
| <b>Total income (loss) with related parties</b>   | <b>11,429</b>  | <b>(6,704)</b>  | <b>10,183</b> | <b>(9,373)</b>  |

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

|   | <b>06/30/2017</b> | <b>06/30/2016</b> |
|---|-------------------|-------------------|
| Hahn Participações (f)                      | 12,018            | 10,487            |
| Giannetto e Faccio Advogados Associados (h) | 223               | 236               |
| Alban Consultoria Empresarial Ltda          | 21                | 30                |
| F-11 Segurança Privada Ltda (g)             | 1,702             | -                 |
|   | <b>13,964</b>     | <b>10,753</b>     |
| <b>Total expenses with related parties</b>  | <b>13,964</b>     | <b>10,753</b>     |

- (a) Kolimed Com. Mat. Hospitalares Ltda. is mainly engaged in Distributing Medicines; amounts invoiced to Kolimed derive from sale of medicaments at regular market conditions. Sales margin used for related parties is 15%, and average payment term is 40 days.
- (b) The Package Store Imp. Com. Distr. Emb. Ltda. is mainly engaged in selling glass packaging for the pharmaceutical industry; amounts invoiced to The Package derive from glass packaging bought by the Company from suppliers abroad and resold to The Package at regular market conditions. Sales margin used for related parties is 15%, and average payment term is 40 days.
- (c) Refers to export transactions of medicine manufactured by the Company and resold by subsidiary in Colombian territory. Transactions are carried out in North-American dollars and average payment term is 90 days.
- (d) Refers to export transactions of medicine manufactured by the Company and resold by subsidiary in Uruguayan territory. Transactions are carried out in North-American dollars and average payment term is 180 days.
- (e) Loans receivable from shareholders do not have an expiration date, inflation adjustment or guarantee terms. Amounts receivable are settled on an annual basis through rebate of dividends owed to shareholders, as evidenced in note 23 (d). Outstanding balance as of December 31, 2016 was fully settled in September 2017.
- (f) The Company had real estate rental agreements with the related party Hahn Participações Eireli, signed in June 2013 with a term of 5 years. The agreement had no guarantee clauses. The rental amount was monetarily updated annually using inflation indexes, and the payments were made monthly. The contract provided for a grace period of 36 months for cancellation, being therefore subject to fine in case of early termination. Rental expense totaled R\$ 12,018 in the six-month period ended June 30, 2017 (R\$ 10,487 as of June 30, 2016). On June 30, 2017, rent contract was extinguished and, on the same date, a contract for purchase and sale was entered into by the Company and Hahn Participações for the purchase of properties totaling R\$17,927. In accordance with this contract, agreed-upon value was fully settled in December 2017.
- (g) The Company has a security service agreement entered into in the second semester of 2016 with the related company F-11 Seguranças Privada Ltda., where Mr. Marcelo Hahn holds a 89%-interest and the Legal Director holds a 10%-interest. Service expenses affected the result of general and administrative expenses in the amount of R\$ 1.702 in the six-month period ended June 30, 2017. Contract is effective for one year and renewal will occur through signature of respective contract addendum by both parties. Contract will be adjusted during its effectiveness on base date of the category (January). Payment will be made on the fourth business day of the month subsequent to provision of services and, in case of delay, fine of 2% on invoice value, in addition to financial charges referring to interest on arrears of 1% p.m.
- (h) The Company currently has a statutory Legal Director, which holds interest in the Giannetto Faccio Advogados Associados law firm, engaged in legal advisory in labor and civil disputes, and service expenses affected general and administrative expenses in the amount of R\$ 223 in the six-month period ended June 30, 2017 (R\$ 236 on June 30, 2016).

## 19 Suppliers

|                           | Parent company |               | Consolidated  |               |
|---------------------------|----------------|---------------|---------------|---------------|
|                           | 06/30/2017     | 12/31/2016    | 06/30/2017    | 12/31/2016    |
| Domestic                  | 6,745          | 7,944         | 6,745         | 8,029         |
| Abroad                    | 69,604         | 37,168        | 69,451        | 37,865        |
| <b>Subtotal</b>           | <b>76,349</b>  | <b>45,112</b> | <b>76,196</b> | <b>45,894</b> |
| Related parties (Note 18) | 110            | 104           | 110           | 104           |
| <b>Total suppliers</b>    | <b>76,459</b>  | <b>45,216</b> | <b>76,306</b> | <b>45,998</b> |

## 20 Income tax and social contribution

### Current

|                     | Parent company |              | Consolidated  |              |
|---------------------|----------------|--------------|---------------|--------------|
|                     | 06/30/2017     | 12/31/2016   | 06/30/2017    | 12/31/2016   |
| Income tax          | 14,621         | 4,587        | 14,621        | 4,587        |
| Social contribution | 5,005          | 1,692        | 5,005         | 1,692        |
| <b>Subtotal</b>     | <b>19,626</b>  | <b>6,279</b> | <b>19,626</b> | <b>6,279</b> |

### Changes in income and social contribution taxes payable

|                        | Parent company |              | Consolidated  |              |
|------------------------|----------------|--------------|---------------|--------------|
|                        | 06/30/2017     | 12/31/2016   | 06/30/2017    | 12/31/2016   |
| Opening balance        | 6,279          | 13,067       | 6,279         | 13,067       |
| Provision              | 32,052         | 14,530       | 32,052        | 14,530       |
| Interest               | (514)          | 1,831        | (514)         | 1,831        |
| Compensation           | (2,534)        | (2,340)      | (2,534)       | (2,340)      |
| Tax paid               | (15,657)       | (20,809)     | (15,657)      | (20,809)     |
| <b>Closing balance</b> | <b>19,626</b>  | <b>6,279</b> | <b>19,626</b> | <b>6,279</b> |

## Effective rate in the parent company

| <b>Reconciliation of income tax and social contribution</b>                                   | <b>06/30/2017</b> | <b>12/31/2016</b> |
|---|-------------------|-------------------|
| Income before income tax and social contribution  | 91,518            | 45,944            |
| Statutory rate  | 34%               | 34%               |
| Amount of income and social contribution taxes on the accounting profit at the statutory rate | 31,116            | 15,621            |
| <b>Additions:</b>   | <b>10,797</b>     | <b>16,594</b>     |
| Blau Farmacêutica Colombia S.A.S. income  | 408               | 209               |
| Tax incentives  | 890               | 256               |
| Negative equity in subsidiaries   | 914               | 4,654             |
| Non-deductible provisions   | 5,520             | 7,042             |
| Other   | 3,065             | 4,433             |
| <b>Exclusions:</b>  | <b>14,193</b>     | <b>15,467</b>     |
| Reversal of provisions  | 6,011             | 4,111             |
| Expenses with R&D for technological innovation (Law 11.196)                                   | 2,807             | 4,474             |
| Positive equity in subsidiaries   | 408               | 209               |
| Expenses with development of aggregated products  | 666               | 1,333             |
| Interest on own capital   | 3,916             | 5,269             |
| Other   | 385               | 71                |
| <b>Taxable income</b>   | <b>88,122</b>     | <b>47,071</b>     |
| <b>Statutory rate</b>   | <b>34%</b>        | <b>34%</b>        |
| Combined nominal rate of 25% for IRPJ and 9% for CSLL   |                   |                   |
| Current income tax and social contribution  | 28,327            | 14,530            |
| Deferred income tax and social contribution   | (708)             | (919)             |
| <b>Net income tax and social contribution in P&amp;L</b>                                      | <b>27,619</b>     | <b>13,611</b>     |
| <b>Effective rate</b>   | <b>31%</b>        | <b>29%</b>        |

## Deferred income and social contribution taxes, net

|                                     | <u>Parent company</u> |                   | <u>Consolidated</u> |                   |
|-------------------------------------|-----------------------|-------------------|---------------------|-------------------|
|                                     | <b>06/30/2017</b>     | <b>12/31/2016</b> | <b>06/30/2017</b>   | <b>12/31/2016</b> |
| <b>Liabilities</b>                  |                       |                   |                     |                   |
| Income tax                          | (1,612)               | (1,879)           | (1,612)             | (1,879)           |
| Social contribution                 | (580)                 | (676)             | (580)               | (676)             |
| <b>Subtotal</b>                     | <b>(2,192)</b>        | <b>(2,555)</b>    | <b>(2,192)</b>      | <b>(2,555)</b>    |
| <b>Assets</b>                       |                       |                   |                     |                   |
| Income tax                          | 2,823                 | 2,524             | 3,144               | 2,970             |
| Social contribution                 | 1,096                 | 988               | 1,220               | 987               |
| <b>Subtotal</b>                     | <b>3,919</b>          | <b>3,512</b>      | <b>4,364</b>        | <b>3,957</b>      |
| <b>Total – assets (liabilities)</b> | <b>1,727</b>          | <b>957</b>        | <b>2,172</b>        | <b>1,402</b>      |

### Changes of deferred income and social contribution taxes

|   | Parent company |            | Consolidated |              |
|---|----------------|------------|--------------|--------------|
|   | 06/30/2017     | 12/31/2016 | 06/30/2017   | 12/31/2016   |
| Opening balance   | 957            | (182)      | 957          | (182)        |
| Income tax and social contribution on equity valuation adjustment           | 364            | 1,135      | 364          | 1,135        |
| Income tax and social contribution on inventory losses                      | 360            | 1,494      | 360          | 1,494        |
| Income tax and social contribution on provision for contingencies           | 56             | (475)      | 56           | (475)        |
| Income and social contribution on other                                     | (10)           | (1,015)    | (10)         | (1,015)      |
| <b>Total – assets</b>   | <b>1727</b>    | <b>957</b> | <b>1,727</b> | <b>957</b>   |
| IR/CS on tax loss of negative social contribution basis<br>of Blau Colombia | -              | -          | 445          | 445          |
| <b>Total – liabilities</b>  | <b>-</b>       | <b>-</b>   | <b>-</b>     | <b>-</b>     |
| <b>Total – assets</b>   | <b>1,727</b>   | <b>957</b> | <b>2,172</b> | <b>1,402</b> |

## 21 Loans and financing

| Description  | Average rate                    | Guarantee                  | Parent company |                | Consolidated   |                |
|--|---------------------------------|----------------------------|----------------|----------------|----------------|----------------|
|  |                                 |                            | 06/30/2017     | 12/31/2016     | 06/30/2017     | 12/31/2016     |
| Cash and cash equivalents                                    |                                 |                            | -              | -              | -              | -              |
| ACC  | US\$+4.38% p.a.                 | CEO's consent              | 13,825         | 15,87          | 13,825         | 15,87          |
| Leases   | 11% p.a.                        | Lien                       | 273            | -              | 273            | 38             |
| Loan   | 5% p.a.                         |                            | -              | -              | 60             | 77             |
| Working Capital  | 15.10% p.a., 18.07% p.a.        | 35% of Private receivables |                | 72,532         | 67,305         | 75,257         |
|  | 17.38% p.a., 16.95% p.a. (SWAP) | 35% of Private receivables |                | 50,633         | 39,342         | 50,663         |
| <b>Total loans and financing with financial institutions</b> |                                 |                            | <b>120,481</b> | <b>139,065</b> | <b>120,805</b> | <b>141,905</b> |
| Current  |                                 |                            | 111,653        | 105,831        | 111,917        | 108,198        |
| Non-current  |                                 |                            | 8,828          | 33,234         | 8,888          | 33,707         |
| <b>Total</b>   |                                 |                            | <b>120,481</b> | <b>139,065</b> | <b>120,805</b> | <b>141,905</b> |

Long-term loans and financing are broken down as follows:

| The maturity of non-current liabilities will be on: | Parent company |               | Consolidated |               |
|---|----------------|---------------|--------------|---------------|
|   | 30/06/ 2017    | 12/31/2016    | 06/30/2017   | 12/31/2016    |
| 2018  | 8,224          | 33,234        | 8,284        | 33,707        |
| 2019  | 572            |               | 572          |               |
| >2020   | 32             |               | 32           |               |
| <b>Total</b>  | <b>8,828</b>   | <b>33,234</b> | <b>8,888</b> | <b>33,707</b> |

As of June 30, 2017, there are no covenants to be met by the Company and its subsidiaries.

**Covenants for the year ended December 31, 2016:**

The Company had four working capital loan agreements with Banco Itaú BBA with covenants determining that certain obligations be fulfilled so that their respective amounts do not have earlier maturities, among which the main is as follows:

- The ratio between (A) the net bank debt (B) and the EBITDA should always be less than or equal to 2.5.

The Company complied with all covenants contained in those agreements.

**22 Provisions for contingencies**

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

|                    | <b>Parent company</b> |                                 |                 |                  |                 |                   |
|--------------------|-----------------------|---------------------------------|-----------------|------------------|-----------------|-------------------|
|                    | <b>12/31/2016</b>     | <b>Inflation<br/>adjustment</b> | <b>Addition</b> | <b>Reversals</b> | <b>Payments</b> | <b>06/30/2017</b> |
| Labor proceedings  | 2,498                 | 143                             | 848             | (506)            | -               | 2,983             |
| Civil proceedings  | 805                   | 27                              | -               | (321)            | (4)             | 507               |
| Anvisa Proceedings | 140                   | -                               | 12              | -                | (32)            | 120               |
| <b>Total</b>       | <b>3,443</b>          | <b>170</b>                      | <b>860</b>      | <b>(827)</b>     | <b>(36)</b>     | <b>3,610</b>      |
|                    | <b>Consolidated</b>   |                                 |                 |                  |                 |                   |
|                    | <b>12/31/2016</b>     | <b>Inflation<br/>adjustment</b> | <b>Addition</b> | <b>Reversals</b> | <b>Payments</b> | <b>06/30/2017</b> |
| Labor proceedings  | 2,529                 | 143                             | 947             | (506)            | -               | 3,113             |
| Civil proceedings  | 781                   | 27                              | -               | (321)            | (4)             | 483               |
| Anvisa Proceedings | 140                   | -                               | 12              | -                | (32)            | 120               |
| <b>Total</b>       | <b>3,450</b>          | <b>170</b>                      | <b>959</b>      | <b>(827)</b>     | <b>(36)</b>     | <b>3,716</b>      |

The main lawsuits refer to labor claims, but the Company does not expect a material outflow of funds as the result of said lawsuits.



**a. Causes classified as a possible loss by the legal advisors**

The Company is subject to other lawsuits evaluated by the Company's legal advisors as having a possible risk of loss in the amount of R\$ 6,707 as of June 30, 2017 and (R\$ 7,006 as of December 31, 2016). No provision was recognized for contingencies classified as possible, according to their nature:

| Nature       | 06/30/2017          | 12/31/2016          |
|--------------|---------------------|---------------------|
| Tax          | 3,910               | 3,432               |
| Labor        | 626                 | 548                 |
| Civil        | <u>2,171</u>        | <u>3,026</u>        |
| <b>Total</b> | <b><u>6,707</u></b> | <b><u>7,006</u></b> |

**23 Shareholders' equity**

**a. Capital**

The Company's capital, subscribed and paid-up on June 30, 2017, is represented by 18,500,000 common and nominative shares, with no par value, in the amount of R\$ 56,070 on June 30, 2017 and (R\$ 56,070 as of December 31, 2016).

The shareholding structure is as follows:

*(Amounts expressed in reais)*

| Shareholders           | 06/30/2017               |                        |                        |                    |
|------------------------|--------------------------|------------------------|------------------------|--------------------|
|                        | Number of shares         | Capital                | Shareholders' equity   | %                  |
| Marcelo Rodolfo Hahn   | 16,650,000               | 50,463                 | 141,573                | 90%                |
| Joyce Marrie Hahn      | <u>1,850,000</u>         | <u>5,607</u>           | <u>15,730</u>          | <u>10%</u>         |
| <b>Total</b>           | <b><u>18,500,000</u></b> | <b><u>56,070</u></b>   | <b><u>157,303</u></b>  | <b><u>100%</u></b> |
| <b>Value per share</b> | <b><u>18,500,000</u></b> | <b><u>R\$ 3.03</u></b> | <b><u>R\$ 8.50</u></b> |                    |
| Shareholders           | 12/31/2016               |                        |                        |                    |
|                        | Number of shares         | Capital                | Shareholders' equity   | %                  |
| Marcelo Rodolfo Hahn   | 16,650,000               | 50,463                 | 87,739                 | 90%                |
| Joyce Marrie Hahn      | <u>1,850,000</u>         | <u>5,607</u>           | <u>9,748</u>           | <u>10%</u>         |
| <b>Total</b>           | <b><u>18,500,000</u></b> | <b><u>56,070</u></b>   | <b><u>97,487</u></b>   | <b><u>100%</u></b> |
| <b>Value per share</b> | <b><u>18,500,000</u></b> | <b><u>R\$ 3.03</u></b> | <b><u>R\$ 5.26</u></b> |                    |

**b. Profit reserve**

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

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

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

**c. Other comprehensive income**

Refer to the gain and loss on the translation of the financial statements of subsidiaries domiciled abroad, and the revaluation adjustment in the initial adoption (deemed cost).

**d. Profit distribution**

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

On December 31, 2016, considering the profit for that year and the Company's bylaws, the mandatory minimum dividend was R\$ 1,114, of which R\$ 110 was offset against loans receivable from shareholders on that date, and R\$ 1,003 were paid in cash in 2017.

In accordance with the option provided in Law 9249/95, the Company calculated interest on own capital at TJLP (Long-term interest rate) effective in the six-month period ended June 30, 2017 in the amount of R\$ 3,915 (R\$ 2,372 as of June 30, 2016), which were calculated under earning losses, as required by tax legislation. For the purpose of these financial statements, this interest is being presented in changes to shareholders' equity as interim distribution of dividends.

As required by law and in accordance with the Company's Bylaws, interest on own capital were declared and distributed to shareholders as interim dividends. On June 30, 2017, the balance payable on interest on own capital declared in the same period is R\$ 3,915, and will be settled up to September 30, 2017 (interest on own capital in the amount of R\$ 5,269 for the year ended December 31, 2016 were fully settled in that year, and the amount of R\$ 1,888 was offset against loans receivable from shareholders – see note 18(c), while the amount of R\$ 3,381 was paid in cash before the end of that year).

The income and social contribution tax expense was decreased by R\$ 1,331 in the period ended June 30, 2017 (R\$ 2,107 in 2016) as a result of the deduction of these taxes by interest on own capital credited to shareholders.

**e. Earnings per share (restated)**

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

As disclosed in note 30, on September 20, 2017, a Shareholders' Meeting approved split of shares issued by the Company. Information related to earnings per share for the six-month period ended June 30, 2017 and 2016, presented below, has been prepared considering the number of common shares approved and paid-up on financial information issuance date.

***Basic and diluted***

Basic earnings per share is calculated by dividing profit attributable to company shareholders by the number of shares of the period.

The Company does not have dilutive instruments, such as instruments convertible into shares, options or subscription warrants.

|  | <b>Parent company</b> |                    |                    |                    |
|--|-----------------------|--------------------|--------------------|--------------------|
|  | <b>2017</b>           |                    | <b>2016</b>        |                    |
|  | <b>2nd Quarter</b>    | <b>Accumulated</b> | <b>2nd Quarter</b> | <b>Accumulated</b> |
| <b>Numerator</b>   |                       |                    |                    |                    |
| Net income for the period attributable to controlling shareholders | 46,401                | 63,899             | 6,855              | 10,098             |
| <b>Denominator (in thousands of shares)</b>                        |                       |                    |                    |                    |
| Number of common shares  | 148,000               | 148,000            | 148,000            | 148,000            |
| <b>Earnings per share</b>  |                       |                    |                    |                    |
| Basic and diluted earnings per common share                        | <b>0.31352</b>        | <b>0.43175</b>     | <b>0.04632</b>     | <b>0.06823</b>     |
|  | <b>Consolidated</b>   |                    |                    |                    |
|  | <b>2017</b>           |                    | <b>2016</b>        |                    |
|  | <b>2nd Quarter</b>    | <b>Accumulated</b> | <b>2nd Quarter</b> | <b>Accumulated</b> |
| <b>Numerator</b>   |                       |                    |                    |                    |
| Net income for the period attributable to controlling shareholders | 46,183                | 62,323             | 6,802              | 9,048              |
| <b>Denominator (in thousands of shares)</b>                        |                       |                    |                    |                    |
| Number of common shares  | 148,000               | 148,000            | 148,000            | 148,000            |
| <b>Earnings per share</b>  |                       |                    |                    |                    |
| Basic and diluted earnings per common share                        | <b>0.31205</b>        | <b>0.42110</b>     | <b>0.04596</b>     | <b>0.06114</b>     |

## 24 Net Revenues (restated)

|  | Parent company  |                 | Consolidated    |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 06/30/2017      | 06/30/2016      | 06/30/2017      | 06/30/2016      |
| Revenues from sale of products - Domestic market | 325,608         | 177,424         | 325,608         | 177,424         |
| Revenues from sale of products - Foreign market  | 4,649           | 6,407           | 15,650          | 16,744          |
| Revenues with related parties (Note 18)          | 17,122          | 19,608          | 11,429          | 10,183          |
|  | <b>347,379</b>  | <b>203,439</b>  | <b>352,687</b>  | <b>204,351</b>  |
| (-) Taxes  | (14,434)        | (14,518)        | (14,434)        | (14,518)        |
| (-) Discounts granted                            | (5)             | (237)           | (55)            | (431)           |
| (-) Returns                                      | (2,116)         | (2,364)         | (2,253)         | (2,944)         |
|  | <b>(16,555)</b> | <b>(17,119)</b> | <b>(16,742)</b> | <b>(17,893)</b> |
| <b>Total</b>                                     | <b>330,824</b>  | <b>186,320</b>  | <b>335,945</b>  | <b>186,458</b>  |

The Company's sales are mainly concentrated in the hospital segment, in the domestic and foreign market, and distributed and spread between private and public initiatives, as follows:

|                           | Parent company |                | Consolidated   |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 06/30/2017     | 06/30/2016     | 06/30/2017     | 06/30/2016     |
| Private                   | 160,876        | 158,346        | 165,997        | 158,484        |
| Public                    | 169,948        | 27,974         | 169,948        | 27,974         |
| <b>Total net revenues</b> | <b>330,824</b> | <b>186,320</b> | <b>335,945</b> | <b>186,458</b> |

Net revenues segregated per types of treatments is as follows:

|              | Parent company |                | Consolidated   |                |
|--------------|----------------|----------------|----------------|----------------|
|              | 06/30/2017     | 06/30/2016     | 06/30/2017     | 06/30/2016     |
| Biological   | 195,793        | 85,982         | 198,038        | 83,358         |
| Specialized  | 61,356         | 74,887         | 62,726         | 76,123         |
| Oncological  | 18,716         | 16,613         | 19,672         | 17,159         |
| Other        | 54,959         | 8,838          | 55,509         | 9,818          |
| <b>Total</b> | <b>330,824</b> | <b>186,320</b> | <b>335,945</b> | <b>186,458</b> |

In relation to geographical location, net revenues in Brazil represents 95% and 92% of consolidated net revenues for the six-month periods ended June 30, 2017 and 2016, respectively.

| <b>Consolidated</b> |                   |                   |
|---------------------|-------------------|-------------------|
|                     | <b>06/30/2017</b> | <b>06/30/2016</b> |
| Brazil              | 320,481           | 170,774           |
| Colombia            | 9,323             | 8,574             |
| Peru                | 2,403             | 2,579             |
| Uruguay             | 2,154             | 1,167             |
| Thailand            | 604               | 1,839             |
| Chile               | 470               | 881               |
| Paraguay            | 396               | 644               |
| Other               | 114               | -                 |
|                     | <b>335,945</b>    | <b>186,458</b>    |

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

| <b>Consolidated</b>        |                   |                   |
|----------------------------|-------------------|-------------------|
|                            | <b>06/30/2017</b> | <b>06/30/2016</b> |
| <b>Private</b>             |                   |                   |
| CM Hospitalar              | 8,685             | 5,961             |
| Servimed                   | 9,666             | 8,784             |
| Kollimed (Note 18)         | 10,262            | 9,110             |
| Comercial Rioclarense      | 3,333             | 6,827             |
| Macromed                   | -                 | 745               |
| Health care establishments | 1,590             | 1,645             |
| Pharmacies and drugstores  | 4,313             | 1,750             |
| Other private clients      | 128,148           | 123,662           |
|                            | <b>165,997</b>    | <b>158,484</b>    |
| <b>Public</b>              |                   |                   |
| Ministry of Health         | 139,334           | 8,629             |
| Health Departments         | 10,685            | 6,257             |
| Other public bodies        | 19,929            | 13,088            |
|                            | <b>169,948</b>    | <b>27,974</b>     |
|                            | <b>335,945</b>    | <b>186,458</b>    |

## 25 Cost of goods and products sold

|   | Parent company   |                  | Consolidated     |                  |
|---|------------------|------------------|------------------|------------------|
|   | 06/30/2017       | 06/30/2016       | 06/30/2017       | 06/30/2016       |
| Costs of materials (raw material and packaging) | (126,957)        | (76,505)         | (129,873)        | (75,527)         |
| Labor   | (8,772)          | (7,574)          | (8,772)          | (7,574)          |
| Depreciation and amortization                   | (2,754)          | (2,701)          | (2,754)          | (2,701)          |
| Other manufacturing expenses                    | (30,843)         | (22,043)         | (30,843)         | (22,043)         |
| <b>Total cost of sales</b>                      | <b>(169,326)</b> | <b>(108,823)</b> | <b>(172,242)</b> | <b>(107,845)</b> |

## 26 Commercial and administrative expenses per position

|                                    | Parent company  |                 | Consolidated    |                 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                    | 06/30/2017      | 06/30/2016      | 06/30/2017      | 06/30/2016      |
| Personnel expenses                 | (21,373)        | (18,812)        | (22,568)        | (21,102)        |
| Profit sharing                     | (650)           | (576)           | (650)           | (576)           |
| Directors' fees and fees           | (996)           | (716)           | (996)           | (716)           |
| Regulatory                         | (498)           | (561)           | (604)           | (682)           |
| Specialized services               | (5,273)         | (4,393)         | (5,539)         | (4,514)         |
| Vehicles                           | (558)           | (2,536)         | (542)           | (2,479)         |
| Marketing                          | (2,095)         | (207)           | (2,163)         | (271)           |
| Travel and representations         | (732)           | (423)           | (783)           | (512)           |
| Freight expenses                   | (2,344)         | (1,929)         | (2,380)         | (1,963)         |
| Losses and provisions with clients | (700)           | (988)           | (745)           | (1,030)         |
| Depreciation and amortization      | (1,483)         | (1,367)         | (1,567)         | (1,003)         |
| General expenses                   | (3,012)         | (3,561)         | (6,241)         | (6,457)         |
| Materials and services             | (305)           | (137)           | (305)           | (137)           |
| Studies and tests on products      | (915)           | (935)           | (914)           | (935)           |
| Maintenance                        | (812)           | (336)           | (544)           | (223)           |
| Expenses with materials            | (1,786)         | (1,261)         | (956)           | (693)           |
| Communications expenses            | (408)           | (298)           | (403)           | (292)           |
| Equipment                          | (933)           | (371)           | (933)           | (354)           |
| Contributions, rates and fines     | (1,513)         | (642)           | (1,452)         | (474)           |
| Property rental                    | (12,486)        | (13,199)        | (12,359)        | (13,073)        |
| Provision for contingencies        | (1,031)         | 1,271           | (1,031)         | 1,271           |
|                                    | <b>(59,903)</b> | <b>(51,977)</b> | <b>(63,675)</b> | <b>(56,215)</b> |
| Commercial expenses                | (18,918)        | (14,081)        | (21,082)        | (17,753)        |
| Administrative expenses            | (40,985)        | (37,896)        | (42,593)        | (38,462)        |
|                                    | <b>(59,903)</b> | <b>(51,977)</b> | <b>(63,675)</b> | <b>(56,215)</b> |

## 27 Net financial expenses

|                                    | Parent company  |                 | Consolidated    |                 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                    | 06/30/2017      | 06/30/2016      | 06/30/2017      | 06/30/2016      |
| Foreign-exchange income            | 5,071           | 20,160          | 5,071           | 20,160          |
| Interest received                  | -               | 109             | -               | 109             |
| Gains with SWAP operations         | -               | 2,168           | -               | 2,168           |
| Discounts obtained                 | 127             | 16              | 296             | 228             |
| <b>Total financial income</b>      | <b>5,198</b>    | <b>22,453</b>   | <b>5,367</b>    | <b>22,665</b>   |
| Foreign exchange costs             | (8,090)         | (6,838)         | (8,090)         | (6,838)         |
| Interest paid                      | (6,571)         | (11,921)        | (6,887)         | (12,281)        |
| Losses from SWAP operations        | (2,462)         | (2,291)         | (2,462)         | (2,291)         |
| Loss from MTM operations           | 1,606           | (7,935)         | 1,606           | (7,935)         |
| IOF                                | (595)           | (946)           | (595)           | (946)           |
| Commissions and bank expenses      | (384)           | (455)           | (384)           | (455)           |
| Other                              | (346)           | (659)           | (346)           | (659)           |
| Discounts granted                  | (11)            | (8)             | (11)            | (8)             |
| <b>Total financial expenses</b>    | <b>(16,853)</b> | <b>(31,053)</b> | <b>(17,169)</b> | <b>(31,413)</b> |
| <b>Net financial income (loss)</b> | <b>(11,655)</b> | <b>(8,600)</b>  | <b>(11,802)</b> | <b>(8,748)</b>  |

## 28 Financial instruments (restated)

The financial instruments of the Company and its subsidiaries are substantially the same and therefore the Company is presenting only the consolidated information.

### a. Accounting classification and fair values

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

| Consolidated – June 30, 2017       |  |                          |         |            |         |            |         |
|------------------------------------|--|--------------------------|---------|------------|---------|------------|---------|
|                                    | Measured at<br>fair value<br>through profit<br>or loss | Loans and<br>receivables | Total   | Fair value |         |            | Total   |
|                                    |  |                          |         | Level<br>1 | Level 2 | Level<br>3 |         |
| Cash and cash equivalents          | 4,327  | 9,770                    | 14,097  | 4,327      | 9,770   | -          | 14,097  |
| Trade accounts receivable          | -  | 154,871                  | 154,871 | -          | 154,871 | -          | 154,871 |
| Other receivables                  | -  | 13,407                   | 13,407  | -          | 13,407  | -          | 13,407  |
| Loans receivable - related parties | -  | 1,129                    | 1,129   | -          | 1,129   | -          | 1,129   |
|                                    |  |                          | 183,504 |            | 179,177 |            |         |
|                                    | 4,327  | 179,177                  | 183,504 | 4,327      | 179,177 | -          | 183,504 |

|                                     | <b>Measured at fair<br/>value through<br/>profit or loss</b> | <b>Liabilities at<br/>amortized cost</b> | <b>Total</b>   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|-------------------------------------|--|--|----------------|----------------|----------------|----------------|----------------|
| Suppliers                           | -  | 76,306                                   | 76,306         | -              | 76,306         | -              | 76,306         |
| Loans and financing                 | -  | 119,950                                  | 119,950        | 119,950        | -              | -              | 119,950        |
| Future exchange contracts<br>(SWAP) | 855  | -  | 855            | -              | 855            | -              | 855            |
| Other accounts payable              | 28,124   | -  | 28,124         | -              | 28,124         | -              | 28,124         |
|                                     | <u>28,979</u>  | <u>196,256</u>                           | <u>225,235</u> | <u>119,950</u> | <u>105,285</u> | <u>-</u>       | <u>225,235</u> |

|                                       | <b>Measured at fair<br/>value through<br/>profit or loss</b> | <b>Loans and<br/>receivables</b> | <b>Total</b>   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|---------------------------------------|--|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash and cash equivalents             | 2,418  | 7,781                            | 10,199         | 7,781          | 2,418          | -              | 10,199         |
| Trade accounts receivable             | -  | 98,721                           | 98,721         | -              | 98,721         | -              | 98,721         |
| Other receivables                     | -  | 3,760                            | 3,760          | -              | 3,760          | -              | 3,760          |
| Loans receivable - related<br>parties | -  | 1,462                            | 1,462          | -              | 1,462          | -              | 1,462          |
|                                       | <u>2,418</u>   | <u>111,724</u>                   | <u>114,142</u> | <u>7,781</u>   | <u>106,361</u> | <u>-</u>       | <u>114,142</u> |

|                                     | <b>Measured at fair<br/>value through<br/>profit or loss</b> | <b>Liabilities at<br/>amortized cost</b> | <b>Total</b>   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|-------------------------------------|--|--|----------------|----------------|----------------|----------------|----------------|
| Suppliers                           | -  | 45,998                                   | 45,998         | -              | 45,998         | -              | 45,998         |
| Loans and financing                 | -  | 137,661                                  | 137,661        | 137,661        | -              | -              | 137,661        |
| Future exchange contracts<br>(SWAP) | 4,244  | -  | 4,244          | -              | 4,244          | -              | 4,244          |
| Other accounts payable              | 7,535  | 321                                      | 7,856          | 321            | 7,535          | -              | 7,856          |
|                                     | <u>11,779</u>  | <u>183,980</u>                           | <u>195,759</u> | <u>137,982</u> | <u>57,777</u>  | <u>-</u>       | <u>195,759</u> |



**b. Measurement of fair value**

***Valuation techniques and significant unobservable inputs***

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

*Financial instruments measured at fair value*

| Type   | Valuation technique   | Significant unobservable inputs | Relationship between significant unobservable inputs and measurement of fair value |
|--|---|---------------------------------|--|
| Forward exchange agreements and interest rate swap | Market comparison technique: Fair values are based on quotes from brokers. Similar contracts are negotiated in active markets and the quotes reflect current transactions of similar instruments. | Not applicable.                 | Not applicable.  |

**c. Financial risk management**

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

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

**(i) Credit risks**

Credit risk is the risk of the Group incurring financial losses due to a client or financial instrument counterparty, resulting from failure in complying with contract obligations. Such risk is basically due to Group's trade accounts receivable, and of financial instruments.

The book value of financial assets classified as loans and receivables represents the maximum credit exposure.

*Accounts receivable and other receivables*

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

The maximum exposure to credit risk was as follows as of June 30, 2017 and December 31, 2016:

|                           | <u>Parent company</u> |            | <u>Consolidated</u> |            |
|---------------------------|-----------------------|------------|---------------------|------------|
|                           | 06/30/2017            | 12/31/2016 | 06/30/2017          | 12/31/2016 |
| Cash and cash equivalents | 6,587                 | 1,764      | 14,097              | 10,199     |
| Trade accounts receivable | 156,018               | 97,453     | 154,871             | 98,721     |

|                   |                |                |                |                |
|-------------------|----------------|----------------|----------------|----------------|
| Other receivables | 11,422         | 3,120          | 13,407         | 3,760          |
| <b>Total</b>      | <b>174,027</b> | <b>102,337</b> | <b>182,375</b> | <b>112,680</b> |

*Cash and cash equivalents*

The Group held “Cash and cash equivalents” totaling R\$ 14,097 as of June 30, 2017 and (R\$ 10,199 as of December 31, 2016).

**(ii) Liquidity risk**

Liquidity risk is the risk of the Company and its subsidiaries encountering difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Group's approach in liquidity Management is to guarantee, as much as possible, that it will have sufficient liquidity to perform its obligations upon maturity, under normal and stress conditions, without causing unacceptable losses or with a risk of sullyng the Group's reputation.

The Group monitors expected level of cash inflows deriving from “Trade accounts receivable and other receivables” as well as expected cash outflows related to “Suppliers and other accounts payable”.

*Exposure to liquidity risk*

We present below the contractual maturities of financial liabilities on the date of the financial statement.

|                        | <b>Consolidated – 06/30/2017</b> |                          |                                 |                                   |
|------------------------|----------------------------------|--------------------------|---------------------------------|-----------------------------------|
|                        | <b>Up to 1<br/>year</b>          | <b>Up to 2<br/>years</b> | <b>Total account<br/>amount</b> | <b>Total contractual<br/>flow</b> |
| Suppliers              | 76,306                           | -                        | 76,306                          | 76,306                            |
| Loans and financing    | 111,062                          | 8,888                    | 119,950                         | 140,492                           |
| Other accounts payable | 28,124                           | -                        | 28,124                          | 28,124                            |
| <b>Total</b>           | <b>215,492</b>                   | <b>8,888</b>             | <b>224,380</b>                  | <b>244,922</b>                    |
|                        | <b>Consolidated – 12/31/2016</b> |                          |                                 |                                   |
|                        | <b>Up to 1<br/>year</b>          | <b>Up to 2<br/>years</b> | <b>Total account<br/>amount</b> | <b>Total contractual<br/>flow</b> |
| Suppliers              | 45,998                           | -                        | 45,998                          | 45,998                            |
| Loans and financing    | 108,198                          | 33,707                   | 141,905                         | 166,029                           |
| Other accounts payable | 7,857                            | -                        | 7,857                           | 7,857                             |
| <b>Total</b>           | <b>162,053</b>                   | <b>33,707</b>            | <b>195,760</b>                  | <b>219,884</b>                    |

**(iii) Market risk**

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

The Group uses derivatives to manage market risks.

*Foreign exchange risk*

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

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

With respect to other monetary assets and liabilities denominated in foreign currency, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to cover short-term mismatches.

*Foreign exchange risk exposure*

A summary of the foreign exchange risk exposure of the Group, as reported to Management, is as follows:

|   | <u>Consolidated 06/30/2017</u> |                  | <u>Consolidated 12/31/2016</u> |                 |
|---|--------------------------------|------------------|--------------------------------|-----------------|
|   | USD thou.                      | Reais            | USD thou.                      | Reais           |
| Trade accounts receivable               | 3,253                          | 10,762           | 3,115                          | 10,150          |
| Suppliers                               | (20,994)                       | (69,451)         | (11,404)                       | (37,865)        |
| Loans and financing                     | (16,071)                       | (53,167)         | (20,415)                       | (66,533)        |
| Net exposure to forecasted transactions | <u>(33,812)</u>                | <u>(111,856)</u> | <u>(28,704)</u>                | <u>(94,248)</u> |
| Future foreign exchange contracts       | <u>11,892</u>                  | <u>39,342</u>    | <u>15,545</u>                  | <u>50,663</u>   |
| Net exposure                            | <u>(21,920)</u>                | <u>(72,514)</u>  | <u>(13,160)</u>                | <u>(43,585)</u> |

*Sensitivity analysis at foreign exchange risk*

A reasonably possible appreciation (devaluation) of US dollar on June 30, 2017 would have affected measurement of financial instruments denominated in foreign currency and affected shareholders' equity and income (loss) at amounts shown below. The analysis considers that all the remaining variables, especially interest rates, will be constant and any impact in forecast of sales and purchase will be ignored.

For sensitivity analysis purposes, it adopted rates of R\$ 3.3081 and R\$ 3.2097, which refer to rates used as probable scenario on June 30, 2017 and 2016, respectively. For the possible scenario the rates used were R\$ 4.1351 and R\$ 4.0121, considering a 25% increase, and for the remote scenario, rates used were R\$ 4.9621 and R\$ 4.8145 considering a 50% increase.

| Operation                        | <u>Consolidated – 06/30/2017</u> |                          |                         |                          |
|----------------------------------|----------------------------------|--------------------------|-------------------------|--------------------------|
|                                  | <u>Exposure in R\$</u>           | <u>Probable scenario</u> | <u>Scenario I (25%)</u> | <u>Scenario II (50%)</u> |
| Trade accounts receivable        | 10,762                           | 811                      | 1,014                   | 1,217                    |
| Suppliers                        | (69,451)                         | 5,234                    | 6,543                   | 7,852                    |
| Future exchange contracts (SWAP) | 39,342                           | 3,296                    | 4,120                   | 4,944                    |
| Loans and financing              | <u>(53,167)</u>                  | <u>7,854</u>             | <u>9,818</u>            | <u>11,782</u>            |
| Operation                        | <u>Consolidated – 12/31/2016</u> |                          |                         |                          |
|                                  | <u>Exposure in R\$</u>           | <u>Probable scenario</u> | <u>Scenario I (25%)</u> | <u>Scenario II (50%)</u> |
| Trade accounts receivable        | 10,150                           | 765                      | 956                     | 1,148                    |
| Suppliers                        | (37,865)                         | 1,887                    | 2,359                   | 2,831                    |
| Future exchange contracts (SWAP) | 50,663                           | 4,244                    | 5,305                   | 6,366                    |
| Loans and financing              | <u>(66,533)</u>                  | <u>9,829</u>             | <u>12,286</u>           | <u>14,744</u>            |

As of June 30, 2017, the Company has loans amounting to USD 11,892 (USD 15,545 as of December 31, 2016), equivalent to R\$ 39,342 as of June 30, 2017 (R\$ 50,662 as of December 31, 2016), hedged by SWAP operations.

*Income from derivative financial instruments*

| <b>Derivative financial instruments</b> | <b>06/30/2017</b> | <b>12/31/2016</b>   |
|---|-------------------|---------------------|
| Gains with SWAP operations, net         | 3,633             | 1,614               |
| Net loss from SWAP operations           | (2,462)           | (5,299)             |
| Net effect (MtM) of SWAP transactions   | <u>(2,026)</u>    | <u>(7,778)</u>      |
| <br>Total                               | <br><u>(855)</u>  | <br><u>(11,463)</u> |

Financial instruments are recognized as loans and financing in the short-term, and gains or losses in group of net financial income.

*Sensitivity analysis of variations in the interest rates*

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

The table below shows possible impacts on results for each of the scenarios:

|                                 | <b>Consolidated – 06/30/2017</b> |                          |                         |                          |
|---------------------------------|----------------------------------|--------------------------|-------------------------|--------------------------|
|                                 | <b>Exposure in R\$</b>           | <b>Probable scenario</b> | <b>Scenario I (25%)</b> | <b>Scenario II (50%)</b> |
| <b>Operation</b>                |                                  |                          |                         |                          |
| Interest earnings bank deposits | 4,327                            | 259                      | 324                     | 388                      |
| Loans and financing             | <u>(120,805)</u>                 | <u>(20,537)</u>          | <u>(25,671)</u>         | <u>(30,805)</u>          |
|                                 |                                  |                          |                         |                          |
|                                 | <b>Consolidated – 12/31/2016</b> |                          |                         |                          |
|                                 | <b>Exposure in R\$</b>           | <b>Probable scenario</b> | <b>Scenario I (25%)</b> | <b>Scenario II (50%)</b> |
| <b>Operation</b>                |                                  |                          |                         |                          |
| Interest earnings bank deposits | 2,418                            | 145                      | 181                     | 218                      |
| Loans and financing             | <u>(141,905)</u>                 | <u>(16,877)</u>          | <u>(21,096)</u>         | <u>(25,316)</u>          |

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

## **29 Firm commitments**

In the second semester of 2016, the Company entered in an agreement to purchase machinery for the amount of R\$ 3,864 thousand, with the expectation of receiving the equipment between November and December 2017.

The Company entered into contracts in May and June of 2017 for the elaboration of the fire prevention and firefighting system and cold room installation services. These contracts will have expenses of R\$ 383 and R\$ 14, respectively. The estimate of execution of such services is December 2017.

## **30 Subsequent events (restated)**

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

As of September 20, 2017, during the Special Shareholders' meeting, the Company approved the splitting of issuance shares in the proportion of 1:8, and Company's capital was divided into 148,000,000 common, nominative, book-entry shares and with no par value.

\* \* \*

CEO  
Marcelo Rodolfo Hahn

CFO  
Claudio Gomes

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