Blau Farmacêutica S.A.

Interim financial statements - ITR
June 30, 2018

(A free translation of the original report in Portuguese, containing the interim financial statements prepared in accordance with accounting practices adopted in Brazil)

KPDS 236110

Content

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Review report on the interim financial statements - ITR

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

Introduction

We have reviewed the interim financial information, individual and consolidated, of Blau Farmacêutica S.A. ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2018, comprising the statement of financial position as at June 30, 2018 and the related statements of profit and loss, comprehensive income, changes in shareholders' equity and of cash flows for the six-month period then ended, including the notes to the interim financial statements.

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

Scope of the review

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

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

Statements of value added
We also reviewed the individual and consolidated value-added statements for the quarter ended June 30, 2018, prepared by the Company's Management, whose presentation in the interim information is required according to the standards issued by the CVM –Brazilian Securities and Exchange Commission, applicable to the preparation of Quarterly Information - ITR and considered supplementary information by the IFRS, which do not require the presentation of the SVA. These statements were subjected to the review procedures previously described and, based on our review, we are not aware of any other event that leads us to believe that those were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

São Paulo, August 13, 2018

KPMG Auditores Independentes
CRC SP014428/O-6

Cristiano Seabra Di Girolamo
Accountant CRC BA-017826/O-4

Blau Farmacêutica S.A.

Statements of Financial Position as at June 30, 2018 and December 31, 2017

(In thousand of Brazilian Reais)

		Consolidated		Company	
Assets	**Note**	**6/30/2018**	**12/31/2017**	**6/30/2018**	**12/31/2017**
Cash and cash equivalents	9.1	68.897	13.175	57.903	5.163
Financial investments	9.2	110.000		110.000	
Trade receivables	10	133.382	104.111	131.301	101.971
Inventories	11	126.421	119.080	119.285	113.032
Recoverable taxes	12	4.735	6.955	3.350	6.147
Other credits		3.850	3.011	2.666	2.361
Total current assets		447.285	246.332	424.505	228.674
Escrow deposits		2.282	2.373	2.282	2.277
Recoverable taxes	12	770	3.373	771	3.373
Deferred income tax and social contribution	20	4.867	1.953	4.704	1.953
Other credits		5.812	2.778	1.583	-
Total long-term assets		13.731	10.477	9.340	7.603
Investments	13	15	15	33.671	28.120
Biological assets		306	306	306	306
Property, plant and equipment	14	117.331	99.655	116.315	98.630
Intangible assets	15	8.675	9.296	1.240	1.552
		126.327	109.272	151.532	128.608
Total non-current assets		140.058	119.749	160.872	136.211
Total assets		**587.343**	**366.081**	**585.377**	**364.885**

		Consolidated		Company	
Liabilities	**Note**	**6/30/2018**	**12/31/2017**	**6/30/2018**	**12/31/2017**
Suppliers	17	107.268	75.853	107.142	76.004
Loans and financing	21	89.422	102.979	89.008	102.575
Tax obligations		3.385	1.776	2.879	1.703
Income tax and social contributions	20	4.951	6.742	4.951	6.742
Labor obligations	19	15.274	13.855	15.026	13.523
Other payables	18	7.143	20.867	6.479	20.448
Total current liabilities		227.443	222.072	225.485	220.995
Loans and financing	21	195	938	195	937
Debentures	21	180.155	-	180.155	-
Deferred income tax and social contribution	20	-	111	-	-
Provision for contingencies	22	4.864	4.624	4.856	4.617
Total non-current liabilities		185.214	5.673	185.206	5.554
Total liabilities		412.657	227.745	410.691	226.549
Shareholders' equity	23				
Share capital		100.640	56.500	100.640	56.500
Profit reserve		32.521	76.660	32.521	76.660
Other comprehensive income		7.923	5.176	7.923	5.176
Retained earnings		33.602	-	33.602	-
Total Shareholders' equity		174.686	138.336	174.686	138.336
Total liabilities and shareholders' equity		**587.343**	**366.081**	**585.377**	**364.885**

The accompanying notes are an integral part of these interim financial statements.

Blau Farmacêutica S.A.

Statements of Profit and Loss
For the period ended June 30, 2018 and December 31, 2017

(In thousand of Brazilian Reais)

		Consolidated				Company			
	Notes	**Six-month period ended 06/30/2018**	**Three-month period ended 06/30/2018**	**Six-month period ended 06/30/2017**	**Three-month period ended 06/30/2017**	**Six-month period ended 06/30/2018**	**Three-month period ended 06/30/2018**	**Six-month period ended 06/30/2017**	**Three-month period ended 06/30/2017**
Net operating income	24	334.172	182.245	335.945	200.195	327.385	176.855	330.824	197.297
Cost of goods and products sold	25	(201.046)	(116.199)	(172.242)	(92.421)	(199.066)	(113.809)	(169.326)	(90.201)
Gross profit		**133.126**	**66.046**	**163.703**	**107.774**	**128.319**	**63.046**	**161.498**	**107.096**
Commercial expenses	26	(23.961)	(12.506)	(21.082)	(12.350)	(21.109)	(11.014)	(18.918)	(11.169)
Administrative expenses	26	(37.238)	(19.117)	(42.593)	(21.936)	(35.362)	(18.129)	(40.985)	(21.115)
Other operating income, net		2.668	2.212	1.974	812	2.009	1.442	1.898	798
Total operating expenses, net		(58.531)	(29.411)	(61.701)	(33.474)	(54.462)	(27.701)	(58.005)	(31.486)
Equity in investments at the equity method, net of taxes	13	-	-	-	-	391	1.150	(320)	(1.438)
Income before financial income and taxes		**74.595**	**36.635**	**102.002**	**74.300**	**74.248**	**36.495**	**103.173**	**74.172**
Financial income	27	5.955	4.357	5.367	1.026	5.307	3.872	5.198	928
Financial expenses	27	(26.316)	(19.633)	(17.169)	(8.172)	(25.677)	(19.149)	(16.853)	(7.986)
Net financial expenses		(20.361)	(15.276)	(11.802)	(7.146)	(20.370)	(15.277)	(11.655)	(7.058)
Income before taxes		**54.234**	**21.359**	**90.200**	**67.154**	**53.878**	**21.218**	**91.518**	**67.114**
Current income tax and social contribution	20	(19.295)	(6.577)	(28.585)	(21.793)	(18.940)	(6.272)	(28.327)	(21.535)
Deferred income tax and social contribution	20	2.751	230	708	1.054	2.751	65	708	1.054
Income tax and social contribution		**(16.544)**	**(6.347)**	**(27.877)**	**(20.739)**	**(16.189)**	**(6.207)**	**(27.619)**	**(20.481)**
Net income for the period		**37.690**	**15.012**	**62.323**	**46.415**	**37.690**	**15.012**	**63.899**	**46.633**
Income attributed to									
Controlling shareholders		37.690	15.012	62.323	46.415	37.690	15.012	63.899	46.633
Net income for the period		**37.690**	**15.012**	**62.323**	**46.415**	**37.690**	**15.012**	**63.899**	**46.633**
Earnings per share		**0,25**	**0,10**	**0,42**	**0,31**	**0,25**	**0,10**	**0,43**	**0,32**

The accompanying notes are an integral part of these interim financial statements.

Blau Farmacêutica S.A.

Statements of Comprehensive Income
For the period ended June 30, 2018 and December 31, 2017

(In thousand of Brazilian Reais)

	Consolidated				Company			
	Six-month period ended 06/30/2018	Three-month period ended 06/30/2018	Six-month period ended 06/30/2017	Three-month period ended 06/30/2017	Six-month period ended 06/30/2018	Three-month period ended 06/30/2018	Six-month period ended 06/30/2017	Three-month period ended 06/30/2017
Net income for the period	37.690	15.012	62.323	46.415	37.690	15.012	63.899	46.633
Items that will not be reclassified to profit or loss								
Accumulated translation adjustments in subsidiaries	5.070	3.986	(168)	(403)	3.447	2.363	(168)	(403)
Total comprehensive income	**42.760**	**18.998**	**62.155**	**46.012**	**41.137**	**17.375**	**63.731**	**46.230**
Comprehensive income attributed to								
Controlling shareholders	42.760	18.998	62.155	46.012	41.137	17.375	63.731	46.230
Total comprehensive income	**42.760**	**18.998**	**62.155**	**46.012**	**41.137**	**17.375**	**63.731**	**46.230**

The accompanying notes are an integral part of these interim financial statements.

Blau Farmacêutica S.A.

Statement of changes in Shareholders' equity
For the period ended June 30, 2018 and December 31, 2017

(In thousand of Brazilian Reais)

		Profit reserve					
	Share capital	Legal reserves	Investment reserves	Additional proposed dividends	Other comprehensive income	Retained earnings	Total Shareholders' equity
Balance as at January 1, 2017	**56.070**	**4.722**	**232**	**30.677**	**5.786**	**-**	**97.487**
Comprehensive income for the period							
Net income for the period	-	-	-	-	-	63.899	63.899
Accumulated translation adjustment in subsidiary	-	-	-	-	(168)	-	(168)
Total comprehensive income, net of taxes	**-**	**-**	**-**	**-**	**(168)**	**63.899**	**63.731**
Transactions with shareholders and formation of reserves							
Equity valuation adjustments	-	-	-	-	(706)	706	-
Interim dividends	-	-	-	(3.915)	-	-	(3.915)
Formation of reserves	-	-	(232)	232	-	-	-
Total transactions with shareholders and formation of reserves	**-**	**-**	**(232)**	**(3.683)**	**(706)**	**706**	**(3.915)**
Balance as at June 30, 2017	**56.070**	**4.722**	**-**	**26.994**	**4.912**	**64.605**	**157.303**
Balance as at January 1, 2018	**56.500**	**9.878**	**-**	**66.782**	**5.176**	**-**	**138.336**
Comprehensive income for the period							
Capital increase	44.140	-	-	(44.140)	-	-	-
Net income for the period	-	-	-	-	-	37.690	37.690
Accumulated translation adjustment in subsidiary	-	-	-	-	3.447		3.447
Total comprehensive income, net of taxes	**44.140**	**-**	**-**	**(44.140)**	**3.447**	**37.690**	**41.137**
Transactions with shareholders and formation of reserves							
Equity valuation adjustments	-	-	-	-	(700)	700	-
Interest on own capital	-	-	-	-	-	(4.788)	(4.788)
Total transactions with shareholders and formation of reserves	**-**	**-**	**-**	**-**	**(700)**	**(4.088)**	**(4.788)**
Balance as at June 30, 2018	**100.640**	**9.878**	**-**	**22.642**	**7.923**	**33.602**	**174.685**

The accompanying notes are an integral part of these interim financial statements.

Blau Farmacêutica S.A.

Statements of cash flows
For the period ended June 30, 2018 and December 31, 2017

(In thousand of Brazilian Reais)

	Consolidated		Company	
	6/30/2018	**6/30/2017**	**6/30/2018**	**6/30/2017**
Cash flows from operating activities				
Income before taxes on income	54.234	90.200	53.878	91.518
Adjustment to reconcile the income for the year with cash from operating activities				
Depreciation and amortization	4.720	4.320	4.696	4.236
Write-off of property, plant and equipment and intangible assets	1.558	4.999	1.197	4.452
Financial charges on financing	4.688	5.894	4.688	5.895
Unrealized foreign exchange variation in loans and SWAP/MtM provisions	2.160	(146)	2.160	(146)
Unrealized foreign exchange variation in suppliers and clients	(217)	-	(7.590)	-
Equity in investments	-	-	391	320
Allowance for doubtful accounts, net	627	(470)	427	(470)
Provision for inventory loss, net	1.535	1.622	1.527	1.622
Other (reversals), net	-	(1.186)	-	911
Provision for contingencies, net	240	203	239	203
	69.545	105.436	61.613	108.541
(Increase) decrease in asset accounts				
Trade accounts receivable	(29.904)	(55.680)	(31.198)	(58.095)
Inventories	(8.876)	(11.561)	(7.780)	(13.181)
Recoverable taxes	(1.854)	(4.296)	(1.277)	(4.125)
Other credits	(3.873)	(10.048)	(1.887)	(8.302)
Escrow deposits	91	(9)	(5)	(9)
Increase (decrease) in liability accounts				
Suppliers	31.638	30.308	40.170	31.243
Labor obligations	1.419	2.992	1.503	3.259
Tax obligations	1.609	1.429	1.176	1.317
Other payables	(18.512)	20.329	(13.969)	20.215
Cash generated from operating activities	41.283	78.900	48.345	80.863
Income tax and social contribution paid	(14.055)	(14.979)	(14.055)	(14.979)
Net cash flow from operating activities	27.228	63.921	34.290	65.884
Cash flows from investment activities				
Financial investments	(110.000)	-	(110.000)	-
Additions to property, plant and equipment	(23.276)	(31.905)	(23.262)	(31.723)
Additions to intangible assets	(58)	(35)	(4)	(11)
Advance for future capital increase in investee	-	-	(2.494)	(1.412)
Net cash flow (used in) investment activities	(133.334)	(31.940)	(135.760)	(33.146)
Cash flows from financing activities				
Dividends and interest on own capital	-	(3.915)	(4.788)	(3.915)
Raising of loans and financing	210.071	34.771	210.035	34.771
Payment of loans and financing - principal	(46.190)	(53.029)	(46.165)	(53.029)
Payment of loans and financing - interest	(4.874)	(5.742)	(4.872)	(5.742)
Net cash from (used in) financing activities	159.007	(27.915)	154.210	(27.915)
Net increase (decrease) in cash and cash equivalents	**52.901**	**4.066**	**52.740**	**4.823**
Cash and cash equivalents as at January 1	13.175	10.199	5.163	1.764
Effect of foreign exchange rate on the balance of cash and cash equivalents	(2.821)	168	-	-
Cash and cash equivalents as at June 30	68.897	14.097	57.903	6.587
Net increase (decrease) in cash and cash equivalents	**52.901**	**4.066**	**52.740**	**4.823**

The accompanying notes are an integral part of these interim financial statements.

Blau Farmacêutica S.A.

Statement of value added

For the period ended June 30, 2018 and December 31, 2017

(In thousand of Brazilian Reais)

	Consolidated		Company	
	6/30/2018	**6/30/2017**	**6/30/2018**	**6/30/2017**
Revenue	**352.629**	**352.150**	**345.224**	**346.680**
Sale of goods, products and services	351.328	350.379	344.541	345.259
Other (expenses) income, net	3.207	2.516	2.564	2.121
Allowance for doubtful accounts	(1.906)	(745)	(1.881)	(700)
Inputs acquired from third parties	**(203.672)**	**(172.980)**	**(199.388)**	**(168.539)**
Costs of products, goods and services sold	(166.444)	(139.949)	(164.463)	(137.033)
Materials, energy, outsourced services and other	(36.988)	(33.031)	(34.804)	(31.506)
Gain (loss) on assets	(241)		(121)	-
Gross value added	**148.956**	**179.170**	**145.836**	**178.141**
Depreciation, amortization and depletion	(4.724)	(4.321)	(4.662)	(4.237)
Net value added produced by the entity	**144.233**	**174.849**	**141.174**	**173.904**
Value added received in transfer	**5.955**	**5.188**	**5.307**	**5.018**
Equity investments	-	(320)	-	(320)
Financial income	5.955	5.508	5.307	5.338
Total value added for distribution	**150.188**	**180.037**	**146.481**	**178.922**
Personnel	**46.632**	**40.503**	**43.972**	**38.420**
Direct remuneration	36.772	31.109	34.559	29.365
Benefits	6.283	5.447	5.836	5.108
FGTS	3.577	3.947	3.577	3.947
Taxes, fees and contributions	**38.394**	**46.919**	**37.987**	**46.626**
Federal	25.132	34.758	24.777	34.500
State	12.706	10.730	12.654	10.695
Municipal	555	1.431	555	1.431
Third party capital remuneration	**27.472**	**30.292**	**26.832**	**29.978**
Interest	7.235	7.902	7.235	7.902
Financial expenses (includes foreign exchange variation)	19.081	9.266	18.442	8.950
Rent	1.155	13.124	1.155	13.126
Own capital remuneration	**37.690**	**62.323**	**37.690**	**63.898**
Dividends and interest on own capital	4.788	3.915	4.788	3.915
Retained earnings (loss) for the period	32.902	58.408	32.902	59.983
Total distributed value added	**150.188**	**180.037**	**146.481**	**178.922**

The accompanying notes are an integral part of these interim financial statements.

Notes to the interim financial statements

(In thousands of Brazilian Reais, unless otherwise stated)

1 Operations

Blau Farmacêutica S.A., hereinafter referred to as "Blau", "Company" or "Group", is a pharmaceutical industry of national capital, established in 1987, under the form of a privately-held corporation with head office located at Rodovia Raposo Tavares, 2.833, Km 30, Barro Branco in the city of Cotia, state of São Paulo, engaged in the production, commercialization and exportation of medication with own trademark of high complexity for the main therapeutic areas of the hospital product market, and in the importation, exportation, trade and distribution of active and inactive pharmaceutical inputs.

Biopharmaceuticals: Medication produced by biosynthesis in live cells, contrary to synthetics, produced using chemical synthesis. Medicaments produced through biosynthesis are indicated for replacement of deficient proteins in the organism, such as proteins, hormones, anticoagulants, immunological, among other.

Biopharmaceuticals are a diverse and heterogeneous class of products and comprise vaccines, hyper immune serum, blood derivatives, and biopharmaceuticals, among others.

Such medicaments are classified as:

(a) Medicaments obtained from biological fluids or tissues of animal origin;

(b) Medicaments obtained through biotechnological procedures, monoclonal antibodies; and

(c) Medicaments containing live, attenuated or inactive microorganisms. Medicaments produced through.

Oncological: oral and injectable pharmaceutical products of sundry origin, destined for the treatment of cancer, encompassing various therapeutic classes and types of treatment, producing a wide range of medicaments for cancer patients.

Specialties (ex-oncological): wide range of pharmaceutical products with plants dedicated to specialized treatment of infectious and rare diseases, special treatments, and immunology, among others. Encompasses antibiotics, injectable medication, among others, with a focus on the hospital market.

Other: Includes medicaments of medical prescription, exempt of medical prescription, focused on retail and non-retail markets, including a complete line of dermocosmetics, human reproduction, preservatives and similar.

The production of its products is substantially own production at the plants located in the municipalities of Cotia and São Paulo/SP
.

The Company has a wide sales and distribution structure with national coverage (through retailers, distributers and wholesalers and health institutions) and international coverage (through its subsidiaries and by means of direct export to other countries).

The strategy of the Company is guided towards sustainable growth, cost control and the search for innovation through continued investments in research and development.

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) Head Office:
Located at Rodovia Raposo Tavares, 2.833, Km 30, Barro Branco, Cotia - SP.
Manufacturing unit responsible for the manufacture of biopharmaceuticals and injectable solutions and post-lyophilizes. Additionally, a line for the production of biotechnological raw materials is under construction (IFA).

(ii) Branch 01
Located at Avenida Mario Isaac Pires, 7.602, Caucaia, Cotia - SP.
Industrialization of oncological medication 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 medicaments 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 medicaments, biological, biopharmaceutical and biotechnology products.

(vii) Filial 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) Filial 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 subsidiaries

Subsidiaries

Company	Equity interest		
	Country	06/30/2018	12/31/2017
Blau Farmaceutica Colombia S.A.S.	Colombia	Direct 100%	Direct 100%
Blau Farma Uruguay S.A.	Uruguay	Direct 100%	Direct 100%
Preserv S.A.	Brazi	-	Direct 100%
Blau Farmaceutica Chile S.p.A.	Chile	Indirect 100%	Indirect 100%
Blau Farmaceutica Peru S.A.C	Peru	Indirect 100%	Indirect 100%
Blau Farmaceutica Argentina S.A.	Argentina	Indirect 100%	Indirect 100%

Preserv S.A.

Based on its pharmaceutical market expansion project, on November 11, 2016 the Company acquired 100% of the control of Preserv S.A. for R$ 2,274. Preserv was incorporated by the Company in January 2018.

Blau Farmaceutica Colombia S.A.S.

A subsidiary headquartered in the city of Bogotá, Colombia, acquired by the Company within its expansion policy in August 2011, engaged in the production and commercialization of pharmaceutical drugs for human consumption and biopharmaceutical inputs. The company’s main activity is the import of Company's products for distribution in Colombia and other countries.

Blau Farma Uruguay S.A.

In January 2012 the company Gandem S.A. was acquired and became Blaufarma Uruguay S.A., to assist in the distribution of its products and attention to clients in that country, which currently has 40 health registers for medicaments produced by the Company. The wholly-owned subsidiary in Uruguay represents also an important part of the expansion policy of the Company for the for the Market of South America, being currently the holder of equity interest in Blau Farmaceutica Peru S.A.C., Blau Farmaceutica Chile S.p.A. and Blau Farmaceutica Argentina S.A., all of which were established in 2016.
Headquartered in the city of Montevideo, Uruguay, engaged in the production and commercialization of pharmaceutical drugs for human consumption and biopharmaceutical inputs. The company’s main activity is the import of Company's products for distribution in Uruguay and other countries.

Blau Farmacêutica Peru S.A.C.
A subsidiary headquartered in the city of Lima, Peru, directly controlled by Blau Farma Uruguay S.A., engaged in the commercialization of pharmaceutical drugs for human consumption and biopharmaceutical inputs. The main activity of the company will be the import of Company's products for distribution in Peru and other countries. Commercial operations have not yet started.

Blau Farmacêutica Chile S.pA.
A subsidiary headquartered in the city of Santiago, Chile, directly controlled by Blau Farma Uruguay S.A., engaged in the commercialization of pharmaceutical drugs for human consumption and biopharmaceutical inputs. The main activity of the company will be the import of Company's products for distribution in Chile and other countries. Commercial operations have not yet started.

Blau Farmacêutica Argentina S.A.
A subsidiary headquartered in the city of Buenos Aires, Argentina, directly controlled by Blau Farma Uruguay S.A., engaged in the commercialization of pharmaceutical drugs for human consumption and biopharmaceutical inputs. The main activity of the company will be the import of Company's products for distribution in Argentina and other countries. Commercial operations have not yet started.

3 Basis for preparation

a. Compliance statement

The 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 Brazilian Securities Commission (CVM).

The conclusion of the preparation of the financial statements of the Company was authorized in a meeting of the Board of Directors of the Company, held on June 30, 2018.

All material information that is relevant to the Interim Financial Statements – ITR, and only such information, is disclosed, which is consistent with that used by Management.

4 Functional and presentation currency

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

5 Use of estimates and judgment

The preparation of the individual and consolidated interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of interim financial statements 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 10 – Allowance for doubtful accounts – main assumptions in relation to recoverable values;

Note 11 – Provision for inventory loss – main assumptions in relation to recoverable values;

Note 15 – Goodwill in the acquisition of investments – amortization and main assumptions used in the impairment test;

Note 22 – Provision for tax, civil and labor contingencies – main assumptions on probability and magnitude of outflow of funds.

The Company reviews its estimates at each reporting period, and any changes in such estimates are recognized prospectively.

Fair value measurement

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

When measuring fair value of an asset or liability, the Company and its subsidiaries use observable market data as much as possible. The fair value is classified in different levels of a hierarchy based on the information (inputs) utilized on the valuation techniques in the following manner:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Note 28 – Financial Instruments.

6 Basis for measurement

The individual and consolidated interim financial statements have been prepared considering the historical cost, with exception to the following material items recognized in the statements of financial position:

Derivative financial instruments measured at fair value;

Non-derivative financial instruments measured at fair value through profit or loss.

7 Consolidation

(i) Business combination

The Company accounts for business combinations using the acquisition method, i.e. when control is transferred to the Company. Control is defined as the ability to govern 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 measures goodwill on the date of acquisition as:

the fair value of the consideration transferred; 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 under profit or loss for the period.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or 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 under profit or loss as incurred.

(ii) Non-controlling interests

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

at fair value; or

at the proportionate share of the acquiree’s net identifiable assets at the date of acquisition, 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 equity transactions.

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 profit or 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 Company, financial information of subsidiaries is recognized under the equity method.

The consolidated interim financial information includes the information of the parent company and the subsidiaries in operation, Blau Farmaceutica 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 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.

8 Significant accounting practices

With exception as to the application of new standards CPC 47 and CPC 48, prevailing as of January 01, 2018, described below the significant accounting policies adopted by the Company for the preparation of the individual and consolidated interim financial information for the six-month period ended June 30, 2018 have been consistently applied to those disclosed in the individual and consolidated financial statements for the year ended December 31, 2017 and, accordingly, should be read in conjunction.

Adoption of new standards and interpretations

The Company adopted the standards CPC 48 – Financial Instruments (a) and CPC 47 – Revenue from Contracts with Customers (b) prevailing as of January 1, 2018. The Company did not extend the application of the requirements of the standard for the presentation of the period of comparison.

a. *CPC 48 – Financial instruments*

Classification and Measurement
CPC 48 contains three main classification categories for financial assets: measured at amortized costs, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). The standard eliminates the categories existing under CPC 38 of held-to-maturity, loans and receivables, and available for sale.

Such classification is based on two conditions: (i) the business model of the Company in which the assets are managed; and (ii) their cash flow characteristics - solely payments of principal and interest (SPPI).

In summary, the business models are divided into three categories, as presented below:

Model		**Context**
1	Hold to collect contractual cash flows	Present characteristics of collecting contractual cash flows, comprising only principal and interest, and the objective is to carry these instruments up until maturity. Sales are incidental to this objective and it is expected that these are insignificant or not frequent.
2	Hold to collect contractual cash flows and to sell the financial asset	Present characteristics of both collecting contractual cash flows of principal and interest and selling the financial asset, and the objective is to sell before maturity.
3	Other business models for financial instruments	Any financial assets that are not held in one of the two business models mentioned.

Evaluation of the business model – The Company evaluates the objective of the business model considering the best reflection of how it manages its financial assets and to what extent the cash flows of the asset are generates solely by the collection of contractual cash flows, the sale of these financial assets or both.

Contractual characteristics of the cash flow – contractual cash flows in which collection is solely of the principal and interest over the principal indicate a basic loan in which the installments and the credit risk are normally the most significant elements of the interest.

Interest includes, apart from the temporal value of money, compensation for the credit risk and other risks and basic costs of loan, as well as a profit margin. Nevertheless, in this agreement, the interest may also be formed considering other components such as liquidity risk, administrative costs, spread of the financial institution.

The following accounting policies are applied to the categories of classification and measurement of financial assets, as per the definition below:

Financial assets measured at amortized cost	These assets are measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment. Income from interest, Exchange gains and losses and impairment are recognized under profit or loss. Any gain or loss on derecognition is registered under profit or loss.
Financial assets measured at fair value through profit or loss	These assets are measured at fair value. Net income (loss), including interest or revenue from dividends, is recognized under profit or loss.
Debt instruments at FVTOCI	These assets are measured at fair value. Income from interest is calculated using the effective interest method, foreign exchange gain and loss and impairment re recognized under profit or loss. Other net income (loss) are recognized in Other Comprehensive income. Upon initial recognition of an investment in an equity instrument that is not held-for-sale, it is possible to irrevocably opt to present subsequent alterations to the fair value of the investment in Other Comprehensive Income. This option is made for each investment. Upon derecognition, the accumulated result in Other Comprehensive Income is reclassified to profit or loss.
Equity instruments at FVTOCI	These assets are measured at fair value. Dividends are recognized as income under profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net income (loss) are recognized under Other Comprehensive Income and are never reclassified to profit or loss.

The table below demonstrates the original categories for measurement under CPC 38 and the new categories for measurement under CPC 48 for each class of financial assets:

FINANCIAL ASSETS (Current / Non-current)	**Classification CPC 38**	**Classification CPC 48**
Cash and cash equivalents and financial investments	Loans and receivables	Fair value through profit or loss
Clients	Loans and receivables	Amortized cost
Other credits	Loans and receivables	Amortized cost

CPC 48 substitutes the approach of incurred loss of CPC 38 for an approach of expected credit loss.

The new impairment model applies to financial assets measured at amortized cost, contractual assets and debt instruments measured at FVTOCI, but does not apply to investments in equity instruments (shares).

Measurement of provisions for loss with the following bases:

	CPC 48
12-month expected credit losses	expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date
Lifetime expected credit losses	expected credit losses that result from all possible default events over the life of the financial instrument

The Company adopted the simplified approach and performed the calculation of expected loss, taking as a basis the expected risk of default that occurs during the lifetime of the financial instrument.

The Company considers a financial asset as being in default when:

It is unlikely that the creditor will fully pay the credit obligations to the Company, without resorting to actions such as the realization of the guarantee (if any); or

The financial asset is past due in accordance with the rules of the company.

A financial assets has "credit recovery issues" when one or more events occur causing negative impact to future estimated cash flows of the financial asset. At each reporting period the Company assesses whether the financial assets registered at amortized cost and the debt instruments measured at FVTOCI are impaired.

There were no impacts of the adoption of CPC 48 to allowance for doubtful accounts.

b. CPC 47 – Revenue from contracts with customers

IFRS 15/CPC 47 established a new concept for revenue recognition, substituting IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

There were no impacts from the adoption of CPC 47.

9 Cash and cash equivalents and financial investments

9.1 Cash and cash equivalents

	Consolidated		**Company**	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Cash equivalents in U.S. Dollars	11	9	5	6
Cash equivalents in Euro	28	25	28	25
Cash in Brazilian Real	5	4	5	4
	44	38	38	35
Bank current account	5,457	9,125	60	5,128
Financial investments	63,396	4,012	57,805	-
	68,853	13,137	57,865	5,128
Total cash and cash equivalents	**68,897**	**13,175**	**57,903**	**5,163**

Highly liquid short-term interest earning bank deposits, promptly convertible into a known sum of cash and subject to an insignificant risk of change of value.

Financial investment rates were of between 90% and 110% of the CDI, always working with top tier banks.

The increase in financial investments for the period ended June 30, 2018 is in relation to the issue of debentures used to fulfill current obligations and settlement of short-term loans.

The exposure of the Company to credit and market risks is disclosed under Note 28.

9.2 Financial investments

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Financial investments	110,000	-	110,000	-
Total cash and cash equivalents	**110,000**	**-**	**110,000**	**-**

The financial investment rates were of between 90% and 110% of the CDI, always working with top tier banks.

This balance is due to funds obtained through the issue of debentures. Management opted to maintain these amounts applied until the definition of use.

10 Trade receivables

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Domestic	119,022	94,947	119,022	94,947
Foreign	17,569	11,485	4,307	3,343
Related parties (Nota 16)	3,908	3,160	13,869	9,151
	140,499	109,592	137,198	107,441
Allowance for doubtful accounts	(7,117)	(5,481)	(5,897)	(5,470)
	133,382	**104,111**	**131,301**	**101,971**

The variation in the balance of trade receivables between December 31, 2017 and June 30, 2018 is basically due to the increase in the number of sales during the last quarter and for the delay in receiving trade receivables from clients.

a. Aging list of trade receivables

	Consolidated					
	Private		Public		Total	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**	**30/06/2018**	**31/12/2017**
Due	63,542	54,966	6,409	27,790	69,951	82,756
Past due	10,813	10,345	59,735	17,500	70,548	27,845
From 1 to 30 days	5,339	2,509	24,276	5,572	29,616	8,081
From 31 to 60 days	1,700	670[a]	17,966	1,090	19,666	1,760
From 61 to 180 days	423	2,442	9,785	5,386	10,209	7,828
Over 181 days	3,351	4,724	7,708	5,452	11,057	10,176
	74,355	65,311	66,144	45,290	140,499	110,601
Allowance for doubtful accounts	(3,845)	(4,434)	(3,272)	(2,056)	(7,117)	(6,490)
Total	**70,510**	**60,877**	**62,872**	**43,234**	**133,382**	**104,111**

	Company					
	Private		Public		Total	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**	**30/06/2018**	**31/12/2017**
Due	60,240	51,806	6,409	27,790	66,649	79,596
Past due	10,813	10,345	59,735	17,500	70,549	27,845
From 1 to 30 days	5,339	2,509	24,276	5,572	29,616	8,081
From 31 to 60 days	1,700	670	17,966	1,090	19,666	1,760
From 61 to 180 days	423	2,442	9,785	5,386	10,209	7,828
Over 181 days	3,351	4,724	7,708	5,452	11,058	10,176
	71,053	62,151	66,144	45,290	137,198	107,441
Allowance for doubtful accounts	(2,625)	(3,414)	(3,272)	(2,056)	(5,897)	(5,470)
Total	**68,429**	**58,737**	**62,872**	**43,234**	**131,301**	**101,971**

The Company adopts as procedure for registering allowance for doubtful accounts the quantitative analysis of notes past due, considering for this quarter 100% of the private Market past due for over 61 days, 100% of the notes already protested and past due for over 181 days for the public Market and exports, selected in accordance with the risk of collection, totaling an amount of R$ 1,048 Company and R$ 2,268 Consolidated.

b. Changes in allowance for doubtful accounts are demonstrated below

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Initial balance	(6,490)	(4,533)	(5,470)	(3,272)
Register of provision in the period	(2,066)	(2,757)	(1,866)	(2,744)
Write-off in the period	1,239	-	1,239	-
Reversal in the period	200	800	200	546
Final balance	**(7,117)**	**(6,490)**	**(5,897)**	**(5,470)**

Trade receivables were given in guarantee of debts incurred by the Company. See Note 21.

11 Inventories

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**07/30/2018**	**12/31/2017**
Finished goods	41,675	28,493	41,675	28,493
Goods for resale	7,135	5,969	-	-
Semi-finished goods	14,868	23,796	14,868	23,796
Goods in process	333	472	333	472
Raw materials	37,561	40,989	37,561	40,989
Packaging materials	20,064	16,993	20,064	16,993
Materials with third parties	86	86	86	86
Imports in progress	3,328	1,148	3,328	1,069
Advances for imports	995	590	995	590
Ancillary production material	376	544	375	544
Total	**126,421**	**119,080**	**119,285**	**113,032**

The inventory amount increased in 6.2% mainly due to finished goods in the amount of R$ 13,181 compensated partially by the drop in semi-finished goods in the amount of R$ 8,928 and raw material of R$ 3.428, reflected by the decrease in imported products to supply the growing sales demands.

Changes in provision for loss of inventory:

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Initial balance	(6,536)	(7,797)	(6,432)	(6,818)
Register of provision in the period	(2,569)	(6,125)	(2,569)	(6,164)
Write-off in the period	2,834	5,907	2,827	5,071
Reversal in the period	1,268	1,479	1,268	1,479
Final balance of provision	**(5,003)**	**(6,536)**	**(4,906)**	**(6,432)**

For the period ended June 30, 2018 the provision for inventory loss, to bring the amounts to their net realizable values was reduced in 23.5% due to the drop in the provision for obsolete materials in view of improved inventory management.

The provision for inventory loss is calculated considering the validity of the products and also the expected future commercialization of the products. Products with expired validities are fully provisioned, as well as those with validities of up to 180 days, regardless of the expectation or not of sale. There are no inventories given in guarantee of debt as at June 30, 2018 and December 31, 2017.

12 Recoverable taxes

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Current				
ICMS	342	317	342	317
IPI	95	90	95	90
PIS	348	331	348	331
COFINS	1,734	1,523	1,734	1,523
IR/CSLL	369	3,862	18	3,862
Other	1,847	832	813	24
Withheld taxes	-	-	-	-
Total current taxes	**4,735**	**6,955**	**3,350**	**6,147**
Non-current				
CIAP	669	723	669	723
PIS	101	555	101	555
COFINS	-	2,095	-	2,095
Total non-current taxes	**770**	**3,373**	**770**	**3,373**
Total	**5,505**	**10,328**	**4,120**	**9,520**

13 Investments

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Equity interest Blau Farmacêutica Colombia S.A.S	-	-	20,511	16,181
Goodwill investment Blau Colombia S.A.S (i)	-	-	6,801	6,800
Total investment Blau Colombia S.A.S	**-**	**-**	**27,312**	**22,981**
Equity interest Blaufarma Uruguay S.A	-	-	(1,403)	(467)
Goodwill investment Blaufarma Uruguay S.A (i)	-	-	271	271
Advance for future capital increase	-	-	7,476	5,320
Total investment Blaufarma Uruguay S.A	**-**	**-**	**6,344**	**5,124**
Other investments	15	15	15	15
Total	**15**	**15**	**33,671**	**28,120**

(i) For the purpose of consolidation the goodwill in the investees Blau Colombia R$ 6,800 and Blau Uruguay R$ 271 were reclassified to intangible assets. See Note 15.

Changes in investments

	Blau Farmacêutica Colombia SAS	Blaufarma Uruguay S.A	Preserv	Other equity interests abroad	Total
Balance as at January 1, 2017	**14,327**	**1,443**	**847**	**-**	**16,617**
Equity in investments	653	(2,238)	-	-	(1,585)
Unrealized profit	1,358	(203)	-	-	1,155
Total net equity in investments	**2,011**	**(2,441)**	**-**	**-**	**(430)**
Translation adjustment	336	462	-	-	798
Realized profit	(493)	69	-	-	(424)
Write-off investment due to incorporation	-	-	(847)	-	(847)
Acquisition of equity interest	-	-	-	15	15
Total changes in investments	**16,181**	**(467)**	**-**	**15**	**15,729**
Goodwill	6,800	271	-	-	7,071
Advance for future capital increase	-	5,320	-	-	5,320
Balance as at December 31, 2017	**22,981**	**5,124**	**-**	**15**	**28,120**
Equity in investments	882	(1,164)	-	-	(282)
Unrealized profit	114	(223)	-	-	(109)
Total net equity in investments	**996**	**(1,387)**	**-**	**-**	**(391)**
Advance for future capital increase	-	338	-	-	338
Translation adjustment and other changes	(3,467)	(5,478)	-	-	(8,945)
Total changes in investments	**20,510**	**(1,403)**	**-**	**15**	**19,122**
Goodwill	6,801	271	-	-	7,072
Advance for future capital increase	-	7,476	-	-	7,476
Balance of investments as at June 30, 2018	**27,311**	**6,344**	**-**	**15**	**33,670**

In compliance to CPC 45 and IFRS 12 disclosure of equity interest in other societies, the Company demonstrates below a summary of the financial information of Blau Colombia and Blau Uruguay as at June 30, 2018 and December 31, 2017:

	06/30/2018		**12/31/2017**	
	Blau Famaceutica Colombia SAS	**Blaufarma Uruguay S.A**	**Blau Famaceutica Colombia SAS**	**Blaufarma Uruguay S.A**
Current assets	26,143	5,390	20,334	3,342
Non-current assets	588	5,182	761	3,714
Total assets	**26,731**	**10,572**	**21,095**	**7,056**
Current liabilities	6,696	4,254	4,633	2,524
Non-current liabilities	-	-	158	-
Shareholders' equity	20,035	6,318	16,304	4,532
Total liabilities + Shareholders' equity	**26,731**	**10,572**	**21,095**	**7,056**
Net operating income	12,236	2,782	20,447	3,846
Net income (loss) for the period	527	(1,164)	653	(2,316)

14 Property, plant and equipment

	Consolidated				
Cost	**Balance 12/31/2017**	**Additions**	**Transfer**	**Write-off**	**Balance 06/30/2018**
Property and land	30,352	-	-	-	30,352
Machinery and equipment	64,307	1,364	1,496	(576)	66,591
Vehicles	3,239	291	-	(105)	3,425
Furniture and fixtures	5,787	158	159	(5)	6,099
Installations in use	8,704	253	1,015	-	9,972
IT equipment	3,669	256	78	(7)	3,995
Property, plant and equipment in progress	33,597	5,763	(2,748)	(39)	36,573
Other	44	-	-	-	44
Advance on goods for future delivery	924	15,190	-	(863)	15,250
Total cost	**150,623**	**23,275**	**-**	**(1,597)**	**172,301**
Depreciation					
Property	(976)	(424)	-	-	(1,400)
Machinery and equipment	(34,865)	(3,148)	-	211	(37,802)
Vehicles	(2,040)	(268)	-	141	(2,167)
Furniture and fixtures	(4,633)	(113)	-	-	(4,746)
Installations in use	(5,838)	(200)	-	-	(6,038)
IT equipment	(2,616)	(194)	-	1	(2,809)
Improvements	-	(8)	-	-	(8)
Total depreciation	**(50,968)**	**(4,355)**	**-**	**353**	**(54,970)**
Residual value of property, plant and equipment	**99,655**	**18,920**	**-**	**(1,244)**	**117,331**

	Company				
Cost	**Balance 12/31/2017**	**Addition**	**Transfer**	**Write-off**	**Balance 06/30/2018**
Property and land	30.352	-	-	-	30.352
Machinery and equipment	65.071	1.364	1.496	(501)	67.430
Vehicles	2.989	291	-	(105)	3.175
Furniture and fixtures	4.730	158	159	(5)	5.042
Installations in use	8.761	253	1.015	-	10.029
IT equipment	3.495	242	78	(4)	3.811
Property, plant and equipment in progress	33.025	5.763	(2.748)	(39)	36.001
Other	-	-	-	-	-
Advance on goods for future delivery	933	15.190	-	(863)	15.259
Total cost	**149.356**	**23.261**	**-**	**(1.517)**	**171.099**
Depreciation					
Property	(960)	(424)	-	-	(1.384)
Machinery and equipment	(35.038)	(3.235)	-	181	(38.092)
Vehicles	(1.662)	(243)	-	141	(1.764)
Furniture and fixtures	(4.516)	(107)	-	-	(4.623)
Installations in use	(6.083)	(200)	-	-	(6.283)
IT equipment	(2.467)	(172)	-	-	(2.638)
Improvements	-	-	-	-	-
Total depreciation	**(50.726)**	**(4.381)**	**-**	**322**	**(54.784)**
Residual value of property, plant and equipment	**98.630**	**18.881**	**-**	**(1.195)**	**116.315**

As at June 30, 2018 property, plant and equipment in progress totaled R$ 36,573 Consolidated and R$ 36,001 Company, of which R$ 14,954 is in relation to the construction of a new warehouse for the storage of inventory. The Company expects to conclude these Works by the end of 2018, due to the addition of installations to guarantee quality and research and development.

The Company does not have any property, plant and equipment given in guarantee of debts as at June 30, 2018 and December 31, 2017.

The balance of property, plant and equipment in progress is broken down below

	Consolidated	Company
Shipping warehouse	14,964	14,964
Industrial expansion	7,561	7,561
Hydrant network	1,638	1,638
Maintenance warehouse	1,010	1,010
HVAC system installation	1,187	1,187
WFI P400 water system	807	807
P110 Development lab	688	688
P110 – Guarantee office	541	541
Other	4,529	3,957
Total	**32,925**	**32,353**

15 Intangible assets

	Consolidated				
	Balance 12/31/2017	Addition	Transfer	Write-off	Balance 06/30/2018
Cost					
Software	4,057	4	-	-	4,061
Trademark	995	7	(5)	-	997
Patent	-	-	-	-	-
Health registers	680	47	(309)	-	418
Goodwill (i)	7,071	-	-	-	7,071
	12,803	**58**	**(314)**	**-**	**12,547**
Software	(3,262)	(316)	-	-	(3,578)
Trademark	(9)	(7)	-	-	(16)
Health registers	(236)	(42)	-	-	(278)
Total	**(3,507)**	**(365)**	**-**	**-**	**(3,872)**
Residual value of intangible assets	**9,296**	**(307)**	**(314)**	**-**	**8,675**

	Company				
	Balance 12/31/2017	**Addition**	**Transfer**	**Write-off**	**Balance 06/30/2018**
Cost					
Software	3,929	4	-	-	3,933
Trademark	877	-	-	-	877
Total cost	**4,806**	**4**	**-**	**-**	**4,810**
Amortization					
Software	(3,254)	(316)	-	-	(3,570)
Total	**(3,254)**	**(316)**	**-**	**-**	**(3,570)**
Residual value of intangible assets	**1,552**	**(312)**	**-**	**-**	**1,240**

(i) Goodwill is due to acquisition in the investees Blau Colombia in the amount of R$ 6,800 and Blau Uruguay in the amount of R$ 271, which in the consolidated statements are stated as intangible assets, in accordance with the accounting standard.

Impairment test – 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 goodwill.

Determination of CGU recovery based on "Value in Use" involves assumptions, judgments and estimates on cash flows, such as income, costs and expenses growth rates, investment and future working capital estimates and discount rates. Assumptions on growth projections, cash flow and future cash flows are based on best Management estimates, as well as on market comparable data, economic conditions that will exist during economic life of assets that provide cash flow generation. Future cash flows have been discounted based on rate representing capital cost.

Based on annual test of intangible assets recovery prepared based on projections made on financial statements, growth perspectives at that time and follow-up of projections and operating results during the period, no possible losses or indication of losses were identified, as value in use is higher than net book value on evaluation date. Main assumptions used for determination of future cash flows discounted at present values of operations are as follows:

Sale of products 12/31/2017	**Considering sales net of taxes and returns**
Hospital line	Growth of 9% year
Oncological line	Growth of 10% year
Biopharmaceutical line	Growth of 14% year
Sutures	Growth of 9% year.
Operating expenses 31/12/2016	
Fixed	Linear growth of 6% year
Variables	Proportional to net income based on 12/31/17
Discounted cash flow – Financial cost 12/31/2017	11.7% year capitalized

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

16 Related parties

a. Final controlling entity

For the period ended June 30, 2018 and year ended December 31, 2017 there was no issue of new shares. The final controlling entity remained Mr. Marclo Hahn, who holds exclusive equity interest of the Group.

b. Key-management personnel remuneration

Key management personnel compensation comprises salaries and direct benefits, such as medical and dental care and meals. The Company does not provide non-cash benefits to Directors, nor contributes to a defined post-employment benefit plan. The Company and its subsidiaries do not offer any share purchase option plans.

	Company	
	06/30/2018	**12/31/2017**
Fees and benefits	2,212	3,884
Bonus	449	639
Total	**2,661**	**4,523**

c. Balance 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 with related parties in the equity accounts and statements of profit and loss are presented below:

	Consolidated		Company	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Current assets				
Clients (Note 10)				
Kollimed Com. Mat. Hospitalares Ltda. (a)	3,765	3,077	3,765	3,077
The Package Store Imp. Com. Distr. Emb. Ltda. (b)	143	83	143	83
Blau Farmaceutica Colombia S.A.S (c)	-	-	6,614	4,037
Blaufarma Uruguay S.A	-	-	3,348	1,954
Trade receivables of subsidiaries	**3,908**	**3,160**	**13,870**	**9,151**
Investments in equity (Nota 13)				
AFAC Blaufarma Uruguay S.A	-	-	7,476	5,320
Equity interest in Blau Colombia S.A.S	-	-	27,311	22,981
Equity interest in Blau Farma Uruguay S.A	-	-	(1,131)	5,124
Total on-current	**-**	**-**	**33,656**	**33,425**
Loans receivable	-	-	-	-
Shareholders	-	-	-	-
Total loans receivable	**-**	**-**	**-**	**-**
Total assets with related parties	**3,908**	**3,160**	**47,526**	**42,576**
Current liabilities				
F11 Segurança Privada Ltda (f)	286	279	286	279
Minimum dividends payable to shareholders	1,452	19,659	1,452	19,659
Total other accounts payable	**1,738**	**19,938**	**1,738**	**19,938**

Income (loss) – net income (Note 24) and cost of goods and products sold (Note 25)

	Consolidated			
	06/30/2018		06/30/2017	
	Income	Cost	Income	Cost
Kollimed Com. Mat. Hospitalares Ltda. (a)	10,253	5,912	10,262	6,008
The Package Store Imp. Com. Distr. Emb. Ltda. (b)	804	457	1,167	696
Total income from related parties	**11,057**	**6,369**	**11,429**	**6,704**

	Company			
	06/30/2018		06/30/2017	
	income	Cost	Income	Cost
Kollimed Com. Mat. Hospitalares Ltda. (a)	10,253	5,912	10,262	6,008
The Package Store Imp. Com. Distr. Emb. Ltda. (b)	804	457	1,167	696
Blau Farmaceutica Colombia S.A.S. (c)	5,961	5,537	4,706	4,023
Blaufarma Uruguay S.A. (d)	2,271	2,521	987	992
Total income from related parties	**19,289**	**14,427**	**17,122**	**11,719**

	Company	
	06/30/2018	06/30/2017
Hahn Participações (e)	-	12,018
F11 Segurança Privada Ltda (f)	1,873	1,702

The companies Kollimed, The Package, Hahn Participações and F11 Segurança Privada are considered as related parties because the President of Blau Farmaceutica holds the equity control of these companies.

(a) Kolimed Com. Mat. Hospitalares Ltda has as its main activity the Distribution of Medicaments, the amounts billed to Kolimed come from sales of medicaments under normal market conditions.

(b) The main activity of Package Store Imp. Distr. Emb. Ltda' is the sale of glass packaging for the pharmaceutical industry. The invoiced values for The Package come from glass containers purchased by the Company from suppliers abroad and resold to The Package under normal market conditions.

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

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

(e) The Company had real estate rental agreements with the related Hahn Participações Eireli, signed in June 2013 with validity for 5 years. The contract had no warranty clauses. The rental amount was updated annually by inflation indexes, and monthly payments made. The contract provides for a grace period of 36 months for cancellation, thus being subject to a fine for early termination. The rental expense totaled R$ 6,009 as at March 31, 2017and was extinguished due the acquisition of the properties in June 2017.

(f) The Company has a security service agreement that began in the second half of 2016 with the related company F-11 Seguranças Privada Ltda., in which Mr. Marcelo Hahn holds 89% and the Legal Director 10%. The expenses of the services affected the result of general and administrative expenses in the amount of R$ 1,873 for the six-month period ended June 30, 2018. The term of the contract is 1 year, and the renewal will take place upon signature of the respective contractual amendment by both parties. The agreement will be readjusted during the validity term on the base date of the category (January). The payment is on the fourth business day of the month subsequent to the rendering of services, with a fine of 2% (two percent) on the value of the invoice, in addition to the financial charges referring to default interest of 1% (one percent) per month if payment delays occur.

17 Suppliers

Included in the position of suppliers are amounts receivable from related parties, both abroad and in Brazil.

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Domestic	8,281	8,058	8,281	8,058
Foreign	98,987	67,795	98,861	67,946
Subtotal	**107,268**	**75,853**	**107,142**	**76,004**
Total Suppliers	**107,268**	**75,853**	**107,142**	**76,004**

The increase in the balance of suppliers is due to the increase in the volume of purchases of raw materials from foreign suppliers in the period and consequential effect of the exchange variation over outstanding balances.

18 Other accounts payable

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Advances from clients	900	789	851	762
Dividends payable	1,452	19,659	1,452	19,659
Other accounts payable (a)	4,791	419	4,176	27
Total other accounts payable	**7,143**	**20,867**	**6,479**	**20,448**

(a) Of this amount R$ 4,070 represents interest on own capital payable. See Note 23d.

19 Labor obligations

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Payroll	2,393	2,510	2,217	2,234
Social charges payable	2,174	2,479	2,174	2,479
Vacation pay	6,915	7,305	6,841	7,249
13th salary payable	2,818	-	2,818	-
Other accounts payable	974	1,561	974	1,561
Total other accounts payable	**15,274**	**13,855**	**15,026**	**13,523**

20 Income tax and social contribution

Current

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Income tax	3,840	5,062	3,840	5,062
Social contribution	1,110	1,680	1,110	1,680
Total	**4,950**	**6,742**	**4,950**	**6,742**

Changes in income tax and social contribution payable

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Initial balance	6,742	6,279	6,742	6,279
Provision	19,295	45,931	18,940	45,019
Interest	68	(396)	68	(396)
Compensation	(6,745)	(10,962)	(6,745)	(10,962)
Tax paid	(14,410)	(34,110)	(14,055)	(33,198)
Subtotal	**4,950**	**6,742**	**4,950**	**6,742**

Effective tax rate in the Company

Reconciliation of income tax (IR) and social contribution (CS)	**06/30/2018**	**12/31/2017**
Income before income tax and social contribution	**53,878**	**147,575**
Statutory rate	*34%*	*34%*
IR/CSLL on income at the statutory rate	**18,319**	**50,176**
Additions/Exclusions		
Equity in investments	282	761
Tax incentives	200	(1,499)
Provisions	(657)	(470)
Interest on own capital	(4,406)	(3,106)
Taxable sales	7,061	-
Reduction of inventory to net recoverable value	1,180	-
Technical innovation expense	(1,973)	-
Other	(661)	657
Total additions/exclusions	**19,345**	**46,519**
Deductions		
PAT (workers' meal program)	(193)	(603)
Sponsored donations	(200)	(873)
Exempt portion	(12)	(24)
Total deductions	**(405)**	**(1,500)**
Current income tax and social contribution expenses	**18.940**	**45,019**
Effective rate	**35.2%**	**30.5%**
Reconciliation of effective rate		
Current income tax and social contribution	18,940	45,019
Deferred income tax and social contribution	(2,751)	(572)
Current income tax and social contribution, net	**16,189**	**44,447**
Effective rate	**30.0%**	**30.1%**

Deferred income tax and social contribution, net

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Liabilities				
Income tax	(1,080)	(1,457)	(1,080)	(1,346)
Social contribution	(389)	(484)	(389)	(484)
Subtotal	**(1,469)**	**(1,941)**	**(1,469)**	**(1,830)**
Assets				
Income tax	4,702	2,782	4,541	2,782
Social contribution	1,634	1,001	1,634	1,001
Subtotal	**6,336**	**3,783**	**6,174**	**3,783**
Total – Assets	**4,867**	**1,953**	**4,704**	**1,953**
Total - Liabilities	-	(111)	-	-

Changes in deferred income tax and social contribution

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Initial balance	1,953	957	1,953	957
IR/CS on equity valuation adjustment	360	726	360	726
IR/CS on provision for inventory loss	(519)	(115)	(519)	(115)
IR/CS on provision for contingencies	179	399	179	399
IR/CS on allowance for doubtful accounts	330	(16)	330	(16)
IR/CS other	2,562	2	2,401	2
Total – assets	**4,867**	**1,953**	**4,704**	**1,953**
Total - liabilities	**-**	**(111)**	**-**	**-**

21 Loans and financing

			Consolidated		Company	
Modality	**Average rate**	**Guarantee**	**06/30/2018**	**12/31/2017**	**06/30/2018**	**12/31/2017**
Advance on foreign exch.contracts	US$ + 3.17% year	CEO approval	8,216	7,492	8,216	7,492
Leasing	14.22% year	Lien – property, plant and equipment	716	823	696	783
Working capital	15.99% year, 12.74% year	35% private receivables	80,685	80,168	80,291	79,803
Working capital	17.38% year, 11.09% year(SWAP)	35% private receivables	-	15,434	-	15,434
Non-convertible debentures	100% of CDI + 1.05% year	CEO approval	180,155	-	180,155	-
Total loans and financing with financial institutions			**269,772**	**103,917**	**269,358**	**103,512**
Current			89,422	102,979	89,008	102,575
Non-current			180,350	938	180,350	937
Total			**269,772**	**103,917**	**269,358**	**103,512**

Breakdown by maturity of long-term loans and financing:

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Year				
2018	89,422	102,979	89,008	102,575
2019	22,642	938	180,350	937
2020	45,195	-	-	-
2021	45,011	-	-	-
2022	44,999	-	-	-
2023	22,503	-	-	-
Total	**269,772**	**103,917**	**269,358**	**103,512**

As at June 30, 2018 due to new issue of debentures, there are covenant clauses to be fulfilled by the Company and its subsidiary.

Covenants: net debt / EBITDA < 2.50x, considered only for the years ending December 31 of each year and based on the consolidated statement of financial position.

Changes in loans

	Consolidated	Company
Balance January 1, 2018	**103,917**	**103.512**
Raising of funds with cash effect	210,071	210.035
Appropriation of interest	4,688	4.688
Payment of principal	(46,190)	(46.165)
Payment of interest	(4,874)	(4.872)
Monetary adjustment	2,160	2.160
Balance as at June 30, 2018	**269.772**	**269,358**

22 Provision for tax, civil and labor contingencies

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

	Consolidated				
	Labor Claims	**Civil Claims**	**Anvisa Claims**	**Commercial claims**	**Total**
Balance January 1, 2017	**2,529**	**781**	**140**	**-**	**3,450**
Additions	**2,602**	**834**	**68**	**-**	**3,504**
New claims	1,536	343	68	-	**1,947**
Reclassification	552	-	-	-	**552**
Monetary adjustment	514	491	-	-	**1,005**
Write-off	**(1,211)**	**(1,075)**	**(44)**	**-**	**(2,330)**
Reversal	(360)	-	-	-	**(360)**
Payment	(215)	(278)	(44)	-	**(537)**
Reclassification	(538)	-	-	-	**(538)**
Monetary adjustment	(98)	(797)	-	-	**(895)**
Balance December 31, 2017	**3,920**	**540**	**164**	**-**	**4,624**
Addition	**497**	**74**	**80**	**-**	**651**
New claims	150	-	80	-	**230**
Reclassification	55	-	-	-	**55**
Monetary adjustment	292	74	-	-	**366**
Write-off	**(355)**	**(5)**	**(52)**	**-**	**(411)**
Reversal	(25)	-	-	-	**(25)**
Payment	(65)	(5)	(52)	-	**(121)**
Reclassification	(226)	-	-	-	**(226)**
Monetary adjustment	(39)	-	-	-	**(39)**
Balance June 30, 2018	**4,062**	**609**	**192**	**-**	**4,864**

	Company				
	Labor Claims	**Civil Claims**	**Anvisa Claims**	**Commercial claims**	**Total**
Balance January 1, 2017	**2,498**	**806**	**140**	**-**	**3,443**
Addition	**2,602**	**834**	**68**	**-**	**3,504**
New claims	1,536	343	68	-	**1,947**
Reclassification	552	-	-	-	**552**
Monetary adjustment	514	491	-	-	**1,005**
Write-off	**(1,211)**	**(1,075)**	**(44)**	**-**	**(2,330)**
Reversal	(360)	-	-	-	**(360)**
Payment	(215)	(278)	(44)	-	**(537)**
Reclassification	(539)	-	-	-	**(539)**
Monetary adjustment	(97)	(797)	-	-	**(894)**
Balance December 31, 2017	**3,889**	**565**	**164**	**-**	**4,617**
Addition	**497**	**74**	**80**	**-**	**651**
New claims	150	-	80	-	**230**
Reclassification	55	-	-	-	**55**
Monetary adjustment	292	74	-	-	**366**
Write-off	**(355)**	**(5)**	**(52)**	**-**	**(412)**
Reversal	(25)	-	-	-	**(25)**
Payment	(65)	(5)	(52)	-	**(122)**
Reclassification	(226)	-	-	-	**(226)**
Monetary adjustment	(39)	-	-	-	**(39)**
Balance June 30, 2018	**4,031**	**634**	**192**	**-**	**4,856**

The main proceedings refer to labor claims, nevertheless the Company does not expect any relevant outflow of funds in the outcome of these proceedings.

a. Claims classified by the legal advisors as of possible loss

The Company and its subsidiaries are party to other legal proceedings, evaluated by the legal advisors as having possible probability of loss, in the amount of R$ 3,668 as at June 30, 2018 (R$ 8,523 as at December 31, 2017). No provision was recognized for contingencies classified as possible loss.

Nature	**06/30/2018**	**12/31/2017**
Tax	-	3,910
Labor	454	454
Civil	3,214	3,159
Total	**3,668**	**7,523**

23 Shareholders’ equity

a. Authorized capital

Under the terms of Article 5 of the Company Bylaws, the Company is authorized to increase capital through deliberation of the Board of Directors, independently of statutory amendment, through the issue of shares, debentures convertible into shares or subscription bonus, up to a limit of 198,000,000 (one hundred and ninety eight million) shares. The Board of Directors is responsible for establishing conditions of issue, including price, term and form of payment.

b. Subscribed and paid-in capital

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

On September 20, 2017, the Extraordinary General Meeting approved the split of shares issued by the Company in a ratio of 1:8, with the Company's capital being divided into 148,000,000 common, registered, book-entry and non-voting common shares.

On October 23, 2017 capital increase was approved in a General Assembly in the amount of R$ 430, from R$ 56,070 to R$ 56.500, through capitalization of dividends.

The Company’s subscribed and paid-in capital, on December 31, 2017, is represented by 148,000,000 common nominative shares, with no par value, in the total amount of R$ 56,500 as at March 31, 2018 (R$ 56,500 as at December 31, 2017).

On June 11, 2018 the share capital of the Company was increased in R$ 44,140 totaling subscribed and paid-in capital of R$ 100,640 divided into 148,000,000 common nominative shares.

The shareholding structure is demonstrated below:

	06/30/2018			
Shareholders	**Number of shares**	**Capital**	**Shareholders' equity**	**%**
Marcelo Rodolfo Hahn	148,000,000	100,640	174,686	100%
Total	**148,000,000**	**100,640**	**174,686**	**100%**

	12/31/2017			
Shareholders	**Number of shares**	**Capital**	**Shareholders' equity**	**%**
Marcelo Rodolfo Hahn	148,000,000	56,500	138,336	90%
Total	**148,000,000**	**56,500**	**138,336**	**100%**

c. Profit reserve

Comprises legal reserve, reserve for investments and additional proposed dividends.

The legal reserve is established in accordance with the Brazilian Corporate Law, based on 5% of net income for each year up until 20% of share capital.

The investment reserve is set up based on up to 75% of the net income for each year, after deducting the amounts allocated to legal reserve, contingency reserve and tax incentive reserve. The investment reserve is intended to ensure sufficient resources for the expansion of the Company's activities and investments, and the balance of the reserve may not exceed the share capital, either separately or in conjunction with other profit reserves

d. Other comprehensive income

Refers to gain or loss in the translation of the financial statements of subsidiaries domiciled abroad, and initial adoption of equity valuation adjustment (deemed cost).

e. Profit allocation

Under the terms of the Company Bylaws, altered and approved on September 20, 2017 the shareholders have the right to mandatory minimum dividends of 25% of adjusted net income for the year (previously 5%), offsetting the amounts of interim dividends and interest on own capital.

On December 15, 2017 in accordance with Article 30 of the Company Bylaws, the distribution of interim dividends was approved in the amount of R$ 5.000, with R$ 700 having been paid in the year and a balance of R$ 4,300 to be paid in 2018, recognized in current liabilities under other accounts payable.

On October 23, 2017, in accordance with Article 30 of the Company Bylaws, the distribution of interim dividends was approved in the amount of R$ 3,337, paid in that same year.

According to legal provisions and with the Bylaws of the Company, interest on own capital was declared and distributed to the shareholders ad minimum mandatory dividends as proposed by the Board of Directors in relation to the interim distribution of dividends related to the net income of the Company as at December 31, 2017. On such date, the net value of interest on own capital declared was of R$ 9,134, fully settled within the year.

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 March 31, 2018 in the amount of R$ 2,248 and of R$ 2,159 as at June 30, 2018, which were recorded under retained earnings, as required by the tax legislation. For the purposes of this interim financial information, such interest is being presented under changes in shareholders' equity and settled during the year 2018.

f. Earnings per share

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

Basic and diluted

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

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

	Company	
	30/06/2018	**31/06/2017**
Numerator		
Net income for the period	37,690	63,899
Denominator (in thousands of shares)		
Number of common shares	148,000	148,000
Earnings per share		
Basic and diluted earnings per common share	**0.25466**	**0.43175**

	Consolidated	
	06/30/2018	**06/31/2017**
Numerator		
Net income for the period	37,690	62,323
Denominator (in thousands of shares)		
Number of common shares	148,000	148,000
Earnings per share		
Basic and diluted earnings per common share	**0.25466**	**0.42110**

24 Net revenue

Accumulated for the six-month periods ended June 30, 2018 and 2017

	Consolidated		Company	
	06/30/2018	**06/30/2017**	**06/30/2018**	**06/30/2017**
Revenue from sale of products – domestic Market	340,324	325,608	325,108	325,608
Revenue from sale of products – foreign Market	6,616	15,650	6,616	4,649
Revenue from sales with related parties	11,057	11,429	19,289	17,122
	357,997	352,687	351,013	347,379
(-) Taxes	(17,156)	(14,434)	(17,156)	(14,434)
(-) Discounts	(113)	(55)	-	(5)
(-) Returns	(6,557)	(2,253)	(6,472)	(2,116)
	(23,826)	(16,742)	(23,628)	(16,555)
Total	**334,172**	**335,945**	**327,385**	**330,824**

Quarters ended June 30, 2018 and 2017

	Consolidated		Company	
	04/01/2018 to 06/30/2018	**04/01/2017 à 06/30/2017**	**04/01/2018 to 06/30/2018**	**04/01/2017 to 06/30/2017**
Revenue from sale of products – domestic Market	186,619	195,905	176,066	195,905
Revenue from sale of products – foreign Market	4,026	7,444	4,026	1,403
Revenue from sales with related parties	6,578	5,226	11,544	8,265
	197,223	208,575	191,636	205,573
(-) Taxes	(10,172)	(7,191)	(10,172)	(7,191)
(-) Discounts	(113)	11	-	(1)
(-) Returns	(4,694)	(1,200)	(4,609)	(1,084)
	(14,979)	(8,380)	(14,781)	(8,276)
Total	**182,245**	**200,195**	**176,855**	**197,297**

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

	Consolidated		Company	
	06/30/2018	**06/30/2017**	**06/30/2018**	**06/30/2017**
Private	184,807	148,872	178,197	143,751
Public	149,364	187,073	149,189	187,073
Total net revenue	**334,172**	**335,945**	**327,385**	**330,824**

Demonstrated below is the net revenue segregated by types of treatment:

	Consolidated		Company	
	06/30/2018	**06/30/2017**	**06/30/2018**	**06/30/2017**
Biopharmaceuticals	230,543	198,038	228,018	195,793
Specialties	66,369	62,726	64,750	61,356
Oncological	18,538	19,672	16,104	18,716
Other	18,722	55,509	18,513	54,959
Total	**334,172**	**335,945**	**327,385**	**330,824**

In relation to geographic location, net revenues in Brazil represent 96% and 97% of consolidated net revenues for the periods ended June 30, 2018 and 2017, respectively
.

	Company	
	06/30/2018	**06/30/2017**
Brazil	312,810	320,481
Colombia	5,961	4,707
Peru	4,453	2,403
Uruguay	2,270	1,649
Thailand	446	604
Chile	1,428	470
Paraguay	17	396
Other	-	114
Total	**327,385**	**330,824**

The main clients of the Company are segregated among private and public entities, as described below:

	Company	
	06/30/2018	**06/30/2017**
Private		
CM/GO Hospitalar	8,803	8,685
Servimed	10,291	9,666
Kollimed	8,496	10,262
Comercial Rioclarense	5,807	3,333
Blau Colômbia	5,961	4,706
Health facilities	1,629	1,590
Pharmacies and drugstores	3,767	4,313
Other private clients	133,342	118,321
Total private	**178,095**	**160,876**
Public		
Health Ministry	131,901	139,334
Health departments	9,340	10,685
Other public entities	8,049	19,929
Total public	**149,290**	**169,948**
	327,385	**330,824**

In the second quarter of 2018 the net revenue of the Company was of R$ 327,385, a result 1% below the same period in the prior year. This small drop was due to a lower demand from the public agencies, compensated partially by an increase in private clients.

The main factors for the increase in private sector was due to the volume and price, totaling an increase of 12.7% in net revenue when comparing the six-month period of 2018 to the same period of 2017.

25 Cost of goods and products sold

Accumulated results of the six month periods ended June 30, 2018 and 2017	**Consolidated**		**Company**	
	06/30/2018	**06/30/2017**	**30/06/2018**	**30/06/2017**
Cost of materials (raw material and packaging)	(161,884)	(129,873)	(159,904)	(126,957)
Labor	(8,102)	(8,772)	(8,102)	(8,772)
Depreciation and amortization	(2,763)	(2,754)	(2,763)	(2,754)
Other manufacturing expenses	(28,297)	(30,843)	(28,297)	(30,843)
Total cost of goods and products sold	**(201,046)**	**(172,242)**	**(199,066)**	**(169,326)**

Quarters ended June 30, 2018 and 2017 :	**Consolidated**		**Company**	
	04/01/2018 to 06/30/2018	**04/01/2017 to 06/30/2017**	**04/01/2018 to 06/30/2018**	**04/01/2017 to 06/06/2017**
Cost of materials (raw material and packaging)	(95,727)	(69,861)	(93,337)	(67,640)
Labor	(4,736)	(5,055)	(4,736)	(5,055)
Depreciation and amortization	(1,329)	(1,326)	(1,329)	(1,326)
Other manufacturing expenses	(14,407)	(16,179)	(14,407)	(16,180)
Total cost of goods and products sold	**(116,199)**	**(92,421)**	**(113,809)**	**(90,201)**

Cost increased 16.7% in relation to the same period in 2017, impacted mainly by the increased volume of sale of imported goods.

26 Operating expenses by category

Accumulated results for the six-month periods ended June 30, 2018 and 2017

	Consolidated		Company	
	06/30/2018	**06/30/2017**	**06/30/2018**	**06/30/2017**
Personnel expenses	(28,303)	(25,719)	(25,699)	(21,870)
Profit sharing	(142)	(128)	(142)	(130)
Management and director fees	(3,131)	(996)	(2,792)	(1,019)
Regulatory expenses	(681)	(604)	(555)	(498)
Specialized services	(6,006)	(5,539)	(6,006)	(5,273)
Vehicles	(502)	(542)	(502)	(558)
Marketing	(4,681)	(2,163)	(4,516)	(2,094)
Travel and representation	(779)	(783)	(638)	(732)
Freight	(2,805)	(2,380)	(2,708)	(2,344)
Losses and provisions with clients	(1,954)	(745)	(1,856)	(700)
Depreciation and amortization	(2,005)	(1,567)	(1,899)	(1,483)
General	(3,354)	(3,612)	(2,881)	(3,012)
Materials and services	(232)	(305)	(232)	(306)
Studies and tests on products	(193)	(914)	(193)	(914)
Maintenance	(669)	(544)	(669)	(812)
Materials	(1,845)	(956)	(1,805)	(1,786)
Communication	(420)	(403)	(399)	(408)
IT	(1,556)	(933)	(1,478)	(933)
Taxes, contributions, duties and fines	(694)	(1,452)	(573)	(1,513)
Rent of properties	(600)	(12,359)	(280)	(12,485)
Provision for contingencies	(646)	(1,031)	(646)	(1,032)
	(61,199)	**(63,675)**	**(56,471)**	**(59,903)**
Commercial expenses	(18,160)	(14,266)	(15,308)	(12,102)
Research and development	(5,801)	(6,816)	(5,801)	(6,816)
Total commercial expenses	**(23,961)**	**(21,082)**	**(21,109)**	**(18,918)**
Administrative expenses	(37,238)	(42,593)	(35,362)	(40,985)
Total expenses	**(61,199)**	**(63,675)**	**(56,471)**	**(59,903)**

Quarters ended June 30, 2018 and 2017

	Consolidated		Company	
	04/01/2018 to 06/30/2018	**04/01/2017 to 06/30/2017**	**04/01/2018 to 06/30/2018**	**04/01/2017 to 06/06/2017**
Personnel expenses	(14,470)	(14,106)	(13,041)	(10,727)
Profit sharing	(6)	(76)	(6)	(598)
Management and director fees	(1,819)	(498)	(1,659)	(498)
Regulatory expenses	(479)	(248)	(393)	(222)
Specialized services	(3,177)	(2,776)	(3,177)	(2,657)
Vehicles	(233)	(236)	(233)	(252)
Marketing	(2,627)	(1,941)	(2,546)	(1,946)
Travel and representation	(393)	(386)	(305)	(354)
Freight	(1,359)	(1,275)	(1,307)	(1,258)
Losses and provisions with clients	(1,218)	(358)	(1,125)	(334)
Depreciation and amortization	(1,034)	(783)	(978)	(739)
General	(1,736)	(1,659)	(1,559)	(1,386)
Materials and services	(100)	(218)	(100)	(218)
Studies and tests on products	(68)	(468)	(68)	(469)
Maintenance	(360)	(254)	(360)	(522)
Materials	(687)	(587)	(708)	(1,417)
Communication	(223)	(203)	(212)	(208)
IT	(753)	(803)	(717)	(803)
Taxes, contributions, duties and fines	(326)	(1,201)	(261)	(1,270)
Rent of properties	(308)	(6,078)	(140)	(6,274)
Provision for contingencies	(246)	(132)	(246)	(132)
	(31,623)	**(34,286)**	**(29,143)**	**(32,284)**
Commercial expenses	(9,845)	(8,597)	(8,354)	(7,416)
Research and development	(2,661)	(3,753)	(2,660)	(3,753)
Total commercial expenses	**(12,506)**	**(12,350)**	**(11,014)**	**(11,169)**
Administrative expenses	(19,117)	(21,936)	(18,129)	(21,115)
Total expenses	**(31,623)**	**(34,286)**	**(29,143)**	**(32,284)**

Justification of the main variations in the item of expenses

Operating expenses decreased in 3.3% when compared to the prior year due to the cost reduction with rent of property of R$ 11,759, due to the fact that as of August/17 Blau no longer paid rent after acquiring the land.

This reduction was partially compensated by the increase in expenses with personnel, marketing and allowance for doubtful accounts.

27 Net financial expenses

Six-month periods ended June 30, 2018 and 2017

	Consolidated		Company	
	06/30/2018	**06/30/2017**	**06/30/2018**	**06/30/2017**
Foreign exchange variation asset	5,021	5,071	5,021	5,071
Discounts obtained	934	296	286	127
Total financial income	**5,955**	**5,367**	**5,307**	**5,198**
Foreign exchange variation liability	(19,877)	(8,090)	(19,238)	(8,090)
Interest paid	(5,740)	(6,887)	(5,740)	(6,571)
Loss in SWAP operations	821	(2,462)	821	(2,462)
Loss in MtM operations	-	1,606	-	1,606
Tax on financial operations (IOF)	(888)	(595)	(888)	(595)
Bank commissions and expenses	(416)	(384)	(416)	(384)
Other	(115)	(346)	(115)	(346)
Discounts granted	(76)	(11)	(76)	(11)
Debentures	(25)	-	(25)	-
Total financial expense	**(26,316)**	**(17,169)**	**(25,677)**	**(16,853)**
Net financial expenses	**(20,361)**	**(11,802)**	**(20,370)**	**(11,655)**

Quarters ended June 30, 2018 and 2017

	Consolidated		Company	
	01/04/2018 à 30/06/2018	**01/04/2017 à 30/06/2017**	**01/04/2018 à 30/06/2018**	**01/04/2017 à 30/06/2017**
Foreign exchange variation asset	3.686	864	3.686	864
Interest earned	671	172	186	74
Discounts obtained	-	(10)	-	(10)
Total financial income	**4.357**	**1.026**	**3.872**	**928**
Foreign exchange variation liability	(16.196)	(6.165)	(15.557)	(6.165)
Interest paid	(3.095)	(3.448)	(3.095)	(3.262)
Loss in SWAP operations	1.207	(1.099)	1.052	(1.099)
Loss in MtM operations	(734)	2.986	(734)	2.986
Tax on financial operations (IOF)	(380)	(152)	(380)	(152)
Bank commissions and expenses	(347)	(115)	(347)	(115)
Other	(32)	(174)	(32)	(174)
Discounts granted	(30)	(5)	(30)	(5)
Debentures	(25)	-	(25)	-
Total financial expenses	**(19.633)**	**(8.172)**	**(19.149)**	**(7.986)**
Net financial expenses	**(15.276)**	**(7.146)**	**(15.277)**	**(7.058)**

The increase verified in financial expenses in the period is due to the effect of the exchange variation liability on equity accounts. See sensitivity analysis on foreign exchange in Note 28c (iii).

28 Financial instruments

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

a. Accounting classification and fair values

The table below demonstrates the carrying and fair values of financial assets and liabilities, including their fair value hierarchy. It does not include information on the fair value of financial assets and liabilities not measured at fair value when the book value is a reasonable approximation of fair value.

Consolidated – June 30, 2018

				Fair value			
	Measured fair value through profit or loss	**Loans and Receivables**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	63,396	5,501	68,897	5,501	63,396	-	68,897
Financial investments	110,000	-	110,000	-	110,000	-	110,000
Trade receivables	-	133,382	133,382	-	133,382	-	133,382
Other credits	-	3,850	3,850	-	3,850	-	3,850
	-						
	173,396	**142,733**	**316,129**	**5,501**	**310,628**	**-**	**316,129**

				Fair value			
	Measured fair value through profit or loss	**Liabilities at amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Suppliers	-	107,268	107,268	-	107,268	-	107,268
Loans and financing	-	269,772	269,772	269,772	-	-	269,772
Future exchange contracts (SWAP)	-	-	-	-	-	-	-
Other accounts payable	7,143	-	7,143	-	7,143	-	7,143
	7,143	**377,040**	**384,183**	**269,772**	**114,411**	**-**	**384,183**

Consolidated – December 31, 2017

				Fair value			
	Measured fair value through profit or loss	**Loans and Receivables**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	4,012	9,163	13,175	9,163	4,012	-	13,175
Trade receivables	-	104,111	104,111	-	104,111	-	104,111
Other credits	-	3,011	3,011	-	3,011	-	3,011
Loans receivable – related parties	-	-	-	-	-	-	-
	4,012	**116,285**	**120,297**	**9,163**	**111,134**	**-**	**120,297**

				Fair value			
	Measured fair value through profit or	**Liabilities at amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Suppliers	-	75,853	75,853	-	75,853	-	75,853
Loans and financing	-	102,830	102,830	102,830	-	-	102,830
Future exchange contracts (SWAP)	1,087	-	1,087	-	1,087	-	1,087
Other accounts payable	5,507	-	5,507	-	5,507	-	5,507
	6,594	**178,683**	**185,277**	**102,830**	**82,447**	**-**	**185,277**

b. Fair value measurement

Valuation techniques and non-observable significant inputs

The table below presents the valuation technique used in the fair value measurement of Level 2, as well as non-observable significant inputs used

Financial instruments measured at fair value

Type	**Evaluation technique**	**Significant non-observable inputs**	**Relation between significant non-observable inputs and measurement at fair value**
Forward exchange agreements and interest rate swaps	Market comparison technique: Fair values are based on brokerage firms' quotations. Similar contracts are negotiated in active markets and quotations reflect current transactions with similar instruments.	Not applicable	Not applicable

c. Financial risk management

The Company and its subsidiaries are 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 Company and its subsidiaries incurring financial losses due to a client or financial instrument counterparty failing to comply with contract obligations. Such risk is mainly due to trade accounts receivable, and financial instruments of the Company and its subsidiaries.

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

Trade and other receivables

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

As at June 30, 2018 and December 31, 2017 the maximum exposure to credit risks are as follows:

	Consolidated		Company	
	06/30/2018	**12/31/2017**	**06/30/2018**	**12/31/2017**
Cash and cash equivalents	68,897	13,175	57,903	5,163
Financial investments	110,000	-	110,000	-
Clients	133,382	104,111	131,301	101,971
Other credits	3,850	3,011	2,666	2,361
Total	**316,129**	**120,297**	**301,870**	**109,495**

Cash and cash equivalents

The Company and its subsidiaries held “Cash and cash equivalents” in the amount of R$ 88,897 as at June 30, 2018 (R$ 13,175 as at December 31, 2017). “Cash and cash equivalents” are maintained with banks and financial institutions, which are considered the top tier in the market.

(ii) Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The approach of the Company and its subsidiaries to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the reputation of the Company and its subsidiaries.

The Company and its subsidiaries monitor expected level of cash inflows deriving from ‘trade and other receivables’ as well as expected cash outflows related to ‘trade and other payables’.

Exposure to liquidity risk
Contract maturities of financial liabilities on the reporting date are demonstrated below:

	Consolidated – 06/30/2018			
	Up to 1 year	**Up to 5 years**	**Total accounting**	**Total with contractual flow**
Suppliers	107,268	-	107,268	107,268
Loans and financing	89,422	180,350	269,772	269,772
Other payables	7,143	-	7,143	7,143
Total	**203,833**	**180,350**	**384,183**	**384,183**

	Consolidated- 12/31/2017			
	Up to 1 year	**Up to 5 years**	**Total accounting**	**Total with contractual flow**
Suppliers	75,853	-	75,853	75,853
Loans and financing	102,979	938	103,917	118,985
Other payables	5,507	-	5,507	5,507
Total	**184,339**	**938**	**185,277**	**200,345**

(iii) Market risk
Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates– will affect the income of the Company and its subsidiaries or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company and its subsidiaries use derivatives to manage market risks.

Foreign exchange risk
The Company and its subsidiaries are exposed to foreign exchange risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are nominated, and the respective functional currencies of the entities of the Company. The functional currencies in which the transactions of the Company and its subsidiaries are primarily the Brazilian Real (R$), the Colombian Peso (COP) and Uruguayan Pesos (UYU). The currencies in which the transactions of the Company and its subsidiaries are primarily denominated are: R$, 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 Company and its subsidiaries, mainly in Brazilian Reais, but also in USD.

In relation to other monetary assets and liabilities denominated in foreign currency, the policy of the Company and its subsidiaries is to guarantee that its net exposure is maintained at an acceptable level, through purchase or sale of foreign currencies in cash, when necessary, to cover short-term mismatches.

Exposure to foreign exchange risk

A summary of the foreign exchange risk exposure of the Company and its subsidiaries, as reported to management, is as follows:

	Consolidated 06/30/2018		**Consolidated 12/31/2017**	
	USD mil	**Reais**	**USD mil**	**Reais**
Trade receivables	4,149	15,996	3,615	11,958
Suppliers	23,027	88,786	(13,076)	(43,256)
Loans and financing	2,114	8,152	(6,543)	(21,644)
Net exposure of expected transactions	**29,290**	**112,934**	**(16,004)**	**(52,942)**
Future foreign exchange contracts (SWAP)	-	-	4,666	15,435
Net exposure	**29,290**	**112,934**	**(11,338)**	**(37,507)**

Sensitivity analysis for foreign exchange risk

A reasonably possible appreciation (devaluation) of US dollar against all other currencies as at June 30 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 ignored.

For the purpose of sensitivity analysis, the probable scenario was of the base, where the closing rate of the dollar was of R$ 3.8558 and considered two scenarios of increase, one of 25% and another of 50%.

	Consolidated 06/30/2018		
	Exposure in R$	**Scenario I (25%)**	**Scenario II (50%)**
Operation			
Trade receivables	15,996	19,995	23,994
Suppliers	88,786	110,983	133,180
Loans and financing	8,152	10,190	12,228
Operating impacts		(20,236)	(40,472)

As at June 30, 2018 the Company is exposed to foreign Exchange risk for assets and liabilities denominated in foreign currency such as clients abroad in the amount of R$ 15,996, suppliers in the amount of R$ 88,786 and loans in the amount of R$ 8,152.

Income (loss) from derivative financial instruments

Derivative financial instruments	**06/30/2018**	**12/31/2017**
Net income (loss) from SWAP operations	266	(868)
Net MtM effect from SWAP operations	(1,087)	(3,157)
Total	(821)	(4,025)

The liability of financial instruments is recognized as loans and financing, in the short term, and the income or loss under net financial income (loss).

Sensitivity analysis of interest rate variation
The Company and its subsidiaries perform sensitivity analysis of the main risks to which their financial instruments are exposed. For the sensitivity analysis of interest rate variations, Management adopted, for the probable scenario, the same rates used on statement of financial position date. Scenarios II and III were estimated as an additional valuation of 25% and 50%, respectively, of the rates in the probable scenario.

The table below demonstrates eventual impacts to profit and loss under the hypothesis of the respective scenarios presented:

	Consolidated 06/30/2018		
Operation	**Exposure in R$**	**Scenario I (25%)**	**Scenario II (50%)**
Financial investments	173,396	216,745	260,094
Loans and financing	269,772	337,215	404,658

29 Firm commitments

The Company has construction contracts signed with third parties, specialized engineering and civil construction companies, for the construction works of a warehouse for the storage of raw materials, and the conclusion is estimated for the second half of 2018.

30 Leases

The Company is a lessee of vehicles under the form financial leases, with the option of purchase stipulated in the respective contracts. The contracts have a validity of between 2 and 3 years and total R$ 523. On January 27, 2018 the Company entered into a new financial lease contract for a refrigerated truck on a 3 year term, in the total amount of R$ 173.

* * *

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