

*(Convenience Translation into English from
the Original Previously Issued in Portuguese)*

***Aché Laboratórios
Farmacêuticos S.A. and
Subsidiaries***

*Individual and Consolidated
Financial Statements for the
Year Ended December 31, 2013 and
Independent Auditors' Report*

Deloitte Touche Tohmatsu Auditores Independentes

To our Shareholders:

The Management of Aché Laboratórios Farmacêuticos S.A., in accordance with the terms of the bylaws and legal requirements, submits for the appreciation of its shareholders this Management Report and the corresponding Individual and Consolidated Financial Statements for the years ended December 31, 2013 and 2012, in accordance with International Financial Reporting Standards (IFRSs) and pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) applicable to its operations, accompanied by the independent auditors' reports on the financial statements.

Message from Management

A focus on a lasting business, constructing the future and generating value, pursued by a strategic and competitive management model geared toward Aché's sustainable growth, has resulted in significant numbers recorded over the course of 2013.

During this period, the launch of **32** products increased our broad and diversified portfolio, increasingly balanced in contributing to net revenue, which grew **16.1%** in relation to 2012. Maintaining the top position in prescription medication for the **7th** consecutive year attests to the assertive execution of plans.

With the "Respect for Prescriptions and Following Treatments" campaign, we value medical knowledge and provide patients with greater safety, benefitting their health and wellbeing. More medical societies joining this campaign this year, since it was created, legitimizes this pioneering initiative by Aché.

The construction of the future is a reality. There are over **170** projects in development in the Company's pipeline, complemented by partnerships for innovative launches that will boost results in 2014 and the coming years.

A culture of generating value has already been incorporated. Recognition of our financial soundness and management and governance practices comes from the agencies FitchRatings and Standard & Poor's, which, in maintaining their ratings at investment grade with a stable outlook amid a global economic scenario of uncertainties, renew their confidence in our own model of doing business. Another reason for pride for the Aché Generation is the winning of the "Golden Magnifying Glass" award in the Best Business Performance category for the **3rd** consecutive year, promoted by Grupemef.

Demonstrating our growth with preserved profitability, our Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin was **35.3%** and EBITDA grew **16.5%** in relation to the previous year.

The hiring of 276 employees for the Sales Force in early 2014 contributed to doubling the size of our teams working in the field in a period of six years.

Significant investments in acquiring equipment and new technologies provide support for growing production needs arising from our speed of launches and increase in medical visits and activities at our points of sale, in clinics and hospitals.

We believe our mission to take health and wellbeing to the population drives us to continually seek improvement and innovation. In strengthening bonds and establishing approximation with doctors, consumers, employees and other stakeholders, we renew our commitment to science in Brazil and the valuing of life.

Highlights of 2013

- ✓ Net Revenue of R\$1.9 billion, up 16.1% from the previous year.
- ✓ Adjusted EBITDA of R\$656.4 million, growing 16.5% in relation to the previous year and being equivalent to 35.3% of net revenue.
- ✓ Profit for the Year of R\$403.8 million, equivalent to 21.7% of net revenue.
- ✓ Launch of 32 new products and formats, of which 12 prescription medicines, 9 dermocosmetic medicines, 4 over-the-counter medicines, and 7 generic medicines.
- ✓ 31 registrations in the year, of which 14 prescription medicines, 4 dermocosmetic medicines, 3 nutraceutical medicines, and 10 generic medicines.
- ✓ Maintenance of investment grade ratings, with a stable outlook, by the agencies FitchRatings and Standard & Poor's.
- ✓ Golden Magnifying Glass Award for Best Business Performance for the 3rd consecutive year, by Grupemef.

Main Financial Indicators - Consolidated

(R\$ million)	4Q12	4Q13	Var. (%)	2012	2013	Var. (%)
Net Revenue	437.2	511.8	17.1%	1,602.2	1,860.6	16.1%
Gross Profit	343.9	392.3	14.1%	1,261.2	1,449.8	15.0%
<i>% Net Revenue</i>	<i>78.7%</i>	<i>76.7%</i>	<i>-2.0 p.p.</i>	<i>78.7%</i>	<i>77.9%</i>	<i>-0.8 p.p.</i>
Profit for the Year	141.1	84.0	-40.4%	422.7	403.8	-4.5%
<i>% Net Revenue</i>	<i>32.3%</i>	<i>16.4%</i>	<i>-15.9 p.p.</i>	<i>26.4%</i>	<i>21.7%</i>	<i>-4.7 p.p.</i>
EBITDA (Adjusted)	159.4	160.8	0.9%	563.5	656.4	16.5%
<i>% Net Revenue</i>	<i>36.5%</i>	<i>31.4%</i>	<i>-5.0 p.p.</i>	<i>35.2%</i>	<i>35.3%</i>	<i>0.1 p.p.</i>

I - Overview

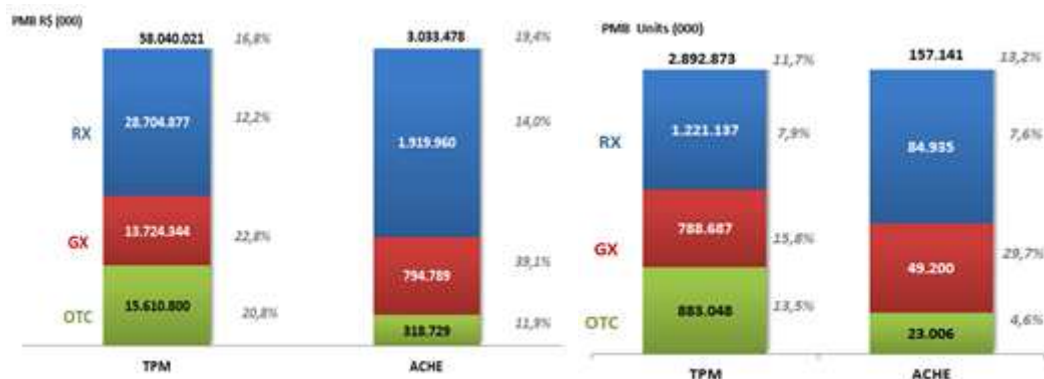
Net revenue reached R\$511.8 million for 4Q13, up 17.1% from the same period of the previous year. Also for 4Q13, Adjusted EBITDA came in at R\$160.8 million. Consolidated net revenue for the year was R\$1.9 billion, 16.1% greater than the consolidated figure for the previous year, while Adjusted EBITDA reached R\$656.4 million, up 16.5% from the previous year. Adjusted EBITDA margin reached 35.3% over net revenue, and profit for the year was R\$403.8 million.

II - Business Context

1. Total Pharmaceutical Market (TPM) (PMB)

For 2013, the Brazilian pharmaceutical market posted growth of 16.8% in value and 11.7% in units compared to the previous year.

The prescription medication market, which accounts for 49.5% of the TPM in value, grew 12.2% in value and 7.9% in units compared to the same period of 2012. The over-the-counter medicine market, which accounts for 26.9% of the TPM in value, grew 20.8% compared to the same period of the previous year in value, and 13.5% in units. Regarding the generic medicine market, which accounts for 23.6% of the TPM in value, in this same period, the segment grew 22.8% in value and 15.8% in units.



2. Aché in the Total Pharmaceutical Market (TPM) (PMB)

The Company's demand in the trade channel reached R\$3.0 billion in 2013, up 19.4% from 2012. In units, Aché's demand reached 157 million, increasing 13.2%.

In the generation of medical prescriptions, its main strategic focus, Aché remained the pharmaceutical market's leader for the 7th consecutive year, with a market share of 6.42. This result was achieved once again through capillarity and segmentation of medical visits, and new product launches.

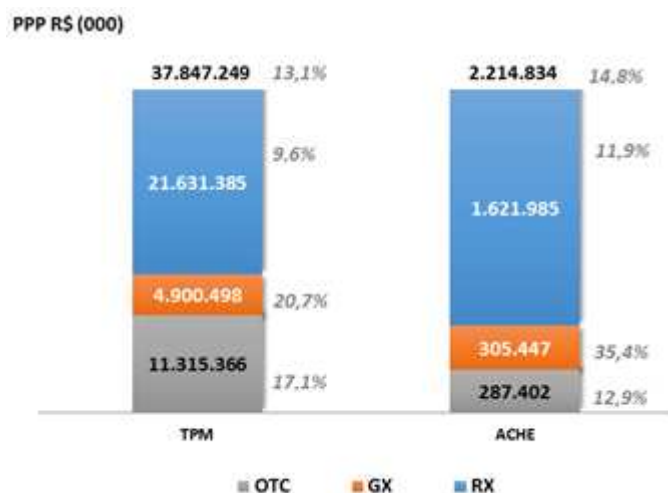
2.1 Total Pharmaceutical Market (TPM) (PPP)

To calculate the size of the total pharmaceutical market (TPM), which represents demand in reais of all companies established in Brazil, IMS Health Brasil, the main consulting firm in the sector, began using in 2012 a second price level based on the actual price of purchases by pharmacies, considering the commercial discount practiced: PPP (Pharmacy Purchase Price), in addition to the PMB (Pharmaceutical Market Brazil), which is based on the projection of companies gross demand using the factory price.

In 2013, in the individual evaluation by corporation, Aché held second place in the PPP ranking, and fourth place in the PMB ranking.

Using the PPP methodology, the Brazilian pharmaceutical market posted growth of 13.1% in value in 2013 compared to the same period of the previous year.

The prescription medicine market, which accounts for 57.2% of the TPM in value, grew 9.6% compared to the same period of 2012, while Aché grew 11.9%. The over-the-counter market, which accounts for 29.9% of the TPM in value, grew 17.1% compared to the same period. The generic medicine market, for its part, which accounts for 12.9% of the TPM in value, grew 20.7% in this same period, compared to 35.4% growth by Aché.



Prescription Medicine Business Unit

This business unit reached net revenue of R\$1.5 billion, growing 16.4% compared to the same period of 2012, accounting for 80.0% of the Company’s net revenue. The prescription medicine business unit’s net revenue includes the dermocosmetic medicine business unit’s results.

In the prescription segment, with 2013’s results, Aché remained the nationwide leader in demand in reais.

In this period, 12 new medications were launched, such as: Revange, Donila, Motore, Adinos Gen, Cipide, Ekson and Notuss TSS, in addition to expansion of the dermocosmetics portfolio with the products Clair Gel (facial skin lightening cream, especially developed for Brazilian skin), Eucerin Kids (sunscreen for kids) and Nutrel Cleaning Gel (products for all types of cleaning).

In the following table, we highlight the Prescription Medicine Business Unit’s products with the most significant demand, compared to the previous year.

Prescription Medicine - % Growth January to December (2013 versus 2012)

Ranking	PRODUCT - RX	Growth (%) reais
1	TREZOR	560.7%
2	MONTELAIR	151.6%
3	BIOMAG	150.0%
4	QUETROS	140.5%
5	EXODUS	41.8%
6	LEUCOGEN	40.6%
7	MERITOR	22.0%
8	LEVOID	21.6%
9	BUSONID NASAL	21.1%
10	ALENIA	20.1%

Over-the-Counter (OTC) Medicine Business Unit

The OTC unit also had positive performance in 2013, reaching net revenue of R\$184.1 million, growing 9.48% compared to the same period of 2012, accounting for 9.9% of the Company's net revenue.

The OTC unit's main launch in 2013 is Dose D (a food supplement that contributes to achieving the necessary daily intake of vitamin D).

In the table below, we highlight the OTC unit's main sources of growth in demand in reais compared to the same period of 2013:

OTC - % Growth January to December (2013 versus 2012)

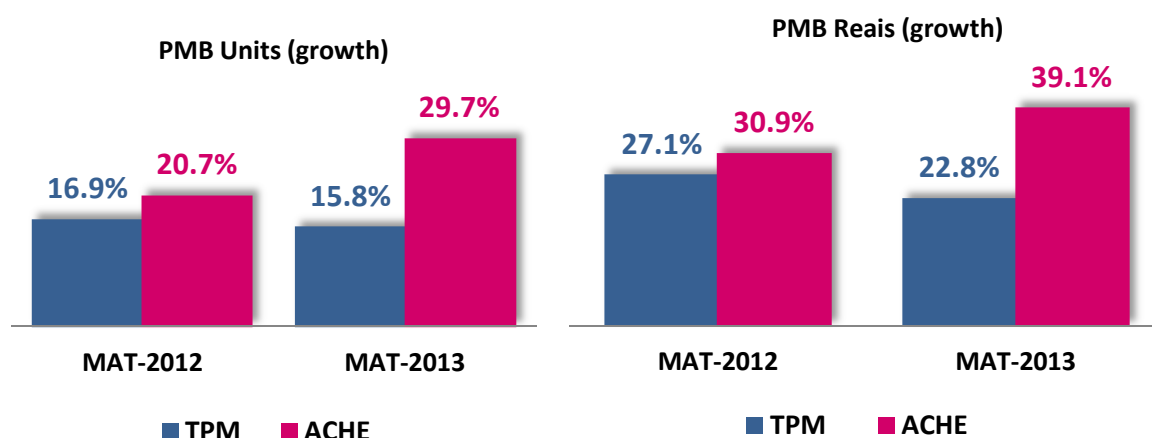
Ranking	PRODUCT - OTC	Growth (%) reais
1	PROEPA GESTA	282.1%
2	INELLARE	118.0%
3	SINTOCALMY	34.1%
4	FLAGASS	22.3%
5	DECONGEX PLUS NF	17.5%

Generic Medicine Business Unit

This unit reached net revenue of R\$186.6 million, growing 23.9% compared to the same period of 2012, accounting for 10.1% of the Company's net revenue.

With promotional actions at points of sale and with the launch of new molecules, Aché has established itself as a competitive laboratory in the generics segment as well, with growth in demand in reais of 39.1% in 2013, against the market's 22.8%.

(%) Growth of TPM versus Aché (2013 versus 2012)



In 2013, the Generic Medicine Unit launched seven molecules, among which Desloratadine, Alendronate Sodium, Levofloxacin, Ciprofibrate and Prednisolone.

In the table below, we point out the Generic Medicine Unit's main sources of growth:

Generics - % Growth January to December (2013 versus 2012)

Ranking	PRODUCT - GX	Growth (%) reais
1	BETAHISTINE	459.0%
2	PANTOPRAZOLE	385.8%
3	SIMVASTATIN	206.4%
4	CLOPIDOGREL	175.3%
5	ENALAPRIL MALEATE	154.4%
6	LOSARTAN	131.7%
7	ATENOLOL	123.6%
8	SIMETHICONE	68.8%
9	NIMESULIDE	55.4%
10	AMLODIPINE BESYLATE	42.1%

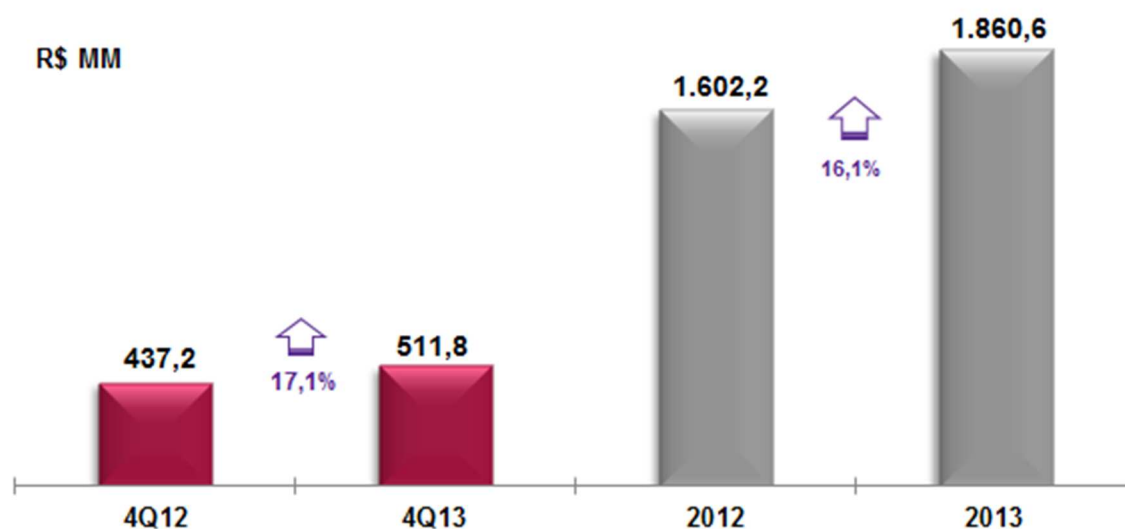
III - Economic and Financial Performance

(R\$ million)	4Q12	% NR	4Q13	% NR	2012	% NR	2013	% NR
Net revenue	437.2	100.0%	511.8	100.0%	1,602.2	100.0%	1,860.6	100.0%
Gross profit	343.9	78.7%	392.3	76.7%	1,261.2	78.7%	1,449.8	77.9%
Selling and administrative expenses	(163.0)	-37.3%	(210.0)	-41.0%	(680.7)	-42.5%	(785.3)	-42.2%
Other operating income (expenses)	(16.3)	-3.7%	(62.4)	-12.2%	(23.7)	-1.5%	(85.9)	-4.6%
Operating profit (EBIT)	164.6	37.6%	119.9	23.4%	556.8	34.8%	578.6	31.1%
Financial income, net	7.5	1.7%	3.7	0.7%	28.4	1.8%	17.2	0.9%
Profit before income tax and social contribution	172.1	39.4%	123.6	24.1%	585.2	36.5%	595.8	32.0%
Profit for the year	141.1	32.3%	84.0	16.4%	422.7	26.4%	403.8	21.7%
EBITDA (adjusted)	159.4	36.5%	160.8	31.4%	563.5	35.2%	656.4	35.3%

1. Net Revenue

Net revenue grew 16.1% in relation to 2012, reaching R\$1,860.6 million. In 4Q13, net revenue was R\$511.8 million, up 17.1% from the same quarter of the previous year.

The breakdown of net revenue for the year by business unit was: Prescription 80.0%, OTC 9.9% and Generics 10.1%.

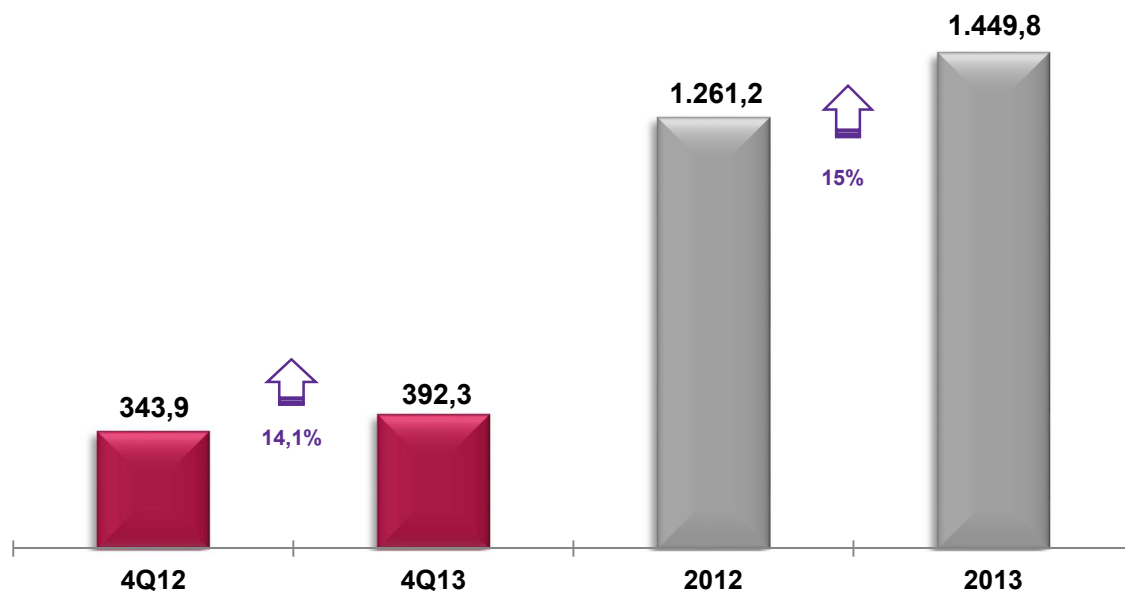


2. Gross Profit

The Company had gross profit of R\$1,449.8 million, up 15% from the same accumulated period in 2012.

For 4Q13, gross profit was R\$392.3 million, up 14.1% from the same quarter of the previous year.

Gross Profit
R\$ MM



3. Selling Expenses

For 2013, selling expenses totaled R\$666.7 million, 35.8% of net revenue. For 4Q13, they reached R\$185.6 million, 36.3% of net revenue, as shown in the table below:

(R\$ million)	4Q12	% NR	4Q13	% NR	2012	% NR	2013	% NR
Selling expenses	141.6	32.4%	185.6	36.3%	587.9	36.7%	666.7	35.8%

4. General and Administrative Expenses

General and administrative expenses totaled R\$118.6 million for 2013, equivalent to 6.4% of net revenue.

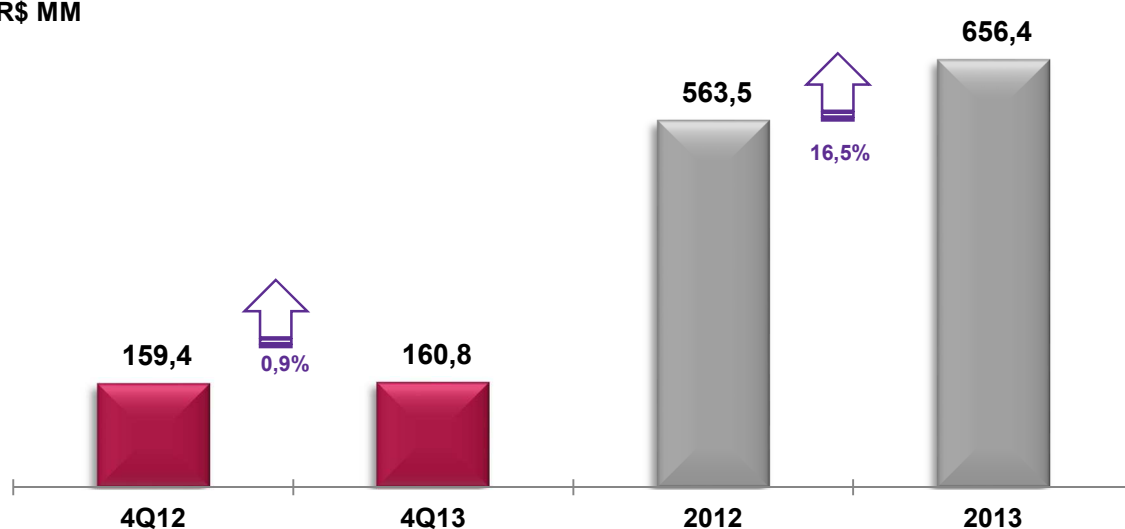
(R\$ million)	4Q12	% NR	4Q13	% NR	2012	% NR	2013	% NR
Allowance for Inventory Losses	3.4	0.8%	6.7	1.3%	10.6	0.7%	19.6	1.1%
Other General and Administrative Expenses	18.0	4.1%	24.6	4.8%	82.2	5.1%	99.0	5.3%
General and Administrative Expenses	21.4	4.9%	82.5	16.1%	92.8	5.8%	118.6	6.4%

5. EBITDA

Adjusted EBITDA reached R\$656.4 million, up 16.5% from the previous year and with an EBITDA margin of 35.3% for the accumulated period of 2013.

EBITDA (R\$ million)	2012	2013	Var. (%)
Profit for the year	422.7	403.8	-4.5%
Provision for income tax and social contribution	163.0	192.7	18.2%
Financial expenses, net	(28.4)	(17.2)	-39.4%
Depreciation and amortization	20.4	23.7	16.1%
EBITDA	577.7	603.0	4.4%
Nonrecurring expenses/income	(14.2)	53.4	-476.4%
Adjusted EBITDA	563.5	656.4	16.5%
Margin	35.2%	35.3%	0.1%

R\$ MM



6. Financial Income (Expenses)

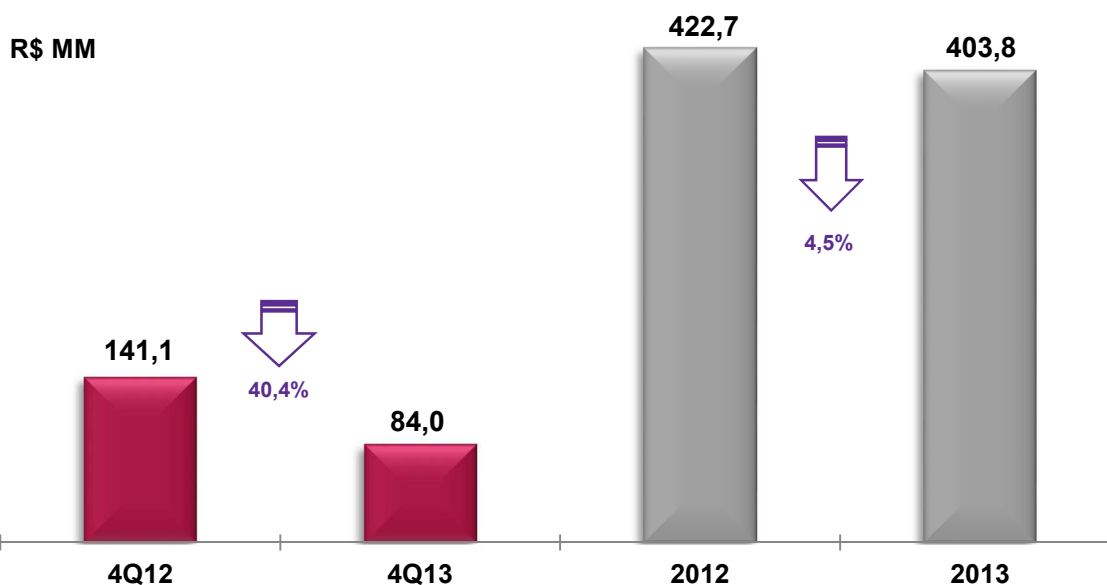
Net financial income and expenses totaled R\$12.8 million for 2013, down R\$16.8 million compared to the previous year.

(R\$ million)	4Q12	% NR	4Q13	% NR	2012	% NR	2013	% NR
Financial income (expenses)	8.2	1.9%	2.2	0.4%	29.6	1.8%	12.8	0.7%
Exchange differences	-	0.0%	(0.2)	0.0%	(0.4)	0.0%	(0.7)	0.0%
Adjustment to present value	(0.7)	-0.2%	1.7	0.3%	(0.8)	0.0%	5.1	0.3%
Financial income (expenses)	7.5	1.7%	3.7	0.7%	28.4	1.8%	17.2	0.9%

7. Profit for the Year

Profit for 2013 came in at R\$403.8 million, down 4.5% from 2012.

For 4Q13, profit was R\$84 million, equivalent to 16.4% of net revenue. In the comparison of these two periods (4Q13 versus 4Q12), the Company's joining the REFIS tax settlement program, representing an extraordinary expense of R\$51.2 million in the period, should be taken into consideration.



8. Net Debt

The Company ended 2013 with a net cash position of R\$227.7 million, as shown in the table below:

(R\$ million)	12/31/2012	12/31/2013	Var. (%)
Borrowings and financing - current	73.8	31.2	-57.7%
Borrowings and financing - noncurrent	144.8	164.0	13.3%
Gross Debt	218.6	195.2	-10.7%
Cash and cash equivalents	457.7	415.2	-9.3%
Cash investments - noncurrent	6.8	7.7	13.3%
Net debt	(245.9)	(227.7)	-7.4%

The Company's noncurrent net debt was R\$164 million, with maturities through 2036.

9. Investments

9.1 Research, Development and Innovation (RDI)

Investments in RDI totaled R\$54.9 million in 2013.

The Company has a total of nine projects in development, of which four radical innovation projects and five incremental innovation projects.

All the radical innovation projects are protected by patent applications in Brazil and in other countries whose market potential is interesting.

In 2010 the first patent application was filed for an incremental innovation project (AZ01) in Brazil, Latin America, Europe and the US. In 2013, the patent for the ACH24 project (Vitoliv®) was granted in Japan.

Between January and December 2013, R\$4 million was invested in developing these projects, which follow the schedule set for the year.

In 2013, the Company completed phase III of the project for metabolic illness treatment, in addition to filing a request for authorization of a phase III clinical trial for the project for vitiligo treatment.

The Company also filed a request with National Health Surveillance Agency (ANVISA) to begin a phase I clinical trial for two projects: an anti-diarrheal medicine and an oral anti-inflammatory medicine.

Besides the abovementioned, there are also projects for treatment of depression, chronic obstructive pulmonary disease, arterial hypertension, anxiety and atherosclerosis.

In addition, the Company has 173 projects in development, which, through a disciplined and structured methodology, conducted by its Project Management Office (PMO), have accelerated its portfolio renewal.

In the period from January to December 2013, the Company obtained 31 product registrations, of which 14 prescription medicines, 4 dermocosmetic medicines, 3 nutraceutical medicines and 10 generic medicines.

9.2 Property, Plant and Equipment

In 2013, investments in the Guarulhos and Nações Unidas production units reached approximately R\$40 million.

In the purchase of new equipment for the two plants alone, Aché invested R\$28.2 million in 2013, which allowed for a 27% increase in installed capacity (57.5 million units) in relation to 2012 at the Guarulhos and Nações Unidas plants.

10. Dividends

In light of the Company's financial soundness and the strong cash generation from its operations, which is sufficient to cover the investments for renewal of its portfolio, it is therefore not necessary to recognize new earnings reserves for this purpose. Therefore, the Company's Management has proposed the payment of 100% of the profit for the year in the form of dividends and interest on capital, to be voted upon in the Annual Shareholders' Meeting.

Note: Forward-looking statements and information are not guarantees of future performance, as they involve risks, uncertainties and assumptions, therefore depending on circumstances that may or may not occur. Future results and the creation of shareholder value may differ from those expressed or suggested by forward-looking statements.

Furthermore, some information, such as market share, market demand and demand by business unit, are based on data provided by IMS; other information, such as units sold by business unit, numbers and percentages of growth by business unit, expenses on new business, revenue by business unit, number of projects in development and new medicine registrations, are based on the Company's internal controls and, in both cases, have not been audited by the independent auditors.

Acknowledgements

We thank our shareholders for their confidence, our employees for their commitment, our customers and consumers for their preference, and our suppliers and partners for their support.

Management

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of
Achê Laboratórios Farmacêuticos S.A.
Guarulhos - SP

We have audited the accompanying individual and consolidated financial statements of Achê Laboratórios Farmacêuticos S.A. (the "Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2013, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the individual financial statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Aché Laboratórios Farmacêuticos S.A. as of December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aché Laboratórios Farmacêuticos S.A. as of December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by IASB and accounting practices adopted in Brazil.

Emphasis of matter

As described in note 2 to the financial statements, the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Aché Laboratórios Farmacêuticos S.A., these accounting practices differ from the IFRSs, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries and jointly-controlled entities by the equity method of accounting, which, for purposes of IFRSs, would be measured at cost or fair value. Our conclusion is not qualified in respect of this matter.

As mentioned in note 2.6., as a result of the changes in accounting practices adopted by the Company in 2012, the amounts related to December 31, 2012, presented for comparison purposes, have been adjusted and are being restated as required by technical pronouncements CPC 23 - Accounting Practices, Changes in Accounting Estimates and Errors and CPC 26 (R1) - Presentation of Financial Statements, and international standards IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors and IAS 1 - Presentation of Financial Statements. Our opinion does not contain modification in respect of this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added (“DVA”) for the year ended December 31, 2013, the presentation of which is required by the Brazilian corporate law for publicly-traded companies and is optional for other companies, and as supplemental information for IFRSs that do not require a presentation of DVA. These statements were subject to the same auditing procedures described above and, based on our audit, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, consistently with the individual and consolidated financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 25, 2014


DELOITTE TOUCHE TOHMATSU
Auditores Independentes


Reynaldo Awad Saad
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ACHÉ LABORATÓRIOS FARMACÊUTICOS S.A. AND SUBSIDIARIES

BALANCE SHEETS AS OF DECEMBER 31, 2013 AND 2012

(In thousands of Brazilian reais - R\$)

ASSETS	Note	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)		LIABILITIES AND EQUITY	Note	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
		12/31/13	12/31/12	12/31/13	12/31/12			12/31/13	12/31/12	12/31/13	12/31/12
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	4	262,794	124,791	415,170	455,732	Borrowings and financing	12	28,750	67,532	31,203	73,720
Trade accounts receivable	5	211,760	168,103	303,534	258,170	Trade accounts payable	13	29,971	33,019	35,721	55,182
Inventories	6	137,693	118,587	227,063	179,970	Taxes payable	14	87,552	61,084	146,432	118,389
Recoverable taxes		1,601	2,045	7,777	4,399	Payroll and related taxes		42,773	40,099	56,319	52,174
Prepaid expenses		25,381	14,669	30,220	16,789	Accounts payable		5,477	5,542	14,127	13,964
Other receivables		15,342	6,709	19,375	10,654	Other payables		9,194	7,666	21,102	19,709
Total current assets		<u>654,571</u>	<u>434,904</u>	<u>1,003,139</u>	<u>925,714</u>	Total current liabilities		<u>203,717</u>	<u>214,942</u>	<u>304,904</u>	<u>333,138</u>
NONCURRENT ASSETS						NONCURRENT LIABILITIES					
Trade accounts receivable	5	-	-	1,087	-	Borrowings and financing	12	127,824	118,849	163,992	144,821
Cash investments		-	-	7,703	6,795	Deferred income tax and social contribution	7	27,284	29,516	106,344	106,439
Escrow deposits		60,105	49,791	61,692	50,893	Provision for risks	16	110,260	98,316	123,780	107,057
Recoverable taxes		2,365	1,215	3,683	1,946	Other payables		<u>18,153</u>	<u>30,531</u>	<u>23,353</u>	<u>29,140</u>
Other receivables		3,688	1,914	3,196	1,422	Total noncurrent liabilities		<u>283,521</u>	<u>277,212</u>	<u>417,469</u>	<u>387,457</u>
Investments	9	471,452	606,467	623	1,970	EQUITY					
Property, plant and equipment	10	528,372	505,183	640,454	606,883	Share capital	18.a	440,959	440,959	440,959	440,959
Intangible assets	11	<u>26,712</u>	<u>27,746</u>	<u>263,952</u>	<u>263,818</u>	Capital reserves	18.b	174,212	174,212	174,212	174,212
Total noncurrent assets		<u>1,092,694</u>	<u>1,192,316</u>	<u>982,390</u>	<u>933,727</u>	Revaluation reserve		5,527	5,856	5,527	5,856
						Carrying value adjustment		137,803	142,494	137,803	142,493
						Earnings reserves	18.c	<u>501,526</u>	<u>371,545</u>	<u>501,526</u>	<u>371,545</u>
						Total attributable to owners of the Company		1,260,027	1,135,066	1,260,027	1,135,065
						Noncontrolling interests in equity					
						of subsidiaries		-	-	3,129	3,781
						Total equity		<u>1,260,027</u>	<u>1,135,066</u>	<u>1,263,156</u>	<u>1,138,846</u>
TOTAL ASSETS		<u>1,747,265</u>	<u>1,627,220</u>	<u>1,985,529</u>	<u>1,859,441</u>	TOTAL LIABILITIES AND EQUITY		<u>1,747,265</u>	<u>1,627,220</u>	<u>1,985,529</u>	<u>1,859,441</u>

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ACHÉ LABORATÓRIOS FARMACÊUTICOS S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R\$, except earnings per share)

	Note	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
		12/31/13	12/31/12	12/31/13	12/31/12
NET REVENUE	19	1,337,391	1,131,130	1,860,588	1,602,206
COST OF SALES	20	(294,685)	(234,429)	(410,791)	(341,039)
GROSS PROFIT		1,042,706	896,701	1,449,797	1,261,167
OPERATING INCOME (EXPENSES)					
Selling expenses	20	(498,469)	(429,633)	(666,687)	(587,976)
General and administrative expenses	20	(87,265)	(74,269)	(118,628)	(92,203)
Employee and management profit sharing	25	(21,709)	(31,089)	(32,314)	(37,110)
Share of profits (losses) of subsidiaries	9	143,531	140,236	(1,347)	(524)
Other operating income (expenses), net	21	(60,199)	14,133	(52,206)	13,401
OPERATING PROFIT BEFORE FINANCIAL INCOME (EXPENSES)		518,595	516,079	578,615	556,755
FINANCIAL INCOME (EXPENSES)					
Financial income	22	21,824	18,915	45,327	52,324
Financial expenses	22	(20,775)	(16,147)	(27,456)	(23,505)
Exchange differences, net	22	(1,288)	(385)	(655)	(430)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		518,356	518,462	595,831	585,144
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	8	(116,774)	(92,460)	(195,772)	(162,638)
Deferred	8	2,232	(3,331)	3,103	(346)
PROFIT FOR THE YEAR		403,814	422,671	403,162	422,160
ATTRIBUTABLE TO					
Owners of the Company		403,814	422,671	403,814	422,671
Noncontrolling interests		-	-	(652)	(511)
EARNINGS PER SHARE - R\$					
Basic	26	6.32	6.61	6.3	6.61

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ACHÉ LABORATÓRIOS FARMACÊUTICOS S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(In thousands of Brazilian reais - R\$)

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
PROFIT FOR THE YEAR	403,814	422,671	403,162	422,160
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>403,814</u>	<u>422,671</u>	<u>403,162</u>	<u>422,160</u>
ATTRIBUTABLE TO				
Owners of the Company	403,814	422,671	403,814	422,671
Noncontrolling interests	<u>-</u>	<u>-</u>	<u>(652)</u>	<u>(511)</u>
	<u>403,814</u>	<u>422,671</u>	<u>403,162</u>	<u>422,160</u>

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ACHÉ LABORATÓRIOS FARMACÊUTICOS S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R\$)

	Capital reserves			Carrying value adjustment		Earnings reserves							Retained earnings	Equity attributable to owners of the Company	Noncontrolling interests in equity of subsidiaries	Total	
	Share capital	Special goodwill reserve	Share premium reserve	Revaluation reserve	In own assets	In subsidiaries' assets	Legal reserve	Tax incentive reserve	Reserve for new products and PP&E	Reserve for investments in PP&E	Reserve for expansion	Undistributed profits reserve					Reserve for additional dividends proposed
BALANCES AS OF DECEMBER 31, 2011	407,310	167,767	6,445	6,061	147,156	30,254	43,807	475	184,341	-	33,649	7,682	120,000	-	1,154,947	4,495	1,159,442
Capitalization of reserves as per Extraordinary Shareholders Meeting of August 7, 2012	33,649	-	-	-	-	-	-	-	-	-	(33,649)	-	-	-	-	-	-
Realization of revaluation reserve	-	-	-	(205)	-	-	-	-	-	-	-	-	-	205	-	-	-
Realization of adjustments to deemed cos	-	-	-	-	(16,960)	(9,023)	-	-	-	-	-	-	-	1,469	(24,514)	-	(24,514)
Carrying value adjustment in subsidiaries' asset	-	-	-	-	-	(8,934)	-	-	-	-	-	-	-	-	(8,934)	(203)	(9,137)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	422,671	422,671	(511)	422,160
Recognition of reserve for new products, research and development and investments in property, plant and equipment as per Annual Shareholders' Meeting of March 1, 2012	-	-	-	-	-	-	-	-	6,355	-	-	(6,355)	-	-	-	-	-
Tax incentive reserve	-	-	-	-	-	-	-	109	-	-	-	-	-	(109)	-	-	-
Transfer of dividends proposed on March 1, 2012	-	-	-	-	-	-	-	-	-	-	-	-	(120,000)	-	(120,000)	-	(120,000)
Transfer from research and development reserve to earnings reserve as per Extraordinary Shareholders' Meeting of August 7, 2012	-	-	-	-	-	-	-	-	(101,733)	-	-	101,733	-	-	-	-	-
Transfer from earnings reserve to reserve for investments in property, plant and equipment as per Extraordinary Shareholders' Meeting of August 7, 2012	-	-	-	-	-	-	-	-	-	103,060	-	(103,060)	-	-	-	-	-
Interest on capital paid as per Extraordinary Shareholders' Meeting of November 21, 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	(59,425)	(59,425)	-	(59,425)
Dividends paid as per Extraordinary Shareholders' Meeting of November 21, 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	(229,680)	(229,680)	-	(229,680)
Additional dividends proposed	-	-	-	-	-	-	-	-	-	-	-	-	135,131	(135,131)	-	-	-
BALANCES AS OF DECEMBER 31, 2012	440,959	167,767	6,445	5,856	130,196	12,297	43,807	584	88,963	103,060	-	-	135,131	-	1,135,065	3,781	1,138,846
Realization of revaluation reserve	-	-	-	(329)	-	-	-	-	-	-	-	-	-	329	-	-	-
Realization of adjustments to deemed cos	-	-	-	-	(1,386)	(131)	-	-	-	-	-	-	-	1,517	-	-	-
Carrying value adjustment in subsidiaries' asset	-	-	-	-	-	(3,173)	-	-	-	-	-	-	-	-	(3,173)	-	(3,173)
Tax incentive reserve	-	-	-	-	-	-	-	34	-	-	-	-	-	(34)	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	403,814	403,814	(652)	403,162
Payment of additional dividends approved as per Extraordinary Shareholders' Meeting of March 7, 2012	-	-	-	-	-	-	-	-	-	-	-	-	(139,240)	-	(139,240)	-	(139,240)
Interest on capital paid as per Board of Directors' Meeting of March 27, 2013 and Extraordinary Shareholders' Meeting of December 17, 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	(50,917)	(50,917)	-	(50,917)
Prepayment of dividends approved as per Board of Directors' Meeting of June 25, 2013 and Extraordinary Shareholders' Meeting of December 17, 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	(89,631)	(89,631)	-	(89,631)
Unrealized earnings paid as additional dividends approved as per Extraordinary Shareholders' Meeting of March 7, 2012	-	-	-	-	-	-	-	-	-	-	-	-	4,109	-	4,109	-	4,109
Additional dividends proposed	-	-	-	-	-	-	-	-	-	-	-	-	265,078	(265,078)	-	-	-
BALANCES AS OF DECEMBER 31, 2013	440,959	167,767	6,445	5,527	128,810	8,993	43,807	618	88,963	103,060	-	-	265,078	-	1,260,027	3,129	1,263,156

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ACHÉ LABORATÓRIOS FARMACÊUTICOS S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R\$)

	Note	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
		12/31/13	12/31/12	12/31/13	12/31/12
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax and social contribution		518,356	518,462	595,831	585,144
Adjustments to reconcile profit before income tax and social contribution to net cash generated by operating activities:					
Depreciation and amortization	20	17,395	15,219	23,690	20,372
Loss on sale of property, plant and equipment		10	23	32	50
Provision for risks	16	71,266	99	76,820	(247)
Allowance for inventory losses		(3,910)	44	(4,381)	180
Share of profits (losses) of subsidiaries	9	(143,531)	(140,236)	1,347	(524)
Accrued interest, inflation adjustment and exchange differences		10,294	13,046	4,346	14,879
Allowance for doubtful accounts	5	(682)	(2,501)	(1,428)	(11,761)
		<u>469,198</u>	<u>404,156</u>	<u>696,257</u>	<u>608,093</u>
(Decrease) increase in operating assets:					
Trade accounts receivable		(42,975)	(19,832)	(45,023)	(22,974)
Inventories		(15,407)	(12,412)	(42,934)	(19,788)
Recoverable taxes		(3,111)	1,503	(13,635)	(4,715)
Prepaid expenses and other receivables		(31,242)	4,281	(34,503)	5,234
Increase (decrease) in operating liabilities:					
Trade accounts payable		(3,048)	7,515	(23,241)	19,182
Payroll and related taxes		2,674	3,629	4,145	5,975
Taxes payable		6,979	(4,423)	7,426	(3,779)
Income tax and social contribution paid		(94,880)	(39,337)	(166,630)	(87,016)
Payment of provision for risks	16	(59,322)	(1,887)	(60,097)	(1,887)
Interest paid on borrowings and financing		(9,559)	(12,370)	(13,925)	(13,606)
Other payables		(7,123)	17,855	3,490	24,708
		<u>212,184</u>	<u>348,678</u>	<u>311,330</u>	<u>509,427</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Dividends received from subsidiaries	9	25,709	246,922	-	-
Capital reduction in subsidiaries	9	250,000	-	-	-
Capital increase in subsidiaries		-	(2,840)	-	-
Purchases of property, plant and equipment and intangible assets	10 and 11	(39,560)	(21,399)	(57,427)	(25,761)
Cash investments		-	-	(908)	(884)
		<u>236,149</u>	<u>222,683</u>	<u>(58,335)</u>	<u>(26,645)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
New borrowings and financing		36,996	49,891	56,370	56,616
Repayment of borrowings and financing		(67,538)	(70,675)	(70,139)	(75,438)
Dividends paid	18.d	(279,788)	(559,105)	(279,788)	(559,105)
		<u>(310,330)</u>	<u>(579,889)</u>	<u>(293,557)</u>	<u>(577,927)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
		<u>138,003</u>	<u>(8,528)</u>	<u>(40,562)</u>	<u>(95,145)</u>
Cash and cash equivalents at the beginning of the year	4	124,791	133,319	455,732	552,848
Cash and cash equivalents at the end of the year	4	262,794	124,791	415,170	457,703
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
		<u>138,003</u>	<u>(8,528)</u>	<u>(40,562)</u>	<u>(95,145)</u>

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ACHÉ LABORATÓRIOS FARMACÊUTICOS S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R\$)

	Note	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
		12/31/13	12/31/12	12/31/13	12/31/12
REVENUES					
Sales of products and services		1,583,916	1,334,239	2,145,321	1,842,981
Allowance for doubtful accounts		616	2,501	1,248	11,761
Other revenues		1,684	1,643	9,160	3,352
		<u>1,586,216</u>	<u>1,338,383</u>	<u>2,155,729</u>	<u>1,858,094</u>
INPUTS PURCHASED FROM THIRD PARTIES					
Raw materials consumed		232,398	180,757	318,975	259,911
Cost of sales and services		4,214	5,562	4,318	5,622
Materials, electric power, outside services and other		364,614	243,821	475,774	343,593
Impairment of assets		2,144	(855)	1,796	(937)
		<u>603,370</u>	<u>429,285</u>	<u>800,863</u>	<u>608,189</u>
GROSS VALUE ADDED		<u>982,846</u>	<u>909,098</u>	<u>1,354,866</u>	<u>1,249,905</u>
DEPRECIATION AND AMORTIZATION	20	17,395	15,219	23,690	20,372
VALUE ADDED GENERATED BY THE COMPANY		<u>965,451</u>	<u>893,879</u>	<u>1,331,176</u>	<u>1,229,533</u>
VALUE ADDED RECEIVED IN TRANSFER					
Share of profits (losses) of subsidiaries	9	143,531	140,236	(1,347)	(524)
Financial income	22	21,824	18,915	45,327	52,324
		<u>165,355</u>	<u>159,151</u>	<u>43,980</u>	<u>51,800</u>
TOTAL VALUE ADDED FOR DISTRIBUTION		<u>1,130,806</u>	<u>1,053,030</u>	<u>1,375,156</u>	<u>1,281,333</u>
DISTRIBUTION OF VALUE ADDED					
Personnel		<u>299,469</u>	<u>256,217</u>	<u>405,657</u>	<u>343,323</u>
Salaries		254,490	217,739	342,694	290,860
Benefits		27,862	24,705	40,122	33,742
Severance Pay Fund (FGTS)		17,117	13,773	22,841	18,721
Taxes and contributions		<u>382,730</u>	<u>332,907</u>	<u>507,236</u>	<u>456,633</u>
Federal		234,967	219,409	317,870	302,533
State		136,959	111,512	177,350	151,222
Other taxes		10,804	1,986	12,016	2,877
Lenders and lessors		<u>44,793</u>	<u>41,235</u>	<u>59,101</u>	<u>59,217</u>
Interest		22,043	16,531	28,092	23,936
Rentals		22,750	24,704	31,009	35,281
Shareholders		<u>403,814</u>	<u>422,671</u>	<u>403,162</u>	<u>422,160</u>
Dividends and interest on capital	18.d	279,788	289,105	279,788	289,104
Retained earnings for the year		124,026	133,566	124,026	132,545
Noncontrolling interests		-	-	(652)	511

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ACHÉ LABORATÓRIOS FARMACÊUTICOS S.A. AND SUBSIDIARIES

NOTES TO THE INDIVIDUAL AND CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. OPERATIONS

a) Corporate purpose

Aché Laboratórios Farmacêuticos S.A. (the “Company”) is a closely-held corporation headquartered in Guarulhos, at Rodovia Presidente Dutra, km 222.2, and engaged in the manufacture, sale, import and export of pharmaceutical products for human consumption and operating in the main pharmaceutical segments, such as respiratory, muscular-skeletal, female health, central nervous system, cardiology, dermatology, vitamins, oncology and cosmetics, through its prescription, hospital, generic and over-the-counter medicine business units.

The Company has equity interests in the following companies:

- Biosintética Farmacêutica Ltda. (“Biosintética”) - direct subsidiary - engaged in the manufacture, sale, import and export of pharmaceutical products for human consumption and operating in the main pharmaceutical segments, such as respiratory, central nervous system, cardiology, dermatology and oncology through prescription, generic and over-the-counter medicine business units. Biosintética has a 99.99% interest in its subsidiary Raposo.
- Aché International Ltd. (“Aché International”) - direct subsidiary - primarily engaged in maintaining partnerships with other international companies for technical and operational development of its products.
- Labofarma Produtos Farmacêuticos Ltda. (“Labofarma”) - direct subsidiary - mainly engaged in the distribution and sale of medicines.
- Indústria Farmacêutica Melcon do Brasil S.A. (“Melcon”) - direct subsidiary - primarily engaged in the manufacture, sale, import and export of hormones.
- Bionovis S.A. (“Bionovis”) - joint venture - mainly engaged in the research, development, production, distribution and sale of biotechnological medicines.
- Raposo Participações Ltda. (“Raposo”) - indirect subsidiary - holding of a nonfinancial institution.

2. PREPARATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

2.1. Statement of compliance

The Company's financial statements comprise:

- The consolidated financial statements prepared in accordance with International Financial Reporting Standards - IFRSs issued by the International Accounting Standards Board - IASB and accounting practices adopted in Brazil, identified as Consolidated (BR GAAP and IFRSs).
- The individual financial statements prepared in accordance with accounting practices adopted in Brazil, identified as Company (BR GAAP).

The accounting practices adopted in Brazil comprise those prescribed by the Brazilian corporate law and the technical pronouncements, guidance and interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC).

The individual financial statements present the measurement of investments in subsidiaries and jointly-controlled entities by the equity method of accounting, in accordance with Brazilian corporate law. Accordingly, these individual financial statements are not considered IFRSs compliant, since IFRSs require the measurement of these investments in the parent company's separate financial statements at their fair value or cost.

As there is no difference between the consolidated equity and consolidated profit attributable to owners of the Company, included in the consolidated financial statements prepared in accordance with IFRSs and accounting practices adopted in Brazil, and the Company's equity and profit included in the individual financial statements prepared in accordance with accounting practices adopted in Brazil, the Company elected to present these individual and consolidated financial statements as a single set, side by side.

2.2. Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the deemed cost of certain property, plant and equipment items and certain financial instruments that are measured at fair values, as explained in the accounting practices below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The significant accounting practices applied in the preparation of these consolidated financial statements are set out below. These practices have been consistently applied in the prior year presented, unless otherwise stated.

The summary of the significant accounting practices adopted by the Company and its subsidiaries is as follows:

2.3. Functional and presentation currency

Items included in the financial statements of the Company and of each of the subsidiaries included in the consolidated financial statements are measured using the currency of the primary economic environment in which the companies operate (“functional currency”). For purposes of the consolidated financial statements, the balance sheet and statement of income accounts of each Group company are translated into Brazilian reais - R\$, which is the functional and presentation currency of the Company’s financial statements.

2.4. Basis of consolidation and investments in direct and indirect subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company, among other things but not limited to them, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

	<u>Equity interest - %</u>	
	<u>12/31/13</u>	<u>12/31/12</u>
Direct subsidiaries and jointly-controlled entity:		
Aché International	100.00	100.00
Biosintética	99.99	99.99
Melcon (*)	50.00	50.00
Labofarma	99.99	99.99
Indirect subsidiary-		
Raposo	99.99	99.99

(*) The Company, even not being the controlling shareholder in Melcon’s ownership structure, is the parent company of the investee since it has existing rights that give it the current ability to direct the activities that significantly affect its returns; accordingly, the Company adopts the criterion of total consolidation of the investee and records noncontrolling interests in the consolidated balance sheet separately from the equity of the owners of the Company.

The fiscal years of the subsidiaries included in consolidation coincide with those of the parent, and the accounting practices have been consistently applied by the subsidiaries, in relation to those used in the prior year.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting practices into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full in the consolidated financial statements.

The main consolidation procedures are:

- Elimination intercompany balances.
- Elimination of shares in capital, reserves and retained earnings of subsidiaries.

- Elimination of intercompany transactions.
- Elimination of unrealized profits on inventories arising from intercompany transactions. Unrealized losses are also eliminated, but only to the extent that there is no evidence of impairment of the related assets.
- In the Company's individual financial statements, the financial statements of the subsidiaries and joint venture are accounted for by the equity method of accounting.

2.5. Significant accounting practices

2.5.1. General principles

Assets, liabilities, income and expenses are determined on the accrual basis.

2.5.2. Cash and cash equivalents

Include cash on hand and in banks and cash investments. Cash investments are carried at their fair value at the end of the reporting period, with maturities of 90 days or less and no fixed redemption date. They are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. Cash investments are carried at cost, plus yield accrued through the end of the reporting period, which does not exceed market value.

2.5.3. Trade accounts receivable and allowance for doubtful accounts

Recognized at the original invoice amounts plus exchange differences, when applicable. The allowance for doubtful accounts is estimated based on the individual analysis of receivables and in an amount considered by Management necessary and sufficient to cover probable losses on their realization, which is subject to changes due to recoveries of receivables or change in the customer financial situation.

The adjustment to present value of trade accounts receivable is not material due to the short period of its realization.

2.5.4. Inventories

Are stated at the lower of cost and net realizable value. Costs of inventories are determined under the average cost method. When necessary, an allowance for slow-moving and/or obsolete inventories is recognized to reflect the risk of realization of these inventories.

2.5.5. Property, plant and equipment

Are carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost (other than land and properties under construction) less its residual values over its useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When parts of an item of property, plant and equipment have different useful lives, they are recognized as individual items (main components) of property, plant and equipment.

2.5.6. Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost. Additionally, trademarks and patents acquired from third parties are carried at acquisition cost, adjusted to their recoverable amount, when applicable.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.5.7. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amount of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.5.8. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit "pro rata" based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the statement of income. An impairment loss recognized for goodwill is not reversed in subsequent years.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.5.9. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company.
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

2.5.10. Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income is recognized on a straight-line basis, by reference to the timing and the effective interest rate on the amount of the principal outstanding.

2.5.11. Government grants

Government grants and assistance are recognized when there is reasonable assurance that the conditions established by the granting authorities will be complied with, and they are calculated and controlled according to the contracts, the agreement terms and the legislation applicable to each benefit.

Government grants are recognized in profit or loss on a systematic basis over the years in which the Company recognizes as expenses the related costs for which the grants are intended to compensate and, subsequently, they are allocated to the tax incentive reserve, in equity, as long as the conditions of technical pronouncement CPC 07 - Government Grants and Assistance are satisfied. While the requirements for recognition in profit or loss are not met, the balancing item of the government grant recognized in assets is recognized in a specific line item of liabilities.

2.5.12. Taxation

Income tax and social contribution expense represents the sum of current and deferred taxes.

Current taxes

The provision for income tax and social contribution is based on the taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The provision for income tax and social contribution is calculated individually, based on rates in effect at the end of the reporting period.

Deferred taxes

Deferred income tax and social contribution (“deferred taxes”) are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, including the balance of tax losses, when applicable.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

2.5.13. Provisions

Are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.5.14. Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Classification

Financial assets held by the Company and its subsidiaries are classified into the categories below, according to the purpose for which they were acquired or contracted.

a) Held-to-maturity investments

Comprise investments in certain financial assets classified at the time of their contracting, to be held to maturity, which are measured at acquisition cost, plus yield accrued according to contractual terms and conditions.

b) Available-for-sale financial assets

When applicable, this classification includes nonderivative financial assets, such as securities and/or shares quoted or not in active markets, but that may have their fair values reasonably estimated. As of December 31, 2013 and 2012, the Company and its subsidiaries did not have financial assets under this classification recognized in the financial statements.

c) Loans and receivables

This classification includes nonderivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. They are recognized in current assets and liabilities, except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets and liabilities. As of December 31, 2013 and 2012, for the Company and its subsidiaries, this balance includes cash and cash equivalents (note 4), borrowings and financing (note 12), trade accounts payable (note 13) and trade accounts receivable (note 5).

Measurement

Regular way purchases or sales of financial assets are recognized on the trade date, that is, the date on which the Company commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Loans and receivables are carried at amortized cost.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the statement of income under “Financial income” or “Financial expenses”, respectively, in the year in which they arise. For financial assets classified as available-for-sale, when applicable, these changes are recognized under “Other comprehensive income” until their settlement, when they are ultimately reclassified to profit or loss.

Offsetting financial instruments

Financial assets and liabilities are set off and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts or the entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Other financial liabilities

Other financial liabilities (including borrowings) are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

2.5.15. Classification of assets and liabilities

Assets and liabilities are classified as current when it is probable that they will be realized or settled in the next 12 months. Otherwise, they are stated as noncurrent. Foreign currency denominated monetary liabilities were translated into Brazilian reais at the exchange rate prevailing at the end of the reporting period. Exchange differences were recognized in the statement of income.

2.5.16. Dividends and interest on capital

The proposal for distribution of dividends and interest on capital made by the Management of the Company and its subsidiaries that is within the portion equivalent to the mandatory minimum dividend is recognized in current liabilities, in line item "Dividends and interest on capital payable", because it is considered a legal obligation under the Company's bylaws; however, the portion of dividends exceeding the mandatory minimum dividend, declared by Management after the fiscal year to which the financial statements refer, but before the date of authorization for issue of such financial statements, is recognized in line item "Additional dividends proposed", in equity.

2.5.17. Statement of value added (DVA)

The purpose of this statement is to evidence the wealth created by the Company and its distribution during a certain period and is presented by the Company, as required by Brazilian corporate law, as part of its individual financial statements and as supplemental information to the consolidated financial statements, since this statement is not established or required by IFRSs.

The DVA has been prepared based on information obtained from the financial records used as a basis for the preparation of the financial statements and in accordance with the provisions of technical pronouncement CPC 09 - Statement of Value Added. The first part of the DVA presents the wealth created by the Company, represented by revenues (gross sales revenue, including taxes on sales, other revenues and the effects of the allowance for doubtful accounts), inputs purchased from third parties (cost of sales and purchases of materials, electric power, outside services, including taxes levied at the time of purchase, the effects of impairment and recovery of assets, and depreciation and amortization) and the value added received from third parties (share of profits (losses) of subsidiaries, financial income and other income). The second part of the statement of value added presents the distribution of wealth among personnel and payroll taxes, taxes and contributions, lenders and lessors, and shareholders.

2.5.18. Earnings per share

Earnings per share are presented as basic and diluted, in accordance with technical pronouncement CPC 41/IAS 33 - Earnings per Share, as mentioned in note 26.

2.6. Application of the new accounting standards

Management performed a detailed review in order to determine the effects of the adoption of technical pronouncements CPC 36 (R3) - Consolidated Financial Statements (IFRS 10 - Consolidated Financial Statements) and CPC 19 (R2) - Joint Arrangements (IFRS 11 - Joint Arrangements) in relation to the Company's joint venture. The adoption of these standards, which have the new definition of control and the additional guidelines of control, resulted in changes to the accounting for the investment held by the Company in the joint venture Bionovis, jointly-controlled entity in accordance with international standard IAS 31 - Interest in Joint Ventures. Until December 31, 2012 this company was classified as jointly-controlled entity and started being classified as joint venture and since then it has been accounted for using the equity method, no longer being accounted for in the financial statements based on proportionate consolidation.

As mentioned in the financial statements for the year ended December 31, 2012, Bionovis started its activities on March 23, 2012, through an agreement entered into between Aché Laboratórios Farmacêuticos S.A., EMS Participações S.A., Hypermarcas S.A. and União Química Farmacêutica Nacional S.A., in which each shareholder holds 25% of the Company's capital, and the application of these new standards did not generate a material effect on the statement of income for the year ended December 31, 2012; therefore, the consolidated balance sheet as of December 31, 2012 is being restated for purposes of comparison in order to reflect the changes due to the application of the concepts previously mentioned, which generate mainly the following impacts:

Consolidated balance sheet as of December 31, 2012

ASSETS	Consolidated (BR GAAP and IFRSs)		
	12/31/12	Deconsolidation joint venture (*)	12/31/12
CURRENT ASSETS			
Cash and cash equivalents	457,703	(1,971)	455,732
Trade accounts receivable	258,170	-	258,170
Inventories	179,970	-	179,970
Recoverable taxes	4,402	(3)	4,399
Prepaid expenses	16,789	-	16,789
Other receivables	<u>10,755</u>	<u>(101)</u>	<u>10,654</u>
Total current assets	<u>927,789</u>	<u>(2,075)</u>	<u>925,714</u>
NONCURRENT ASSETS			
Cash investments	6,795	-	6,795
Escrow deposits	50,893	-	50,893
Recoverable taxes	1,946	-	1,946
Other assets	1,422	-	1,422
Investments	-	1,970	1,970
Property, plant and equipment	606,919	(36)	606,883
Intangible assets	<u>263,821</u>	<u>(3)</u>	<u>263,818</u>
Total noncurrent assets	<u>931,796</u>	<u>1,931</u>	<u>933,727</u>
TOTAL ASSETS	<u>1,859,585</u>	<u>(144)</u>	<u>1,859,441</u>

<u>LIABILITIES AND EQUITY</u>	Consolidated (BR GAAP and IFRSs)		
	12/31/12	Deconsolidation joint venture (*)	12/31/12
CURRENT LIABILITIES			
Borrowings and financing	73,781	(61)	73,720
Trade accounts payable	55,182	-	55,182
Taxes payable	118,405	(16)	118,389
Payroll and related taxes	52,232	(58)	52,174
Accounts payable	13,973	(9)	13,964
Other payables	19,709	-	19,709
Total current liabilities	<u>333,282</u>	<u>(144)</u>	<u>333,138</u>
NONCURRENT LIABILITIES			
Borrowings and financing	144,821	-	144,821
Deferred income tax and social contribution	106,439	-	106,439
Provision for tax, civil and labor risks	107,057	-	107,057
Other payables	29,140	-	29,140
Total noncurrent liabilities	<u>387,457</u>	<u>-</u>	<u>387,457</u>
EQUITY			
Share capital	440,959	-	440,959
Capital reserves	174,212	-	174,212
Revaluation reserve	5,856	-	5,856
Carrying value adjustment	142,493	-	142,493
Earnings reserves	371,545	-	371,545
Noncontrolling interests in equity of subsidiaries	3,781	-	3,781
Total equity	1,138,846	-	1,138,846
TOTAL LIABILITIES AND EQUITY	<u>1,859,585</u>	<u>(144)</u>	<u>1,859,441</u>

(*) Effect of the proportionate consolidation of the joint venture Bionovis, adjusted for purposes of comparison with the consolidated financial statements as of December 31, 2012.

The Company has not prepared the opening balance sheet as of January 1, 2012, considering the application of these new standards since, as previously mentioned, Bionovis started its activities on March 23, 2012, nor the consolidated statement of income for 2012 because the impact after its incorporation was immaterial.

2.7. Adoption of new and revised international accounting standards not yet effective

The listing of standards issued but that were not effective through the reporting date is presented below. This listing includes those standards and interpretations issued that the Company reasonably expects that will not have impacts on the disclosures, financial situation or performance due to their application at a future date. The Company intends to adopt these standards when they become effective.

- IFRS 9 - Financial Instruments - Classification and Measurement (CPCs 38, 39 and 40) - IFRS 9 closes the first part of the project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 uses a simple approach to determine whether a financial asset is measured at amortized cost or fair value, based on the manner in which an entity manages its financial instruments (its business model) and the characteristic contractual cash flow of the financial assets. The standard also requires the adoption of a single method to determine asset impairment losses. This standard is effective for annual periods beginning on or after January 1, 2015, and the Company does not expect material effect as a result of its adoption.

- Amendment to IAS 32 - Financial Instruments - Presentation - additional guidance about the offset of financial assets and financial liabilities, the amendment is effective for annual periods beginning on or after January 1, 2014, and the Company does not expect material effect as a result of its adoption.

There are no other standards or interpretations issued but not yet adopted that may, in Management's opinion, have a material impact on the profit for the year or equity disclosed by the Company.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the accounting practices, which are described in note 2, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects from the revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or also in subsequent years, if the revision affects both current and future years.

Main judgments in the application of accounting practices

a) Impairment of assets

There are specific rules for impairment testing of long-lived assets, especially property, plant and equipment, goodwill and other intangible assets. At the end of each reporting period, the Company performs an analysis to determine if there is evidence of impairment of long-lived assets. At the end of the reporting period, no evidence of impairment was identified.

The recoverable amount of an asset is the higher of: (i) an asset's fair value less costs to sell, and (ii) its value in use. The value in use is measured based on discounted cash flows (pre-tax) derived from the continued use of an asset through the end of its useful life. At the end of the reporting period, no asset presented recoverable amount higher than its residual value.

The Company performs an annual impairment test of goodwill arising from an investment and uses acceptable market practices, including discounted cash flows, to compare the carrying amount of the assets with their recoverable amount.

The impairment test of goodwill is based on the analysis and identification of facts and circumstances that may result in the need to advance the annual test. If any fact or circumstance indicates that the goodwill is impaired, the test is advanced.

b) Allowance for doubtful accounts

The Company and its subsidiaries estimate the allowance for doubtful accounts in an amount considered sufficient to cover probable losses on the realization of receivables. The allowance for doubtful accounts is estimated considering receivables past due for more than 180 days and for which collection suits have been filed, and balances of specific customers which present risk of realization.

c) Allowance for inventory losses

The Company and its subsidiaries perform quarterly estimates of the allowance for inventory losses, in an amount considered sufficient to cover probable losses on inventories following the criteria below:

- Products and materials expired.
- “Original” products with expiry date of up to 12 months.
- “Free sample” products with expiry date of up to 5 months.
- Products blocked due to quality.
- Products returned by customers.

d) Provision for risks

The Company and its subsidiaries are parties to judicial and administrative proceedings, as described in note 16. Provisions are recognized for all contingencies related to proceedings that represent probable losses and reliably estimated. The likelihood of loss is assessed taking into account all available evidence, hierarchy of laws, established case law, most recent court decisions and their relevance under the legal system, as well as the assessment made by outside legal counselors. Management believes that the provision for tax, civil and labor risks is properly presented in the financial statements.

e) Deferred taxes

Deferred tax assets and liabilities are calculated based on a study of the expected generation of future taxable profit, discounted to present value and deducting all temporary differences, which is annually reviewed and approved by Management. The projections of future profit consider the main Brazilian economy performance variables, sales volume and price, and tax rates.

4. CASH AND CASH EQUIVALENTS

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Cash and banks	16,998	2,422	26,965	3,698
Cash investments	<u>245,796</u>	<u>122,369</u>	<u>388,205</u>	<u>452,034</u>
	<u>262,794</u>	<u>124,791</u>	<u>415,170</u>	<u>455,732</u>

Cash investments comprise bank certificates of deposit (CDBs) with several financial institutions, with yield from 100.0% to 103.0% of the interbank certificate of deposit (CDI) rate, and are classified in line item “Cash and cash equivalents” because they are considered financial assets that can be readily converted into known amounts of cash and subject to an insignificant risk of changes in value.

5. TRADE ACCOUNTS RECEIVABLE

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Domestic	192,636	153,087	307,785	263,359
Foreign	1,873	603	4,150	3,560
Related parties (see note 15)	22,040	19,884	7	-
Allowance for doubtful accounts	<u>(4,789)</u>	<u>(5,471)</u>	<u>(7,321)</u>	<u>(8,749)</u>
	<u>211,760</u>	<u>168,103</u>	<u>304,621</u>	<u>258,170</u>
Current	211,760	168,103	303,534	258,170
Noncurrent	-	-	1,087	-
	<u>211,760</u>	<u>168,103</u>	<u>304,621</u>	<u>258,170</u>

The aging list of trade accounts receivable is as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Current	204,030	153,218	293,555	231,282
Past-due:				
From 1 to 30 days	5,925	14,231	8,379	25,910
From 31 to 60 days	513	443	716	544
From 61 to 90 days	167	169	227	199
From 91 to 180 days	747	18	1,148	74
Over 180 days	<u>5,167</u>	<u>5,495</u>	<u>7,917</u>	<u>8,910</u>
	<u>216,549</u>	<u>173,574</u>	<u>311,942</u>	<u>266,919</u>

Changes in the allowance for doubtful accounts

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Balance at the beginning of the year	(5,471)	(7,973)	(8,749)	(20,511)
Increases	(713)	(134)	(1,084)	(408)
Reversals	<u>1,395</u>	<u>2,636</u>	<u>2,512</u>	<u>12,170</u>
Balance at the end of the year	<u>(4,789)</u>	<u>(5,471)</u>	<u>(7,321)</u>	<u>(8,749)</u>

6. INVENTORIES

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Finished goods	57,703	33,035	108,466	60,477
Work in process	11,268	10,121	15,234	15,461
Raw materials	81,072	80,196	124,405	117,118
Advances to suppliers	1,757	5,643	1,818	5,647
Allowance for inventory losses	<u>(14,107)</u>	<u>(10,408)</u>	<u>(22,860)</u>	<u>(18,733)</u>
	<u>137,693</u>	<u>118,587</u>	<u>227,063</u>	<u>179,970</u>

Changes in the allowance for inventory losses

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Balance at the beginning of the year	(10,408)	(9,314)	(18,733)	(17,243)
Increases	(11,746)	(7,945)	(18,953)	(11,844)
Reversals	<u>8,047</u>	<u>6,851</u>	<u>14,826</u>	<u>10,354</u>
Balance at the end of the year	<u>(14,107)</u>	<u>(10,408)</u>	<u>(22,860)</u>	<u>(18,733)</u>

7. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

Deferred income tax and social contribution assets and liabilities arise from temporarily nondeductible and/or nontaxable income and expenses, absorbed tax credits and tax losses, as follows:

The deferred tax asset recognized is limited to the amounts for which its utilization is supported by taxable profit projections, prepared by the Company and its subsidiaries, considering also that the utilization of tax losses is limited to 30% of the annual taxable profit determined in accordance with prevailing Brazilian tax legislation.

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
<u>Assets</u>				
Deferred income tax on-				
Temporary nondeductible provisions:				
Provision for tax, civil and labor risks	41,909	38,677	45,706	41,247
Profit sharing	5,151	5,388	6,154	5,388
Allowance for doubtful accounts	1,197	1,368	1,823	2,187
Allowance for inventory losses	3,746	2,769	5,979	4,884
Provision for fleet maintenance	779	1,302	1,073	1,892
Provision for customer bonus	1,797	1,728	5,702	4,694
Unrealized profit	1,239	-	1,239	-
Other	<u>2,842</u>	<u>705</u>	<u>4,209</u>	<u>801</u>
	<u>58,660</u>	<u>51,937</u>	<u>71,885</u>	<u>61,093</u>
Deferred social contribution on:				
Provision for tax, civil and labor risks	15,087	13,924	16,454	14,849
Profit sharing	1,854	1,940	2,215	1,940
Allowance for doubtful accounts	431	492	656	787
Allowance for inventory losses	1,349	997	2,152	1,758
Provision for fleet maintenance	281	469	386	682
Provision for customer bonus	647	622	2,053	1,690
Unrealized profit	446	-	446	-
Other	<u>1,884</u>	<u>1,115</u>	<u>2,413</u>	<u>1,185</u>
	<u>21,979</u>	<u>19,559</u>	<u>26,775</u>	<u>22,891</u>
	<u>80,639</u>	<u>71,496</u>	<u>98,660</u>	<u>83,984</u>
	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
<u>Liabilities</u>				
Deferred income tax on:				
Revaluation of assets	1,949	2,114	4,912	2,917
Deemed cost of property, plant and equipment and difference between useful life and tax depreciation rate	50,495	47,890	60,566	56,783
Amortized goodwill	2,862	2,862	53,847	53,847
Borrowing costs	7,917	6,893	7,917	6,893
Inflation adjustment of escrow deposits	16,132	14,515	16,132	14,515
Adjustment to present value of PRÓ-DF loan	-	-	7,080	4,659
Other	<u>-</u>	<u>-</u>	<u>283</u>	<u>403</u>
	<u>79,355</u>	<u>74,274</u>	<u>150,737</u>	<u>140,017</u>

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Deferred social contribution on:				
Revaluation of assets	702	761	1,768	1,050
Deemed cost of property, plant and equipment and difference between useful life and tax depreciation rate	18,178	17,240	21,804	20,442
Amortized goodwill	1,030	1,030	19,385	19,385
Borrowing costs	2,850	2,482	2,850	2,482
Inflation adjustment of escrow deposits	5,808	5,225	5,808	5,225
Adjustment to present value of PRÓ-DF loan	-	-	2,549	1,677
Other	-	-	103	145
	<u>28,568</u>	<u>26,738</u>	<u>54,267</u>	<u>50,406</u>
	<u>107,923</u>	<u>101,012</u>	<u>205,004</u>	<u>190,423</u>
Deferred income tax and social contribution, net	<u>(27,284)</u>	<u>(29,516)</u>	<u>(106,344)</u>	<u>(106,439)</u>

Deferred tax assets arising from temporary differences will be realized as they are settled or realized. The settlement or realization period of these differences is imprecise and is linked to several factors that are not under Management's control. Based on its projections of future taxable profits, Management expects the tax credits to be realized as follows:

	<u>Company</u>	<u>Consolidated</u>
2014	5,076	15,129
2015	3,010	2,845
2016	33,910	38,086
2017 and thereafter	<u>(69,280)</u>	<u>(162,404)</u>
	<u>(27,284)</u>	<u>(106,344)</u>

8. RECONCILIATION OF INCOME TAX AND SOCIAL CONTRIBUTION EXPENSE

The reconciliation of income tax and social contribution expense between effective rate and statutory rate for the years ended December 31, 2013 and 2012 is as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Profit before income tax and social contribution	518,356	518,462	595,831	585,144
Income tax and social contribution expense at statutory rate - 34%	(176,241)	(176,277)	(202,583)	(198,949)
Reconciliation of income tax and social contribution expense at effective rate:				
Share of profits (losses) of subsidiaries	48,801	47,680	-	-

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Tax benefit from technology research and development	6,680	6,498	8,466	7,435
Interest on capital	17,311	20,204	17,311	20,204
Nondeductible fines (*)	(17,398)	-	(17,398)	-
Nondeductible donations	(985)	(908)	(1,834)	(1,479)
Other	<u>7,290</u>	<u>7,012</u>	<u>3,369</u>	<u>9,805</u>
Income tax and social contribution expense	<u>(114,542)</u>	<u>(95,791)</u>	<u>(192,669)</u>	<u>(162,984)</u>
Current	(116,774)	(92,460)	(195,772)	(162,638)
Deferred	<u>2,232</u>	<u>(3,331)</u>	<u>3,103</u>	<u>(346)</u>
	<u>(114,542)</u>	<u>(95,791)</u>	<u>(192,669)</u>	<u>(162,984)</u>

(*) Refer to payment of fine related to the Tax Settlement Program (REFIS), as described in note 16.

9. INVESTMENTS - COMPANY

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Subsidiaries	442,472	577,487	623	1,970
Goodwill - Asta Médica	11,446	11,446	-	-
Goodwill - Melcon	<u>17,534</u>	<u>17,534</u>	<u>-</u>	<u>-</u>
	<u>471,452</u>	<u>606,467</u>	<u>623</u>	<u>1,970</u>

Based on technical interpretation ICPC 09 - Individual Financial Statements, Separate Financial Statements, Consolidated Financial Statements and Equity Method of Accounting, for purposes of presentation of the individual balance sheets, goodwill was classified as part of the investments that gave rise to them since they are part of the investment acquired. In the consolidated balance sheet, goodwill was reclassified to intangible assets since it refers to the expected profitability of each subsidiary acquired, based on the valuation report prepared by experts at the time of the acquisitions, whose assets and liabilities are consolidated into the Company's financial statements.

The information on investments in subsidiaries and joint venture is as follows:

Subsidiaries	Investees' values at 12/31/13					Share of profits (losses) of subsidiaries			Investments	
	Equity	Profit (loss) for the year	Unrealized profits	Equity interest - %	Capital reduction	Exchange differences	Share of profits (losses) of subsidiaries	12/31/13	12/31/12	
Aché Internacional	1,533	(9)	-	100.00	-	195	(9)	1,533	1,347	
Biosintética (c)	447,935	154,318	(310)	99.99	(250,000)	-	154,318	447,628	572,336	
Melcon (a)	6,258	(1,303)	(444)	50.00	-	-	(488)	2,686	3,448	
Labofarma (a)	(5,795)	(4,182)	(4,202)	99.99	-	-	(4,182)	(9,998)	(1,614)	
Bionovis (b)	<u>2,491</u>	<u>(5,609)</u>	<u>-</u>	25.00	<u>-</u>	<u>-</u>	<u>(1,347)</u>	<u>623</u>	<u>1,970</u>	
	<u>452,422</u>	<u>143,215</u>	<u>(4,956)</u>		<u>(250,000)</u>	<u>195</u>	<u>148,292</u>	<u>442,472</u>	<u>577,487</u>	

- (a) The share of profits (losses) of subsidiaries Melcon and Labofarma was adjusted pursuant to technical interpretation ICPC 09 due to the elimination of unrealized profits on the subsidiaries' sales to the parent company.
- (b) As described in note 1, the Company has interest in the joint venture Bionovis.
- (c) On July 15, 2013, as approved in the minutes of Biosintética Shareholders' Meeting held on March 28, 2013, a reduction was made in its capital that was fully paid in because it was considered excessive in relation to its corporate purpose (as set forth in article 1,082, item II, of the Civil Code), to R\$55,714 from R\$305,714, with a reduction, therefore, of R\$250,000, through the cancellation of 25,000,000,000 share units, of which 24,999,998,308 were held by the shareholder Aché Laboratórios Farmacêuticos S.A. and 1,692 were held by the shareholder Magenta Participações S.A.

Changes in investments in subsidiaries and joint venture were as follows:

Subsidiaries and joint venture	Share of profits (losses) of subsidiaries							12/31/13
	12/31/12	Capital reduction	Exchange differences	Share of profits (losses) of subsidiaries	Unrealized profits	Dividends	Other adjustments	
Aché Internacional	1,347	-	195	(9)	-	-	-	1,533
Biosintética	572,336	(250,000)	-	154,318	(310)	(25,709)	(3,007)	447,628
Melcon (a)	3,448	-	-	(488)	(444)	-	170	2,686
Labofarma	(1,614)	-	-	(4,182)	(4,202)	-	-	(9,998)
Bionovis (b)	<u>1,970</u>	<u>-</u>	<u>-</u>	<u>(1,347)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623</u>
Total	<u>577,487</u>	<u>(250,000)</u>	<u>195</u>	<u>148,292</u>	<u>(4,956)</u>	<u>(25,709)</u>	<u>(2,837)</u>	<u>442,472</u>

Details on related-party transactions are provided in note 15.

10. PROPERTY, PLANT AND EQUIPMENT

	Company (BR GAAP)					
	12/31/13			12/31/12		
	Cost	Accumulated depreciation	Residual value	Cost	Accumulated depreciation	Residual value
Land	82,774	-	82,774	82,774	-	82,774
Buildings	428,627	(108,719)	319,908	387,073	(102,044)	285,029
Facilities	41,157	(31,103)	10,054	39,966	(29,267)	10,699
Machinery and equipment	133,278	(81,251)	52,027	114,294	(76,348)	37,946
Furniture and fixtures	19,149	(17,392)	1,757	18,373	(17,029)	1,344
Vehicles	1,900	(1,761)	139	1,900	(1,670)	230
IT equipment	21,761	(20,080)	1,681	22,484	(20,466)	2,018
Molds and dies	<u>11,970</u>	<u>(7,709)</u>	<u>4,261</u>	<u>10,513</u>	<u>(7,003)</u>	<u>3,510</u>
	740,616	(268,015)	472,601	677,377	(253,827)	423,550
Property, plant and equipment in progress	<u>55,771</u>	<u>-</u>	<u>55,771</u>	<u>81,633</u>	<u>-</u>	<u>81,633</u>
	<u>796,387</u>	<u>(268,015)</u>	<u>528,372</u>	<u>759,010</u>	<u>(253,827)</u>	<u>505,183</u>

	Company (BR GAAP)			Consolidated (BR GAAP and IFRSs)		
	12/31/13			12/31/12		
	Cost	Accumulated depreciation	Residual value	Cost	Accumulated depreciation	Residual value
Land	122,666	-	122,666	122,666	-	122,666
Buildings	467,999	(118,468)	349,531	426,445	(110,959)	315,486
Facilities	49,498	(37,260)	12,238	47,625	(34,973)	12,652
Machinery and equipment	203,597	(120,710)	82,887	175,019	(112,083)	62,936
Furniture and fixtures	20,425	(17,810)	2,615	19,390	(17,345)	2,045
Vehicles	2,447	(1,971)	476	2,159	(1,805)	354
IT equipment	25,047	(22,851)	2,196	25,606	(22,937)	2,669
Molds and dies	<u>16,931</u>	<u>(9,123)</u>	<u>7,808</u>	<u>14,424</u>	<u>(7,982)</u>	<u>6,442</u>
	908,610	(328,193)	580,417	833,334	(308,084)	525,250
Property, plant and equipment in progress	<u>60,037</u>	<u>-</u>	<u>60,037</u>	<u>81,633</u>	<u>-</u>	<u>81,633</u>
Total	<u>968,647</u>	<u>(328,193)</u>	<u>640,454</u>	<u>914,967</u>	<u>(308,084)</u>	<u>606,883</u>

Changes in property, plant and equipment were as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Balance at the beginning of the year	<u>505,183</u>	<u>497,853</u>	<u>606,883</u>	<u>600,429</u>
Additions (net of transfers of projects closed):				
Buildings	53	-	53	-
Facilities	1,190	521	1,935	833
Machinery and equipment	18,980	4,146	28,617	6,560
Furniture and fixtures	785	505	1,055	725
Vehicles	-	102	288	134
IT equipment	563	325	740	483
Property, plant and equipment in progress	15,640	14,393	19,908	14,399
Molds and dies	<u>1,462</u>	<u>620</u>	<u>2,514</u>	<u>1,732</u>
	<u>38,673</u>	<u>20,612</u>	<u>55,110</u>	<u>24,866</u>
Net write-offs	(10)	(23)	(32)	(60)
Depreciation	<u>(15,474)</u>	<u>(13,259)</u>	<u>(21,507)</u>	<u>(18,352)</u>
Balance at the end of the year	<u>528,372</u>	<u>505,183</u>	<u>640,454</u>	<u>606,883</u>

The table below presents the useful lives of the property, plant and equipment:

<u>Category</u>	<u>Useful life (years)</u>
Buildings	42.35
Furniture and fixtures, facilities, molds and dies and other	10
Machinery and equipment	6.03
IT equipment	4
Vehicles	5

Assets pledged as collateral

As of December 31, 2013, the Company and its subsidiaries had property, plant and equipment pledged as collateral for borrowings and financing as well as for lawsuits, as described in note 12.

Impairment test of assets

As of December 31, 2013, no factors internal and external to the operations of the Company and its subsidiaries that would indicate the impairment of property, plant and equipment were identified.

11. INTANGIBLE ASSETS

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Trademarks (a)	25,047	24,887	27,972	27,800
Software	1,665	2,859	3,059	3,097
Goodwill - Asta Médica Ltda. (b)	-	-	11,446	11,446
Goodwill - Biosintética (c)	-	-	203,942	203,942
Goodwill - Melcon (d)	-	-	17,533	17,533
Total	<u>26,712</u>	<u>27,746</u>	<u>263,952</u>	<u>263,818</u>

(a) Represented by trademarks acquired from third parties and/or acquired in acquisitions of subsidiaries.

(b) Goodwill arising on the acquisition of subsidiary Asta Médica Ltda., merged into the Company in 2003, amortized through December 31, 2008 based on expected future profitability.

(c) Includes the goodwill of the subsidiary Biosintética, arising from the downstream merger of the then parent company Delta Participações Ltda., on March 31, 2006, after which both companies became wholly-owned subsidiaries of the Company. Goodwill is based on expected future profitability.

(d) Goodwill arising on the acquisition of the subsidiary Melcon in August 2010.

Intangible assets are amortized over the useful lives of assets, as follows:

<u>Category</u>	<u>Useful life (years)</u>
Software	5

Changes in intangible assets were as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Balance at the beginning of the year	27,746	28,919	263,818	264,982
Additions	887	787	2,317	856
Amortization - software	<u>(1,921)</u>	<u>(1,960)</u>	<u>(2,183)</u>	<u>(2,020)</u>
Balance at the end of the year	<u>26,712</u>	<u>27,746</u>	<u>263,952</u>	<u>263,818</u>

Impairment test of assets

As of December 31, 2013, no factors that would indicate the impairment of intangible assets were identified considering that the Company and its subsidiaries have history of profitability.

12. BORROWINGS AND FINANCING

	Annual charges	Maturity	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
			12/31/13	12/31/12	12/31/13	12/31/12
Local currency:						
PRÓ-DF (*)	25% of INPC + 2.43%	2036	-	-	17,388	20,000
FINAME	TJLP + 1.15% to 2.95%	2016	386	795	693	1,218
FINAME	2.5% to 5.5%	2020	3,412	4,178	4,724	5,004
FCO and FOMENTAR	9.5% to 10%	2018	-	-	6,886	3,871
FINEP	4%	2019	49,598	38,876	49,598	38,876
BNDES	4.5%	2020	11,206	1,103	14,382	1,103
Leases	1.35%	2015	-	-	11	22
Working capital	18.16%		-	-	186	-
Discounted trade notes -						
Banco do Brasil	26.23%	2013	-	-	-	395
Profarma - BNDES	TJLP + 1.5% to 3%	2019	<u>89,929</u>	<u>135,979</u>	<u>98,834</u>	<u>140,003</u>
			<u>154,531</u>	<u>180,931</u>	<u>192,702</u>	<u>210,492</u>
Foreign currency	LIBOR + 2.85% to 3.7%	2015	<u>2,043</u>	<u>5,450</u>	<u>2,493</u>	<u>8,049</u>
Total			<u>156,574</u>	<u>186,381</u>	<u>195,195</u>	<u>218,541</u>
Current			28,750	67,532	31,203	73,720
Noncurrent			<u>127,824</u>	<u>118,849</u>	<u>163,992</u>	<u>144,821</u>
Total			<u>156,574</u>	<u>186,381</u>	<u>195,195</u>	<u>218,541</u>

(*) The Company has a financing from Banco de Brasília that can be utilized up to 2036 and that will be repaid in a lump sum at the end of 15 years counting from the release date. The Company recognized the debt at its present value and its effects on funding are recognized in operating income (expenses), whereas the adjustments arising from the changes in interest rates and changes in the original amount are recognized in financial income (expenses). The financial adjustment is calculated considering the SELIC interest rate projected by the Central Bank of Brazil (BACEN).

Guarantees and covenantsCompany

The Profarma - BNDES financing is intended for the construction and expansion of the industrial unit in Guarulhos - SP. This financing provides for usual events of accelerated maturity, among which noncompliance with the following financial indices: limit its indebtedness level equal to or lower than 0.75% of the consolidated total assets and maintain the total net debt equal to or lower than three multiples of the consolidated Earnings Before Interest, Taxes, Depreciation and Amortization - EBITDA. As of December 31, 2013, the Company is compliant with such covenant.

Additionally, the Profarma - BNDES financing is collateralized by mortgage on properties, machinery and equipment owned by the company, located in Guarulhos - SP.

The financing from the Financing Agency for Studies and Projects (FINEP) is intended for the research and development of products with innovative characteristics and is collateralized by a letter of guarantee.

Subsidiary Biosintética

The PRÓ-DF financing, from Banco de Brasília, is collateralized by cash investments (CDB), which are equivalent to 10% of the financed amount. These investments are shown in line item "Cash investments", in noncurrent assets.

The Profarma - BNDES financing is collateralized by mortgage on properties owned by its parent company, located in the city of Guarulhos - SP.

13. TRADE ACCOUNTS PAYABLE

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Domestic suppliers	18,068	11,468	24,678	18,104
Foreign suppliers	9,239	19,532	10,028	36,896
Related parties (see note 15)	<u>2,664</u>	<u>2,019</u>	<u>1,015</u>	<u>182</u>
	<u>29,971</u>	<u>33,019</u>	<u>35,721</u>	<u>55,182</u>

14. TAXES PAYABLE

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
State VAT (ICMS)	9,301	4,191	18,598	13,092
Corporate income tax (IRPJ)	54,408	43,000	90,851	80,155
Tax on revenue (COFINS)	5,595	4,501	5,880	4,680
Social contribution on net income (CSLL)	15,072	6,991	26,804	17,377
Tax on revenue (PIS)	1,260	951	1,322	990
Other	<u>1,916</u>	<u>1,450</u>	<u>2,977</u>	<u>2,095</u>
	<u>87,552</u>	<u>61,084</u>	<u>146,432</u>	<u>118,389</u>

15. RELATED PARTIES

Related-party transactions and balances are as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Revenues:				
Sales to and manufacturing for Biosintética (a)	65,868	44,126	-	-
Sales to Melcon (b)	404	331	-	-
Sale to Labofarma (b)	22,697	15,583	-	-
Purchases:				
Purchases of products for Biosintética (a)	13,881	10,314	-	-
Purchases of products for Melcon	7,325	3,598	-	-
Purchase of services for Labofarma	3,712	3,493	-	-

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Current assets:				
Trade accounts receivable - Biosintética (c)	5,948	6,718	-	-
Trade accounts receivable - Labofarma (c)	15,915	12,605	-	-
Trade accounts receivable - Melcon (c)	790	112	-	-
Trade accounts receivable - Bionovis (c)	7	-	7	-
Trade accounts receivable - Farmaprod (c)	40	-	40	-
Advance to supplier - Farmaprod	<u>554</u>	<u>516</u>	<u>1,229</u>	<u>763</u>
Total current assets	23,254	19,951	1,276	763
Noncurrent assets-				
Trade accounts receivable - Melcon (b)	492	492	-	-

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Current liabilities:				
Trade accounts payable - Biosintética (c)	1,072	1,269	-	-
Trade accounts payable - Labofarma (c)	414	621	-	-
Trade accounts payable - Melcon (c)	576	-	-	-
Trade accounts payable - Farmaprod (c)	353	-	673	53
Associação Brasileira de Assistência ao Deficiente Visual - Laramara	<u>249</u>	<u>129</u>	<u>342</u>	<u>129</u>
Total current liabilities	<u>2,664</u>	<u>2,019</u>	<u>1,015</u>	<u>182</u>

(a) Manufacturing of products and rendering of corporate services passed on to subsidiaries at the cost incurred in these services.

(b) Sales of goods.

(c) Balance of trade accounts receivable and trade accounts payable related to trading transactions and reimbursement of common expenses among the companies.

Management compensation

The compensation of the officers and Management of the Company and its subsidiaries is as follows:

<u>Compensation</u>	Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>
Overall management compensation and charges	<u>9,609</u>	<u>7,637</u>

In accordance with the Brazilian corporate law, contemplating the changes in accounting practices introduced by Law 11638/07 and the Company's bylaws, the shareholders are responsible for setting the overall annual compensation of its officers at the General Meeting.

16. PROVISION FOR RISKS

The Company and its subsidiaries are parties to administrative and judicial proceedings involving tax, labor and civil matters, which are at different court levels. Management, based on its assessment and supported by the opinions of its outside legal counselors, recognized a provision for lawsuits for which an unfavorable outcome is considered probable.

The provisions by nature are as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Tax	111,268	107,343	119,088	110,915
Labor	48,597	41,124	55,103	47,234
Civil	<u>7,772</u>	<u>6,248</u>	<u>8,632</u>	<u>6,843</u>
	167,637	154,715	182,823	164,992
Escrow deposits	<u>(57,377)</u>	<u>(56,399)</u>	<u>(59,043)</u>	<u>(57,935)</u>
	<u>110,260</u>	<u>98,316</u>	<u>123,780</u>	<u>107,057</u>

Movements were as follows:

	Company (BR GAAP)					<u>12/31/13</u>
	<u>12/31/12</u>	<u>Additions</u>	<u>Reversals</u>	<u>Payments</u>	<u>Inflation adjustment</u>	
Tax	107,343	63,244	(11,898)	(55,891)	8,470	111,268
Labor	41,124	10,675	(5,853)	(2,140)	4,791	48,597
Civil	<u>6,248</u>	<u>2,511</u>	<u>(374)</u>	<u>(1,291)</u>	<u>678</u>	<u>7,772</u>
	154,715	76,430	(18,125)	(59,322)	13,939	167,637
Escrow deposits	<u>(56,399)</u>	<u>(17,157)</u>	<u>19,233</u>	<u>-</u>	<u>(3,054)</u>	<u>(57,377)</u>
Total	<u>98,316</u>	<u>59,273</u>	<u>1,108</u>	<u>(59,322)</u>	<u>10,885</u>	<u>110,260</u>

	Consolidated (BR GAAP and IFRSs)					<u>12/31/13</u>
	<u>12/31/12</u>	<u>Additions</u>	<u>Reversals</u>	<u>Payments</u>	<u>Inflation adjustment</u>	
Tax	110,915	68,026	(12,219)	(56,119)	8,485	119,088
Labor	47,234	11,105	(6,269)	(2,412)	5,445	55,103
Civil	<u>6,843</u>	<u>3,052</u>	<u>(374)</u>	<u>(1,566)</u>	<u>677</u>	<u>8,632</u>
	164,992	82,183	(18,862)	(60,097)	14,607	182,823
Escrow deposits	<u>(57,935)</u>	<u>(17,630)</u>	<u>19,594</u>	<u>-</u>	<u>(3,072)</u>	<u>(59,043)</u>
Total	<u>107,057</u>	<u>64,553</u>	<u>732</u>	<u>(60,097)</u>	<u>11,535</u>	<u>123,780</u>

The main administrative and judicial proceedings involving tax matters are as follows:

	Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>
Taxes on revenue (PIS and COFINS) (a)	23,180	24,443
Corporate income tax (IRPJ) and social contribution on net income (CSLL) (b)	30,453	33,197
Severance Pay Fund (FGTS) (c)	34,903	28,787
State VAT (ICMS) (d)	10,325	5,260
Other	<u>20,227</u>	<u>19,228</u>
	119,088	110,915
Escrow deposits	<u>(41,996)</u>	<u>(48,076)</u>
Total	<u>77,092</u>	<u>62,839</u>

- (a) The main lawsuits involving this matter are: (i) Ordinary Civil Action that discusses the undue attribution of escrow deposits derived from the discussion related to Law 9718/98 to periods already elapsed. Currently this action is at the Federal Regional Court for judgment of the appeal filed by the Company, which was received in both effects; and (ii) Administrative Proceeding involving the collection of difference of taxes and imposition of customs fine due to the use of tax classification of medicines on the import of products that, according to the Federal Revenue Office (SRF), should have been classified as cosmetics. This proceeding is at the administrative appeal phase.
- (b) The main lawsuits involving this matter are: (i) Writ of Mandamus filed in order to claim the deduction of CSLL from the income tax base. Special and Extraordinary Appeals were filed on the Company's behalf on March 11, 2010, which are awaiting judgment of the admissibility; (ii) Ordinary Civil Action challenging the deductibility of the balance sheet inflation adjustment from taxable income and social contribution tax base. Such lawsuit is in phase of settlement and calculation of amounts that shall be converted into Government income and raised by the Company; and (iii) other administrative proceedings in appeal phase that involve offsets not approved by the SRF.
- (c) Tax rate increase - challenge of the 0.5% increase in FGTS contribution, calculated on employee payroll, and the 10% increase in employment termination fine. This lawsuit is in phase of judgment of the Special and Extraordinary Appeals filed by the Company in September 2009 with the Superior Court of Justice (STJ) and Federal Supreme Court (STF), respectively.
- (d) Several tax collections stayed, involving tax assessments issued by the Finance Department of the States of Bahia and Espírito Santo challenging the tax substitution, the official entry in the Manaus Free Trade Zone, and the disallowance of credits.

Management believes that the unfavorable outcome of its lawsuits, individually or in the aggregate, will not have a material adverse effect on the Company's financial position or business.

When necessary, the Company makes escrow deposits not linked to the provision for tax, civil and labor risks, classified in a specific line item of noncurrent assets.

As of December 31, 2013, based on the fee agreements entered into between the Company, its subsidiaries and their outside legal counselors, a provision was recognized in line item “Provision for tax risks”, amounting to R\$8,373 for the Company and R\$13,081 for consolidated, related to the total success fees that may become due in view of the administrative and judicial proceedings involving risk of loss classified as possible or remote.

Lawsuits classified as risk of possible loss

As of December 31, 2013, the Company and its subsidiaries are parties to tax, civil and labor lawsuits that are not accrued since they involve risk of loss classified by Management and its outside legal counselors as possible. Contingent liabilities are as follows:

	Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>
Tax	246,284	239,029
Labor	14,034	21,264
Civil	<u>3,943</u>	<u>3,681</u>
	<u>264,261</u>	<u>263,974</u>

Lawsuits classified as risk of remote loss

Administrative Proceeding No. 16643.720001/2011-18

In May 2011, the Brazilian Federal Revenue issued a tax assessment notice against Biosintética totaling approximately R\$301,000, to require alleged debts of IRPJ and CSLL related to base years 2006 to 2009, since it understands that Biosintética would not have fulfilled the legal requirements for deducting the amortization charges of the goodwill paid on the acquisition of Delta Participações Farmacêuticas S.A. (“Delta”).

In a session held on December 6, 2012, the Administrative Board of Tax Appeals (CARF) analyzed the voluntary appeal filed by Biosintética and, by unanimous vote, considered the assessment as totally groundless. The administrative proceeding is currently awaiting the judgment of the special appeal filed by the Finance Department to the Superior Board.

Thus, based on the opinion of the outside legal counselors and supported by the last decision of the judging body, Biosintética ratifies that the arguments used in the defense are well grounded and that the risk of loss, in regard to the goodwill deduction, is possible with a tendency to remote, while, in regard to the application of the increased fine, the risk of loss is remote. For this reason, no provision for this lawsuit was recognized.

Tax Settlement Program (REFIS)

In view of the enactment of Law 12865/13, the term for applying for the Tax Settlement Program (REFIS), originally introduced by Law 11941/09, was reopened, permitting that debts past due up to November 30, 2008 be paid in cash and with the related reductions for this type of application.

In the case of the Company, the application was for two proceedings detailed below:

- i) Tax assessment notice which accumulated the collection of goodwill and other matters, the application for which was partial, solely in connection with the IRPJ/CSLL debt related to the goodwill amortization made in calendar years 2004 and 2003.

Management, based on the opinion of its outside legal counselors, opted for the cash payment, which generated an impact of R\$51,171 on the Company's profit for the year.

- ii) Annulment action that discusses the IRPJ/CSLL levied on the inflation adjustment of permanent assets (base from 1989 to 1993). The amount paid with the REFIS cash payment benefit was R\$4,486 and the total provision of R\$13,108 was reversed; as a consequence, a positive result of R\$8,621 was recorded for the Company.

Provisional Measure 627/13

On November 11, 2013, Provisional Measure 627/13 was enacted introducing various modifications to the IRPJ, CSLL, PIS and COFINS legislation, among which:

- i) Revocation of the Transition Tax Regime (RTT), introduced by Law 11941, of May 27, 2009, effective January 1, 2015 and, on an optional basis, effective January 1, 2014.
- ii) Change of specific provisions of the Decree Law 1598/77 in order to conform the tax legislation to the corporate legislation and to the accounting standards in effect, due to the discontinuance of the RTT and the need to establish a new calculation method for IRPJ and CSLL.

The Company and its subsidiaries inform that the studies required for mapping the impacts of the application of the Provisional Measure on its financial statements are still in progress and that, as soon as the Provisional Measure is approved at the Brazilian Congress and the Federal Revenue of Brazil (RFB) defines the form, term and conditions for such option, they will conclude on the advancement or not of its effects as from January 1, 2014.

17. FINANCIAL INSTRUMENTS

The estimated realizable values of the financial assets and liabilities of the Company and its subsidiaries were determined using information available in the market and appropriate valuation methodologies. However, considerable Management judgment was required in the interpretation of market data to produce the most adequate estimate of the realizable value. Consequently, the estimates presented do not necessarily indicate the amounts that could be realized in the current market. The use of market methodologies may produce different effects on the estimated realizable values.

a) Capital management

The Company's Management manages its cash in order to be able to continue as a going concern and maximize the funds for research and development of new products, as well as provide return to shareholders.

The Company's capital structure consists of financial liabilities with financial institutions, cash and cash equivalents, cash investments and equity, comprising share capital and retained earnings.

Management periodically reviews its capital structure and its ability to settle its liabilities, as well as timely monitors the average period of payment to suppliers in relation to the average inventory turnover, taking the necessary actions when there is any mismatch between assets and liabilities.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. Net debt is calculated as total borrowings (including current and noncurrent borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios as of December 31, 2013 and 2012 can be summarized as follows:

	Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>
Borrowings and financing (note 12)	195,195	218,541
Cash and cash equivalents (note 4)	(415,170)	(455,732)
Cash investments - noncurrent assets	<u>(7,703)</u>	<u>(6,795)</u>
Net debt	<u>(227,678)</u>	<u>(243,986)</u>
Equity	1,263,176	1,138,846
Capital	440,959	440,959
Debt-equity ratio	(51.63%)	(55.76%)

Categories of financial instruments:

	Company (BR GAAP)	
	Carrying amount and fair value	
	<u>12/31/13</u>	<u>12/31/12</u>
Financial assets-		
Loans and receivables:		
Cash and cash equivalents (note 4)	262,794	124,791
Trade accounts receivable (note 5)	211,760	168,103
Financial liabilities:		
Borrowings and financing (note 12)	156,574	186,381
Trade accounts payable (note 13)	29,791	33,019

	Consolidated (BR GAAP and IFRSs)	
	Carrying amount and fair value	
	<u>12/31/13</u>	<u>12/31/12</u>
Financial assets:		
Held-to-maturity-		
Cash investments - CDBs	7,703	6,795
Loans and receivables:		
Cash and cash equivalents (note 4)	415,170	455,732
Trade accounts receivable (note 5)	304,621	258,170
Financial liabilities:		
Borrowings and financing (note 12)	195,195	218,542
Trade accounts payable (note 13)	31,941	55,182

The Company's Management is of the opinion that the carrying amounts of the financial instruments in the individual and consolidated financial statements do not significantly differ from their fair value, since the maturity of most balances is close to the reporting dates.

The balance of "Borrowings and financing" is adjusted for inflation based on inflation indices and variable interests in view of market conditions and, therefore, the carrying amount at the end of the reporting period approximates the fair value.

However, since there is no active market for these instruments, differences might occur if these values were settled before the due date.

b) Fair value of financial instruments

The carrying amounts of cash and cash equivalents (cash, banks and cash investments), trade accounts receivable and current liabilities are equivalent to their fair value as their maturities are close to the end of the reporting period. The balance of "Borrowings and financing" is adjusted for inflation based on variable interests in view of market conditions and, therefore, the debt balances at the end of the reporting period correspond to the fair value adjusted to present value.

c) Interest rates

The Company entered into agreements with floating interest rates mainly linked to the Long-term Interest Rate (TJLP) plus 3% per year on borrowings and financing denominated in Brazilian reais, and Libor variable interest plus 0.95% per year on borrowings in foreign currency. Interest rates on cash investments are pegged to the CDI fluctuation.

d) Credit risk concentration

The financial instruments that expose the Company and its subsidiaries to concentration of credit risk consist principally of banks, cash investments and trade accounts receivable. The total balance of trade accounts receivable is denominated in Brazilian reais (R\$). The balance of "Trade accounts receivable" is distributed in several customers and no customer accounts for 10% or more of the total net operating revenue or balance receivable. In order to reduce the credit risk the Company and its subsidiaries have carried out individual assessments of customers, but, as a usual market practice, they do not require prepayments or guarantees. The Company's Management monitors the risk related to trade accounts receivable through an assessment of doubtful receivable.

e) Foreign exchange rate risk

This risk arises from the possibility that the Company and its subsidiaries may incur losses due to fluctuations in exchange rates that would increase the nominal amounts payable or funds raised in the market.

There are amounts payable denominated in foreign currencies (U.S. dollars, euros, Swiss francs, pound sterling and yens) and which are, therefore, exposed to risks related to exchange rate fluctuations. Total assets and liabilities subject to foreign exchange exposure and the corresponding currencies are as follows:

		Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
		12/31/13	12/31/12	12/31/13	12/31/12
In euros:	EUR				
Assets		2,647	152	3,091	736
Liabilities		<u>(347)</u>	<u>(970)</u>	<u>(422)</u>	<u>(2,787)</u>
Net exposure		<u>2,300</u>	<u>(818)</u>	<u>2,669</u>	<u>(2,051)</u>
In U.S. dollars:	US\$				
Assets		1,029	1,068	2,019	2,533
Liabilities		<u>(3,423)</u>	<u>(7,649)</u>	<u>(3,442)</u>	<u>(13,747)</u>
Net exposure		<u>(2,394)</u>	<u>(6,581)</u>	<u>(1,423)</u>	<u>(11,214)</u>
In Swiss francs:	CHF				
Assets		-	-	-	-
Liabilities		-	<u>(533)</u>	-	<u>(533)</u>
Net exposure		<u>-</u>	<u>(533)</u>	<u>-</u>	<u>(533)</u>
In pound sterling:	GBP				
Assets		136	-	136	-
Liabilities		<u>(13)</u>	<u>(13)</u>	<u>(13)</u>	<u>(13)</u>
Net exposure		<u>123</u>	<u>(13)</u>	<u>123</u>	<u>(13)</u>

The main balances exposed to exchange rate fluctuations are as follows:

- Trade accounts receivable - these assets generated exchange gains of R\$60 - Company and R\$124 - Consolidated as of December 31, 2013 (exchange gain of R\$51 - Company and exchange loss of R\$134 - Consolidated as of December 31, 2012).
- Trade accounts payable and advances - these liabilities generated exchange losses of R\$851 - Company and R\$345 - Consolidated as of December 31, 2013 (exchange loss of R\$126 - Company and exchange gain of R\$228 - Consolidated as of December 31, 2012).
- Borrowings and financing - as described in note 12, borrowings and financing are increased by charges up to the end of the reporting period, totaling a liability balance of R\$2,043 - Company and R\$2,493 - Consolidated as of December 31, 2013 (R\$5,450 - Company and R\$8,048 - Consolidated as of December 31, 2012). These liabilities generated exchange losses of R\$497 - Company and R\$639 - Consolidated (exchange losses of R\$310 - Company and R\$636 - Consolidated as of December 31, 2012).

f) Derivative financial instruments

The Company and its subsidiaries do not enter into transactions involving derivative financial instruments.

g) Liquidity risk management

Prudent liquidity risk management involves maintaining sufficient cash and marketable securities, availability of funds through credit facilities and ability to settle market positions.

Management monitors liquidity of the Company and its subsidiaries, considering the estimated cash flow and cash and cash equivalents (note 4). Additionally, the liquidity management policy of the Company and its subsidiaries involves cash flow projections and considering the level of net assets necessary to meet the projections, monitoring liquidity ratios in the balance sheet and maintaining the debt financing plan. The table below shows the maturity of the consolidated financial liabilities contracted:

	Up to 1 year	Up to 2 years	From 3 to 4 years	Over 4 years	Total
Trade accounts payable	31,941	-	-	-	31,941
Borrowings and financing	31,202	33,534	58,758	71,701	195,195

h) Sensitivity analysis

The Company's financial instruments are monitored by Management, mainly those related to changes in cash investments and borrowings. Management carried out studies involving the sensitivity analysis of its financial instruments, considering the possible effects on profit and equity at the end of the reporting period, as suggested by technical pronouncement CPC 40 - Financial Instruments: Disclosures and IFRS 7 - Financial Instruments: Disclosures, and did not identify material effects that might cause a misstatement in the financial statements taken as a whole.

18. EQUITY

a) Share capital

As of December 31, 2013, share capital is represented by 63,900,000 common shares, all registered and without par value, fully subscribed and paid up by the shareholders resident in Brazil.

<u>Shareholder</u>	<u>Shares</u>	<u>Amount</u> <u>12/31/13</u>	<u>Amount</u> <u>12/31/12</u>
Infinity Fundo de Investimento em Participações	21,300,000	146,986	146,986
Lajota Fundo de Investimento em Participações	21,300,000	146,986	146,986
Vincitore Fundo de Investimento em Participações	<u>21,300,000</u>	<u>146,986</u>	<u>146,986</u>
	<u>63,900,000</u>	<u>440,959</u>	<u>440,959</u>

b) Capital reserves

	Company (BR GAAP) <u>12/31/13</u>
Special goodwill reserve	167,767
Share premium reserve	<u>6,445</u>
	<u>174,212</u>

The special goodwill reserve refers to the balancing item of the goodwill absorbed by the Company in prior years, less the reserve for maintenance of integrity of shareholders' equity, whose net effect corresponds to the tax benefit to be generated on its realization and recognized as deferred income tax asset.

c) Earnings reserves

	Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>
Legal reserve (i)	43,807	43,807
Reserve for new products, research and development and investments in property, plant and equipment (ii)	192,023	192,023
Tax incentive reserve (iii)	618	584
Reserve for additional dividends proposed (iv)	<u>265,078</u>	<u>135,131</u>
Total	<u>501,526</u>	<u>371,545</u>

(i) Calculated as 5% of annual profit, pursuant to article 193 of Law 6404/76, limited to 20% of the share capital.

(ii) Recognized to cover expenditures for launching new products, expenditures on research and development and investments in property, plant and equipment as established in the Company's bylaws.

(iii) Government grants are recognized in profit or loss on a systematic basis over the years in which the Company recognizes as expenses the related costs for which the grants are intended to compensate and, subsequently, they are allocated to the tax incentive reserve, in equity, as long as the conditions of technical pronouncement CPC 07 - Government Grants and Assistance are satisfied.

(iv) The Company's Management proposed, subject to approval at the Annual General Meeting, the distribution of profits of R\$265,079, related to fiscal year 2013.

d) Dividends and interest on capital payment policy

The bylaws guarantee a mandatory minimum dividend of 25% of the profit for the year, less a legal reserve of 5% of the profit, in accordance with Law 6404/76. The remaining profit will be allocated as decided by the shareholders at the General Meeting.

The bylaws permit the payment of dividends based on semiannual or interim balance sheets.

The changes in dividends were as follows:

	<u>Amount</u>
Additional dividends proposed, approved on March 7, 2013	139,240
Prepaid dividends, approved on June 25, 2013	89,631
Interest on capital, approved on December 17, 2013	50,917
Dividends and interest on capital, approved and paid in 2013	<u>(279,788)</u>
	<u> -</u>

19. NET REVENUE

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Gross sales revenue	2,035,294	1,699,402	3,793,916	3,154,454
Returns, discounts and other	(452,283)	(376,352)	(1,649,475)	(1,322,311)
Taxes on sales	<u>(245,620)</u>	<u>(191,920)</u>	<u>(283,853)</u>	<u>(229,937)</u>
Total	<u>1,337,391</u>	<u>1,131,130</u>	<u>1,860,588</u>	<u>1,602,206</u>

20. EXPENSES BY NATURE

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Raw materials consumed	232,398	186,319	318,975	265,533
Materials, energy, outside services and other	364,614	243,821	475,774	343,593
Other selling and administrative expenses	5,310	36,755	22,131	48,397
Personnel expenses	260,702	256,217	355,536	343,323
Depreciation and amortization	<u>17,395</u>	<u>15,219</u>	<u>23,690</u>	<u>20,372</u>
	<u>880,419</u>	<u>738,331</u>	<u>1,196,106</u>	<u>1,021,218</u>
Cost of sales	294,685	234,429	410,791	341,039
Selling expenses	498,469	429,633	666,687	587,976
General and administrative expenses	<u>87,265</u>	<u>74,269</u>	<u>118,628</u>	<u>92,203</u>
Total	<u>880,419</u>	<u>738,331</u>	<u>1,196,106</u>	<u>1,021,218</u>

21. OTHER OPERATING INCOME (EXPENSES), NET

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/12</u>
Expenses on strategic projects	(7,174)	22	(5,831)	712
Net movement of the provision for risks	2,065	12,270	876	12,201
Gain (loss) on sale of property, plant and equipment	98	80	146	214
PIS and COFINS on other revenues	1,918	117	2,198	(1,049)
Extraordinary expenses on settlement of IPTU (municipal real estate tax)	(6,956)	-	(6,956)	-
Application for REFIS (see note 16)	(51,171)	-	(51,171)	-
Other	<u>1,021</u>	<u>1,644</u>	<u>8,532</u>	<u>1,323</u>
Total	<u>(60,199)</u>	<u>14,133</u>	<u>(52,206)</u>	<u>13,401</u>

22. FINANCIAL INCOME (EXPENSES)

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/13	12/31/12	12/31/13	12/31/12
Interest income	15,031	12,293	33,128	41,201
Monetary gains	6,578	6,309	6,583	6,311
Other financial income	215	313	429	511
Realization of adjustment to present value	-	-	5,187	4,301
Total financial income	<u>21,824</u>	<u>18,915</u>	<u>45,327</u>	<u>52,324</u>
Interest expenses	(5,651)	(4,926)	(7,395)	(6,090)
Monetary losses	(13,920)	(9,656)	(14,589)	(10,226)
Other financial expenses	(1,204)	(1,565)	(5,362)	(2,102)
Realization of adjustment to present value	-	-	(110)	(5,087)
Total financial expenses	<u>(20,775)</u>	<u>(16,147)</u>	<u>(27,456)</u>	<u>(23,505)</u>
Exchange losses	(8,145)	(4,551)	(12,549)	(7,866)
Exchange gains	<u>6,857</u>	<u>4,166</u>	<u>11,894</u>	<u>7,436</u>
Total exchange loss (gain), net	<u>(1,288)</u>	<u>(385)</u>	<u>(655)</u>	<u>(430)</u>
Financial income (expenses), net	<u>(239)</u>	<u>2,383</u>	<u>17,216</u>	<u>28,389</u>

23. SUPPLEMENTARY PENSION PLAN

The Company sponsors a supplementary pension plan which covers all its employees. This plan is called “Plano Gerador de Benefícios Livres - PGBL”, similar to life insurance, administered by a private pension entity under a capitalization system. The amount of the benefit is calculated based on the mathematical reserve for unvested benefits at the retirement date.

The pension plan offered includes the following benefits:

- Retirement by age transferrable to a spouse.
- Retirement due to disability transferrable to a spouse.
- Survivors’ pension granted before retirement transferrable to children under 21 years old.

The risk benefits (retirement due to disability and survivors’ pension) were structured under a defined contribution plan.

The Company does not have any liability in relation to technical risk related to survival during the capitalization period or mortality after a participant begins to receive the benefit or disability risk during the capitalization period.

The Company’s contributions to the supplementary pension plan for the year ended December 31, 2013 totaled R\$3,162 (R\$2,917 in 2012).

24. INSURANCE COVERAGE

The Company has an insurance policy that considers the risk concentration and its materiality, the nature of its business, and the advice of the insurance brokers.

25. EMPLOYEE AND MANAGEMENT PROFIT SHARING - CONSOLIDATED

The Company and its subsidiaries include in their human resources policy a profit-sharing plan (PPR) and bonuses for officers, not covered by any other variable compensation programs offered by these companies. Goals and criteria for defining and distributing funds awarded are agreed to between the parties, including the unions that represent employees, with objectives of gains in productivity and competitiveness and motivation and involvement of participants. As of December 31, 2013, the profit-sharing plan amounted to R\$32,314 (R\$37,110 in 2012), as shown below:

	Consolidated (BR GAAP and IFRSs)	
	<u>12/31/13</u>	<u>12/31/12</u>
Provision for the year	40,866	40,996
Reversal of the provision of prior years	<u>(8,552)</u>	<u>(3,886)</u>
Employee and management profit sharing in the statement of income for the year	<u>32,314</u>	<u>37,110</u>

26. EARNINGS PER SHARE

As mentioned in note 18, the Company's share capital comprises common shares, all of them registered and without par value. Under technical pronouncement CPC 41/IAS 33 - Earnings per Share, the table below reconciles the profit for the year to the amounts used to calculate basic and diluted earnings per share, as shown below:

	Company (BR GAAP)	
	<u>12/31/13</u>	<u>12/31/12</u>
Basic and diluted numerator-		
Allocation of profit for the year to shareholders - R\$	403,814	422,671
Basic and diluted denominator-		
Outstanding shares (in thousands)	63,900	63,900
Basic and diluted earnings per share - R\$	6.32	6.61

27. APPROVAL OF FINANCIAL STATEMENTS

The current financial statements, which contemplate the subsequent events occurred after December 31, 2013, were approved and authorized for issue at the Board of Directors' meeting held on February 25, 2014.

Board of Directors

Adalmiro Dellape Baptista	Honorary Chairman
Jonas de Campos Sialy	Chairman
Adalberto Panzenboeck Dellape Baptista	Vice Chairman
José Luiz Depieri	Director
Alexandre Gottlieb Lindenbojm	Director
Carlos Eduardo Depieri	Director
Luiz Antônio Martins Amarante	Director
Luiz Carlos Vaini	Director
Ricardo Panzenboeck Dellape Baptista	Director
José Rogério Luiz	Director

Statutory Officers

Manoel Arruda Nascimento Neto	Chief Operating Officer
Celso Pereira Sustovich	Chief Business Development Officer
Luciana Gualda dos Santos Sasso	Chief Legal Officer
Sidinei Righini	Chief Financial Officer
Wilson Roberto de Farias	Chief Industrial Officer
Vânia de Azevedo Nogueira de Alcântara Machado	Chief Commercial Officer

Accountant

Fernando de Assis Matias
CRC nº 1 SP 242753/O-5