EMS S.A.

Financial statements as of December 31, 2018 and 2017

(*A free translation of the original report in Portuguese as published in Brazil)*

KPDS 566321

Contents

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Independent auditors' report on individual and consolidated financial statements

To the Directors and Shareholders of
EMS S.A.
Hortolândia - State of São Paulo

Opinion

We have audited the individual and consolidated financial statements of EMS S.A. ("Company"), identified as parent and consolidated, respectively, which comprise the statements of financial position as of December 31, 2018, and the respective statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the fiscal year then ended, as well as the corresponding notes, with the relevant accounting policies and other information.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of EMS S.A. as of December 31, 2018, the individual and consolidated performance of its operations and its individual and consolidated cash flows for the fiscal year then ended, pursuant to accounting policies adopted in Brazil.

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the individual and consolidated financial statements." We are independent in relation to the Company and its subsidiaries, pursuant to the relevant ethical principles provided for in the Accountant Professional Code of Ethics and professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities in accordance with such standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis - Transactions with related parties

We draw attention to the fact that a substantial part of the Company's operations is made with related parties, in accordance with Note 30 to the individual and consolidated financial statements. Thus, the abovementioned financial statements should be read in this context. Our opinion does not contain an exception with respect to this issue.

Management's responsibility for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements according to the accounting policies adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of such financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance that the individual and consolidated financial statements as a whole are free of any material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted according to the Brazilian and international audit standards will always detect a material misstatement when it exists. Misstatements may occur due to fraud or error and are considered material when they can influence, individually or in the aggregate, the economic decisions of users taken on the basis of these financial statements, within a reasonable perspective.

As part of the audit work performed according to Brazilian and international audit standards, we applied our professional judgment and maintained a skeptical approach during the audit work. In addition:

- We have identified and evaluated the risks of material misstatement in the individual and consolidated financial statements, irrespective of whether caused by fraud or error, planned and executed audit procedures in response to such risks, as well as obtained appropriate and sufficient audit evidence to base our opinion. The risk of non-detection of material misstatement resulting from fraud is greater than that of error, since fraud may include the action of deceiving internal controls, collusion, forgery, omission, or willful misrepresentations.

- We have been provided with an understanding of internal controls relevant for the audit to plan audit procedures appropriate to the circumstances, but not to express an opinion on the efficacy of internal controls of the Company and its subsidiaries.

- We have evaluated the accounting policies used and the reasonability of accounting estimates and respective information disclosed by management.

- We made conclusions on the adequacy of use, by management, of going concern accounting basis and, based on the audit evidence obtained, if there is relevant uncertainty about the events or conditions that may give rise to a significant doubt as to the Company's going concern and that of its subsidiaries. If we conclude that there is relevant uncertainty, we must draw attention in our audit report to the respective disclosures in individual and consolidated financial statements or include a modification in our opinion if the disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- We have evaluated the general presentation, the structure and content of the financial statements, including disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and the events in a way compatible with the objective of appropriate presentation.

- We have obtained appropriate and sufficient audit evidence related to the entities' financial information or the group's business activities to ground our opinion on the individual and consolidated financial statements. We are responsible for the coordination, supervision, and performance of the group's auditing and, consequently, for the auditors' opinion.

We communicated to the management, among other issues, the intended scope of the audit work, the time of audit and the significant conclusions, including any significant deficiencies in internal controls that we identified during our work.

Campinas, April 30, 2019

KPMG Auditores Independentes
CRC 2SP-027612/F
(Original report in Portuguese signed by)
Carlos Humberto Rodrigues da Silva
Accountant CRC 1SP217733/O-4

EMS S.A.

Statements of financial position as of December 31, 2018 and 2017

(In thousands of Reais, except when otherwise indicated)

		Parent Company		Consolidated	
Assets	**Note**	**2018**	**2017**	**2018**	**2017**
Current					
Cash and cash equivalents	12	128,685	18,068	252,346	103,548
Trade receivables	14	382,804	455,895	519,863	625,144
Trade receivables from related parties	31.e	118,528	102,780	150,511	121,048
Inventories	15	337,832	381,596	386,934	441,589
Recoverable taxes	16	135,940	78,680	216,672	143,935
Dividends receivable	31.f	239,770	29,968	-	-
Other receivables	17	281,072	69,008	261,287	46,184
Total current assets		**1,624,632**	**1,135,995**	**1,787,612**	**1,481,448**
Non-current					
Court deposits	22.a	33,258	37,409	35,894	40,669
Recoverable taxes	16	6,703	6,703	6,703	6,703
Other receivables	17	4,996	4,996	4,996	4,996
Financial investment related to loan	13	3,635	3,372	3,635	3,372
Loans receivable from related parties	31.g	227,961	269,961	227,961	269,961
Deferred income tax and social contribution	23.a	104,376	85,158	129,172	98,243
Investments in subsidiaries	18	173,010	359,144	-	-
Other investments		4,757	2,874	57,967	30,827
Fixed assets	19	635,907	413,684	638,397	416,156
Intangible assets		11,762	14,616	11,871	14,705
Total non-current assets		**1,206,365**	**1,197,917**	**1,116,596**	**885,632**
Total assets		**2,830,996**	**2,333,912**	**2,904,208**	**2,367,080**

		Parent Company		Consolidated	
Liabilities	**Note**	**2018**	**2017**	**2018**	**2017**
Current					
Suppliers	20	238,470	132,756	248,951	139,920
Trade payables – related parties	31.e	901,370	748,064	902,738	736,680
Loans and borrowings	21	53,123	61,943	53,123	61,943
Salaries and wages payable		92,461	57,620	99,249	62,511
Taxes payable		29,918	4,970	29,839	3,555
Income tax and social contribution payable	23.c	-	19,572	18,553	26,649
Taxes in installments	24	8,044	7,927	8,221	8,098
Dividends payable	25.d	90,170	91,723	95,299	94,289
Other trade payables		130,119	110,100	141,867	120,758
Total current liabilities		**1,543,675**	**1,234,675**	**1,597,842**	**1,254,403**
Non-current					
Loans and borrowings	21	264,499	83,975	264,606	84,113
Taxes in installments	24	18,373	21,107	19,232	22,103
Provision for losses in legal proceedings	22.a	125,734	114,975	144,490	124,418
Deferred income - government subsidy		19,032	19,032	19,032	19,032
Other trade payables		6,933	-	6,933	-
Total non-current liabilities		**434,570**	**239,089**	**454,293**	**249,666**
Total liabilities		**1,978,245**	**1,473,764**	**2,052,135**	**1,504,069**
Equity	25				
Share capital		221,708	221,708	221,708	221,708
Capital reserves		164,019	164,019	164,019	164,019
Tax incentive reserve		125,206	125,206	125,206	125,206
Statutory reserves		44,342	44,341	44,342	44,341
Earnings reserve		295,433	306,637	295,433	306,637
Equity valuation adjustment		2,043	(1,763)	2,043	(1,763)
Equity attributable to controlling shareholders		**852,751**	**860,148**	**852,751**	**860,148**
Non-controlling interests		-	-	(677)	2,863
Total equity		**852,751**	**860,148**	**852,074**	**863,011**
Total liabilities and equity		**2,830,996**	**2,333,912**	**2,904,208**	**2,367,080**

The Management notes are an integral part of the financial statements.

EMS S.A.

Statements of profit or loss

Fiscal years ended December 31, 2018 and 2017

(In thousands of Reais, except when otherwise indicated)

		Parent Company		Consolidated	
	Note	**2018**	**2017 Restated - See note 6**	**2018**	**2017 Restated - See note 6**
Sales revenue	26	3,341,307	3,242,649	3,625,166	3,450,706
Cost of products sold	27	(1,955,218)	(1,782,656)	(2,005,697)	(1,809,648)
Gross profit		1,386,089	1,459,993	1,619,469	1,641,058
Selling expenses	27	(238,177)	(260,897)	(273,618)	(290,613)
Administrative expenses	27	(817,467)	(792,624)	(916,054)	(869,178)
Impairment loss on trade receivables	27	19,298	(14,586)	145	(4,958)
Other expenses (revenues), net	28	(102,882)	(14,920)	(109,302)	(19,350)
Equity accounting result	18	64,068	55,175	-	-
Equity accounting result - other investments		1,964	-	23,388	-
Income before net financial revenues (expenses) and taxes		312,893	432,141	344,027	456,959
Financial revenues	29	58,409	30,550	63,929	40,004
Financial expenses	29	(92,598)	(40,039)	(96,127)	(42,461)
Net financial income		(34,189)	(9,489)	(32,198)	(2,457)
Income before income tax and social security contribution		278,704	422,652	311,829	454,502
Income tax and social security contribution	23.b	9,284	(116,382)	(23,632)	(147,703)
Net income for the fiscal year		287,988	306,270	288,197	306,799
Income attributable to controlling shareholders		-	-	287,988	306,270
Income attributable to non-controlling interests		-	-	209	529
Net income for the fiscal year		-	-	288,197	306,799
Net income per share attributable to Company's shareholders during the fiscal year (expressed in R$ per share)	30	14.40	15.31	-	-

The Management notes are an integral part of the financial statements.

EMS S.A.

Statements of comprehensive income

Fiscal years ended December 31, 2018 and 2017

(In thousands of Reais, except when otherwise indicated)

	Subsidiary		Consolidated	
	2018	**2017**	**2018**	**2017**
Net income for the fiscal year	287,988	306,270	288,199	306,799
Other comprehensive income				
Foreign operations and foreign currency translation differences	3,806	(1,763)	3,806	(1,763)
Total comprehensive income	291,794	304,507	292,004	305,036
Comprehensive income attributable to:				
Controlling shareholders			291,794	304,507
Non-controlling interests			210	529
Total comprehensive income			292,004	305,036

The notes are an integral part of the financial statements.

EMS S.A.

Statements of changes in equity

Fiscal years ended December 31, 2018 and 2017

(In thousands of Reais, except when otherwise indicated)

					Earnings reserve						
		Share capital	**Capital reserve**	**Equity valuation adjustment**	**Tax incentive reserve**	**Legal reserve**	**Retained earnings reserve**	**Retained earnings**	**Total equity**	**Non-controlling interests**	**Total equity**
As of December 31, 2016 - Restated		221,708	164,019	-	125,206	44,341	304,746	-	860,020	2,492	862,512
Net income for the fiscal year		-	-	-	-	-	-	306,270	306,270	529	306,799
Accumulated adjustment of conversion		-	-	(1,763)	-	-	-	-	(1,763)	-	(1,763)
Allocation of net income for the fiscal year											
Supplementary dividends from previous period, approved in general meeting	25.d	-	-	-	-	-	(227,811)	-	(227,811)	-	(227,811)
Proposed dividends	25.d	-	-	-	-	-	-	(76,568)	(76,568)	-	(76,568)
Other transactions of non-controlling interests		-	-	-	-	-	-	-	-	(158)	(158)
Constitution of earnings reserve		-	-	-	-	-	229,702	(229,702)	-	-	-
As of December 31, 2017		221,708	164,019	(1,763)	125,206	44,341	306,637	-	860,148	2,863	863,011
Net income for the fiscal year		-	-	-	-	-	-	287,988	287,988	210	288,198
Accumulated adjustment of conversion	18	-	-	3,806	-	-	-	-	3,806	-	3,806
Allocation of net income for the fiscal year											
Supplementary dividends from previous period, approved in general meeting	25.d	-	-	-	-	-	(227,195)	-	(227,195)	-	(227,195)
Proposed dividends	25.d	-	-	-	-	-	-	(71,997)	(71,997)	-	(71,997)
Other transactions of non-controlling interests		-	-	-	-	-	-	-	-	(3,749)	(3,749)
Constitution of earnings reserve		-	-	-	-	-	215,991	(215,991)	-	-	-
As of December 31, 2018		221,708	164,019	2,043	125,206	44,341	295,433	-	852,750	(676)	852,074

The notes are an integral part of the financial statements.

EMS S.A.

Statements of cash flows

Fiscal years ended December 31, 2018 and 2017

(In thousands of Reais, except when otherwise indicated)

		Parent Company		Consolidated	
	Note	**2018**	**2017**	**2018**	**2017**
Cash flows from operating activities					
Income before income tax and social security contribution		278,704	422,652	311,830	454,502
Adjustments for					
Depreciation	19	49,209	20,328	51,978	22,701
Amortization		2,020	4,703	2,440	4,726
Loss on disposal of fixed assets	19	27,517	14,801	26,687	18,857
(Reversal) provision for impairment loss on trade receivables	14	19,298	14,586	19,640	4,958
(Reversal) provision for obsolescence in inventories	15	(11,859)	10,937	(12,041)	12,690
Provision for legal proceedings	22	(703)	16,067	8,087	18,553
Provision for interest		10,626	11,902	13,231	11,902
Income from subsidiaries recognized by equity accounting		(64,068)	(55,175)	-	-
Income from subsidiaries recognized by equity accounting		(1,964)	-	(23,388)	-
Impairment		-	-	874	790
Unrealized exchange (gains) losses from financial activities		24,136	9,253	23,792	9,623
Claim write-off - fire		290,754	-	290,754	-
Claim reimbursement right - fire		(199,640)	-	(199,640)	-
Variation in assets and liabilities					
Trade receivables	14	53,845	(74,468)	85,661	(78,562)
Trade receivables from related parties	30.d	(15,748)	(59,864)	(29,463)	(88,004)
Inventories	15	(234,940)	83,765	(223,849)	102,836
Recoverable taxes	16	(52,571)	(56,950)	(68,578)	(84,638)
Other trade receivables		(12,423)	(21,433)	(15,463)	(27,723)
Court deposits	22	4,151	(16,886)	4,775	(17,323)
Suppliers and other payables		167,508	(48,232)	170,392	(45,731)
Taxes payable		24,948	(238)	26,284	1,177
Trade payables – related parties		153,306	408,481	166,058	425,880
Taxes in installments		(2,617)	(2,032)	(2,747)	(2,127)
Cash from operations		509,489	682,197	627,314	745,087
Interest paid		(22,626)	(11,460)	(22,627)	(11,460)
Income tax and social security contribution paid		(34,195)	(111,621)	(66,816)	(152,568)
Net cash from operating activities		452,668	559,116	537,871	581,059
Cash flows from investment activities					
Acquisition of fixed assets	19	(297,730)	(39,437)	(300,561)	(47,739)
Increase of interest in subsidiary	18	(12,224)	(33,702)	-	-
Reduction in non-controlling interest		1,964	-	-	-
Acquisition of intangible assets		(385)	(6,775)	(826)	(7,651)
Loan with related parties		44,605	(151,872)	42,000	(151,872)
Dividends received from subsidiaries		56,508	-	-	-
Other investments		(1,961)	(2,380)	3,172	(29,864)
Net cash (used in) from investment activities		(209,223)	(234,166)	(256,215)	(237,126)
Cash flows from financing activities					
Financial investment (redemption) related to loan		(263)	(291)	(263)	(291)
Funding of loans		230,477	23,599	230,477	23,739
Payment of principal amount of loans		(62,297)	(39,051)	(62,327)	(39,051)
Dividends paid to Company's shareholders		(300,745)	(303,368)	(300,745)	(303,368)
Net cash (used in) financing activities		(132,828)	(319,111)	(132,858)	(318,971)
Decrease in cash and cash equivalents, net		110,617	5,839	148,798	24,962
Cash and cash equivalents at the beginning of fiscal year		18,068	12,229	103,548	78,586
Cash and cash equivalents at the end of fiscal year		128,685	18,068	252,346	103,548

Management notes are an integral part of the individual and consolidated financial statements.

Management notes to the financial statements

(In thousands of Reais, except when otherwise indicated)

1 Operating context

EMS S.A. ("Company" or "Parent") is a privately held company incorporated in 1964, and jointly with its subsidiaries ("Consolidated"), has as corporate purpose the manufacturing, commercialization, import and export of products, of its own or of third parties, pharmaceuticals, allopathy, dietary foods, pharmaceutical inputs and drugs.

The Company's headquarters are located in the city of Hortolândia, State of São Paulo.

The individual and consolidated financial statements include the Company and its subsidiaries (jointly referred to as "Group" and individually as "Group entities"). The Group is primarily engaged in manufacturing or pharmaceutical products.

The Company is part of NC Group ("Group"), using its administrative, operating, financial, and technological resources. A relevant part of its operations is performed with related parties. These financial statements should be read in this context.

As of October 20, 2018, a major fire hit the shipping and warehouse area of the Company's headquarters in Hortolândia, State of São Paulo. There were no victims due to this fire, only material damage, resulting in the loss of inventories, fixed assets, and tax credits.

The Company recognized in its individual and consolidated financial statements the losses inherent to the fire in the amount of R$290,754, as well as the estimated initial amount of indemnifiable losses in accordance with conditions and contractual clauses of the insurance policy, consisting exclusively of the right to reimbursement of costs of inventories and fixed assets affected by said fire in the amount of R$200,395.

The accounting effects of this fire accident were recognized in profit or loss of the fiscal year under the line item "Other operating revenue (expenses)" as shown in note 28.

2 List of subsidiaries

The Company has a direct equity interest in the following entities:

Subsidiary			Equity interest	
	Company Type	Country	2018	2017
CPM Concessionária Paulista de Medicamentos S/A	Corporation	Brazil	99.38%	99.38%
EMS Sigma Pharma Ltda.	Limited	Brazil	99.00%	99.00%
Legrand Pharma Indústria Farmacêutica Ltda.	Limited	Brazil	99.00%	99.00%
Luxbiotech Farmacêutica Ltda.	Limited	Brazil	99.31%	99.31%
Monteresearch SRL	Limited	Italy	100%	100%
Rio Bio Pharmaceuticals, LLC	Limited	United States	100%	100%

The Company's corporate structure is as follows:

- **CPM Concessionária Paulista de Medicamentos S/A -** Located in Américo Brasiliense, State of São Paulo, it operates in the management and maintenance of the Pharmaceutical Industry of Américo Brasiliense (IFAB), owned by Fundação para o "Remédio Popular", related to Secretary of State of São Paulo, by means of concession. The objective is to develop the Government's knowledge of technology and patents, as well as to act in the exclusive supply of generic medicines. The concession period is of 15 years and production began on August 1, 2015.

- **EMS Sigma Pharma Ltda. -** Located in Hortolândia, state of São Paulo, it operates in the manufacture and sale of similar medicines nationwide. Currently, it has only one production line, the other products sold are purchased from the Parent for resale.

- **Legrand Pharma Indústria Farmacêutica Ltda. -** Located in Hortolândia, state of São Paulo, it operates in the manufacture and sale of generic medicines nationwide. Currently, it has only one production line, the other products sold are purchased from the Parent for resale.

- **Luxbiotech Farmacêutica Ltda. -** Located in Hortolândia, state of São Paulo, it operates in the manufacture and sale of cutting edge dermocosmetics nationwide.

- **Monteresearch SRL -** Located in Milan, Italy, it is a pharmaceutical research laboratory specialized in development of drug delivery systems, technologies that allow the development of a new formulation for a drug to be liberated in the body faster or slower, according to physician and patient needs, and even at safer concentrations.

- **Rio Bio Pharmaceuticals, LLC** – Located in the United States, its corporate purpose is the development of pharmaceutical activities, which may include, among others, the manufacture, marketing, import and export of own and third party pharmaceutical products and inputs, the provision of administrative services, technical and documentary advisory/consultancy, with or without technology transfer, and interest in joint ventures or other companies as quotaholder, shareholder or partner.

3 Basis for preparation and statement of compliance

The individual and consolidated financial statements were prepared and are presented according to accounting policies adopted in Brazil (BR-GAAP), based on accounting pronouncements, guidelines and interpretations issued by Accounting Pronouncements Committee ("CPC").

The issuance of the financial statements was authorized by the Group’s Executive Board as of April 30, 2019. After issuance, only shareholders have the power to amend the financial statements.

All information relevant to the financial statements, and only such information, is evidenced herein and corresponds to the information used by Management in its activities.

Details on the significant accounting policies of the Group are presented in Note 8.

This is the first set of annual financial statements of the Company in which CPC 47 - Revenue from Contracts with Customers and CPC 48 – Financial Instruments have been applied. Changes in significant accounting policies are described in note 6.

4 Functional and presentation currency

The Group's functional currency is the Real (R$). These financial statements are presented in thousands of Reais. All balances have been rounded up to the nearest thousand, except when otherwise indicated.

5 Use of estimates and judgments

The preparation of these financial statements required Group's Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts for assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and assumptions are reviewed continuously. The estimates reviews are recognized on a prospective basis.

a. Judgments

Information on the judgments made in the application of accounting policies that affect in a relevant manner the values recognized in the financial statements are included in the following note:

- **Note 8.b** - restatement: whether the Group has control over an investee.

b. Uncertainties on assumptions and estimates

Information about uncertainties on assumptions and estimates that have a significant risk of resulting in a material adjustment in the next fiscal year is included in the following notes:

- **Note 14** - measurement of the provision for impairment loss on trade receivables: main assumptions on determination of loss weighted average rate;

- **Note 15** - recognition and measurement of provision for inventories: main assumptions in determining the loss of unused or past due inventories;

- **Note 22** - Recognition and measurement of provisions for losses on legal proceedings: main assumptions on probability and magnitude of outflows of funds; and

- **Note 23.a -** deferred income tax and social security contribution: availability of future taxable income against which deductible temporary differences may be used.

- **Note 16 and 24** - ICMS Tax Benefits: The Company has an ICMS (State Value-Added Tax on Goods and Services) tax incentive granted by the state government of Brasília. The Federal Supreme Court (STF) issued decisions in Direct Actions, declaring the unconstitutionality of several state laws that granted ICMS tax benefits without prior agreement between States.

  Although it does not have ICMS tax incentives judged by the STF, the Company has been monitoring, with its legal advisors, the evolution of this issue in the courts to determine possible impacts in its operations and consequent impact on financial statements. At this moment, there is no expectation from Management that this matter may have a material effect on the Company's financial statements.

6 Changes in accounting policies

The group initially applied CPC 47 using the retrospective method, as per CPC 23 and CPC 48 from January 1, 2018, using the cumulative effect method, with initial application of the standard on initial date. A number of other standards also came into effect as of January 1, 2018, but did not materially affect the Company's financial statements.

The effect of the initial application of these standards is mainly attributed to the following:

- Reclassification of trade agreements, from selling expenses line item to sales-deductions line item in the statement of profit or loss for the fiscal year.
- Reclassification of recoverable amount of trade receivables presented separately in the Statement of Profit or Loss.

a. CPC 47 - Revenue from Contracts with Customers

CPC 47 presents a comprehensive structure to determine if and when revenue is recognized, and the value by which the revenue is measured. It replaces CPC 30 - Revenue, CPC 17 - Construction Contracts and related interpretations. Under CPC 47, revenue is recognized when the customer obtains control of the goods or services, so determining the moment of transfer of control, at a specific point in time or over time, requires judgment.

The main impact of the retrospective application of this new accounting standard is presented in the following table:

Type	Change in accounting policy and impacts for the Company
Commercial agreements	The Company has the practice of entering into commercial agreements with its customers to leverage its sales. Under the new accounting standard, as these agreements refer to consideration payable to the customer, they are presented as a sales deduction rather than selling expenses.

The following table summarizes the impact of adopting CPC 47 on the statement of profit or loss for the fiscal year ended December 31, 2018, and the non-material representation of the corresponding balances in the statement of profit or loss as of December 31, 2017. Other financial statements were not affected due to the adoption of this new accounting standard.

	December 31, 2018					
	Parent			Consolidated		
	Prior to the adoption of CPC 47	Reclassification	After adoption of CPC 47 Presented	Prior to the adoption of CPC 47	Reclassification	After adoption of CPC 47 Presented
Net operating revenue	3,400,210	(58,903)	3,341,307	3,410,699	(69,392)	3,625,166
Cost of product sold	(1,955,218)	-	(1,955,218)	(2,005,697)	-	(2,005,697)
Gross profit	1,444,992	(58,903)	1,386,089	1,688,861	(69,392)	1,619,469
Selling expenses	(297,080)	58,903	(238,177)	(343,010)	69,392	(273,618)
Others	(859,924)	-	(859,924)	(1,057,652)	-	(1,057,652)
Profit or loss for the fiscal year	287,988	-	287,988	288,199	-	288,199
Profit attributable to controlling shareholders	-	-	-	287,988	-	287,988
Profit attributable to non-controlling shareholders	-	-	-	210	-	210
Profit or loss for the fiscal year	287,988	-	287,988	288,199	-	288,199

	December 31, 2017					
	Parent			Consolidated		
	Prior to the adoption of CPC 47	**Reclassification**	**After adoption of CPC 47 Presented**	**Prior to the adoption of CPC 47**	**Reclassification**	**After adoption of CPC 47 Presented**
Net operating revenue	3,290,563	(47,913)	3,242,649	3,508,967	(58,261)	3,450,706
Cost of product sold	(1,782,656)	-	(1,782,656)	(1,809,648)	-	(1,809,648)
Gross profit	1,507,907	(47,913)	1,459,993	1,699,319	(58,261)	1,641,058
Selling expenses	(308,810)	47,913	(260,897)	(348,874)	58,261	(290,613)
Others	(892,827)	-	(892,826)	(1,043,646)	-	(1,043,646)
Profit or loss for the fiscal year	306,270	-	306,270	306,799	-	306,799
Profit attributable to controlling shareholders	-	-	-	306,270	-	306,270
Profit attributable to non-controlling shareholders	-	-	-	529	-	529
Profit or loss for the fiscal year	306,270	-	306,270	306,799	-	306,799

CPC 47 had no significant impact on revenue recognition accounting policies. Information on the Company's accounting policies related to revenue recognition is presented in note 8.d.

b. CPC 48 - Financial Instruments

CPC 48 sets forth requirements for recognizing and measuring financial assets, financial liabilities and certain contracts for the purchase and sale of non-financial items. This standard replaces CPC 38 - Financial Instruments: Recognition and Measurement.

As a result of the adoption of CPC 48, the Company adopted the changes resulting from CPC 26 - Presentation of Financial Statements, which require that the impairment of financial assets be presented separately in the statement of profit or loss. Previously, the Company's approach was to include impairment of trade receivables in other expenses. Accordingly, the Company reclassified impairment losses on trade receivables of R$14,586 and R$4,958, recognized by CPC 38, as "other expenses" to "impairment losses on trade receivables" in the individual and consolidated statement of profit or loss, respectively, to December 31, 2017, also considered non-material.

As of December 31, 2018, and 2017, the Company did not identify impairment losses on other financial assets.

Furthermore, the Company adopted the consequent amendments to CPC 40 - Financial instruments: Disclosure, which is applied to the disclosures in 2018, but which, in general, has not been applied to comparative information.

Classification and measurement of financial assets and financial liabilities

CPC 48 has three main categories of classification for financial assets: measured at amortized cost, FVOCI (Fair Value through Other Comprehensive Income) and FVTPL (Fair Value Through Profit or Loss). The classification of financial assets in accordance with CPC 48 is generally based on the business model in which a financial asset is managed and its characteristics of contractual cash flows. CPC 48 eliminates the former categories of CPC 38 of securities held-to-maturity, loans and receivables and available for sale.

CPC 48 retains to a large extent the requirements in CPC 38 for classification and measurement of financial liabilities.

The adoption of CPC 48 did not have a significant effect on the Company's accounting policies related to financial liabilities. For an explanation of how the Company classifies and measures financial instruments under CPC 48, see Note 6.

The table below explains the original measurement categories in CPC 38 and the new measurement categories of CPC 48 for each class of financial assets and liabilities of the Company as of January 1, 2018. The effect of adopting CPC 48 on carrying amounts of the assets as of January 1, 2018, relates only to the new requirements for impairment.

			Parent	**Consolidated**	**Parent**	**Consolidated**
(In thousands of Reais)	**Original classification according to CPC 38 (Parent and Consolidated)**	**New classification according to CPC 48 (Parent and Consolidated)**	**Original carrying amount according to CPC 38**	**New carrying amount according to CPC 48**	**Original carrying amount according to CPC 38**	**New carrying amount according to CPC 48**
Financial assets not measured at fair value:						
Cash and cash equivalents	Loans and receivables	Amortized cost	128,685	128,685	252,346	252,346
Trade receivables	Loans and receivables	Amortized cost	382,804	382,804	519,863	519,863
Trade receivables from related parties	Loans and receivables	Amortized cost	118,528	118,528	150,511	150,511
Dividends receivable	Loans and receivables	Amortized cost	239,770	239,770	-	-
Loans receivable	Loans and receivables	Amortized cost	227,961	227,961	227,961	227,961
Financial investment related to loan	Loans and receivables	Amortized cost	3,635	3,635	3,635	3,635
Other receivables	Loans and receivables	Amortized cost	286,068	286,068	266,283	266,283
Total financial assets			**1,387,451**	**1,387,451**	**1,420,599**	**1,420,599**
Financial liabilities not measured at fair value:						
Domestic suppliers	Other financial liabilities	Other financial liabilities	238,470	238,470	248,951	248,951
Trade payables – related parties	Other financial liabilities	Other financial liabilities	901,370	901,370	902,738	902,738
Loans and borrowings	Other financial liabilities	Other financial liabilities	317,621	317,621	317,729	317,729
Dividends payable	Other financial liabilities	Other financial liabilities	90,170	90,170	95,299	95,299
Other trade payables	Other financial liabilities	Other financial liabilities	137,053	137,053	148,800	148,800
Total financial liabilities			**1,684,684**	**1,684,684**	**1,713,517**	**1,713,517**

Impairment of financial assets

CPC 48 replaces the model of "losses incurred" of CPC 38 with a model of "expected credit losses." The new impairment model applies to financial assets measured at amortized cost, contract assets and debt instruments measured at FVOCI, but not to investments in equity instruments. Under CPC 48, credit losses are recognized earlier than in CPC 38.

The Company and its investees assessed their receivables over time, observing the efficiency of their receivables, the evolution of maturities of an aging list and the significant deterioration of credit quality due to one or more events that impact the estimated cash flows of a financial asset. Based on this assessment, the historical basis of expected credit losses that was applied to the balance of trade receivables due as of December 31, 2018 was determined.

As of January 1, 2018, the increase in impairment losses of assets included in the scope of the CPC 48 impairment model was not significant, therefore, the Group decided to apply this standard prospectively for December 31, 2018.

Hedge accounting

CPC 48 had no impact on hedge accounting, as the Group does not have transactions of this nature.

7 Measurement basis

The individual and consolidated financial statements have been prepared based on historical cost.

8 Significant accounting policies

The Company and its subsidiaries have consistently applied the accounting policies described below to all fiscal years presented in the financial statements, unless otherwise stated and except for accounting policies related to CPC 48 which were not applied in 2017.

a. Individual financial statements

In the individual financial statements, subsidiaries are accounted by the equity accounting method.

b. Consolidation basis

The following are the accounting policies adopted in preparing the consolidated financial statements.

(i) Subsidiaries

The Group controls an entity when it is exposed to, or is entitled to, the variable returns arising from its involvement with the entity and has the ability to affect those returns by exercising its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group obtained control until the date on which the control ceases to exist.

In parent’s individual financial statements, the financial information on subsidiaries is recognized by the equity accounting method.

(ii) Non-controlling interests

The Group elected to measure initially any NCI by the proportional interest in acquirer's net assets identifiable upon acquisition date.

Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

(iii) Loss of control

When the entity loses control over a subsidiary, the Group derecognizes the assets and liabilities and any NCI and other components recorded in equity relating to that subsidiary. Any gain or loss arising from loss of control is recognized in the statement of profit or loss. If the Group retains any interest in the former subsidiary, such interest is measured at its fair value on the date of loss of control.

(iv) Investments in entities recorded under the equity accounting method

The Group's investments in entities recorded under the equity accounting method comprise its interests in associates and joint ventures.

Associates are those entities in which the Group, directly or indirectly, has significant influence, but no control or joint control over the financial and operating policies.

Such investments are initially recognized at cost, which includes transaction costs.

After initial recognition, the financial statements include the Group's interest in the net profit or loss for the fiscal year and other comprehensive income of the investee until the date when the significant influence or joint control ceases to exist. In the Parent's individual financial statements, investments in subsidiaries are also recorded using this method.

(v) Transactions eliminated in consolidation

Transactions, balances and unrealized gains on transactions between Group's entities are eliminated. Unrealized losses are also eliminated, unless the operation provides evidence of loss of the asset transferred. The subsidiaries' accounting policies are changed as needed, to assure consistency with the policies adopted by the Group.

c. Foreign currency

(i) Transactions and balances in foreign currency

Transactions in foreign currency are converted into Reais according to exchange rates on transaction dates. Monetary assets and liabilities denominated and ascertained in foreign currencies on presentation date are reconverted to functional currency at the exchange rate ascertained on that date. Exchange gain or loss in monetary items is the difference between the amortized cost of the functional currency at the beginning of the period, adjusted by interest and effective payments during the period, and the amortized cost in foreign currency at the exchange rate at the end of presentation period.

Differences in foreign currencies resulting from conversion are generally recognized in the statement of profit or loss.

(ii) Operations abroad

The assets and liabilities of operations abroad are converted into Reais at the exchange rates assessed on reporting date. The revenues and expenses of operations abroad are converted into Real at exchange rates calculated on transaction dates.

Foreign currency differences from the conversion to the presentation currency are recognized in other comprehensive income and accumulated in equity valuation adjustments.

d. Revenue from contract with customers

The Company initially adopted CPC 47 as of January 1, 2018, establishing a comprehensive structure to determine if and when a revenue is recognized, and the value by which the revenue is measured. It replaces CPC 30 - Revenue, CPC 17 - Construction Contracts and related interpretations.

Under CPC 47, revenue is recognized when the customer obtains control of goods or services, so determining the moment of transfer of control, at a specific point in time or over time, requires judgment.

We present below information on the nature and timing of performance obligations in contracts with customers, including significant payment terms and related recognition policies.

Product type	**Nature and time of fulfillment of performance obligations, including significant payment terms**	**Revenue recognition under CPC 47 (applicable as of January 1, 2018, but adopted retrospectively to 2017, as permitted by the standard)**
Pharmaceutical and related	Customers gain control of pharmaceutical products when they are delivered and accepted at the customer's premises. Commercial agreements signed with customers to boost their sales are applied directly to the sales invoice of the products and recognized as a deduction from sales. Invoices are issued at that time and must normally be paid within 90 days. Product returns are exchanged for new products or credits only, so there is no refund.	Revenue is recognized when products are delivered and accepted by the customers at their facilities. The Company recognizes such net revenue from commercial agreements, which Management considers are included in item 70 of CPC 47, since it refers to consideration payable to the customer. Recognized revenue is net of taxes, effective returns and other allowances.

The effects of the initial application of CPC 47 are described in note 6(a).

e. Employee benefits

(i) Short-term benefits to employees

Obligations of short-term benefits to employees are measured under a non-discounted basis and are incurred as expenses as the corresponding service is rendered. The liability is recognized by the amount of the expected payment if the Company has a present legal or constructive obligation to pay this amount based on past service provided by the employee and the obligation can be estimated reliably.

(ii) Share of profit

The Group recognizes a liability and a share of profit expense when there is a contractual obligation or when there was a previous practice that created a constructive obligation.

f. Government subsidies

Government subsidies are recognized when there is reasonable assurance that the benefit will be received and that all corresponding conditions will be met. When the benefit refers to an expense item, it is recognized as revenue over the benefit period, systematically in relation to the costs which benefit it is intended to offset.

The Company has a government subsidy represented by the credit benefit arising from the Federal District's Integrated and Sustainable Economic Development Promotion Program (PRÓ-DF), granted in the form of a subsidized loan obtained from Banco Regional de Brasília (BRB) (Note 21). The economic benefit obtained is accounted for as deferred income and recorded in the statement of profit or loss in equal amounts according to the authorization of the Pro-DF program for settlement of the installments and regularization of the subsidy.

The Company considers the conditions and obligations it has to observe and comply with, when identifying the costs to be compared to the economic benefit obtained.

The effects of this calculation were recorded in profit or loss for the fiscal year in line item "Revenue Deductions", since the origin of the subsidized loan refers to a credit operation on ICMS (State Value-Added Tax on Goods and Services) related to services rendered in Interstate and Intercity Transportation and Communication generated in imports. Interest incurred over the term of the loans is recorded as an expense in financial income. Currently, we are only awaiting authorization to settle some remaining installments to realize deferred income.

g. Financial revenues and expenses

Financial revenues include revenue from short-term bank deposit, interest on receivables, discounts obtained, exchange variation, and other financial revenue. Interest revenue is recognized in statements of profit or loss using the effective interest rate method.

The financial expenses include expenses with interest on loans, exchange variation, discounts granted among other financial expenses.

h. Current and deferred income tax and social security contribution

Income tax and social security contribution for current and deferred fiscal years are calculated based on the 15% tax rate, plus other 10% on taxable income exceeding R$240 for income tax, and 9% on taxable income for social security contribution on net income, and they consider offsetting of tax losses and negative basis of social contribution, limited to 30% of annual taxable income, in case they exist.

Income tax and social security contribution expenses for the period include current and deferred taxes. Income tax is recognized in the statement of profit or loss, except to the extent that it is related to items recognized directly in equity or comprehensive income, if applicable.

(i) Current income tax and social security contribution expenses

Current tax expenses are the payable or receivable tax that is expected on taxable profit or loss for the fiscal year, as well as any adjustment in payable taxes referring to previous fiscal years. The sum of current taxes payable or receivable is recognized in the statement of financial position as tax asset or liability according to the best estimate of the expected amount of taxes to be paid or received, which reflect uncertainties related to its assessment, if any. It is measured based on the tax rates decreed on reporting date. Current tax assets and liabilities are only offset if certain criteria are met.

(ii) Expenses with deferred income tax and social security contribution

Deferred income tax and social security contribution are recognized in relation to temporary differences between carrying amounts of assets and liabilities for financial statements purposes, and used for taxation purposes. Changes in deferred tax assets and liabilities in fiscal year are recognized as deferred income tax and social security contribution expense.

A deferred tax asset is recognized in relation to deductible temporary differences, when it is probable that future taxable income will be available and against which they will be used. Future taxable income is determined based on reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to fully recognize a deferred tax asset, the future taxable income adjusted for the reversal of the existing temporary differences will be considered, based on Company's business plans.

Assets and liabilities deferred income taxes are shown by net amount in the statement of financial position when there is legal right and intention to offset them when calculating current taxes, in general related to the same legal entity and same tax authority.

i. Inventories

Inventories are shown at cost or at net realizable value, whichever is lower. The method of valuation of inventories is the weighted average method. The cost of finished products and products under development comprises project costs, raw materials, direct labor, other direct costs and their respective direct production costs (based on normal operating capacity). The net realizable value is the estimated selling price in the ordinary course of business, less the estimated completion costs and the estimated costs required to effect the sale.

The provision for inventory losses is recorded based on the criteria disclosed in note 8.n.

j. Fixed assets

Fixed assets are measured by their historical cost, less accumulated depreciation. Historical cost includes expenses directly attributable to the acquisition of items.

Subsequent expenditure is included in carrying amount of the asset or recognized as a separate asset, as appropriate, only when future economic benefits associated with these costs are likely to inure to the company and can be reliably measured. The carrying amount of replaced items or parts is written-off. All other repairs and maintenance are recorded as counter entry to profit or loss for the fiscal year, when incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method, considering its costs and residual values in estimated useful life, as follows:

	Years
Aircraft	15
Improvements	30
Buildings	60
Machinery	between 3-25
Vehicles	5
Furniture, fixtures and equipment	between 5-25

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

The carrying amount of an asset is immediately written-off to its recoverable value when its carrying amount is higher than its estimated recoverable value.

Gains and losses from disposals are determined by comparison of the profit or loss with their carrying amount and are recognized in "Other revenues (expenses), net" in the statements of profit or loss.

k. Intangible assets

(i) Software

Software licenses are capitalized based on costs incurred in acquiring the software plus the costs of making it ready for use. These costs are amortized during the estimated useful life of software of 3 to 5 years.

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

l. Financial instruments

Following are the characteristics of non-derivative financial instruments used by the Company:

a. Accounting policy applicable before January 1, 2018

(i) Categories

The category depends on the purpose for which the financial assets and liabilities were acquired or contracted and is determined upon initial recognition of financial instruments.

Financial assets held by the Group were classified under the following category:

Loans and receivables

This classification includes non-derivative financial assets with fixed or determinable receipts that are not quoted in an active market. They are recorded in current assets, except for those applicable cases with maturities greater than 12 months after reporting date, which are classified as non-current assets. After the initial measurement, these financial assets are bookkept at amortized cost, using the effective interest rate method (effective interest rate), less impairment loss.

As of December 2017, loans and receivables comprise cash and cash equivalents, trade receivables, related party receivables, dividends receivable and other receivables.

The financial liabilities held by the Group are classified under the following categories:

Other financial liabilities

Are measured at amortized cost using the effective interest method.

As of December 31, 2017, in the case of the Group, these include balances payable to suppliers and related parties, dividends payable and other trade payables.

(ii) Measurement

Regular purchases and sales of financial assets are recognized on trade date, that is, the date on which the Group undertakes to buy or sell the asset.

Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are recorded in statement of profit or loss. Gains or losses arising from changes in fair value of financial assets measured at fair value through profit or loss are recorded in the statement of profit or loss under "Financial revenue" or "Financial expenses" line items, respectively, in the period in which they occur.

Loans and receivables and financial assets held to maturity are measured at amortized cost. The methodology used to calculate the amortized cost of a debt instrument is to allocate its interest income over the corresponding period. The effective interest rate discounts estimated future cash receipts (including all costs that are an integral part of the effective interest rate, transaction costs and other premiums or deductions) over the estimated life of the debt instrument. Revenue is recognized based on effective interest for debt instruments not characterized as financial assets at fair value through profit or loss.

b. Accounting policy as from January 1, 2018

All financial assets and liabilities are initially recognized when the Group becomes one of the parties to the contractual provisions of the instrument.

(i) Financial assets

Measurement

Upon initial recognition, a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income; or at fair value through profit or loss.

Financial assets are not reclassified subsequently to initial recognition, unless the Group changes the business model for the management of financial assets, in which case all affected financial assets are reclassified on the first day of the subsequent presentation period after the change in business model.

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as measured at fair value through profit or loss:

- it is maintained within a business model which objective is to maintain financial assets to receive contractual cash flows; and
- its contractual terms generate, at specific dates, cash flows related only to payment of principal and interest on the outstanding principal amount.

A financial asset is measured at fair value through other comprehensive income if it meets both the following conditions and is not designated as measured at fair value through profit or loss:

- it is maintained within a business model which objective is achieved by both the receipt of contractual cash flows and the sale of financial assets; and
- its contractual terms generate, on specific dates, cash flows that are only payments of principal and interest on outstanding principal amount. All financial assets not classified as measured at amortized cost or fair value through other comprehensive income, as described above, are classified as fair value through profit or loss.

The Group has no financial assets in the category measured at comprehensive fair value through profit or loss.

Evaluation of business model
The Group evaluates the business model objective in which a financial asset is held in portfolio, since this better reflects how the business is managed and the information is provided to Management. Information considered includes:

- the policies and objectives stipulated for the portfolio and the practical operation of such policies. They include the knowledge of whether Management's strategy focuses on obtaining contractual interest income, maintaining a certain interest rate profile, matching the duration of financial assets with the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets;

- how portfolio performance is assessed and reported to the Group's Management; and

- risks that affect business model performance (and the financial asset held in such business model) and how those risks are managed;

Financial assets held for trading or managed with performance measured at fair value are measured at fair value through profit or loss.

Assessment of whether contractual cash flows are only principal and interest payments.

For the purposes of contractual cash flow evaluation, "principal" is defined as fair value of financial asset at initial recognition. "Interest" is defined as a consideration for the value of money over time and for the credit risk associated with the outstanding principal amount over a given period and for the other basic risks and costs of borrowing (e.g. liquidity risk and administrative costs), as well as a profit margin.

The Group considers the contractual terms of the instrument to assess whether contractual cash flows are only principal and interest payments. This includes assessing whether the financial asset contains a contractual term that could change the timing or value of contractual cash flows so that it would not meet such condition.

(ii) *Financial liabilities*
Are measured at amortized cost using the effective interest method. As of December 31, 2018, in the case of the Group, these include balances payable to suppliers and related parties, loans and borrowings, dividends payable and other liabilities.

(iii) *Offsetting of financial instruments*
The financial assets and liabilities are offset, and the net amount is presented in the statement of financial position when there is an applicable legal right to offset the recognized amounts and the intention of settling them on a net basis, or realizing the asset and settling the liability simultaneously.

(iv) *Write-off (derecognition) of financial instruments*
A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is written-off when the rights to receive cash flows from the asset have expired, the Company has transferred its rights or risks to receive cash flows from the asset or has assumed an obligation to pay in full the cash flows received.

The Group derecognizes a financial liability when its contractual obligations are withdrawn, canceled or expired.

(v) *Derivative financial instruments*
The Company does not carry out transactions with derivative financial instruments.

m. Impairment

(i) Non-derivative financial assets

Policy applicable as of January 1, 2018
Group recognizes provisions for impairment losses on financial assets measured at amortized cost;

The Group measures the provision for loss in an amount equal to the credit loss expected for a lifetime, except for the items described below, which are measured as expected credit loss for 12 months:

- debt securities with low credit risk at reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of default over the expected life of the financial instrument) has not increased significantly since initial recognition.

Provisions for losses with trade receivables and contract assets are measured at an amount equal to the credit loss expected for the entire life of the instrument.

In assessing whether the credit risk of a financial asset has increased significantly since the initial recognition and in estimating the expected credit losses, the Group considers reasonable and supportable information that is relevant and available at no cost or excessive effort. This includes quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment and considering forward-looking information.

The Group assumes that the credit risk of a financial asset has increased significantly if it is more than 120 days past due.

The Group considers a financial asset as in default when:

- it is unlikely that the debtor will pay in full its credit obligations to the Company, without resorting to actions such as realization of guarantee (if any); or
- the financial asset is overdue for more than 120 days.

The expected credit losses for the lifetime are those from all possible default events during the expected life of the financial instrument.

The expected losses for 12 months are credit losses from possible events of default within 12 months after reporting date (or a shorter period, in case the instrument has an expected life of less than 12 months).

The maximum period considered in the estimate of expected credit loss is the maximum contractual period during which the Group is exposed to credit risk.

Measurement of expected credit losses
Expected credit losses are estimates weighted by the probability of credit losses.

Credit losses are measured at present value based on all cash shortfalls (that is, the difference between cash flows due to the Group under the agreement and the cash flows that the Group expects to receive).

Expected credit losses are discounted by the effective interest rate of the financial asset.

Assets with recovery problems
At each reporting date, the Group assesses whether the financial assets accounted for at amortized cost are subject to recovery problems.

A financial asset has "recovery problems" when one or more events with a detrimental impact on the estimated future cash flows of the financial asset occur.
Objective evidence that financial assets had recovery problems includes the following observable data:

- significant financial difficulties of the issuer or borrower;
- breach of contractual provisions, such as default or delay of more than 120 days;
- restructuring of an amount owed to the Group, under circumstances that would not be accepted under normal conditions;
- the likelihood that the debtor will go bankrupt or undergo another type of financial reorganization; or
- the disappearance of an active market for the security in view of financial difficulties.

Presentation and write-off of allowance for expected credit loss in the statement of financial position
The provision for losses on financial assets measured at amortized cost is deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering the financial asset in whole or in part. However, financial assets written-off may still be subject to the execution of credit to comply with the Group's procedures for recovery of amounts owed.

Policy applicable before January 1, 2018
Financial assets not classified as financial assets at fair value through profit or loss were assessed at each reporting date, to verify if there was objective evidence of impairment loss.

Objective evidence of loss of value in financial assets included:

- debtor in default or arrears;
- restructuring of an amount owed to the Group, in conditions that would not be accepted under normal conditions;
- indications that the debtor or issuer is nearing bankruptcy/court-supervised reorganization;
- negative changes in payment situation of debtors or issuers;
- the disappearance of an active market for the security due to financial difficulties; or
- observable data indicating a decline in measurement of cash flows expected from a group of financial assets.

(i) Non-financial assets

The carrying amounts of non-financial assets of the Group, which are neither inventories nor deferred tax assets, are revised on each reporting date to assess if there are signs of impairment loss. If there is such indication, then the recoverable value of the asset is estimated.

For impairment tests, assets are grouped into Cash Generating Units (CGUs), that is, the smallest possible group of assets that generates cash inflows due to their continuous use, which are largely independent of cash entries of other assets or CGUs.

The recoverable value of an asset or CGU is its value in use or its fair value less sales costs, whichever is greater. The value in use is based on estimated future cash flows, discounted to present value, using a pre-tax discount rate that reflects
current market evaluations and the value of money over time, and the specific risks of the asset or the CGU.

An impairment loss, if any, is recognized if the carrying amount of the asset or CGU exceeds its recoverable value.

n. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation which can be reliably estimated, and it is likely that an outflow of economic benefits will be required to settle the obligation.

We present below the criteria for constitution of main provisions:

Provision for impairment losses on trade receivables (Note 14)

The provision for impairment losses on trade receivables is recorded in accordance with the scope of CPC 48 impairment model, as described in note 6(b) – *Impairment of financial assets Balances overdue in trade receivables from related parties are not provisioned.*

Provision for inventory losses (Note 15)

The provision is constituted based on the internal policy defined by the Group, which takes into account losses in realization of inventories. These losses may be related to batches of expired and expiring medicines within 180 days and products used in research and development.

Provision for losses in legal proceedings (Note 0)

The Group is a party in judicial and administrative proceedings. Based on the assessment of its external and internal advisors, provisions are recorded for all risks related to legal proceedings that represent probable and estimated losses with a certain degree of certainty.

The evaluation of probability of loss includes evaluation of available evidence, law hierarchy, available case law, most recent decisions by courts and their relevance according to the law.

o. Distributions of dividends and interest on equity

The distribution of dividends to the Company's shareholders is recognized as a liability in the Group's financial statements at the end of each fiscal year, based on the Company's bylaws. Any amount superior to the mandatory minimum is only provisioned in the date in which it is approved by shareholders.

p. Financial guarantees

Financial guarantees are contracts that require specific payments from the Company to the holder of the financial guarantee for a loss incurred by it when a specific debtor fails to make payment under the terms of the debt instrument.

Financial guarantee liabilities are initially recognized at fair value, which is amortized over the term of the financial guarantee agreement. The guarantee liability is subsequently accounted for at the higher of the amortized value and the present value of the expected payment (when a guarantee payment becomes probable).

As of December 31, 2018, and 2017, the Company did not recognize fair values of its financial guarantees as it judged them to have low credit risk due to the issuer. The operations in which the Company acts as an intervening guarantor are detailed in note no. 11 - Financial risk management.

9 New standards and interpretations not yet in effect

A series of new standards will be effective for fiscal years beginning as of January 1, 2019. The Group did not adopt such changes for the preparation of these individual and consolidated financial statements.

It is expected that the following standards have impacts on the Company’s individual and consolidated financial statements for the initial adoption period.

CPC 06 (R2) - Leases

The Group shall adopt CPC 06 (R2) - Leases as of January 1, 2019. The Company assessed the potential impact that the initial application of CPC 06 (R2) will have on individual and consolidated financial statements and estimates that such changes should not have a material impact on the Group.

The material impacts of adopting the standard as of January 1, 2019, may change, since the new accounting policies are subject to change until the Group presents its first individual and consolidated financial statements that include the date of initial application.

CPC 06 (R2) presents a unique accounting model for leases in the statement of financial position for lessees. A lessee recognizes an asset of right of use which represents its right to use the leased asset and a liability from the lease, which represents its obligation to make payments on such lease. Exemptions are available for short-term leases and low-cost items. Accounting processes for the lessor remain the same as the current rule, that is, lessors continue to classify leases as financial or operating leases.

CPC 06(R2) substitutes the current lease standards, including CPC 06 - Lease Operations and ICPC 03 - Supplementary Aspects of Lease Operations.

As the Company does not act as a lessor, no impact is expected from the adoption of this standard from the lessor's perspective.

The Group intends to apply CPC 06(R2) initially as of January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of the adoption of CPC 06(R2) will be recognized as an adjustment to the opening balance of retained earnings as of January 1, 2019, without updating the comparative information.

The Group plans to apply the practical expedient regarding the definition of lease agreement in the transition.

Based on the information currently available, the Company estimates a cumulative effect of the initial adoption on right-of-use assets of R$41,101 and lease liabilities of R$52,411.

Other standards

The following amended standards and interpretations should not have a significant impact on the Company's individual and consolidated financial statements:

- IFRIC 23/ICPC 22 Uncertainty over Income Tax Treatments.
- Changes in the references to the conceptual framework of IFRS.
- IFRS 17 - Insurance Contracts.

10 Non-significant reclassification from previous years

The Group retrospectively adopted CPC 47 and reclassified trade agreements previously classified in the individual and consolidated statements of profit or loss as Selling Expenses to Sales Deductions.

The impact of this reclassification on individual and consolidated statements of profit or loss is presented in note 6 (a).

11 Financial risk management

The Group shows exposure to the following risks deriving from the use of financial instruments:

- Market risk;
- Exchange risk;
- Credit risk;

- Liquidity risk; and
- Operating risk

a. Overview

The risk management policies are established to identify and analyze risks faced by the Company and its subsidiaries to define proper risk limits and controls, and to monitor risks and compliance with limits. The risk management policies and systems are frequently revised to reflect changes in market conditions and Group’s activities.

Risk management is carried out by the Group's central treasury, according to policies approved by Board of Directors. The Group's Treasury identifies, evaluates and protects the companies against possible financial risks in cooperation with the Group's operating units.

The Group's Board of Directors establishes principles for global risk management, as well as for specific areas such as exchange risk, interest rate risk, credit risk and investment of cash surpluses.

b. Market risk

Market risk is the risk that alterations in market prices, such as exchange rates and interest rates, will affect the Group's earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group uses derivatives to manage market risks for some of its operations. All operations are made according to guidelines established by Management.

As of December 31, 2018, and 2017, the Group had no derivative operations not settled in its financial statements.

(i) Exchange risk

The Group operates internationally and is exposed to exchange risk from some currencies, basically related to the United States dollar ("USD"). The exchange risk derives from transactions with suppliers and customers abroad.

Management established a policy that requires Group companies to manage their exchange risk in relation to their functional currency.

Exposure to exchange risk (net) is presented as follows:

	Parent			
	2018		**2017**	
	Foreign Currency	**Reais**	**Foreign Currency**	**Reais**
Trade receivables	693	2,685	640	2,233
Foreign suppliers (note 20)	32,807	122,618	(17,508)	(61,498)
Net exposure	33,500	125,303	(16,868)	(59,265)

	Consolidated			
	2018		2017	
	Foreign Currency	Reais	Foreign Currency	Reais
Trade receivables	693	2,685	640	2,233
Foreign suppliers (note 20)	33,067	123,625	(17,609)	(62,049)
Net exposure	33,760	126,310	(16,969)	(59,816)

(ii) Sensitivity analysis - exchange risk

The Group analyses, jointly, for purposes of sensitivity analysis of market risks, the positive and negative positions indexed in foreign currency.

For the sensitivity analysis of operations indexed in foreign currency, the Management adopted as a likely scenario the amounts recognized for accounting purposes. As a reference, deterioration and appreciation of the exchange rate used for calculation of those presented in the accounting records were considered for the other scenarios. The scenarios were estimated with an appreciation and depreciation of 25% and 50%, respectively, of the Real in the likely scenario.

The methodology used for calculating the balances shown in the table below was to replace the closing exchange rate used for bookkeeping purposes by the stressed rates pursuant to the scenarios below. The table below shows some impacts on income in the event of the respective scenarios presented for transactions indexed to the Dollar:

Parent									
					Probable	25% appreciation		50% appreciation	
Risk	Type	Exposure	Original exposure (R$)	Effective rate as of 12/31/15	Amount	%	Amount	%	Amount
Dollar rise	Customers	693	2,692	3.87	(7)	4.84	665	7.27	2,343
Dollar rise	Suppliers	29,837	115,643	3.87	(29)	4.84	28,874	7.27	101,132
Euro rise	Suppliers	1,560	6,925	4.44	-	5.55	1,731	8.32	6,060
Yen rise	Suppliers	49	50	0.04	(48)	0.04	(48)	0.07	(46)
		32,139	125,310		(84)		31,222		109,489
					Probable	25% deterioration		50% deterioration	
Risk	Type	Exposure	Original exposure (R$)	Effective rate on 12/31/18	Amount	%	Amount	%	Amount
Dollar decline	Customers	693	2,692	3.87	(7)	2.91	(678)	1.45	(1,685)
Dollar decline	Suppliers	29,837	115,643	3.87	(29)	2.91	(28,933)	1.45	(72,288)
Euro decline	Suppliers	1,560	6,925	4.44	-	3.33	(1,731)	1.66	(4,328)
Yen decline	Suppliers	49	50	0.04	(48)	0.03	(48)	0.01	(49)
		32,139	125,310		(84)		(31,391)		(78,350)

Consolidated

					Probable	25% appreciation		50% appreciation	
Risk	**Type**	**Exposure**	**Original exposure (R$)**	**Effective rate as of 12/31/15**	**Amount**	**%**	**Amount**	**%**	**Amount**
Dollar rise	Customers	693	2,692	3.87	(7)	4.84	665	7.27	2,343
Dollar rise	Suppliers	29,874	116,621	3.87	(867)	4.84	28,072	7.27	100,418
Euro rise	Suppliers	1,560	6,925	4.44	-	5.55	1,731	8.32	6,060
Yen rise	Suppliers	1,410	50	0.04	-	0.04	12		44
		33,537	126,288		(873)		30,480		108,864

					Probable	25% deterioration		50% deterioration	
Risk	**Type**	**Exposure**	**Original exposure (R$)**	**Effective rate as of 12/31/15**	**Amount**	**%**	**Amount**	**%**	**Amount**
Dollar decline	Suppliers	693	2692	3.87	(7)	2.91	(678)	1.45	(1,685)
Dollar decline	Suppliers	29,874	116,621	3.87	(867)	2.91	(29,805)	1.45	(73,213)
Euro decline	Suppliers	1,560	6,925	4.44	-	3.33	(1,731)	1.66	(4.328)
Yen decline	Suppliers	1,410	50	0.04	-	0.03	(12)	0.01	(31)
		33,537	126,288		(873)		(32,227)		(79,257)

Parent

					Probable	25% appreciation		50% appreciation	
Risk	**Type**	**Exposure (US$)**	**Original exposure (R$)**	**Effective rate on 12/31/17**	**Amount**	**%**	**Amount**	**%**	**Amount**
Foreign exchange	Customers	640	2,073	3.31	44	4.14	573	4.96	1,103
Foreign exchange	Suppliers	(17,508)	(57,992)	3.31	41	4.14	(14,491)	4.96	(28,848)
		(16,868)	(55,919)		85		(13,919)		(27,744)

					Probable	25% deterioration		50% deterioration	
Risk	**Type**	**Exposure**	**Original exposure (R$)**	**Effective rate on 12/31/17**	**Amount**	**%**	**Amount**	**%**	**Amount**
Foreign exchange	Customers	640	2,073	3.31	44	2.48	(485)	1.65	(1,014)
Foreign exchange	Suppliers	(17,508)	(57,992)	3.31	41	2.48	14,572	1.65	29,104
		(16,868)	(55,919)		85		14,086		28,090

					Consolidated					
					Probable	25% appreciation		50% appreciation		
Risk	**Type**	**Exposure (US$)**	**Original exposure (R$)**	**Effective rate on 12/31/17**	**Amount**	**%**	**Amount**	**%**	**Amount**
Foreign exchange	Customers	640	2,073	3.31	44	4.14	573	4.96	1,103
Foreign exchange	Suppliers	(17,609)	(58,088)	3.31	(198)	4.14	(14,813)	4.96	(29,253)
		(16,969)	(56,015)		(153)		(14,241)		(28,149)

					Probable	25% deterioration		50% deterioration	
Risk	**Type**	**Exposure**	**Original exposure (R$)**	**Effective rate on 12/31/17**	**Amount**	%	**Amount**	%	**Amount**
Foreign exchange	Customers	640	2,073	3.31	44	2.48	(485)	1.65	(1,014)
Foreign exchange	Suppliers	(17,609)	(58,088)	3.31	(198)	2.48	14,418	1.65	29,033
		(16,969)	(56,015)		(153)		13,933		28,019

c. Credit risk

Credit risk is managed at Group level. Credit risk derives from cash and cash equivalents, as well as exposure to customers credits, including outstanding trade receivables and repurchase operations. The credit analysis area evaluates the quality of customer´s credit, taking into account its financial position, experience and other factors. The limits for individual risk are determined based on internal classifications according to the limits determined by Board of Directors. The use of credit limits is regularly monitored.

As of December 31, 2018, and 2017, the maximum exposure to credit risk is:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Cash and cash equivalents (note 12)	128,685	18,068	252,346	103,548
Trade receivables (note 14)	382,804	455,895	519,863	625,144
Other receivables (note 17)	286,068	74,004	266,283	51,180
Financial investment related to loan (note 13)	3,635	3,372	3,635	3,372
Loan between related parties (note 31.g)	227,961	269,961	227,961	269,961
	1,029,153	**821,300**	**1,270,088**	**1,053,205**

Assessment of impairment loss as of January 1, 2018 and December 31, 2018

The evaluation policy for impairment loss provision of financial assets is shown in note 8.

Management does not expect any loss from these counterparties, higher than the amount already provisioned.

Cash and cash equivalents and derivatives

The Company held "Cash and cash equivalents" amounting to R$128,685 and R$252,346 as of December 31, 2018 (R$18,068 and R$103,548 in 2017). "Cash and cash equivalents" are held with a financial institution rated stable or above, at the Moody's Agency scale.

Guarantees
The Company's policy is to provide financial guarantees only for obligations of its subsidiaries and associates. As of December 31, 2018, and 2017, the Company had issued guarantees to certain banks in respect of facilities granted to Group companies, as follows:

- As of September 6, 2018, associate 3Z Realty Desenvolvimento Imobiliário S.A raised R$130,000 through the CRI (Real Estate Receivables Certificate), guaranteed by the Company's corporate guarantee, rated and backed by debentures non-convertible into shares. The remuneration is 102.5% at CDI, with principal maturing as of August 26, 2021 and amortization of semiannual interest.

- As of December 27, 2027, Associate 3Z Realty Desenvolvimento Imobiliário S.A completed the raising of R$125,000 through the issuance of promissory notes in accordance with ICVM No. 476. The promissory notes were distributed with restricted efforts guaranteed by guarantee issued by the Company, with no required rating and maturity of 180 days from the date of issue.

- Associate 3Z Realty Desenvolvimento Imobiliário S.A obtained real estate financing used for the construction of residential real estate properties (real estate development plan) with interest rates adjusted by TR plus 10.5% to 15% per year and which are guaranteed by fiduciary sale and guarantee of the Company and its shareholders. As of December 31, 2018, the balance is R$ 0 (R$99,540 as of December 31, 2017).

  Additionally, the Company is guarantor of obligations assumed by other companies, as follows:

- Lorraine Administradora de Bens e Participações Sociedade Simples Ltda. in raising funds from the Financing Agency for Studies and Projects (FINEP) in the amount of R$240,969 and payment term as of December 5, 2019.

- Lorraine Administradora de Bens e Participações Sociedade Simples Ltda. in raising funds from the FINEP of R$80,835 and payment term as of February 27, 2019.

- Unidade de Diagnóstico Médico em Radiologia Intervenção e Terapia Ltda. in raising funds from FINEP of R$18,143 and payment term as of February 8, 2021.

d. Liquidity risk

Cash flows estimate is carried out by the finance department. Such department monitors continuous estimates of liquidity requirements of the Group to assure that it has sufficient cash to meet operational needs. It also maintains sufficient margins in its repurchase credit facilities available (Note 21) at any time, so that the Group does not fail to comply with the loan limits or clauses, where applicable, in any of its credit facilities. Such estimate takes into account the Group's debt financing plans, compliance with provisions, compliance with the internal targets of the statement of financial position ratio and, if applicable, external or legal regulatory requirements such as currency restrictions.

The Treasury Department invests excess cash in interest-bearing bank accounts, term deposits, short-term deposits and securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient margin, as determined by the aforementioned forecasts.

The table below analyzes non-derivative financial liabilities of the Group, by maturity ranges, corresponding to the remaining period of reporting date and the contractual maturity date, where it applies only to financial instruments, therefore, obligations arising from legislation are not included.

	Parent				
	Contractual cash flow	**Less than one year**	**Between one and two years**	**Between two and five years**	**Over five years**
As of December 31, 2018					
Trade and other payables	(375,522)	(368,590)	(6,933)	-	-
Trade payables – related parties	(901,370)	(901,370)	-	-	-
Loans and borrowings	(338,940)	(53,123)	(136,894)	(141,800)	(7,124)
Dividends payable	(90,170)	(90,170)	-	-	-
Net position	(1,706,002)	(1,413,253)	(143,827)	(141,800)	(7,124)
As of December 31, 2017					
Trade and other payables	(242,856)	(242,856)	-	-	-
Trade payables – related parties	(748,064)	(748,064)	-	-	-
Loans and borrowings	(145,918)	(61,943)	(40,868)	(42,776)	(331)
Dividends payable	(91,723)	(91,723)	-	-	-
Net position	(1,228,561)	(1,144,586)	(40,868)	(42,776)	(331)

	Consolidated				
	Contractual cash flow	**Less than one year**	**Between one and two years**	**Between two and five years**	**Over five years**
As of December 31, 2018					
Trade and other payables	(397,751)	(390,817)	(6,933)	-	-
Trade payables – related parties	(902,738)	(902,738)	-	-	-
Loans and borrowings	(338,940)	(53,123)	(136,894)	(141,800)	(7,124)
Dividends payable	(95,299)	(95,299)	-	-	-
Net position	(1,734,728)	(1,441,977)	(143,827)	(141,800)	(7,124)
As of December 31, 2017					
Trade and other payables	(260,678)	(260,678)	-	-	-
Trade payables – related parties	(736,680)	(736,680)	-	-	-
Loans and borrowings	(146,056)	(61,943)	(41,006)	(42,776)	(331)
Dividends payable	(94,289)	(94,289)	-	-	-
Net position	(1,237,703)	(1,153,590)	(41,006)	(42,776)	(331)

The analysis of maturities applies only to financial liabilities instruments and therefore, the obligations arising from the current legislation are not included.

e. Operating risk

Operating risk is the risk of direct or indirect losses deriving from a variety of causes associated to processes, personnel, technology and infrastructure of the Group and of external factors, except for credit, market and liquidity risks, such as those deriving from legal and regulatory requirements and from generally accepted standards of business behavior. Operating risks arise from all Group's operations.

The purpose of the Group is of managing the operating risk to avoid incurring financial losses and damages to the Group's reputation, as well as seeking cost efficiency to avoid control procedures that restrict initiative and creativity.

The main responsibility for development and implementation of controls to deal with operating risks is attributed to Senior Management. The responsibility is supported by the development of general standards of the Group for management of operating risks in the respective areas.

(i) Capital management

The Group's objectives in managing its capital are to safeguard its going concern and offer a return to shareholders, and benefits to other stakeholders, as well as maintaining an ideal capital structure to reduce such cost.

In order to maintain or adjust the Group's capital structure, Management may, or may not, in cases where shareholders' approval is required, review the dividend policy, return capital to shareholders, or to sell assets, for example, to reduce the level of indebtedness.

The Group monitors the capital based on the financial leverage ratio. This ratio corresponds to net debt expressed as a percentage of total capital. Net debt, in its turn, corresponds to total loans (including short- and long-term loans, as shown in consolidated statement of financial position), less the amount of cash and cash equivalents. The total capital is ascertained by the sum of the equity, as shown in consolidated statement of financial position, and the net debt.

In 2018, the Group's strategy, unchanged from that of 2017, was to maintain the financial leverage ratio between 1.05% and 1.09%.

Financial leverage ratios as of December 31, 2018 and 2017, may be summarized (consolidated):

	Consolidated	
	2018	**2017**
Total of loans (note 21)	317,729	146,056
Less: cash and cash equivalents (note 12)	(252,346)	(103,548)
Net debt	65,383	42,508
Total equity	852,751	860,148
Total capital	918,134	902,656
Financial leverage ratio	1.08%	1.05%

f. Classification of instruments

Non-derivative financial instruments are classified at amortized cost (loans and receivables in 2017) and other financial liabilities. There are no other financial instruments classified in other categories apart from those listed below:

	Parent			
	2018		2017	
	Amortized cost	Other Financial Liabilities	Loans and receivables	Other Financial Liabilities
Cash and cash equivalents	128,685	-	18,068	-
Trade receivables	382,804	-	455,895	-
Trade receivables from related parties	118,528	-	102,780	-
Dividends receivable	239,770	-	29,968	-
Loans receivable	227,961	-	269,961	-
Financial investment related to loan	3,635	-	3,372	-
Other receivables	286,068	-	74,004	-
Total financial assets	1,387,452	-	954,048	-
Suppliers	-	238,470	-	132,756
Trade payables – related parties	-	901,370	-	748,064
Loans and borrowings	-	317,621	-	145,918
Dividends payable	-	90,170	-	91,723
Other trade payables	-	137,053	-	110,100
Total financial liabilities	-	1,684,684	-	1,228,561

	Consolidated			
	2018		2017	
	Amortized cost	Other Financial Liabilities	Loans and receivables	Other Financial Liabilities
Cash and cash equivalents	252,346	-	103,548	-
Trade receivables	519,863	-	625,144	-
Trade receivables from related parties	150,511	-	121,048	-
Loans receivable	227,961	-	269,961	-
Financial investment related to loan	3,635	-	3,372	-
Other receivables	266,283	-	51,180	-
Total financial assets	1,420,599	-	1,174,253	-
Suppliers	-	248,951	-	139,920
Trade payables – related parties	-	902,738	-	736,680
Dividends payable	-	95,299	-	94,289
Loans and borrowings	-	317,729	-	146,056
Other trade payables	-	148,800	-	120,758
Total financial liabilities	-	1,713,517	-	1,237,703

(i) Interest rate risk

For sensitivity analysis purposes of interest rate risks, the Group reviews the exposure to CDI fluctuation, to which the funding of financial investments and loans is related. The interest rates did not present changes in these scenarios.

In order to review the sensitivity of interest rates on loans and financial investments, Management has adopted as the probable scenario the amounts recognized in the accounting records. As reference, for the other scenarios, the deterioration and appreciation on variable interest rate used for calculation in accounting records were considered. The scenarios were estimated with an appreciation and depreciation of 25% and 50%, respectively, of the interest rate in the probable scenario.

The table below shows some impacts in profit or loss in the event the related scenarios presented for these transactions:

Exposure and interest rate sensitivity analysis

Parent									
					Probable	**25% appreciation**		**50% appreciation**	
Exposure	**Risk**	**Type**	**Maturity**	**Effective rate on 12/31/18**	**Amount**	**%**	**Amount**	**%**	**Amount**
73,768	CDI increase	Financial investment	01/28/2019	5.18	3,824	6.48	248	7.78	297
24,755	CDI increase	Financial investment	12/17/2020	5.76	1,426	7.20	103	8.64	123
10,324	CDI increase	Financial investment	N/A	6.40	661	8.00	53	9.60	63
5,273	CDI increase	Financial investment	N/A	6.50	343	8.12	28	9.75	33
3,635	CDI increase	Financial investment related to loan	07/02/2040 to 05/30/2041	6.08	221	7.60	17	9.12	20
117,755					6,474		448		538

Parent									
					Probable	**25% appreciation**		**50% appreciation**	
Exposure	**Risk**	**Type**	**Maturity**	**Effective rate on 12/31/17**	**Amount**	**%**	**Amount**	**%**	**Amount**
5,023	CDI increase	Financial investment	01/31/2018	10.08	506	12.60	633	15.12	760
4,001	CDI increase	Financial investment	12/02/2022	9.33	373	11.67	467	14.00	560
3,372	CDI increase	Financial investment related to loan	07/02/2040 to 05/30/2041	9.43	318	11.79	398	14.15	477
582	CDI increase	Financial investment	03/14/2018	9.93	58	12.41	72	14.90	87
12,978					1,255		1,570		1,884

Consolidated

					Probable	25% appreciation		50% appreciation	
Exposure	**Risk**	**Type**	**Maturity**	**Effective rate on 12/31/18**	**Amount**	**%**	**Amount**	**%**	**Amount**
73,768	CDI increase	Financial investment	01/28/2019	5.18	3,824	6.48	248	7.78	297
26,919	CDI increase	Financial investment	09/03/2019	6.34	1,706	7.92	135	9.50	162
26,540	CDI increase	Financial investment	03/21/2019	5.54	1,469	6.92	102	8.30	122
24,755	CDI increase	Financial investment	12/17/2020	5.76	1,426	7.20	103	8.64	123
15,612	CDI increase	Financial investment	03/20/2019	5.44	849	6.80	58	8.16	69
15,530	CDI increase	Financial investment	03/26/2019	5.44	845	6.80	57	8.16	69
14,243	CDI increase	Financial investment	12/19/2019	5.57	793	6.96	55	8.35	66
10,324	CDI increase	Financial investment	N/A	6.40	661	8.00	53	9.60	63
5,273	CDI increase	Financial investment	N/A	6.50	343	8.12	28	9.75	33
3,635	CDI increase	Financial investment related to loan	07/02/2040 to 05/30/2041	6.08	221	7.60	17	9.12	20
3,486	CDI increase	Financial investment	02/06/2019	5.44	190	6.80	13	8.16	15
2,722	CDI increase	Financial investment	02/27/2019	5.57	152	6.96	11	8.35	13
2,368	CDI increase	Financial investment	03/06/2019	5.50	130	6.88	9	8.26	11
1,639	CDI increase	Financial investment	N/A	6.02	99	7.52	7	9.02	9
1,462	CDI increase	Financial investment	10/24/2019	5.44	80	6.80	5	8.16	6
1,167	CDI increase	Financial investment	08/29/2019	6.02	70	7.52	5	9.02	6
1,146	CDI increase	Financial investment	02/20/2019	5.50	63	6.88	4	8.26	5
1,028	CDI increase	Financial investment	10/03/2023	6.02	62	7.52	5	9.02	6
820	CDI increase	Financial investment	03/28/2019	5.31	44	6.64	3	7.97	3
622	CDI increase	Financial investment	12/10/2019	5.50	34	6.88	2	8.26	3
233,060					13,059		920		1,104

Consolidated

					Probable	25% appreciation		50% appreciation	
Exposure	**Risk**	**Type**	**Maturity**	**Effective rate on 12/31/17**	**Amount**	**%**	**Amount**	**%**	**Amount**
62,607	CDI increase	Financial investment	09/04/2018	9.83	6,155	12.29	7,693	14.75	9,232
6,699	CDI increase	Financial investment	01/04/2022	4.82	323	6.03	404	7.23	484
5,719	CDB rise	Financial investment	07/16/2024	8.01	458	10.01	573	12.02	687
5,023	CDI increase	Financial investment	01/31/2018	9.33	506	12.60	633	15.12	760
4,001	CDI increase	Financial investment	12/03/2026	10.08	373	11.67	467	14.00	560
3,623	CDI increase	Financial investment		6.95	252	8.69	315	10.43	378
3,372	CDI increase	Financial investment related to loan	07/02/2040 to 05/30/2041	9.43	318	11.79	398	14.15	477
582	CDI increase	Financial investment	03/14/2018	9.93	58	12.41	72	14.90	87
91,626					8,443		10,555		12,665

Parent

					Probable	25% deterioration		50% deterioration	
Exposure	**Risk**	**Type**	**Maturity**	**Effective rate on 12/31/18**	**Amount**	**%**	**Amount**	**%**	**Amount**
73,768	CDI decrease	Financial investment	01/28/2019	5.18	3,824	3.89	149	2.59	99
24,755	CDI decrease	Financial investment	12/17/2020	5.76	1,426	4.32	62	2.88	41
10,324	CDI decrease	Financial investment	N/A	6.40	661	4.80	32	3.20	21
5,273	CDI decrease	Financial investment	N/A	6.50	343	4.87	17	3.25	11
3,635	CDI decrease	Financial investment related to loan	07/02/2040 to 05/30/2041	6.08	221	4.56	10	3.04	7
117,755					6,474		269		179

Parent

					Probable	25% deterioration		50% deterioration	
Exposure	**Risk**	**Type**	**Maturity**	**Effective rate on 12/31/17**	**Amount**	**%**	**Amount**	**%**	**Amount**
5,023	CDI decrease	Financial investment	01/31/2018	10.08	506	7.56	380	5.04	253
4,001	CDI decrease	Financial investment	12/02/2022	9.33	373	7.00	280	4.67	187
3,372	CDI decrease	Financial investment related to loan	07/02/2040 to 05/30/2041	9.43	318	7.08	239	4.72	159
582	CDI decrease	Financial investment	03/14/2018	9.93	58	7.45	43	4.97	29
12,978					1,255		942		628

Consolidated

					Probable	25% deterioration		50% deterioration	
Exposure	**Risk**	**Type**	**Maturity**	**Effective rate on 12/31/18**	**Amount**	**%**	**Amount**	**%**	**Amount**
73,768	CDI decrease	Financial investment	01/28/2019	5.18	3,824	3.89	149	2.59	99
26,919	CDI decrease	Financial investment	09/03/2019	6.34	1,706	4.75	81	3.17	54
26,540	CDI decrease	Financial investment	03/21/2019	5.54	1,469	4.15	61	2.77	41
24,755	CDI decrease	Financial investment	12/17/2020	5.76	1,426	4.32	62	2.88	41
15,612	CDI decrease	Financial investment	03/20/2019	5.44	849	4.08	35	2.72	23
15,530	CDI decrease	Financial investment	03/26/2019	5.44	845	4.08	34	2.72	23
14,243	CDI decrease	Financial investment	12/19/2019	5.57	793	4.18	33	2.78	22
10,324	CDI decrease	Financial investment	N/A	6.40	661	4.80	32	3.20	21
5,273	CDI decrease	Financial investment	N/A	6.50	343	4.87	17	3.25	11
3,635	CDI decrease	Financial investment related to loan	07/02/2040 to 05/30/2041	6.08	221	4.56	10	3.04	7
3,486	CDI decrease	Financial investment	02/06/2019	5.44	190	4.08	8	2.72	5
2,722	CDI decrease	Financial investment	02/27/2019	5.57	152	4.18	6	2.78	4
2,368	CDI decrease	Financial investment	03/06/2019	5.50	130	4.13	5	2.75	4
1,639	CDI decrease	Financial investment	N/A	6.02	99	4.51	4	3.01	3
1,462	CDI decrease	Financial investment	10/24/2019	5.44	80	4.08	3	2.72	2
1,167	CDI decrease	Financial investment	08/29/2019	6.02	70	4.51	3	3.01	2
1,146	CDI decrease	Financial investment	02/20/2019	5.50	63	4.13	3	2.75	2
1,028	CDI decrease	Financial investment	10/03/2023	6.02	62	4.51	3	3.01	2
820	CDI decrease	Financial investment	03/28/2019	5.31	44	3.98	2	2.66	1
622	CDI decrease	Financial investment	12/10/2019	5.50	34	4.13	1	2.75	1
233,060					13,059		552		368

Consolidated

					Probable	25% deterioration		50% deterioration	
Exposure	**Risk**	**Type**	**Maturity**	**Effective rate on 12/31/17**	**Amount**	**%**	**Amount**	**%**	**Amount**
62,607	CDI decrease	Financial investment	09/04/2018	9.83	6,155	7.08	239	4.72	159
6,699	CDI decrease	Financial investment	01/04/2022	4.82	323	7.45	43	4.97	29
5,719	CDI decrease	Financial investment	07/16/2024	8.01	458	7.00	280	4.67	187
5,023	CDI decrease	Financial investment	01/31/2018	10.08	506	7.00	352	4.67	234
4,001	CDI decrease	Financial investment	12/02/2022	9.33	373	3.62	242	2.41	161
3,623	CDI decrease			6.95	252	6.01	344	4.01	229
3,372	CDI decrease	Financial investment related to loan	07/02/2040 to 05/30/2041	9.43	318	5.21	189	3.48	126
582	CDI decrease	Financial investment	03/14/2018	9.93	58	7.37	4,616	4.92	3,077
91,626					8,443		6,305		4,212

Parent

				Probable	25% valuation		50% valuation	
Exposure	**Risk**	**Type**	**Effective rate on 12/31/2018**	**Amount**	**%**	**Amount**	**%**	**Amount**
213,539	Financial lease	Loan (Liability)	100	213,539	125	53,385	150	106,769
52,658	R&D Finep	Loan (Liability)	100	52,658	125	13,165	150	26,329
20,120	Project - Brasília Plant	Loan (Liability)	100	20,120	125	5,030	150	10,060
7,419	Project - Research, Development and Innovation	Loan (Liability)	100	7,419	125	1,855	150	3,709
6,819	Modernization Project - Subcredit A	Loan (Liability)	100	6,819	125	1,705	150	3,409
6,519	Expansion of CD - Jaguariúna Project	Loan (Liability)	100	6,519	125	1,630	150	3,260
2,052	Pró/DF	Loan (Liability)	100	2,052	125	513	150	1,026
1,532	Modernization Project - Subcredit C	Loan (Liability)	100	1,532	125	383	150	766
1,604	Modernization Project - Subcredit B	Loan (Liability)	100	1,604	125	401	150	802
1,687	FINAME/Fabrima_Horizontal Cartoning Machine - Non-sterile ointments FINA12	Loan (Liability)	100	1,687	125	422	150	843
1,198	FINAME/Fabrima_Horizontal Cartoning Machine - Eye Drops FINA11	Loan (Liability)	100	1,198	125	299	150	599
857	FINAME/*Promáquina*_Liquid FINA09	Loan (Liability)	100	857	125	214	150	429
567	FINAME/*Promáquina*_Eye Drops FINA10	Loan (Liability)	100	567	125	142	150	284
386	FINAME/*Promáquina* FINA06	Loan (Liability)	100	386	125	97	150	193
372	FINAME/Fabrima_Control Scale - Blister Stacker FINA14	Loan (Liability)	100	372	125	93	150	186
223	FINAME/Fabrima_Tube Packaging Machine - Eye ointments FINA13	Loan (Liability)	100	223	125	56	150	111
70	FINAME/Bauch Campos FINA07	Loan (Liability)	100	70	125	18	150	35
317,622				317,622		79,405		158,810

Parent

				Probable	25% valuation		50% valuation	
Exposure	**Risk**	**Type**	**Effective rate on 12/31/2017**	**Amount**	**%**	**Amount**	**%**	**Amount**
2,052	Pró/DF	Loan (Liability)	100.00	2,052	125	513	150	1,026
481	FINAME/*Promáquina* FINA06	Loan (Liability)	100.00	481	125	120	150	240
87	FINAME/Bauch Campos FINA07	Loan (Liability)	100.00	87	125	22	150	44
16	FINAME/*Tratorag* FINA08	Loan (Liability)	100.00	16	125	4	150	8
1,887	FINAME/*Promáquina*_Liquid FINA09	Loan (Liability)	100.00	1,887	125	472	150	944
34,615	Financial lease	Loan (Liability)	100.00	34,615	125	8,654	150	17,308
2,069	Project - Research, Development and Innovation	Loan (Liability)	100.00	2,069	125	517	150	1,035
9,810	Project - Packaging Unit for Solids	Loan (Liability)	100.00	9,810	125	2,453	150	4,905
11,291	Modernization Project - Subcredit A	Loan (Liability)	100.00	11,291	125	2,823	150	5,645
2,673	Modernization Project - Subcredit B	Loan (Liability)	100.00	2,673	125	668	150	1,337
2,951	Modernization Project - Subcredit C	Loan (Liability)	100.00	2,951	125	738	150	1,475
11,049	Expansion of CD - Jaguariúna Project	Loan (Liability)	100.00	11,049	125	2,762	150	5,524
725	Safra Lease - Lease	Loan (Liability)	100.00	725	125	181	150	362
675	FINAME/*Promáquina*_Eye Drops FINA10	Loan (Liability)	100.00	675	125	169	150	338
1,428	FINAME/Fabrima_Horizontal Cartoning Machine - Eye Drops FINA11	Loan (Liability)	100.00	1,428	125	357	150	714
1,976	FINAME/Fabrima_Horizontal Cartoning Machine - Non-sterile ointments FINA12	Loan (Liability)	100.00	1,976	125	494	150	988
238	FINAME/Fabrima_Tube Packaging Machine - Eye ointments FINA13	Loan (Liability)	100.00	238	125	59	150	119
419	FINAME/Fabrima_Control Scale - Blister Stacker FINA14	Loan (Liability)	100.00	419	125	105	150	209
61,476	R&D Finep	Loan (Liability)	100.00	61,476	125	15,369	150	30,738
145,918				145,918		36,480		72,959

Parent

				Probable	25% deterioration		50% deterioration	
Exposure	**Risk**	**Type**	**Effective rate on 12/31/2018**	**Amount**	**%**	**Amount**	**%**	**Amount**
213,539	Financial lease	Loan (Liability)	100	213,539	75	(53,385)	50	(106,769)
52,658	R&D Finep	Loan (Liability)	100	52,658	75	(13,165)	50	(26,329)
20,120	Project - Brasília Plant	Loan (Liability)	100	20,120	75	(5,030)	50	(10,060)
7,419	Project - Research, Development and Innovation	Loan (Liability)	100	7,419	75	(1,855)	50	(3,709)
6,819	Modernization Project - Subcredit A	Loan (Liability)	100	6,819	75	(1,705)	50	(3,409)
6,519	Expansion of CD - Jaguariúna Project	Loan (Liability)	100	6,519	75	(1,630)	50	(3,260)
2,052	Pró/DF	Loan (Liability)	100	2,052	75	(513)	50	(1,026)
1,532	Modernization Project - Subcredit C	Loan (Liability)	100	1,532	75	(383)	50	(766)
1,604	Modernization Project - Subcredit B	Loan (Liability)	100	1,604	75	(401)	50	(802)
1,687	FINAME/Fabrima_Horizontal Cartoning Machine - Non-sterile ointments FINA12	Loan (Liability)	100	1,687	75	(422)	50	(843)
1,198	FINAME/Fabrima_Horizontal Cartoning Machine - Eye Drops FINA11	Loan (Liability)	100	1,198	75	(299)	50	(599)
857	FINAME/*Promáquina*_Liquid FINA09	Loan (Liability)	100	857	75	(214)	50	(429)
567	FINAME/*Promáquina*_Eye Drops FINA10	Loan (Liability)	100	567	75	(142)	50	(284)
386	FINAME/*Promáquina* FINA06	Loan (Liability)	100	386	75	(97)	50	(193)
372	FINAME/Fabrima_Control Scale - Blister Stacker FINA14	Loan (Liability)	100	372	75	(93)	50	(186)
223	FINAME/Fabrima_Tube Packaging Machine - Eye ointments FINA13	Loan (Liability)	100	223	75	(56)	50	(111)
70	FINAME/Bauch Campos FINA07	Loan (Liability)	100	70	75	(18)	50	(35)
317,622				317,622		(79,405)		(158,810)

Parent

				Probable	25% deterioration		50% deterioration	
Exposure	**Risk**	**Type**	**Effective rate on 12/31/2017**	**Amount**	**%**	**Amount**	**%**	**Amount**
2,052	Pró/DF	Loan (Liability)	100.00	2,052	75	(513)	50	(1,026)
481	FINAME/*Promáquina* FINA06	Loan (Liability)	100.00	481	75	(120)	50	(240)
87	FINAME/Bauch Campos FINA07	Loan (Liability)	100.00	87	75	(22)	50	(44)
16	FINAME/*Tratorag* FINA08	Loan (Liability)	100.00	16	75	(4)	50	(8)
1,887	FINAME/*Promáquina*_Liquid FINA09	Loan (Liability)	100.00	1,887	75	(472)	50	(944)
34,615	Financial lease	Loan (Liability)	100.00	34,615	75	(8,654)	50	(17,308)
2,069	Project - Research, Development and Innovation	Loan (Liability)	100.00	2,069	75	(517)	50	(1,035)
9,810	Project - Packaging Unit for Solids	Loan (Liability)	100.00	9,810	75	(2,453)	50	(4,905)
11,291	Modernization Project - Subcredit A	Loan (Liability)	100.00	11,291	75	(2,823)	50	(5,645)
2,673	Modernization Project - Subcredit B	Loan (Liability)	100.00	2,673	75	(668)	50	(1,337)
2,951	Modernization Project - Subcredit C	Loan (Liability)	100.00	2,951	75	(738)	50	(1,475)
11,049	Expansion of CD - Jaguariúna Project	Loan (Liability)	100.00	11,049	75	(2,762)	50	(5,524)
725	Safra Lease - Lease	Loan (Liability)	100.00	725	75	(181)	50	(362)
675	FINAME/*Promáquina*_Eye Drops FINA10	Loan (Liability)	100.00	675	75	(169)	50	(338)
1,428	FINAME/Fabrima_Horizontal Cartoning Machine - Eye Drops FINA11	Loan (Liability)	100.00	1,428	75	(357)	50	(714)
1,976	FINAME/Fabrima_Horizontal Cartoning Machine - Non-sterile ointments FINA12	Loan (Liability)	100.00	1,976	75	(494)	50	(988)
238	FINAME/Fabrima_Tube Packaging Machine - Eye ointments FINA13	Loan (Liability)	100.00	238	75	(59)	50	(119)
419	FINAME/Fabrima_Control Scale - Blister Stacker FINA14	Loan (Liability)	100.00	419	75	(105)	50	(209)
61,476	R&D Finep	Loan (Liability)	100.00	61,476	75	(15,369)	50	(30,738)
145,918				145,918		(36,480)		(72,959)

Consolidated

Exposure	Risk	Type	Effective rate on 12/31/2018	Probable Amount	25% valuation %	25% valuation Amount	50% valuation %	50% valuation Amount
213,646	Financial lease	Loan (Liability)	100	213,646	125	53,412	150	106,823
52,658	R&D Finep	Loan (Liability)	100	52,658	125	13,165	150	26,329
20,120	Project - Brasília Plant	Loan (Liability)	100	20,120	125	5,030	150	10,060
7,419	Project - Research, Development and Innovation	Loan (Liability)	100	7,419	125	1,855	150	3,709
6,819	Modernization Project - Subcredit A	Loan (Liability)	100	6,819	125	1,705	150	3,409
6,519	Expansion of CD - Jaguariúna Project	Loan (Liability)	100	6,519	125	1,630	150	3,260
2,052	Pró/DF	Loan (Liability)	100	2,052	125	513	150	1,026
1,532	Modernization Project - Subcredit C	Loan (Liability)	100	1,532	125	383	150	766
1,604	Modernization Project - Subcredit B	Loan (Liability)	100	1,604	125	401	150	802
1,687	FINAME/Fabrima_Horizontal Cartoning Machine - Non-sterile ointments FINA12	Loan (Liability)	100	1,687	125	422	150	843
1,198	FINAME/Fabrima_Horizontal Cartoning Machine - Eye Drops FINA11	Loan (Liability)	100	1,198	125	299	150	599
857	FINAME/*Promáquina*_Liquid FINA09	Loan (Liability)	100	857	125	214	150	429
567	FINAME/*Promáquina*_Eye Drops FINA10	Loan (Liability)	100	567	125	142	150	284
386	FINAME/*Promáquina* FINA06	Loan (Liability)	100	386	125	97	150	193
372	FINAME/Fabrima_Control Scale - Blister Stacker FINA14	Loan (Liability)	100	372	125	93	150	186
223	FINAME/Fabrima_Tube Packaging Machine - Eye ointments FINA13	Loan (Liability)	100	223	125	56	150	111
70	FINAME/Bauch Campos FINA07	Loan (Liability)	100	70	125	18	150	35
317,729				317,729		79,432		158,864

Exposure	Risk	Type	Effective rate on 12/31/2017	Probable Amount	25% valuation %	25% valuation Amount	50% valuation %	50% valuation Amount
2,052	Pró/DF	Loan (Liability)	100.00	2,052	125	513	150	1,026
481	FINAME/*Promáquina* FINA06	Loan (Liability)	100.00	481	125	120	150	240
87	FINAME/Bauch Campos FINA07	Loan (Liability)	100.00	87	125	22	150	44
16	FINAME/*Tratorag* FINA08	Loan (Liability)	100.00	16	125	4	150	8
1,887	FINAME/*Promáquina*_Liquid FINA09	Loan (Liability)	100.00	1,887	125	472	150	944
34,615	Financial lease	Loan (Liability)	100.00	34,615	125	8,654	150	17,308
2,069	Project - Research, Development and Innovation	Loan (Liability)	100.00	2,069	125	517	150	1,035
9,810	Project - Packaging Unit for Solids	Loan (Liability)	100.00	9,810	125	2,453	150	4,905
11,291	Modernization Project - Subcredit A	Loan (Liability)	100.00	11,291	125	2,823	150	5,645
2,673	Modernization Project - Subcredit B	Loan (Liability)	100.00	2,673	125	668	150	1,337
2,951	Modernization Project - Subcredit C	Loan (Liability)	100.00	2,951	125	738	150	1,475
11,049	Expansion of CD - Jaguariúna Project	Loan (Liability)	100.00	11,049	125	2,762	150	5,524
863	Safra Lease - Lease	Loan (Liability)	100.00	863	125	216	150	432
675	FINAME/*Promáquina*_Eye Drops FINA10	Loan (Liability)	100.00	675	125	169	150	338
1,428	FINAME/Fabrima_Horizontal Cartoning Machine - Eye Drops FINA11	Loan (Liability)	100.00	1,428	125	357	150	714
1,976	FINAME/Fabrima_Horizontal Cartoning Machine - Non-sterile ointments FINA12	Loan (Liability)	100.00	1,976	125	494	150	988
238	FINAME/Fabrima_Tube Packaging Machine - Eye ointments FINA13	Loan (Liability)	100.00	238	125	59	150	119
419	FINAME/Fabrima_Control Scale - Blister Stacker FINA14	Loan (Liability)	100.00	419	125	105	150	209
61,476	R&D Finep	Loan (Liability)	100.00	61,476	125	15,369	150	30,738
146,056				146,056		36,515		73,029

Consolidated

				Probable	25% deterioration		50% deterioration	
Exposure	**Risk**	**Type**	**Effective rate on 12/31/2018**	**Amount**	**%**	**Amount**	**%**	**Amount**
213,646	Financial lease	Loan (Liability)	100	213,646	125	(53,412)	150	(106,823)
52,658	R&D Finep	Loan (Liability)	100	52,658	125	(13,165)	150	(26,329)
20,120	Project - Brasília Plant	Loan (Liability)	100	20,120	125	(5,030)	150	(10,060)
7,419	Project - Research, Development and Innovation	Loan (Liability)	100	7,419	125	(1,855)	150	(3,709)
6,819	Modernization Project - Subcredit A	Loan (Liability)	100	6,819	125	(1,705)	150	(3,409)
6,519	Expansion of CD - Jaguariúna Project	Loan (Liability)	100	6,519	125	(1,630)	150	(3,260)
2,052	Pró/DF	Loan (Liability)	100	2,052	125	(513)	150	(1,026)
1,532	Modernization Project - Subcredit C	Loan (Liability)	100	1,532	125	(383)	150	(766)
1,604	Modernization Project - Subcredit B	Loan (Liability)	100	1,604	125	(401)	150	(802)
1,687	FINAME/Fabrima_Horizontal Cartoning Machine - Non-sterile ointments FINA12	Loan (Liability)	100	1,687	125	(422)	150	(843)
1,198	FINAME/Fabrima_Horizontal Cartoning Machine - Eye Drops FINA11	Loan (Liability)	100	1,198	125	(299)	150	(599)
857	FINAME/*Promáquina*_Liquid FINA09	Loan (Liability)	100	857	125	(214)	150	(429)
567	FINAME/*Promáquina*_Eye Drops FINA10	Loan (Liability)	100	567	125	(142)	150	(284)
386	FINAME/*Promáquina* FINA06	Loan (Liability)	100	386	125	(97)	150	(193)
372	FINAME/Fabrima_Control Scale - Blister Stacker FINA14	Loan (Liability)	100	372	125	(93)	150	(186)
223	FINAME/Fabrima_Tube Packaging Machine - Eye ointments FINA13	Loan (Liability)	100	223	125	(56)	150	(111)
70	FINAME/Bauch Campos FINA07	Loan (Liability)	100	70	125	(18)	150	(35)
317,729				317,729		(79,432)		(158,864)

Consolidated

				Probable	25% deterioration		50% deterioration	
Exposure	**Risk**	**Type**	**Effective rate on 12/31/2017**	**Amount**	**%**	**Amount**	**%**	**Amount**
2,052	Pró/DF	Loan (Liability)	100.00	2,052	75	(513)	50	(1,026)
481	FINAME/*Promáquina* FINA06	Loan (Liability)	100.00	481	75	(120)	50	(240)
87	FINAME/Bauch Campos FINA07	Loan (Liability)	100.00	87	75	(22)	50	(44)
16	FINAME/*Tratorag* FINA08	Loan (Liability)	100.00	16	75	(4)	50	(8)
1,887	FINAME/*Promáquina*_Liquid FINA09	Loan (Liability)	100.00	1,887	75	(472)	50	(944)
34,615	Financial lease	Loan (Liability)	100.00	34,615	75	(8,654)	50	(17,308)
2,069	Project - Research, Development and Innovation	Loan (Liability)	100.00	2,069	75	(517)	50	(1,035)
9,810	Project - Packaging Unit for Solids	Loan (Liability)	100.00	9,810	75	(2,453)	50	(4,905)
11,291	Modernization Project - Subcredit A	Loan (Liability)	100.00	11,291	75	(2,823)	50	(5,645)
2,673	Modernization Project - Subcredit B	Loan (Liability)	100.00	2,673	75	(668)	50	(1,337)
2,951	Modernization Project - Subcredit C	Loan (Liability)	100.00	2,951	75	(738)	50	(1,475)
11,049	Expansion of CD - Jaguariúna Project	Loan (Liability)	100.00	11,049	75	(2,762)	50	(5,524)
863	Safra Lease - Lease	Loan (Liability)	100.00	863	75	(216)	50	(432)
675	FINAME/*Promáquina*_Eye Drops FINA10	Loan (Liability)	100.00	675	75	(169)	50	(338)
1,428	FINAME/Fabrima_Horizontal Cartoning Machine - Eye Drops FINA11	Loan (Liability)	100.00	1,428	75	(357)	50	(714)
1,976	FINAME/Fabrima_Horizontal Cartoning Machine - Non-sterile ointments FINA12	Loan (Liability)	100.00	1,976	75	(494)	50	(988)
238	FINAME/Fabrima_Tube Packaging Machine - Eye ointments FINA13	Loan (Liability)	100.00	238	75	(59)	50	(119)
419	FINAME/Fabrima_Control Scale - Blister Stacker FINA14	Loan (Liability)	100.00	419	75	(105)	50	(209)
61,476	R&D Finep	Loan (Liability)	100.00	61,476	75	(15,369)	50	(30,738)
146,056				146,056		(36,515)		(73,029)

Parent and consolidated

				Probable	25% valuation		50% valuation	
Exposure	**Risk**	**Type**	**Effective rate on 12/31/2016**	Amount	%	Amount	%	**Amount**
2,052	Pró/DF	Loan (Liability)	100.00	2,052	75.00	1,539	50	1,026
576	FINAME/*Promáquina* FINA06	Loan (Liability)	100.00	576	75.00	432	50	288
104	FINAME/Bauch Campos FINA07	Loan (Liability)	100.00	104	75.00	78	50	52
47	FINAME/*Tratorag* FINA08	Loan (Liability)	100.00	47	75.00	35	50	24
2,916	FINAME/*Promáquina*_Liquid FINA09	Loan (Liability)	100.00	2,916	75.00	2,187	50	1,458
4,079	Debentures	Loan (Liability)	100.00	4,079	75.00	3,059	50	2,039
28,249	Financial lease	Loan (Liability)	100.00	28,249	75.00	21,187	50	14,124
11,776	Financial lease	Loan (Liability)	100.00	11,776	75.00	8,832	50	5,888
5,701	Project - Research, Development and Innovation	Loan (Liability)	100.00	5,701	75.00	4,276	50	2,851
20,294	Project - Packaging Unit for Solids	Loan (Liability)	100.00	20,294	75.00	15,220	50	10,147
15,639	Modernization Project - Subcredit A	Loan (Liability)	100.00	15,639	75.00	11,734	50	7,823
3,743	Modernization Project - Subcredit B	Loan (Liability)	100.00	3,743	75.00	2,807	50	1,871
4,307	Modernization Project - Subcredit C	Loan (Liability)	100.00	4,307	75.00	3,224	50	2,150
15,454	Expansion of CD - Jaguariúna Project	Loan (Liability)	100.00	15,454	75.00	11,591	50	7,727
666	FINAME/*Promáquina*_Eye Drops FINA10	Loan (Liability)	100.00	666	75.00	502	50	335
1,418	FINAME/Fabrima_Horizontal Cartoning Machine - Eye Drops FINA11	Loan (Liability)	100.00	1,418	75.00	1,063	50	709
1,923	FINAME/Fabrima_Horizontal Cartoning Machine - Non-sterile ointments FINA12	Loan (Liability)	100.00	1,923	75.00	1,442	50	961
232	FINAME/Fabrima_Tube Packaging Machine - Eye ointments FINA13	Loan (Liability)	100.00	232	75.00	174	50	116
411	FINAME/Fabrima_Control Scale - Blister Stacker FINA14	Loan (Liability)	100.00	411	75.00	308	50	205
40,741	R&D Finep	Loan (Liability)	100.00	40,741	75.00	30,556	50	20,371
160,328				160,328		120,246		80,165

(ii) *Accounting classification and fair value measurement*

A number of the Group's accounting policies and disclosures require the measurement of fair value of financial and non-financial assets and liabilities.

The Group has established a control structure related to measuring fair value. Management regularly reviews significant non-observable data and valuation adjustments.

If third-party information, such as broker quotes or pricing services, is used to measure fair value, the evaluation team analyzes the evidence obtained from third parties to support the conclusion that such evaluations meet the requirements of CPC, including level in the hierarchy of fair value at which such valuations are to be classified.

The Group uses observable market data, as much as it is possible, to measure the fair value of an asset or a liability.
Fair values are classified at different levels in a hierarchy based on inputs used in valuation techniques in the following way.

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

In line with the transitional provisions of CPC 46 (Measurement of fair value), the Company has applied the new rules for fair value measurement prospectively. The changes have had no significant impact on the measurement of the Company's assets or liabilities. The classification according to fair value hierarchy of the Company's financial instruments measured at fair value is determined as follows:

	Parent						
2018	**Fair value**						
	Level 1	**Level 2**	**Level 3**	**Total**	**Fair value of the other categories**	**Fair value**	**Carrying amount**
Assets							
Cash and cash equivalents	-	-	-	-	128,685	128,685	128,685
Trade receivables	-	-	-	-	382,804	382,804	382,804
Trade receivables from related parties	-	-	-	-	118,528	118,528	118,528
Dividends receivable	-	-	-	-	239,770	239,770	239,770
Loans receivable	-	-	-	-	227,961	227,961	227,961
Financial investment related to loan	-	-	-	-	3,635	3,635	3,635
Other receivables	-	-	-	-	286,068	286,068	286,068
Total	-	-	-	-	1,387,452	1,387,452	1,387,452
Liabilities	-	-	-	-			
Suppliers	-	-	-	-	238,470	238,470	238,470
Trade payables – related parties	-	-	-	-	901,370	901,370	901,370
Loans and borrowings	-	-	-	-	317,621	317,621	317,621
Dividends payable	-	-	-	-	90,170	90,170	90,170
Other trade payables	-	-	-	-	137,053	137,053	137,053
Total	-	-	-	-	1,684,685	1,684,685	1,684,685

	Parent						
2017	**Fair value of financial instruments measured through statement of profit or loss**						
	Level 1	**Level 2**	**Level 3**	**Total**	**Fair value of the other categories**	**Fair value**	**Carrying amount**
Assets							
Cash and cash equivalents	-	-	-	-	18,068	18,068	18,068
Trade receivables	-	-	-	-	455,895	455,895	455,895
Trade receivables from related parties	-	-	-	-	102,780	102,780	102,780
Dividends receivable	-	-	-	-	29,968	29,968	29,968
Loans receivable	-	-	-	-	269,961	269,961	269,961
Financial investment related to loan	-	-	-	-	3,372	3,372	3,372
Other receivables	-	-	-	-	74,004	74,004	74,004
Total	-	-	-	-	954,048	954,048	954,048
Liabilities							
Suppliers	-	-	-	-	132,756	132,756	132,756
Trade payables – related parties	-	-	-	-	748,064	748,064	748,064
Loans and borrowings	-	-	-	-	145,918	145,918	145,918
Dividends payable	-	-	-	-	91,723	91,723	91,723
Other trade payables	-	-	-	-	110,100	110,100	110,100
Total	-	-	-	-	1,228,561	1,228,561	1,228,561

2018	Consolidated – Fair value Level 1	Level 2	Level 3	Total	Fair value of the other categories	Fair value	Carrying amount
Assets							
Cash and cash equivalents	-	-	-	-	252,346	252,346	252,346
Trade receivables	-	-	-	-	519,863	519,863	519,863
Trade receivables from related parties	-	-	-	-	150,511	150,511	150,511
Loans receivable	-	-	-	-	227,961	227,961	227,961
Financial investment related to loan	-	-	-	-	3,635	3,635	3,635
Other receivables	-	-	-	-	266,283	266,283	266,283
	-	-	-	-	1,420,599	1,420,599	1,420,599
Liabilities							
Suppliers					248,951	248,951	248,951
Trade payables – related parties	-	-	-	-	902,738	902,738	902,738
Dividends payable	-	-	-	-	95,299	95,299	95,299
Loans and borrowings	-	-	-	-	317,729	317,729	317,729
Other trade payables	-	-	-	-	148,800	148,802	148,802
Total	-	-	-	-	1,713,517	1,713,520	1,713,520

2017	Consolidated – Fair value of financial instruments measured through statement of profit or loss Level 1	Level 2	Level 3	Total	Fair value of the other categories	Fair value	Carrying amount
Assets							
Cash and cash equivalents	-	-	-	-	103,548	103,548	103,548
Trade receivables	-	-	-	-	625,144	625,144	625,144
Trade receivables from related parties	-	-	-	-	121,048	121,048	121,048
Loans receivable	-	-	-	-	269,961	269,961	269,961
Financial investment related to loan	-	-	-	-	3,372	3,372	3,372
Other receivables	-	-	-	-	51,180	51,180	51,180
	-	-	-	-	1,174,253	1,174,253	1,174,253
Liabilities							
Suppliers	-	-	-	-	139,920	139,920	139,920
Trade payables – related parties	-	-	-	-	736,680	736,680	736,680
Dividends payable	-	-	-	-	94,289	94,289	94,289
Loans and borrowings	-	-	-	-	146,056	146,056	146,056
Other trade payables	-	-	-	-	120,758	120,758	120,758
Total	-	-	-	-	1,237,703	1,237,703	1,237,703

The Company used the following methods and assumptions to estimate the disclosure of fair value of its financial instruments as of December 31, 2018 and 2017:

- **Cash and cash equivalents and financial investment related to loan:** are presented at their market value, which is equal to their carrying amount.

- **Trade receivables and related parties:** derive directly from the Group's transactions and from its customers and are classified as amortized costs (loans and receivables in 2017). They are recorded at their original values and are subject to provision for impairment losses. The original amounts net of provision are similar to the fair values on the closing date of financial statements.

- **Loans receivable from related parties:** are classified as loans and receivables and are recorded at their contractual amounts.

- **Loans and borrowings:** are classified as other financial liabilities and are recorded at their contractual amounts.

- **Trade payables and suppliers - related parties:** derive directly from purchase operations of goods of the Group with its suppliers and are classified as other financial liabilities. They are registered at their original values which are similar to the fair values on the closing date of financial statements.

- **Other trade receivables and other trade payables:** are presented at the original value, which is similar to the fair value in on the date of closing of the financial statements.

12 Cash and cash equivalents

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Bank	14,565	8,462	22,921	15,294
Financial investments	114,120	9,606	229,425	88,254
	128,685	18,068	252,346	103,548

Short-term investments are highly liquid, readily convertible into a known amount of cash and are subject to an insignificant risk of change in value, with domestic financial institutions as counterparties and yield rates linked to the CDI.

13 Financial investment related to loan

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Financial investment related to loan	3,635	3,372	3,635	3,372
	3,635	3,372	3,635	3,372

The long-term financial investment of R$3,635 (R$3,372 in 2017) effected at Banco de Brasília, guarantees the ICMS financing granted to the Company as a government subsidy (Note 21). The amount may only be used for full settlement of the final installments of financing.

14 Trade receivables

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Trade receivables	386,776	479,165	550,180	655,606
Less: provision for impairment	(3,972)	(23,270)	(30,317)	(30,462)
	382,804	455,895	519,863	625,144

As of December 31, 2018, and 2017, the following trade receivables were outstanding:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
To become overdue	348,497	419,624	423,447	527,466
Overdue less than three months	35,988	40,950	59,238	81,655
Three to six months overdue	737	6,872	26,776	34,511
Overdue for more than six months	1,554	11,719	40,719	11,974
	386,776	479,165	550,180	655,606

Balances of trade receivables are recorded by the net amount, and they do not bear interest. Trade receivables are deducted, by means of a provision, to the probable amounts of realization. The provision for impairment loss was constituted in an amount considered sufficient by the Management, covering possible losses with credits realization.

The activities of provision for impairment losses are presented below:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
As of January 1	(23,270)	(8,684)	(30,462)	(25,504)
Credits provisioned in the period	(2,936)	(19,975)	(22,104)	(20,084)
Credits written-off in the period	22,234	5,389	22,249	15,126
As of December 31	(3,972)	(23,270)	(30,317)	(30,462)

Trade receivables, net of impairment losses, are denominated in the following currencies:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Reais	380,119	453,662	517,178	622,911
US Dollars	2,685	2,233	2,685	2,233
	382,804	455,895	519,863	625,144

The effect of initial application of CPC 48 is described in note 6.

15 Inventories

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Raw material	128,732	112,600	167,416	117,268
Finished products	120,067	192,243	130,990	248,191
Products in progress	43,389	48,671	45,475	48,787
Packaging material and others	28,492	33,935	30,169	35,925
Advance to third-party suppliers	30,399	11,714	30,765	12,192
Imports in progress	7,824	15,402	8,410	15,652
Provision for obsolescence	(21,071)	(32,969)	(26,291)	(36,426)
	337,832	381,596	386,934	441,589

The criteria used to establish the provision for obsolescence are detailed in note 8.n.

16 Recoverable taxes

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income) (*)	85,986	2,629	93,212	9,525
PIS (Social Integration Program) and COFINS (Social Contribution on Billings) - (**)	19,740	59,179	49,558	81,377
ICMS (State Value-Added Tax on Goods and Services) (***)	12,096	10,725	49,912	41,894
IOF (Tax on Financial Transactions)	9,259	5,326	9,259	5,326
IPI (Excise Tax)	5,076	5,549	8,035	7,258
Others	10,486	1,975	13,399	5,258
	142,643	85,383	223,375	150,638
Current	135,940	78,680	216,672	143,935
Non-current	6,703	6,703	6,703	6,703
	142,643	85,383	223,375	150,638

(*) Refers to the advance of income tax and social security contribution.

(**) Refers to PIS and COFINS credits on input acquisition.

(***) ICMS (State Value-Added Tax on Goods and Services) Credits on acquisitions of fixed assets.

17 Other receivables

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Claim Indemnity (*)	200,395	-	200,395	-
Advances to suppliers - third parties	62,137	66,196	39,654	42,400
Advances to employees	17,263	436	18,227	444
Others	6,273	7,372	8,006	8,336
	286,068	74,004	266,283	51,180
Current	281,072	69,008	261,287	46,184
Non-current	4,996	4,996	4,996	4,996
	286,068	74,004	266,283	51,180

(*) Refers to the estimated initial amount of indemnifiable losses to the Company, according to conditions and contractual clauses of insurance policy due to claim occurred as of October 20, 2018 due to the fire in the Company's premises in the city of Hortolândia, State of São Paulo. This balance is substantially comprised of the costs of inventories and fixed assets affected by the fire on that date. The consideration for this amount was recognized in the profit or loss' fiscal year under the "Other operating income (expenses)" line item as shown in note 28.

18 Investments in subsidiaries

Parent

	December 31, 2018						
	EMS Sigma	Legrand	Luxbiotech	CPM	Monteresearch	Rio Biopharmaceuticals	Total investment
Investments							
Number of shares/quotas of share capital	7,662,451	136,464	29,571,851	64,205,000	90,000	-	-
Share capital	7,740	138	29,778	64,605	399	3,308	-
Profit (loss) for the fiscal year	(2,217)	63,901	(37,033)	18,243	21,464	-	-
Interest on share capital - %	99.00%	99.00%	99.31%	99.38%	100%	100%	-
Equity of subsidiary	5,756	15,417	3,819	82,541	56,676	1,085	-
Initial investment balance as of January 1, 2018	13,833	191,064	61,693	63,899	27,685	970	359,144
Appropriation of dividends receivable	(6,000)	(239,064)	(21,248)	-	-	-	(266,311)
Increase of share capital	-	-	-	-	3,604	8,620	12,224
Foreign operation in conversion	-	-	-	-	3,806	-	3,806
Other activities	-	-	-	-	79	-	79
Equity accounting result	(2,134)	63,261	(36,653)	18,130	21,464	-	64,068
	5,699	15,263	3,792	82,030	56,637	9,589	173,010

	December 31, 2017						
	EMS Sigma	**Legrand**	**Luxbiotech**	**CPM**	**Monteresearch**	**Rio Biopharmaceuticals**	**Total investment**
Investments							
Number of shares/quotas of share capital	7,662,451	136,464	29,571,851	64,205,000	90,000	-	-
Share capital	7,740	138	29,778	64,605	357	3,308	-
Profit (loss) for the fiscal year	1,263	39,160	(7,181)	28,134	(3,529)	(2,145)	-
Interest on share capital - %	99.00%	99.00%	99.31%	99.38%	100%	100%	-
Equity of subsidiary	13,973	192,994	62,246	64,298	27,412	1,085	-
Initial investment balance as of January 1, 2016	12,582	152,294	59,663	35,939	-	-	260,478
Transfer - Other investments	-	-	-	-	2,390	-	2,390
Increase of share capital (*)	-	-	9,162	-	30,587	3,115	42,864
Foreign operation in conversion	-	-	-	-	(1,763)	-	(1,763)
Equity accounting result	1,251	38,770	(7,132)	27,960	(3,529)	(2,145)	55,175
	13,833	191,064	61,693	63,899	27,685	970	359,144

(*) Capital contribution in subsidiary Montreasearch, which acquired indirect interest of 25% in Serbian company Galenika a.d – Belgrade.

a. *Summary of financial information*

The table below presents a summary of all financial information of subsidiaries:

(i) *Synthetic statement of financial position of subsidiaries*

	EMS Sigma		Legrand		Luxbiotech		Monteresearch		Rio Bio Pharmaceuticals		CPM	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Current												
Assets	20,758	16,288	304,997	249,758	45,547	75,712	7,404	4,094	1,167	1,167	79,629	87,065
Liabilities	(14,291)	(2,006)	(288,529)	(58,563)	(35,685)	(12,336)	(5,659)	(6,290)	(82)	(82)	(13,481)	(29,221)
Net current assets	**6,467**	**14,282**	**(16,468)**	**191,195**	**9,862**	**63,376**	**1,745**	**(2,196)**	**1,085**	**1,085**	**66,148**	**57,844**
Non-current												
Non-current assets	3,420	3,478	7,694	6,075	560	1,083	54,931	29,608	-	-	16,636	6,617
Non-current liabilities	(4,131)	(3,787)	(8,745)	(4,276)	(6,604)	(2,213)	-	-	-	-	(243)	(163)
Non-current assets, net	**(711)**	**(309)**	**(1,051)**	**1,799**	**(6,043)**	**(1,130)**	**54,931**	**29,608**	**-**	**-**	**16,393**	**6,454**
Equity	**5,756**	**13,973**	**15,417**	**192,994**	**3,819**	**62,246**	**56,676**	**27,412**	**1,085**	**1,085**	**82,541**	**64,298**

(ii) *Synthetic statement of profit or loss of subsidiaries*

	EMS Sigma		Legrand		Luxbiotech		Monteresearch		Rio Bio Pharmaceuticals		CPM	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenues	14,615	8,701	438,800	419,904	4,607	3,117	9,343	4,421	-	-	83,993	82,109
Income before income tax and social security contribution	(2,389)	1,795	95,847	58,804	(37,033)	(5,367)	21,464	(3,529)	-	(2,145)	19,386	37,465
Income tax and social security contribution expense	172	(532)	(31,946)	(19,644)	-	(1,814)	-	-	-	-	(1,143)	(9,331)
Net profit (loss) for the fiscal year	(2,217)	1,263	63,901	39,160	(37,033)	(7,181)	21,464	(3,529)	-	(2,145)	18,243	28,134

19 Fixed assets

	Parent						
	Land and buildings	**Vehicles and machinery**	**Furniture, fixtures and equipment**	**Others**	**Constructio n works in progress (**)**	**Aircraft**	**Total**
As of December 31, 2018							
Opening balance	142,711	179,315	18,168	-	37,543	35,947	413,684
Acquisitions	295	6,980	3,057	-	74,494	212,904	297,730
Disposals	-	(209)	(47)	-	(10,420)	(30,919)	(41,595)
Depreciation - disposal	-	184	168	-	-	14,944	15,297
Transfers	504	4,434	470	-	(5,408)	-	-
Depreciation	(9,759)	(21,428)	(4,249)	-	-	(13,772)	(49,209)
Accounting balance, net	133,751	169,276	17,567	-	96,208	219,104	635,907
As of December 31, 2018							
Cost	189,296	323,443	40,285	733	96,208	231,715	881,680
Accumulated depreciation	(55,545)	(154,167)	(22,718)	(733)	-	(12,611)	(245,773)
	133,751	169,276	17,567	-	96,208	219,104	635,907

	Parent						
	Land and buildings	**Vehicles and machinery**	**Furniture, fixtures and equipment**	**Others**	**Constructio n works in progress (*)**	**Aircraft**	**Total**
As of December 31, 2017							
Opening balance	102,244	190,586	16,953	130	60,770	38,693	409,376
Acquisitions	3,211	10,568	2,367	-	23,291	-	39,437
Disposals	-	(4,880)	(1,658)	(130)	(12,277)	-	(18,945)
Depreciation - disposal	-	2,661	1,483	-	-	-	4,144
Transfers	40,581	(7,436)	1,096	-	(34,241)	-	-
Depreciation	(3,325)	(12,184)	(2,073)	-	-	(2,746)	(20,328)
Accounting balance, net	142,711	179,315	18,168	-	37,543	35,947	413,684
As of December 31, 2017							
Cost	188,497	312,238	36,805	733	37,543	49,730	625,546
Accumulated depreciation	(45,786)	(132,923)	(18,637)	(733)	-	(13,783)	(211,862)
	142,711	179,315	18,168	-	37,543	35,947	413,684

	Consolidated						
As of December 31, 2018							
Opening balance	144,291	180,112	18,494	-	37,312	35,947	416,156
Acquisitions	3,011	7,089	3,063	-	74,494	212,904	300,561
Disposals	(41)	(209)	(50)	-	(10,420)	(30,919)	(41,639)
Transfers	792	4,379	405	-	(5,576)	-	-
Depreciation - disposal	-	184	169	-	-	14,944	15,297
Depreciation	(10,445)	(22,838)	(4,923)	-	-	(13,772)	(51,978)
	137,608	168,717	17,158	-	95,810	219,104	(638,397)
As of December 31, 2018							
Cost	194,162	327,948	42,033	733	95,810	231,715	892,401
eciation	(56,554)	(159,231)	(24,875)	(733)	-	(12,611)	(254,004)
Accounting balance, net	137,608	168,717	17,158	-	95,810	219,104	638,397

	Consolidated						
	Land and buildings	**Vehicles and machinery**	**Furniture, fixtures and equipment**	**Others**	**Constructio n works in progress (*)**	**Aircraft**	**Total**
As of December 31, 2017							
Opening balance	102,244	187,442	17,279	-	64,317	38,693	409,975
Acquisitions	4,849	16,517	2,702	-	23,671	-	47,739
Disposals	-	(4,903)	(1,677)	-	(16,435)	-	(23,015)
Transfers	40,581	(7,424)	1,084	-	(34,241)	-	-
Depreciation - disposal	-	2,661	1,497	-	-	-	4,158
Depreciation	(3,383)	(14,181)	(2,391)	-	-	(2,746)	(22,701)
	144,291	180,112	18,494	-	37,312	35,947	416,156
As of December 31, 2017							
Cost	190,400	316,689	38,615	733	37,312	49,730	633,479
eciation	(46,109)	(136,577)	(20,121)	(733)	-	(13,783)	(217,323)
	144,291	180,112	18,494	-	37,312	35,947	416,156

(*) Construction works in progress refer to investments to expand production lines.

Bank loans are guaranteed by fixed assets in the amount of R$30,732 (R$30,732 in 2017).

20 Suppliers

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Suppliers - abroad	122,618	61,498	123,625	62,049
Suppliers - domestic	85,298	44,637	87,437	46,494
Service providers	30,554	26,621	37,890	31,377
	238,470	132,756	248,951	139,920

21 Loans and borrowings

			Parent		Consolidated	
	Interest rate	**Maturity**	**2018**	**2017**	**2018**	**2017**
Financial lease (a)	1.21% p.a. to 3.23% p.a. and Libor + 0.35% p.a.	May 2023	213,539	35,339	213,646	35,477
FINEP (b)	(b)	April 2023	52,767	61,476	52,767	61,476
BNDES (c)	(c)	November 2018 to June 2020	43,903	39,843	43,903	39,843
FINAME	TJLP + 2% p.a. at 6% (ii)	October 2016 to February 2023	5,361	7,208	5,361	7,208
Banco Regional de Brasília - ICMS financing (d)	25% do INPC (National Consumer Price Index) (i)	December 2031	2,052	2,052	2,052	2,052
			317,622	145,918	317,729	146,056
Current			53,123	61,943	53,123	61,943
Non-Current			264,499	83,975	264,606	84,113
			317,622	145,918	317,729	146,056

(i) Annual effective rate.

(ii) Long-Term Interest Rate (TJLP).

(a) JP Morgan Financial Lease - refers to the purchase of an aircraft. Currently, the outstanding balance is of R$213,539.

(b) Refers to the partial costing of expenses incurred in preparing and executing the Innovation Strategic Plan approved and made available by FINEP, in accordance with the Disbursement Schedule. Compound interest of TJLP plus 5% per year as spread shall accrue on principal amount of debt, reduced by equivalent equalization of 3% per year.

(c) The balance refers to loans obtained with BNDES, as shown below:

(i) Release of the value of the Financing agreement entered with BNDES in 2018 to improve the Brasília plant. Currently, the outstanding balance is of R$20,000.

(ii) R&D contract with credit contracted in the amount of R$75,712 that will be released in subcredits as accounts are presented. The outstanding amount is R$7,430 with TJLP + 1.75% and 2.25% p.a. and with final payment on 03/15/2026.

(iii) Release of part of the amount of financing agreement entered into with BNDES on May 14, 2015, for the expansion of the Logistic Distribution Center located in the city of Jaguariúna/SP. BNDES granted a loan of R$19,141, which will be made available in installments, in accordance with the Company's need and the availability of BNDES funds, after compliance with the conditions established for credit release, including proof of use of the resources previously released. The principal of the debt will bear interest of 1.79% p.a. above the TJLP (TJLP + 1.79% p.a.), with interest required quarterly as of October 15, 2015 and monthly as of November 15, 2016, when the principal also becomes due. The debt balance will be settled in monthly installments due up to May 15, 2020. Currently, the outstanding balance is of R$6,519.

(iv) Financing granted by Banco Nacional de Desenvolvimento Econômico e Social - BNDES, up to the amount of R$ 55,682, divided into three subcredits:

(a) Subcredit "A" - in the amount of R$21,664 for the transfer and modernization of the penicillin line from São Bernardo do Campo plant to a production unit in Jaguariúna, state of São Paulo, and modernization of the Hortolândia plant, state of São Paulo, under the BNDES Program of Support to Development of Industrial Health Complex - BNDES Profarma, Production Subprogram. Currently, the outstanding balance is of R$6,819.

(b) Subcredit "B" - R$4,960 for the acquisition of national equipment for execution of the project mentioned in subcredit "A," under the BNDES Program of Support to Development of Industrial Health Complex - BNDES Profarma, Production Subprogram. Currently, the outstanding balance is of R$1,604.

(c) Subcredit "C" - R$29,058 for the acquisition of imported equipment for execution of the project mentioned in subcredit "A," under the BNDES Program of Support to Development of Industrial Health Complex - BNDES Profarma, Production Subprogram. Currently, the outstanding balance is of R$1,531.

Credit will be made available to the beneficiaries in installments, once the conditions of release have been fulfilled.

The total subcredits must be used within a period of up to 12 months from the date of signature of the contract.

There shall accrue, on the principal of debt: (i) interest of 1.59% p.a. above the TJLP (TJLP + 1.59% p.a.) for Subcredit "A"; (ii) interest of 6% p.a. for subcredit "B"; and (iii) interest of 3.59% p.a. above TR (Reference Rate) (TR + 3.59% p.a.) for Subcredit "C".

EMS S.A. gave BNDES the fiduciary property of machinery and equipment to be acquired with funds from this operation and bank guarantee as collateral.

(d) Banco Regional de Brasília - refers to the granting of credit benefit granted in favor of the Company within the scope of Federal District's Integrated and Sustainable Economic Development Promotion Program (PRÓ-DF) in the amount of up to R$458,638 (original amount).

Each installment corresponds to the equivalent of 70% of tax credit constituted by levy of ICMS related to services rendered in Interstate and Intercity Transportation and Communication generated by imports of organic chemicals and raw materials, among others, carried out by EMS S.A. unit located in the Federal District.

The financing takes place through the BRB and has a grace period of 300 months (25 years) of the date of each installment released, according to Ordinance No. 182, dated May 19, 2009 - Published in DODF (Official Gazette of Federal District) No. 097, of May 21, 2009.

Charges corresponding to 25% of the National Consumer Price Index (INPC) are levied on the amounts, and the charges calculated from January to December of each year are required in January of the subsequent year.

The financing is guaranteed by the investments in CDBs issued by BRB made by the Company, which are remunerated by 97% of CDI rate variation, equivalent to 10% of the amount of each credit installment released, which can only be used for final settlement of installments, the amount of respective financial investment was R$3,635 as of December 31, 2018 (R$3,372 as of December 31, 2017).

It is understood that the credit benefit may be canceled, and the creditor (Banco BRB) is guaranteed the right to declare the credit instrument in arrears, making the total debt immediately due, in the following cases: (i) if the Company fails to comply with the contractual obligations and with PRÓ/DF legislation; (ii) if it is in irregular situation before the tax register of the federal revenue office and the federal revenue office of Federal District; (iii) if it uses the real estate property destined to implementation of productive development project for residential purposes; and (iv) closing of activities of the development objective of the incentive.

The economic benefit (government subsidy), calculated considering the difference between the market rate of the date of financing release and the interest rates obtained (BM&F pre-established curve (PRE x DI)), is recognized as deferred income and recorded in profit or loss on a straight-line basis according to the maturity of each release. As of December 31, 2018, deferred income recognized by the Company was R$19,032 (R$19,032 as of December 31, 2017).

As of March 31, 2014, the Company participated in the public session of BRB/FUNDEFE No. 001/2014 auction for early settlement of the financing with funds from FUNDEFE/PRÓ-DF II. On the same date, lots 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30 of the auction related to CCC 2001.000030-0/01-9 were settled for R$16,587. The remaining balance refers to installments of 2013 not yet released by PRÓ-DF program.

In 2014 PRÓ-DF program was replaced by a new program instituted by the Federal District pursuant to Law 5017 of January 18, 2013 (IDEAS - Incentive for Economic, Environmental and Social Development).

During fiscal year 2018, the Company did not effect any activity to recognize the subsidy grant.

Loans and borrowings agreements have non-financial covenants that were fully met at the end of fiscal year.

The maturities of loans and borrowings recorded in current and non-current liabilities as of December 31, 2018 and 2017 are as follows:

	2018	**2017**
2018	-	61,943
2019	53,123	40,143
2020	69,507	42,776
2021	63,582	725
2022 onwards	131,410	331
	317,622	145,918

Reconciliation between financial position activity and cash flow from financing activities

Parent	**Note**	**Short and Long-Term Loan**	**Proposed dividends**	**Total**	**Short and Long-Term Loan**	**Proposed dividends**	**Total**
		2018			**2017**		
Balance as of December 31 of the previous year		145,918	91,723	237,641	160,328	90,712	251,040
Cash flow items from financing activities:							
Loan raising		230,477	-	230,477	23,599	-	23,599
Amortization of loans		(62,297)	-	(62,297)	(39,051)	-	(39,051)
Dividends Paid	25.d	-	(300,745)	(300,745)	-	(303,368)	(303,368)
Total cash flow used in financing activity		168,180	(300,745)	(132,565)	(15,452)	(303,368)	(318,820)
Other items:							
Expenses with interest and exchange variation		26,150	-	26,150	12,502	-	12,502
Payment of interest and exchange variation		(22,627)	-	(22,627)	(11,460)	-	(11,460)
Provisioned Dividends	25.d	-	299,192	299,192	-	304,379	304,379
Total of other items		3,523	299,192	302,715	1,042	304,379	305,421
Balance as of December 31 of this fiscal year		317,621	90,170	407,791	145,918	91,723	237,641

Consolidated	**Note**	**Short and Long-Term Loan**	**Proposed dividends**	**Total**	**Short and Long-Term Loan**	**Proposed dividends**	**Total**
		2018			**2017**		
Balance as of December 31 of the previous year		146,056	94,289	240,345	160,328	93,277	253,605
Cash flow items from financing activities:							
Loan raising		230,477	-	230,477	23,739	-	23,739
Amortization of loans		(62,327)	-	(62,297)	(39,051)	-	(39,051)
Dividends Paid	25.d	-	(300,745)	(300,745)	-	(303,368)	(303,368)
Total cash flow used in financing activity		168,150	(300,745)	(132,595)	(15,312)	(303,368)	(318,680)

Consolidated	Note	Short and Long-Term Loan	Proposed dividends	Total	Short and Long-Term Loan	Proposed dividends	Total
		2018			2017		
Other items:							
Expenses with interest and exchange variation		26,150	-	26,150	12,500	-	12,500
Payment of interest and exchange variation		(22,627)	-	(22,627)	(11,460)	-	(11,460)
Provisioned Dividends	25.d	-	301,755	301,755	-	304,380	304,380
Total of other items		3,523	301,755	305,278	1,040	304,380	305,420
Balance as of December 31 of this fiscal year		317,729	95,299	413,028	146,056	94,289	240,345

22 Provision for losses in legal proceedings and legal deposits

The Group is part of court and administrative proceedings before several courts and governmental bodies, resulting from ordinary course of business, involving tax, labor, civil and other issues.

Based on information from its legal consultants, analysis of pending litigations and, as to labor suits, based on previous experience referring to claimed amounts, the Management has constituted provisions in amounts deemed sufficient to cover the loss expected with ongoing litigations, as follows:

a. Breakdown

As of the date of these financial statements, the Group presented the following liabilities and corresponding judicial deposits related to legal proceedings:

	Parent					
	Provisions for losses with legal proceedings		Court deposits		Net balance	
	2018	2017	2018	2017	2018	2017
Labor and civil (i)	31,738	24,950	12,480	14,414	19,258	10,536
Labor and social security (ii)	93,996	90,025	20,778	22,995	73,217	67,030
	125,734	114,975	33,258	37,409	92,475	77,566

	Consolidated					
	Provisions for losses with legal proceedings		Court deposits		Net balance	
	2018	2017	2018	2017	2018	2017
Labor and civil (i)	47,557	29,543	14,842	16,900	32,714	12,643
Labor and social security (ii)	96,933	94,875	21,052	23,769	75,881	71,106
	144,490	124,418	35,894	40,669	108,596	83,749

Activities in provisions for losses on legal proceedings are demonstrated below:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
As of January 1	114,975	93,325	124,418	99,918
Constitution of provision	35,916	36,295	52,069	41,656
Adjustment for inflation	11,462	5,589	11,985	5,947
Reversal of provision for the fiscal year	(36,619)	(20,234)	(43,982)	(23,103)
As of December 31	125,734	114,975	144,490	124,418

The full amount of the provision for contingencies is classified in non-current liabilities.

(i) Civil and tax proceedings

They substantially refer to civil lawsuits, filed by consumers alleging, in summary, non-conformities in relation to the medicines produced by the Group.

(ii) Labor proceedings

The Group recorded a provision for contingencies for labor claims in which it is a defendant based on an estimate of loss prepared by its legal advisors, whose main requests are: payment of overtime hours, indemnification for work accident and ancillary responsibilities of third-party companies.

Group's Management, based on the opinion of its legal advisors, believes that there are no significant risks that are not covered by sufficient provisions in its financial statements, or that may result in a material impact on its future results.

(iii) Possible losses, not provisioned

The Group has tax, civil and labor lawsuits involving risks of loss classified as possible by Management, based on the evaluation of its legal advisors, for which there are no provisions accrued, since the accounting policies adopted in Brazil do not require its recording, as evidenced by the breakdown and estimate below:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Civil (*)	198,676	4,309,601	225,196	4,348,784
Goodwill (**)	1,334,774	1,220,502	1,334,774	1,220,502
Income tax and social security contribution	251,334	226,795	251,334	226,795
Labor	169,651	147,100	172,719	151,179
ICMS (***)	14,427	8,569	14,427	8,569
Others	33,579	32,737	33,616	34,312
	2,002,441	5,945,304	2,032,066	5,990,141

(*) Refers substantially to termination where compensation for loss of profits, fines and interest is being discussed. The amounts in 2018 were revised by the attorneys to reflect a more realistic amount of discussion expectation based on the evidence.

(**) Refers substantially to tax assessment notice No. 16643.000392/2010-61 drawn up by the Federal Revenue Service, which is an administrative proceeding for the collection of Corporate Income Tax ("IRPJ"), Social Contribution on Net Income ("CSLL"), Social Integration Program ("PIS"), Social Contribution on Billings ("COFINS") and separate fines plus charges, based on the alleged non-deductibility of goodwill amortization in merger of a company that would have artificially reduced the calculation basis of IRPJ and CSLL. Notwithstanding the regularity of the procedure adopted, the Inspection disregarded the expenses of amortization of goodwill since it considered, in summary, that there was no business purpose for acquiring the equity interest with goodwill as the transaction occurred "within the same economic group."

The Company, with the support of its tax advisory specialists in this area, classifies as possible the chances of success since, contrary to what was alleged by the Tax Office, the transaction had a strong business purpose involving a joint venture with a foreign company, foreign to the economic group, aiming at the Group's entry/consolidation in the European pharmaceutical market, mainly by the legislation on medicines in question being extremely adherent to that of Brazil. In addition, the operation was carried out within the strict legality, and all acts were duly registered and published, which demonstrates the inexistence of bad faith, recognized by the 1st CARF Class, which canceled the assessment. Recently, the company obtained a court decision, which upheld that decision favorable to the company (ordering the annulment of the decision handed down at the last administrative level, which had received an appeal from the National Treasury, which did not meet the requirements for admissibility).

(***) The Company has an ICMS tax incentive granted by the state government of Brasília. The Federal Supreme Court (STF) issued decisions in Direct Actions, declaring the unconstitutionality of several state laws that granted ICMS tax benefits without prior agreement between States.

Although it does not have ICMS tax incentives judged by the STF, the Company has been monitoring, with its legal advisors, the evolution of this issue in the courts to determine possible impacts in its operations and consequent impact on financial statements.

23 Income tax and social security contribution

a. Deferred income tax and social security contribution

Deferred tax assets are recognized to the extent it is probable that the future taxable income will be available to be used in offsetting the temporary differences, based on projections of future results made and grounded on internal assumptions and on future economic scenarios that could change.

Deferred income tax and social security contribution have the following activity and origin in 2018:

	Parent		
	Balance as of 12/31/2017	**Recognized in income**	**Balance as of 12/31/2018**
Provisions for labor proceedings	30,608	1,351	31,959
Net effect of revenue reversal of billed and undelivered products	10,655	22,730	33,385
Provision for obsolescence	9,806	(4,031)	5,775
Provision for losses with tax and civil lawsuits	8,482	2,309	10,791
Provision for impairment loss on trade receivables	7,911	(6,561)	1,350
Provision for share of profit	6,627	1,830	8,457
Provision for free sample	1,403	(13)	1,390
Provision for vehicle rental	409	(311)	98
Provision for deferred exchange variation for tax purposes	204	3,572	3,776
Other provisions	9,053	(1,658)	7,395
	85,158	**19,218**	**104,376**

	Consolidated		
	Balance as of 12/31/2017	**Recognized in income**	**Balance as of 12/31/2018**
Provisions for labor proceedings	32,561	357	32,918
Net effect of revenue reversal of billed and undelivered products	12,410	23,187	35,597
Provision for impairment loss on trade receivables	10,357	(4,009)	6,348
Provision for obsolescence	10,411	(137)	10,274
Provision for share of profit	11,061	(2,188)	8,873
Provision for losses with tax and civil lawsuits	8,992	4,971	13,963
Provision for free sample	1,738	(111)	1,627
Provision for vehicle rental	534	(337)	197
Provision for deferred exchange variation for tax purposes	219	3,547	3,766
Other provisions	9,960	5,649	15,609
	98,243	**30,929**	**129,172**

Deferred income tax and social security contribution have the following activity and origin in 2017:

	Parent		
	Balance as of 12/31/2016 Restated	**Recognized in income**	**Balance as of 12/31/2017**
Provisions for labor proceedings	29,459	1,149	30,608
Net effect of revenue reversal of billed and undelivered products	8,152	2,503	10,655
Provision for obsolescence	6,088	3,718	9,806
Provision for share of profit	5,337	1,290	6,627
Provision for impairment loss on trade receivables	2,953	4,958	7,911
Provision for losses with tax and civil lawsuits	2,272	6,210	8,482
Provision for free sample	1,932	(529)	1,403
Provision for vehicle rental	78	331	409
Other provisions	9,205	(152)	9,053
Provision for deferred exchange variation for tax purposes	(1,372)	1,576	204
	64,104	**21,054**	**85,158**

	Consolidated		
	Balance as of 12/31/2016 Restated	**Recognized in income**	**Balance as of 12/31/2017**
Provisions for labor proceedings	31,428	1,133	32,561
Net effect of revenue reversal of billed and undelivered products	9,244	3,166	12,410
Provision for impairment loss on trade receivables	8,671	1,686	10,357
Provision for obsolescence	6,249	4,162	10,411
Provision for share of profit	5,923	5,138	11,061
Provision for losses with tax and civil lawsuits	2,544	6,448	8,992
Provision for free sample	2,275	(537)	1,738
Provision for vehicle rental	181	353	534
Provision for commissions on sales	132	(132)	-
Other provisions	13,631	(3,671)	9,960
Provision for deferred exchange variation for tax purposes	(1,460)	1,679	219
	78,818	**19,425**	**98,243**

b. Current income tax and social security contribution

Reconciliation of income tax and social security contribution expenses is presented as follows:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Income before income tax and social security contribution	278,704	422,652	311,830	454,502
Tax calculated based on local tax rates - 34%	(94,759)	(143,702)	(106,022)	(154,531)
Equity accounting result	22,451	18,759	-	-
Technological innovation (R&D) Law No. 11196/05	10,916	12,250	10,916	12,250
Permanent additions/exclusions	70,677	(3,689)	71,475	(5,422)
Income tax and social security contribution in profit or loss	9,284	(116,382)	(23,632)	(147,703)
Current income tax and social security contribution	(9,934)	(137,436)	(54,561)	(167,128)
Deferred income tax and social security contribution	19,218	21,054	30,929	19,425
Income tax and social security contribution in profit or loss	9,284	(116,382)	(23,632)	(147,703)
Effective tax rate	3.33%	27.54%	7.58%	32.50%

c. Income tax and social security contribution payable

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
IRPJ (Corporate Income Tax) payable	-	19,572	14,454	25,722
CSLL payable	-	-	4,100	927
	-	**19,572**	**18,553**	**26,649**

24 Taxes in installments

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Payment in installments - Law No. 11941/09 (i)	22,499	25,093	23,535	26,260
Payment of ICMS in installments (ii)	3,918	3,941	3,918	3,941
	26,417	29,034	27,453	30,201
Current	8,044	7,927	8,221	8,098
Non-current	18,373	21,107	19,232	22,103
	26,417	29,034	27,453	30,201

(i) In November 2009, the Company and its subsidiary EMS Sigma Pharma adhered to REFIS IV, a program for installment and tax debt settlement. The balances of taxes in installments are subject to monetary adjustment based on SELIC rate variation. The adhesion to the program aimed at equalizing and regularizing tax liabilities through a special system for payment and installment plan for its tax obligations. Federal taxes (PIS, COFINS, IRPJ and CSLL) and pension plans under judicial discussion were included in the program, in the 180-month installment plan option, which conferred to the Company and its subsidiary a partial amnesty of 60% of the fine, 20% on separate fines and reduction of 25% in interest over original debt. The adhesion to the installment plan was consolidated in July 2011 by the Brazilian Federal Revenue Office and Attorney-General of National Treasury. The principal amount of consolidated debt of EMS S.A. was of R$ 23,922, and for Sigma Pharma was of R$1,193.

In December 2013, the Company requested payment in installments of debts from reopening of Law 11941/2009, which included social security debts not paid in installments previously. As of December 31, 2016, the adhesion to installment payment is pending consolidation.

In August 2014, the Company and its subsidiary Sigma Pharma requested payment in installments of debts in accordance with Law 12996/2014, which included amounts not previously paid in installments, in the 120-month installment plan option, which granted the Company and its subsidiary partial amnesty of 70% on late fines and official assessment fines, 25% on separate fines, 30% on default interest and 100% on the value of legal charge. The adhesion to the installment plan was consolidated in July 2016 by the Brazilian Federal Revenue Office. The principal amount of consolidated debt of EMS S.A. was of R$1,762, and for Sigma Pharma was of R$51.

Due to consolidation process in 2016, there was an increase of R$1,126.

(ii) Refers mostly to the adhesion to ICMS installments with the Federal District Government occurred in the second half of 2007, for discharge of ICMS debts generated by disregarding of credits considered undue by tax authorities, which reduced the payable balance of such tax. The Company's down payment of R$435 was paid in 36 successive monthly installments, the first of which was due in May 2007. The remaining balance is fully due in the month following the end of installment payment. For each installment, monetary adjustment equivalent to the INPC variation plus simple interest of 1% per month over the installment period will be applied.

The balance of taxes paid in installments as of December 31, 2018 and 2017 is as follows:

	Parent		**Consolidated**	
	2018	**2017**	**2018**	**2017**
Principal	17,992	20,219	18,627	29,033
Interest	8,425	8,815	8,826	1,168
	26,417	29,034	27,453	30,201

25 Equity

a. Share capital

The subscribed and paid-in share capital as of December 31, 2018 and 2017 is R$221,708, consisting of 20,000,000 common shares with par value of R$11,0854 each, distributed as follows:

	Shares
NC Participações S.A.	19,800,000
Germed Farmacêutica LDA.	200,000
	20,000,000

Each common share shall entitle one vote at resolutions of Special General Meeting. The shareholders will be allocated, in each fiscal year, a minimum dividend of 25% of net income, calculated in accordance with Brazilian corporate law.

b. Capital reserve

Goodwill Incorporation Reserve

Refers to the counter entry of goodwill incorporated net of difference between its value and the tax benefit generated by its amortization, which is derived from merger of shares of its Parent EMS Investimentos S/A. Such reserve may be capitalized in future resolutions by the General Meeting.

c. Earnings reserve

Tax incentive reserve

The Company has a government subsidy represented by the credit benefit arising from the Federal District's Integrated and Sustainable Economic Development Promotion Program (PRÓ-DF), granted in the form of a subsidized loan obtained from Banco Regional de Brasília (BRB). The economic benefit obtained is accounted for as deferred income and recorded in statement of profit or loss in equal amounts according to the maturities of said loans. Substantial part of the loan was settled, and the respective subsidy revenue was recognized in profit or loss for the fiscal year, and subsequently transferred to line item of tax incentive in equity, as earnings reserve in 2014. In 2016, due to discharge of Ideas Program, the realization of R$3,003 was made. However, we are still awaiting the auction to settle residual value.

Legal reserve

Constituted in accordance with corporate law and bylaws, based on 5% of net income for the fiscal year up to 20% of the share capital or 30% of the capital balance plus reserves.

As of December 31, 2018, and 2017, the Company did not recognize as legal reserve the amount of 5% of net income for each fiscal year, as it reached the limit of 20% of share capital, as determined in article 193 of Law 6404/86.

Earnings reserve

Recorded with the balance of net profit of 2018 and 2017 after the appropriation of dividends and the constitution of legal reserve. The amount of retained earnings in prior years was used for distribution of profits, as determined by the General Meeting. The remaining balance of retained earnings will be distributed to shareholders in the subsequent fiscal year, as approved at the meeting.

d. Dividends

The Company’s bylaws set forth distribution of minimum mandatory dividend of 25% of the adjusted net income in accordance with corporate Law, according to calculation demonstrated below:

	2018	**2017**
Net income for the fiscal year	287,988	306,270
(-) Constitution of statutory reserve	-	-
Dividends calculation basis	287,988	306,270
Minimum mandatory dividend (25%)	71,997	75,568
Earnings reserve from previous fiscal years distributed in the fiscal year	227,195	227,811
Total of proposed dividends and paid in the fiscal year	299,192	304,379

The activity of the dividends payable balances is as follows:

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Initial balance of the fiscal year	91,723	90,712	94,289	93,277
(+) Complement of dividends payable approved in general meetings	227,195	227,811	229,760	227,811
(+) Minimum mandatory dividend	71,997	76,568	71,997	76,568
(-) Payments	(300,745)	(303,368)	(300,745)	(303,368)
(=) Final balance of the fiscal year	**90,170**	**91,723**	**95,299**	**94,289**

26 Revenue

The reconciliation between gross sales and net revenue is as follows:

	Parent		Consolidated	
	2018	**2017 Restated**	**2018**	**2017 Restated**
Gross sales of products and services less commercial discounts	4,121,564	3,970,201	4,490,409	4,272,754
Tax on sales	(661,850)	(630,168)	(727,442)	(718,627)
Returns on sales	(118,407)	(97,383)	(137,801)	(103,421)
Net operating revenue	3,341,307	3,242,649	3,625,166	3,450,706

27 Expenses by type

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Raw materials and consumption materials	(1,642,441)	(1,495,361)	(1,668,853)	(1,495,387)
Salaries and welfare charges	(479,503)	(441,591)	(528,270)	(478,670)
Third parties' services - legal entity	(160,361)	(179,635)	(180,855)	(200,349)
Social security costs	(127,682)	(124,962)	(138,507)	(133,387)
Advertising costs	(108,210)	(121,210)	(121,810)	(131,923)
Transport expenses	(74,679)	(73,537)	(88,473)	(87,209)
Samples	(55,007)	(65,231)	(62,426)	(69,648)
Benefits provided by Law	(52,984)	(62,370)	(57,288)	(67,566)
Operating lease payments	(38,411)	(36,298)	(43,672)	(40,472)
Cleaning and office supplies	(33,082)	(28,577)	(35,975)	(31,517)
Travel, accommodation and meals	(35,611)	(32,983)	(40,961)	(36,811)
Other employee benefits	(36,703)	(35,057)	(39,703)	(37,584)
Profit sharing plan	(32,282)	(25,388)	(33,970)	(27,879)
Third parties' services - maintenance and repairs	(28,396)	(23,576)	(29,765)	(25,103)
Depreciation, amortization and impairment charges	(54,139)	(22,958)	(56,776)	(25,109)
Electric power, water supply and telephone services	(17,355)	(17,801)	(19,587)	(21,596)
Fuels and lubricants	(16,119)	(16,137)	(17,403)	(17,207)
Provision for losses in legal proceedings	(7,568)	(16,067)	(17,158)	(18,560)
Commissions on sales	(264)	(901)	(892)	(1,813)

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Other expenses, net of other income	(10,065)	(16,537)	(13,025)	(21,649)
Reversal (provision) for impairment loss on trade receivables	19,298	(14,586)	145	(4,958)
Total cost of sales, selling and administrative expenses	(2,991,564)	(2,850,763)	(3,195,224)	(2,974,397)

	Parent		Consolidated	
	2018	**2017 Restated**	**2018**	**2017 Restated**
Costs of sales	(1,955,218)	(1,782,656)	(2,005,697)	(1,809,648)
Selling expenses	(238,177)	(260,897)	(273,618)	(290,613)
Administrative expenses	(817,467)	(792,624)	(916,054)	(869,178)
Impairment loss on trade receivables	19,298	(14,586)	145	(4,958)
	(2,991,564)	(2,850,763)	(3,195,224)	(2,974,397)

28 Other Expenses (Revenues), net

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Other Revenues				
Insurance Reimbursement	199,640	-	199,640	-
Others	22,230	21,291	23,629	21,377
Total other income	221,870	21,291	222,270	21,377
Other Expenses				
Claim - Inventories write off	(290,754)	-	(290,754)	-
Others	(33,998)	(36,209)	(40,817)	(40,726)
Total other expenses	(324,752)	(36,209)	(331,571)	(40,726)
Other expenses (revenues), net	(102,882)	(14,920)	(109,302)	(19,350)

(*) Refers to losses recognized by the Company due to an accident (fire) occurred as of October 20, 2018 at the Company's headquarters located in the city of Hortolândia, State of São Paulo.

29 Net financial revenues (expenses)

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Financial revenue				
Positive exchange variation	37,123	9,042	37,628	9,880
Financial revenue from short-term bank deposits	6,078	5,218	10,085	11,945
Interest on trade receivables	4,451	4,564	5,406	6,108
Others	10,757	11,726	10,809	12,071
Total financial revenue	58,409	30,550	63,929	40,004

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Financial expense				
Interest on loans	(25,580)	(19,534)	(26,386)	(20,410)
Negative exchange variation	(42,001)	(12,597)	(43,565)	(13,192)
Discounts granted	(1,998)	(4,454)	(2,897)	(5,084)
Others	(23,020)	(3,454)	(23,279)	(3,775)
Total financial expense	(92,599)	40,039	(96,127)	(42,461)
Financial expenses, net	(34,190)	(9,489)	(32,199)	(2,457)

30 Earnings per share – basic and diluted

Basic and diluted earnings per share are calculated by dividing the profit attributable to Company's shareholders by the weighted average of common shares held during fiscal year.

	2018	**2017**
Profit attributable to Company's shareholders	287,988	306,270
Weighted average number of common shares (thousands)	20,000	20,000
Basic and diluted earnings per share - R$	14.40	15.31

Basic and diluted earnings per share are the same as there are no shares with possible dilutive effect.

31 Related parties

The principal balances of assets and liabilities as of December 31, 2018 and 2017, as well as the transactions that influenced the results for the fiscal years, relative to transactions with related parties, derive from transactions of the Company with its related parties, which were realized in conditions defined by them and are as follows:

a. Consolidated

The Group is controlled by the holding NC Participações (incorporated in Brazil), which holds 99% of the shares of Company EMS S.A. The remaining 1% is held by Companhia Germed LDA, headquartered in Portugal.

b. Parent

The Company's final parent is NC Participações S/A.

c. Sales and resale of goods

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Germed Farmacêutica Ltda.	442,782	388,974	442,791	389,115
Legrand Pharma Indústria Farmacêutica Ltda.	313,709	365,737	-	-
Nova Química Farmacêutica S.A.	244,053	192,123	249,704	198,315
Lafiman Distribuidora de Medicamentos Ltda.	77,534	72,796	85,661	92,851
Novamed Fabricação de Produtos Farmacêuticos Ltda.	50,667	60,215	50,667	60,215
CPM - Concessíonária Paulista de Medicamentos S/A.	2,554	1,113	-	-
Others	13	1,839	-	63
	1,131,313	1,082,797	828,822	740,559

d. Net purchases of products and services

	Subsidiary		Consolidated	
	2018	**2017**	**2018**	**2017**
Novamed Fabricação de Produtos Farmacêuticos Ltda.	1,016,885	819,824	1,022,696	819,824
Germed Farmacêutica Ltda.	51,753	57,576	57,002	57,637
Nova Química Farmacêutica S.A.	3,596	1,071	6,754	1,344
Legrand Pharma Indústria Farmacêutica Ltda.	1,552	908	-	-
EMS Sigma Pharma Ltda.	277	1,991	-	-
Others	-	341	-	-
	1,074,063	881,711	1,086,452	878,806

e. Fiscal year closing balances arising from product sales/purchases

Trade receivables from related parties

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Novamed Fabricação de Produtos Farmacêuticos Ltda.	54,492	10,732	63,693	10,732
Germed Farmacêutica Ltda.	27,261	13,150	27,274	13,155
EMS Sigma Pharma Ltda	14,465	-	-	
Legrand Pharma Indústria Farmacêutica Ltda.	8,717	4,681	-	-
Nova Química Farmacêutica S.A.	8,459	48,017	16,171	50,784
Lafiman Distribuidora de Medicamentos Ltda.	3,819	15,032	42,416	46,266
CPM - Concessíonária Paulista de Medicamentos S/A	403	9,896	-	-
Luxbiotech Farmacêutica Ltda.	22	605	-	-
Others	891	667	957	111
	118,528	102,780	150,511	121,048

Balances of trade receivables from related parties are mainly due to sales operations and mature in up to 120 days. Trade receivables have no guarantees and are not subject to interest.

Other receivables from related parties

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Luxbiotech Farmacêutica Ltda.	29,695	9,325	29,695	-
Instituto Vita Nova	750	925	750	925
CPM - Concessíonária Paulista de Medicamentos S/A	-	15,781	-	-
Lorraine Administradora de Bens e Participações Ltda.	-	27,047	-	27,047
Others	1,804	2,869	1,804	2,038
	32,249	55,947	32,249	30,010

Trade payables – related parties

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Novamed Fabricação de Produtos Farmacêuticos Ltda.	692,161	584,763	698,765	584,763
Germed Farmacêutica Ltda.	171,438	132,923	171,970	136,240
Nova Química Farmacêutica S.A.	10,114	1,153	14,887	1,536
EMS Sigma Pharma Ltda.	9,086	15,058	-	-
Legrand Pharma Indústria Farmacêutica Ltda.	2,051	-	-	-
Others	16,520	14,167	17,117	14,141
	901,370	748,064	902,738	736,680

Other trade payables to related parties - advances

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
Innoveren Pharma S/A.	6,695	6,695	6,695	6,695
Lafiman Distribuidora de Medicamentos Ltda.	1,235	-	1,235	-
CPM - Concessíonária Paulista de Medicamentos S/A	-	15,804	-	-
Luxbiotech Farmacêutica Ltda.	-	9,325	-	-
Legrand Pharma Indústria Farmacêutica Ltda.	-	831	-	-
Others	-	-	-	-
	7,930	32,655	7,930	6,695

f. Dividends payable and receivable

	Parent		Consolidated	
Dividends receivable	**2018**	**2017**	**2018**	**2017**
Legrand Pharma Indústria Farmacêutica Ltda.	239,063	29,261	-	-
EMS Sigma Pharma Ltda.	707	707	-	-
	239,770	29,968	-	-

	Parent		Consolidated	
Dividends payable	**2018**	**2017**	**2018**	**2017**
NC Participações S.A.	(72,016)	75,412	(77,145)	75,528
Germed Farmacêutica LDA.	(18,154)	16,311	(18,154)	16,761
	(90,170)	91,723	(95,299)	94,289

Trade payables to related parties are mainly due to purchase operations and constitution of provision for dividends payable.

g. Loans receivable

	Parent		Consolidated	
	2018	**2017**	**2018**	**2017**
3Z Realty Desenvolvimento Imobiliario S.A.	227,961	227,961	227,961	227,961
NC Comunicações S.A.	-	42,000	-	42,000
	227,961	269,961	227,961	269,961

The balance of loans receivable has an interest rate of 1%, however, the balances are kept at historical values, since the Company did not define whether or not the charges on loan agreements with the related party 3Z Realty are required. The unrecognized accumulated gains accounted for R$68,851 (R$35,062 in 2017), which were deemed not relevant by Management.

h. Compensation of the key management personnel

The compensation paid and to be paid to key Management personnel, including salaries and welfare charges, share of profit and other benefits, represents 6% of payroll expenses considering the fiscal year ended December 31, 2018 (6% as of December 31, 2017).

* * *

Luiz Carlos Borgonovi
President

Israel Domingos Bacas
Controllership Vice-President

Wagner Aparecido Nilo de Paschoal
Accountant CRC 1SP 1SP145242/O-5