(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, 2012 and Independent Auditor's 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, 2012 and 2011, 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

In 2012, Aché achieved considerable results from investments made in renewing its portfolio over the last five years. We launched 33 new medicines, and have in our pipeline a significant number of products in development for launch in the short term.

To keep up with this pace of growth and make its portfolio more robust, the Company restructured its management model and created the Dermatology Unit, consolidating three operating fronts in this segment: dermocosmetics, medications and post-beauty procedure products.

The Prescription Unit - which accounts for 80% of the Company's revenue and in which Aché has been the leader for five consecutive years in generating prescriptions - was also remodeled, gaining two new management areas: Marketing and Demand Generation.

The relationship of confidence established with healthcare professionals - one of Aché's traits since it was founded - was reinforced through important action to value medical knowledge and ensure consumer access to medical prescriptions. Thus, the "Respect for Prescriptions and Following Treatments" campaign came about to inform and raise consumer awareness about the importance of respecting medical prescriptions to obtain the expected results from treatment.

In addition, Aché entered the promising segments of nutraceuticals and biotechnological medications, betting on the concept of prevention with healthcare professionals, through an international partnership, and joining and creating the joint venture Bionovis S.A., respectively.

Finally, once again recognizing the Company's soundness and management and governance practices that have been implemented in recent years, the highlights of the Company's achievements in 2012 are: (i) its rating was reviewed and raised by the rating agency FitchRatings, in addition to the publishing of the rating by the agency Standard & Poor's, both as investment grade; (ii) "Valor 1000" award for the best company in pharmaceuticals and cosmetics, according to the newspaper Valor Econômico; and (iii) for the second consecutive year, the Company won the "Golden Magnifying Glass" award - Grupemef, in the category Best Business Performance.

Highlights of 2012

- ✓ Net revenue of R$1.6 billion, 14.3% more than in the previous year.
- ✓ EBITDA of R$563.5 million, up 24.1% from the previous year and equivalent to 35.2% of net revenue.
- ✓ Net profit of R$422.7 million, 11% greater than in the previous year, equivalent to 26.4% of net revenue.
- ✓ Launch of 33 new products and formats, of which 13 prescription medicines, 2 dermocosmetics, 1 OTC medicine and 17 generic medicines.
- ✓ Obtaining of 9 new product registrations with National Health Surveillance Agency (ANVISA) in 4Q12, of which 6 prescription medicines, 1 over-the-counter (OTC) medicine and 2 generic medicines, totaling 45 registrations in the year, of which 20 prescription medicines, 1 OTC medicine, 22 generic medicines and 2 medicines for export.
- ✓ Upgrade of rating by FitchRatings from “BBB-” to “BBB”, and publication of “BBB-” rating by Standard & Poor’s, both investment grade ratings.
- ✓ Contribution of 25% of the capital of Bionovis S.A., a Brazilian biotech company, held by the Company in conjunction with three other companies.

Main Financial Indicators - consolidated

(R$million)	4Q11	4Q12	*Var. (%)*	2011	2012	*Var. (%)*
Net Revenue	378.6	437.2	*15.5%*	1,401.2	1,602.2	*14.3%*
Gross Profit	300.9	343.9	*14.3%*	1,115.1	1,261.2	*13.1%*
% Net Revenue	*79.5%*	*78.7%*	*-0.8 p.p.*	*79.6%*	*78.7%*	*-0.9 p.p.*
Profit for the Year	143.7	141.1	*-1.8%*	380.7	422.7	*11.0%*
% Net Revenue	*38.0%*	*32.3%*	*-5.7 p.p.*	*27.2%*	*26.4%*	*-0.8 p.p.*
EBITDA (adjusted)	120.8	159.4	*32.0%*	454.1	563.5	*24.1%*
% Net Revenue	*31.9%*	*36.5%*	*4.6 p.p.*	*32.4%*	*35.2%*	*2.8 p.p.*

I - Overview

Net revenue for 4Q12 was R$437.2 million, 15.5% greater than the same quarter of the previous year. Meanwhile, EBITDA was R$159.4 million for 4Q12, up 32.0% from the same quarter of 2011. Consolidated net revenue for 2012 was R$1.6 billion, 14.3% higher than the consolidated figure for the previous year, while EBITDA for the year reached R$563.5 million, 24.1% higher than in 2011. EBITDA margin, for its part, reached 35.2% on net revenue. Finally, profit for the year was R$422.7 million, growing 11% from the previous year.

II - Business Context

1. Total Pharmaceutical Market (TPM)

The Brazilian pharmaceutical market expanded 15.7% in value and 10.6% in units in 2012, compared to the same period of the prior year.

The prescription medicine market, which represents 51.6% of the TPM in value, grew 11.6% in value and 7.2% in units compared to the same period of 2011. The over-the-counter medicine market, which accounts for 25.9% of the TPM in value, grew 15.5% compared to the same period of the previous year in value, and 10.7% in units. The generic medicine market, which accounts for 22.5% of the TPM in value, grew 26.8% in value and 16.7% in units over this same period.

2. Aché in the Total Pharmaceutical Market (TPM)

The Company's demand in the trade channel reached R$2.5 billion for 2012, 14.2% more than the same period of 2011. In units, Aché's demand reached 139 million, up 7.5%.

In the generation of medical prescriptions, Aché's main strategic focus, the Company remained the pharmaceutical market leader for the fifth consecutive year, with a market share of 6.33%.

This result was achieved once again through capillarity and segmentation in doctor visits and product launches.

Prescription Medicine Business Unit:

This business unit attained net revenue of R$1.2 billion, growing 13.2% from the same period of 2011, accounting for 79.8% of the Company's net revenue.

In the prescription segment, with 2012 results Aché remained the national leader in this segment in terms of demand in Brazilian Reais.

13 new medicines were launched in this period (notably Montelair - which is the first similar medicine of this molecule to hit the market, in addition to Liberaflux, Trezor, Bravan, Betadine, Aristab, Osteoban, Osteotrat, Stabil, Axonium and Eucerin Antiredness, among others).

In the table below, we highlight the prescription unit's products with the most significant performance in terms of demand in Brazilian Reais, compared with that of the previous year.

Prescription Medicine - % Growth Jan. to Dec. (2012 vs. 2011)

Ranking	PRODUCT	Growth (%)
1	BIOMAG	46.5%
2	EXODUS	33.8%
3	BUSONID NASAL	30.6%
4	LEVOID	29.2%
5	DIOSMIN	24.8%
6	MERITOR	24.7%
7	ALENIA	24.6%
8	DIGEPLUS NF	23.2%
9	LEUCOGEN	16.6%
10	LOTAR	13.6%

Over-the-Counter (OTC) Medicine Business Unit:

The OTC unit also had good performance in the year 2012, attaining net revenue of R$161.8 million, up 10.5% from 2011, accounting for 10.1% of the Company's net revenue.

As the OTC unit's main launch in 2012, Proepa Gesta (a new concept in the market, with omega 3 exclusively for pregnant and breast-feeding women) stands out.

In the table below, we highlight the OTC unit's main growers in terms of demand in Brazilian reais compared to the year 2011:

OTC - % Growth Jan. to Dec (2012 vs. 2011)

Ranking	PRODUCT	Growth (%)
1	SINTOCALMY	21.5%
2	DORILAX	12.7%
3	SORINE	6.3%
4	DECONGEX PLUS NF	5.4%
5	TRANSPULMIN	3.6%
6	BIOFENAC AERO	4.1%
7	FLOGORAL	2.2%

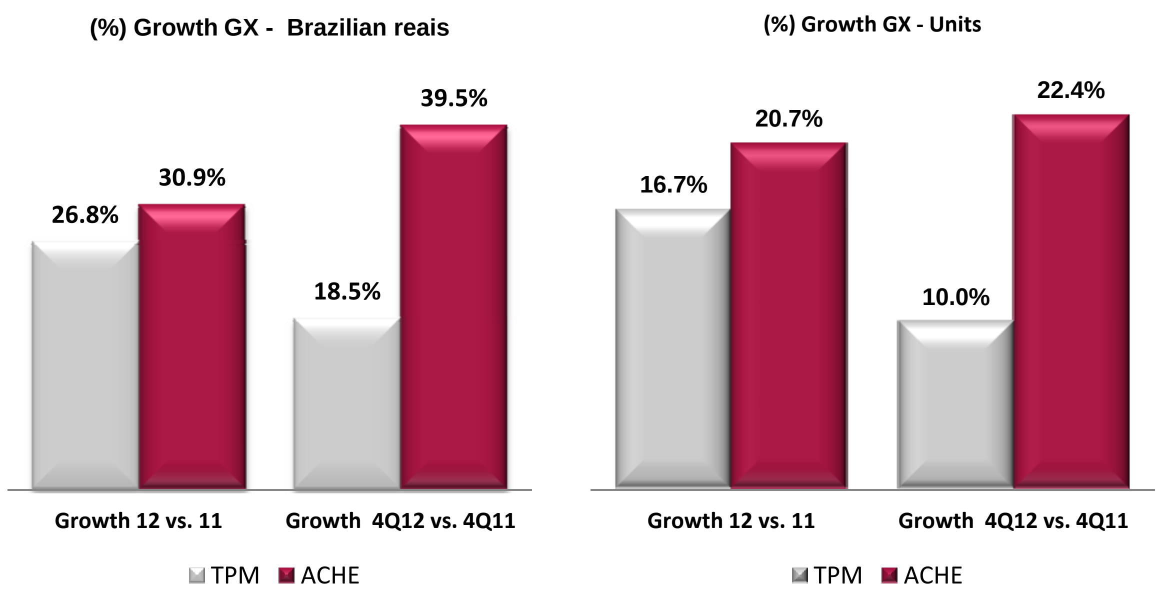
Generic Medicine Business Unit:

This unit's net revenue reached R$149.7 million, growing 28.1% from 2011, accounting for 9.4% 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 Brazilian reais of 30.9% in 2012, against 26.8% for the market.

This scenario is even more noticeable taking into consideration the performance for the last quarter of 2012 compared to the same quarter of the prior year, as shown in the graph below:

(%) Growth of TPM vs. Aché (2012 vs. 2011)



In 2012, the unit launched 17 new molecules including: Pantoprazole, Betahistine, Rosuvastatin, Ibandronate Sodium, Terbinafine, Ranitidine, Pramipexole, Valsartan, Rivastigmine, Risedronate Sodium, Olanzapine and the association of Tramadol + Paracetamol.

As a highlight among the unit's launches in 2012, it is worth noting that Montelukast is the first generic medicine of this molecule to reach the market.

In the table below, we point out the generic medicine unit's main growers:

Generics - % Growth Jan. to Dec. (2012 vs. 2011)

Ranking	PRODUCT	Growth (%)
1	LOSARTAN POTASS. MG	221.5%
2	CLO SIBUTRAMINE MG	130.4%
3	NIMESULIDE MG	84.0%
4	ATENOLOL MG	79.9%
5	ESCITALOPRAM OX. MG	72.3%
6	IBUPROFEN MG	63.3%
7	SOTALOL HYDROCHL. MG	60.8%
8	ENALAPRIL MALEATE MG	54.8%
9	AMIODARONE HYDROCHL. MG	54.6%
10	FUROSEMIDE MG	53.8%

III - Economic-Financial Performance

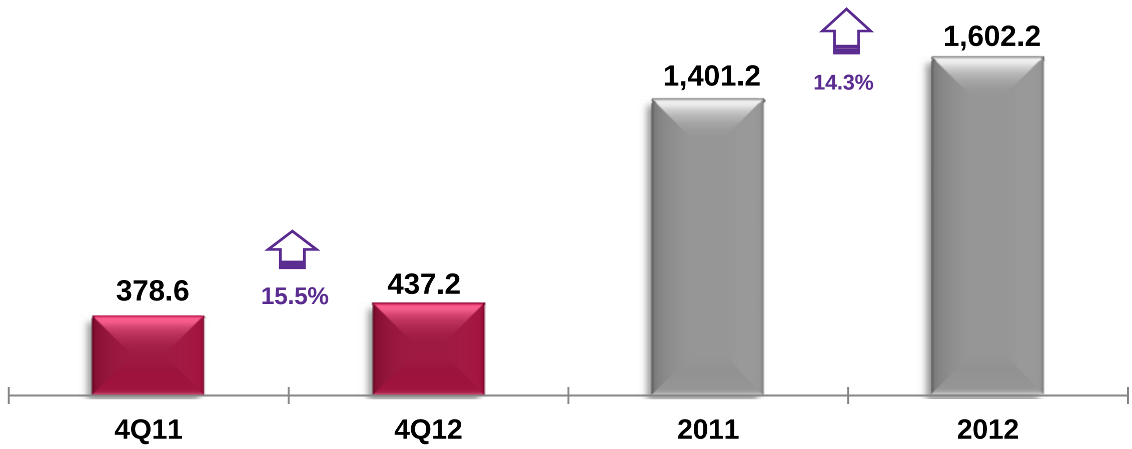
(R$ million)	4Q11	% NR	4Q12	% NR	2011	% NR	2012	% NR
Net Revenue	378.6	*100.0%*	437.2	*100.0%*	1,401.2	*100.0%*	1,602.2	*100.0%*
Gross Profit	**300.9**	***79.5%***	**343.9**	***78.7%***	**1,115.1**	***79.6%***	**1,261.2**	***78.7%***
Selling and Administrative Expenses	(161.0)	*-42.5%*	(163.0)	*-37.3%*	(653.6)	*-46.6%*	(680.7)	*-42.5%*
Other Operating Income (Expenses)	15.4	*4.1%*	(16.3)	*-3.7%*	1.3	*0.1%*	(23.7)	*-1.5%*
Operating Profit (EBIT)	**155.3**	***41.0%***	**164.6**	***37.6%***	**462.8**	***33.0%***	**556.8**	***34.8%***
Financial Income, Net	12.4	*3.3%*	7.5	*1.7%*	44.1	*3.1%*	28.4	*1.8%*
Profit before Income Tax and Social Contribution	**167.7**	***44.3%***	**172.1**	***39.4%***	**506.9**	***36.2%***	**585.2**	***36.5%***
Profit for the Year	**143.7**	***38.0%***	**141.1**	***32.3%***	**380.7**	***27.2%***	**422.7**	***26.4%***
EBITDA (adjusted)	**120.8**	***31.9%***	**159.4**	***36.5%***	**454.1**	***32.4%***	**563.5**	***35.2%***

1. Net Revenue

Net revenue grew 14.3% from 2011, reaching R$1,602.2 million. For 4Q12, net revenue came in at R$437.2 million, up 15.5% from the same quarter of the previous year.

The breakdown of net revenue for the year, by business unit, was: prescription 79.8%, OTC 10.1%, generics 9.4% and export 0.7%.

NET REVENUE
R$ million

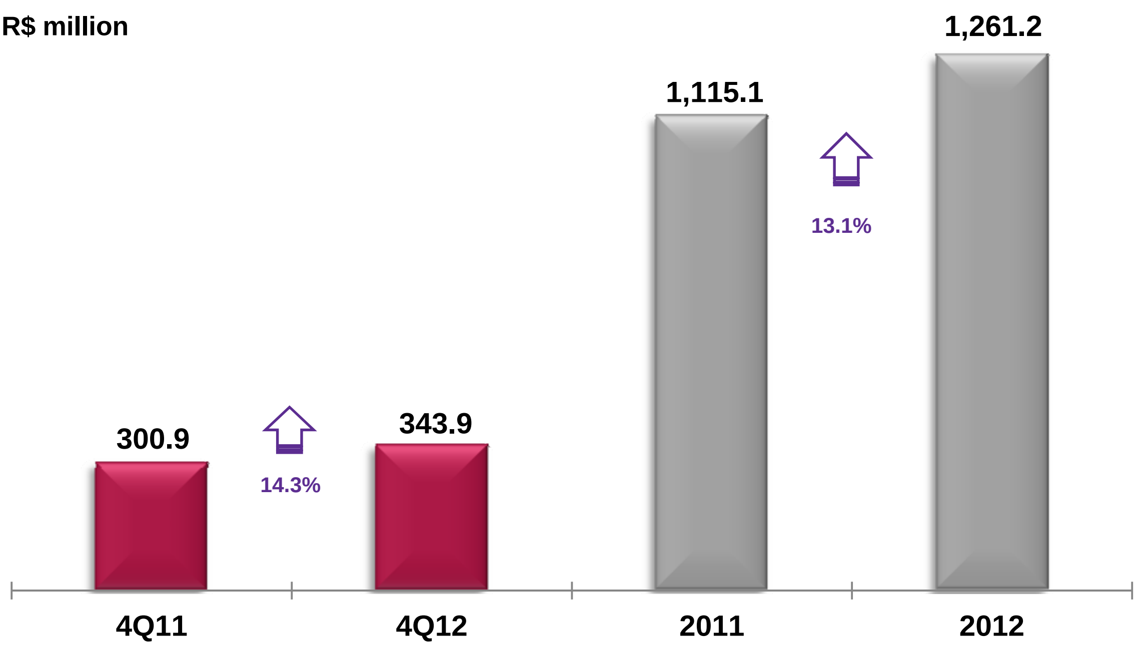


2. Gross Profit

The Company posted a gross profit of R$1,261.2 million, 13.1% greater than the figure for the year 2011.

In 4Q12, gross profit came in at R$343.9 million, up 14.3% from the same quarter of the previous year.

R$ million



3. Selling Expenses

For 2012, selling expenses totaled R$587.9 million, equivalent to 36.7% of net revenue. For 4Q12, selling expenses came in at R$141.6 million, 32.4% of net revenue, as shown in the table below:

(R$ million)	4Q11	% NR	4Q12	% NR	2011	% NR	2012	% NR
Selling Expenses	**132.2**	***34.9%***	**141.6**	***32.4%***	**546.7**	***39.0%***	**587.9**	***36.7%***

4. General and Administrative Expenses

General and administrative expenses totaled R$92.8 million for 2012, equivalent to 5.8% of net revenue. Measures adopted by the Company over the course of 2012 to reduce inventory losses brought significant results. Through structural corrective actions for each cause of such losses, the Company has achieved a 50.7% reduction in these expenses.

(R$ million)	4Q11	% NR	4Q12	% NR	2011	% NR	2012	% NR
Allowance for Inventory Losses	7.6	*2.0%*	3.4	*0.8%*	21.5	*1.5%*	10.6	*0.7%*
Other General and Admin. Expenses	21.2	*5.6%*	18.0	*4.1%*	85.4	*6.1%*	82.2	*5.1%*
General and Admin. Expenses	**28.8**	***7.6%***	**21.4**	***4.9%***	**106.9**	***7.6%***	**92.8**	***5.8%***

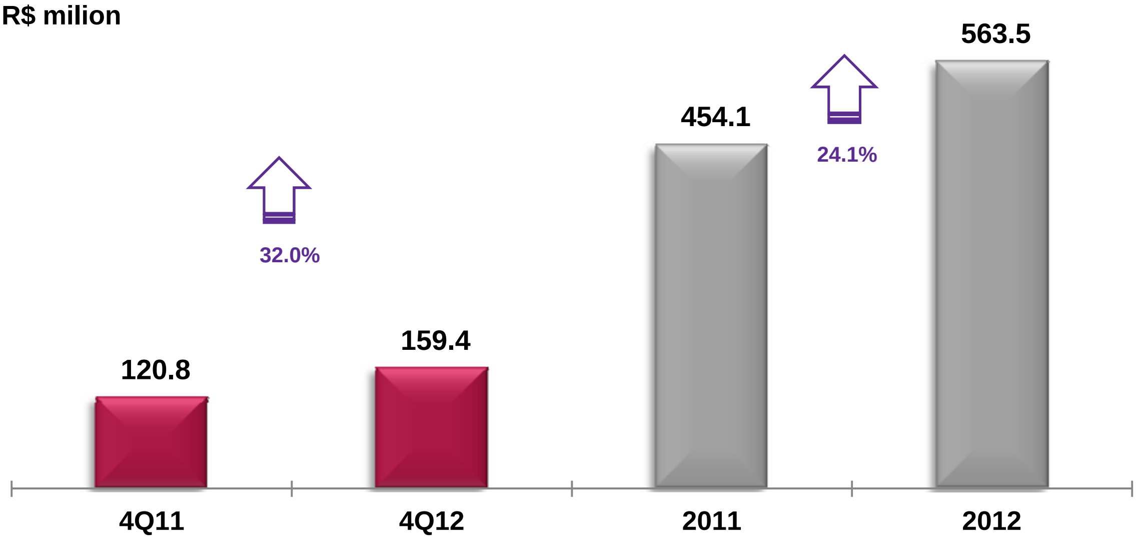
5. Adjusted EBITDA

Accumulated EBITDA (earnings before interest, taxes, depreciation and amortization) reached R$563.5 million, up 24.1% from the previous year, with an EBITDA margin of 35.2% for the year 2012.

ADJUSTED EBITDA was calculated as shown below:

Adjusted EBITDA (R$ million)	2011	2012	Var. (%)
Profit for the Year	380.7	422.7	*11.0%*
Provision for Income Tax and Social Contribution	125.8	163.0	*29.6%*
Financial Expenses, Net	(44.1)	(28.4)	*-35.6%*
Depreciation and Amortization	20.6	20.4	*-1.0%*
Nonrecurring Expenses/Income	(28.9)	(14.2)	*-50.9%*
Adjusted EBITDA	**454.1**	**563.5**	***24.1%***
Margin	*32.4%*	*35.2%*	*2.8 p.p.*

ADJUSTED EBITDA
R$ milion



6. Finance Income

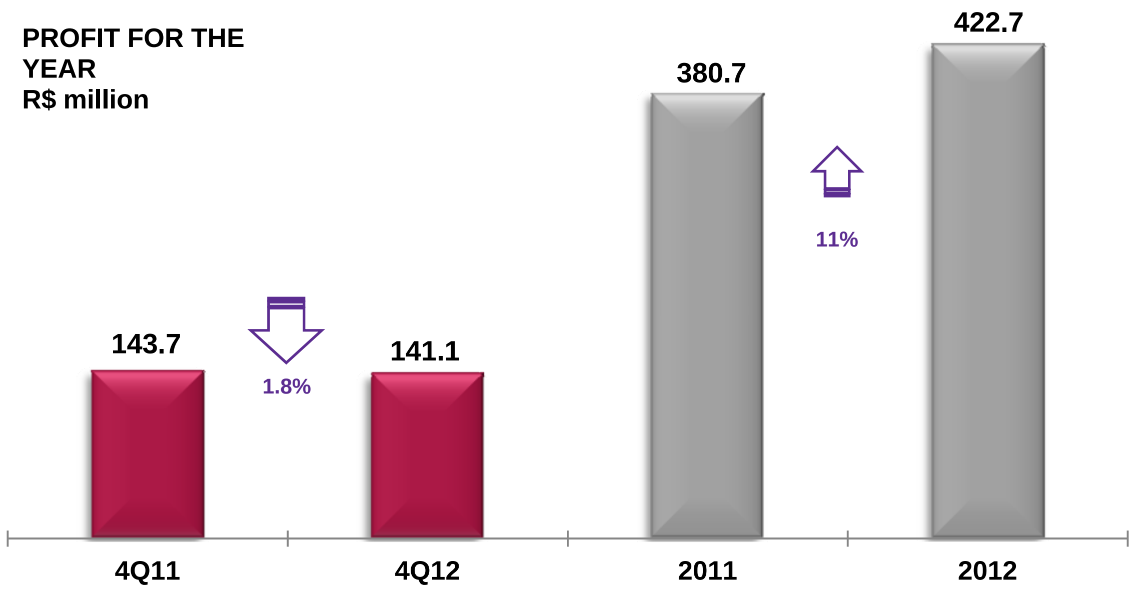
Net finance income came in at R$29.6 million for 2012, decreasing by R$17 million from the previous year. This result is mainly due to the reduction of the interbank certificate of deposit (CDI), which directly impacted the profitability of the Company's financial investments.

(R$ million)	4Q11	% NR	4Q12	% NR	2011	% NR	2012	% NR
Net Finance Income	12.9	*3.4%*	8.2	*1.9%*	46.6	*3.3%*	29.6	*1.8%*
Exchange Differences	0.4	*0.1%*	-	*0.0%*	(1.8)	*-0.1%*	(0.4)	*0.0%*
Adjustment to Present Value	(0.9)	*-0.2%*	(0.7)	*-0.2%*	(0.7)	*0.0%*	(0.8)	*0.0%*
Finance Income	**12.4**	***3.3%***	**7.5**	***1.7%***	**44.1**	***3.1%***	**28.4**	***1.8%***

7. Profit for the Year

Profit for 2012 came in at R$422.7 million, up 11% from 2011.

For 4Q12, profit was R$141.1 million, equivalent to 32.3% of net revenue. In the comparison of these two periods (4Q12 vs. 4Q11), the smaller volume of interest on capital paid in 2012 should be taken into consideration.



8. Net Debt

The Company ended 2012 with a net cash position of R$245.9 million, as shown in the table below:

(R$million)	2011	2012	*Var. (%)*
Borrowings and Financing - Current	78.8	73.8	*-6.3%*
Borrowings and Financing - Noncurrent	157.3	144.8	*-7.9%*
Gross Debt	**236.1**	**218.6**	***-7.4%***
Cash and Cash Equivalents	552.8	457.7	*-17.2%*
Cash Investments - Noncurrent	5.9	6.8	*15.3%*
Net Debt	**(322.6)**	**(245.9)**	***-23.8%***

The Company's noncurrent net debt was R$144.8 million, with maturities through 2035.

9. Investments

9.1 Research, Development and Innovation (RDI)

Investments in RDI totaled R$43.4 million in 2012.

The Company is developing four radical innovation projects and four incremental innovation projects.

In 2012, 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 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 and anxiety.

In addition, the Company has 160 projects in development, which, through a disciplined and structured methodology, conducted by its Project Management Office - PMO, has accelerated its portfolio renewal.

In the period from January to December 2012, the Company obtained 45 product registrations with ANVISA, of which 20 prescription medicines, 1 OTC medicine, 22 generic medicines and 2 medicines for export.

In 2012, the Company secured a line of financing to develop products through *Profarma Inovação*, in the amount of R$19.0 million, and another R$45.0 million through *Profarma Produção*, both with the National Bank for Economic and Social Development (BNDES). Of this line, R$30.0 million was made available in 2012.

9.2 Property, Plant and Equipment

In 2012, investments in the new production unit in Guarulhos reached R$14.3 million. Investments to conclude the modernization of manufacturing facilities were financed through *Profarma Produção* with the BNDES in the amount of R$22.5 million, made available in 2012.

In modernizing current manufacturing facilities, which in 2012 produced 171 million units, R$6.6 million were invested in machinery and equipment.

10. Dividends

In light of the Company's financial soundness and the strong cash generation, 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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying individual and consolidated financial statements of Aché Laboratórios Farmacêuticos S.A. (the "Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2012, 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.

Auditor's 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, 2012, 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, 2012, 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 IFRS, would be measured at cost or fair value. Our conclusion is not qualified in respect of this matter.

Other matters

Statement of value added

We have also audited the individual and consolidated statements of value added ("DVA") for the year ended December 31, 2012, 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, March 7, 2013

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, 2012 AND 2011
(In thousands of Brazilian reais - R$)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
ASSETS	Note	12/31/12	12/31/11	12/31/12	12/31/11
CURRENT ASSETS					
Cash and cash equivalents	5	124,791	133,319	457,703	552,848
Trade accounts receivable	6	168,103	145,770	258,170	223,436
Inventories	7	118,587	106,848	179,970	161,217
Recoverable taxes	8	2,045	11,294	4,402	17,019
Dividends receivable from subsidiaries	17	-	128,922	-	-
Prepaid expenses		14,668	15,781	16,789	18,561
Other receivables		6,709	16,949	10,755	21,111
Total current assets		434,903	558,883	927,789	994,192
NONCURRENT ASSETS					
Cash investments		-	-	6,795	5,911
Escrow deposits		49,791	13,655	50,893	14,208
Recoverable taxes	8	1,215	1,614	1,946	2,103
Other assets		1,914	1,432	1,422	1,432
Investments	11	606,467	590,310	-	-
Property, plant and equipment	12	505,183	497,853	606,919	600,429
Intangible assets	13	27,746	28,919	263,821	264,982
Total noncurrent assets		1,192,316	1,133,783	931,796	889,065
Financialincome					
TOTAL ASSETS		1,627,219	1,692,666	1,859,585	1,883,257

		Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
LIABILITIES AND EQUITY	Note	12/31/12	12/31/11	12/31/12	12/31/11
CURRENT LIABILITIES					
Trade accounts payable	14	33,019	25,504	55,182	36,005
Borrowings and financing	15	67,532	71,262	73,781	78,802
Taxes payable	16	61,084	20,529	118,405	64,051
Payroll and related taxes		40,099	36,381	52,232	46,255
Accounts payable		5,542	5,835	13,973	12,995
Dividends payable		-	150,000	-	150,000
Other payables		7,666	4,182	19,709	7,891
Total current liabilities		214,942	313,693	333,282	395,999
NONCURRENT LIABILITIES					
Borrowings and financing	15	118,849	135,225	144,821	157,348
Deferred income tax and social contribution	9	29,516	1,671	106,439	72,853
Provision for tax, civil and labor risks	18	98,316	71,187	107,057	80,274
Other payables		30,531	15,943	29,140	17,341
Total noncurrent liabilities		277,212	224,026	387,457	327,816
EQUITY					
Share capital	20.a	440,959	407,310	440,959	407,310
Capital reserves	20.b	174,212	174,212	174,212	174,212
Revaluation reserve		5,856	6,061	5,856	6,061
Carrying value adjustment		142,493	177,410	142,493	177,410
Earnings reserves	20.c	371,545	389,954	371,545	389,954
Noncontrolling interests in equity of subsidiaries		-	-	3,781	4,495
Total equity		1,135,065	1,154,947	1,138,846	1,159,442
TOTAL LIABILITIES AND EQUITY		1,627,219	1,692,666	1,859,585	1,883,257

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, 2012 AND 2011
(In thousands of Brazilian - R$, except earnings per share)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	Note	12/31/12	12/31/11	12/31/12	12/31/11
NET REVENUE	21	1,131,130	989,365	1,602,206	1,401,218
Cost of sales		(234,429)	(203,086)	(341,039)	(286,138)
GROSS PROFIT		896,701	786,279	1,261,167	1,115,080
OPERATING INCOME (EXPENSES)					
Selling expenses		(429,633)	(403,031)	(587,976)	(546,640)
General and administrative expenses		(74,269)	(81,025)	(92,744)	(106,935)
Employee and management profit sharing		(31,089)	(25,213)	(37,110)	(29,814)
Share of profits (losses) of subsidiaries	11	140,236	128,464	-	-
Other operating income, net	23	14,133	30,063	13,392	31,126
OPERATING PROFIT BEFORE FINANCIAL INCOME (EXPENSES)		516,079	435,537	556,729	462,817
FINANCIAL INCOME (EXPENSES)					
Financialincome	24	18,915	29,345	52,351	69,049
Financial expenses	24	(16,147)	(18,512)	(23,505)	(23,173)
Exchange differences, net	24	(385)	(1,579)	(430)	(1,814)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		518,462	444,791	585,145	506,879
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	10	(92,460)	(39,111)	(162,639)	(93,420)
Deferred	10	(3,331)	(25,007)	(346)	(32,418)
PROFIT FOR THE YEAR		422,671	380,673	422,160	381,041
ATTRIBUTABLE TO					
Owners of the Company		422,671	380,673	422,671	380,673
Noncontrolling interests		-	-	(511)	368
EARNINGS PER SHARE					
Basic and diluted		6.61	5.96	6.61	5.96

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, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
PROFIT FOR THE YEAR	422,671	380,673	422,160	381,041
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	422,671	380,673	422,160	381,041
ATTRIBUTABLE TO				
Owners of the Company	422,671	380,673	422,671	380,673
Noncontrolling interests	-	-	(511)	368
	422,671	380,673	422,160	381,041

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, 2012 AND 2011
(In thousands of Brazilian reais - R$)

			Capital reserves			Carrying value adjustment		Earnings reserves										
	Note	Share capital	Special goodwill reserve	Share premium reserve	Reserve in own assets	In own assets	In subsidiaries' assets	Legal reserve	Tax incentive reserve	Reserve for new products	Reserve for property, plant and equipment	Reserve for expansion	Undistributed profits reserve	Reserve for additional dividends proposed	Retained earnings	Equity attributable to owners of the Company	Noncontrolling interests	Total
BALANCES AS OF DECEMBER 31, 2010		407,310	167,767	6,445	6,275	147,639	31,459	43,807	290	54,395	-	33,649	129,946	-	-	1,028,982	6,010	1,034,992
Realization of revaluation reserve		-	-	-	(214)	-	-	-	-	-	-	-	-	-	214	-	-	-
Realization of adjustments to deemed cost		-	-	-	-	(483)	(1,205)	-	-	-	-	-	-	-	1,688	-	-	-
Tax incentive reserve		-	-	-	-	-	-	-	185	-	-	-	-	-	(185)	-	-	-
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	-	-	380,673	380,673	(368)	380,305
Recognition of reserve for new products, research and development and investments in Financialincome		-	-	-	-	-	-	-	-	129,946	-	-	(129,946)	-	-	-	-	-
Recognition of undistributed profits reserve		-	-	-	-	-	-	-	-	-	-	-	7,682	-	(7,682)	-	-	-
Interest on capital paid		-	-	-	-	-	-	-	-	-	-	-	-	-	(104,708)	(104,708)	-	(104,708)
Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Additional dividends proposed		-	-	-	-	-	-	-	-	-	-	-	-	120,000	(120,000)	-		-
Noncontrolling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,147)	(1,147)
BALANCES AS OF DECEMBER 31, 2011		#NAME?	167,767	6,445	#######	147,156	30,254	43,807	475	184,341	-	33,649	7,682	120,000	-	#NAME?	#NAME?	1,159,442
Capitalization of reserves		33,649	-	-	-	-	-	-	-	-	-	(33,649)	-	-	-	-	-	-
Realization of revaluation reserve		-	-	-	(205)	-	-	-	-	-	-	-	-	-	205	-	-	-
Realization of adjustments to deemed cost		-	-	-	-	(16,960)	(9,023)	-	-	-	-	-	-	-	1,469	(24,514)	-	(24,514)
Carrying value adjustment in subsidiaries' assets		-	-	-	-	-	(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 to earnings reserves		-	-	-	-	-	-	-	-	(101,733)	-	-	101,733	-	-	-	-	-
Transfer from earnings reserves to reserve for property, plant and equipment		-	-	-	-	-	-	-	-	-	103,060	-	(103,060)	-	-	-	-	-
Interest on capital paid as per Extraordinary Shareholders’ Meeting of November 21,		-	-	-	-	-	-	-	-	-	-	-	-	-	(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	20.c	-	-	-	-	-	-	-	-	-	-	-	-	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

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, 2012 AND 2011
(In thousands of Brazilian reais - R$)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	Note	12/31/12	12/31/11	12/31/12	12/31/11
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax and social contribution		518,462	444,791	585,145	506,879
Adjustments to reconcile profit before income tax and social contribution to net cash generated by operating activities:					
Depreciation and amortization	22	15,219	15,348	20,372	20,584
Gain (loss) on sale of property, plant and equipment		23	34	50	64
Provision for tax, civil and labor risks		99	(25,449)	(247)	(22,889)
Allowance for inventory losses		44	5,957	180	8,798
Share of profits (losses) of subsidiaries	11	(140,236)	(128,464)	-	-
Accrued interest, inflation adjustment and exchange differences		13,046	17,032	14,879	18,621
Allowance for doubtful accounts		(2,501)	85	(11,761)	(366)
		404,156	329,334	608,618	531,691
(Increase) decrease in operating assets:					
Trade accounts receivable		(19,832)	(31,834)	(22,974)	(43,332)
Inventories		(12,412)	(19,794)	(19,788)	(21,974)
Recoverable taxes		1,503	(3,618)	(4,715)	(12,164)
Prepaid expenses and other receivables		4,281	(10,497)	5,234	(5,735)
Increase (decrease) in operating liabilities:					
Trade accounts payable		7,515	11,784	19,182	18,497
Financialincome		3,629	6,107	5,975	6,648
Taxes payable		(4,423)	(1,873)	(3,779)	333
Other payables		17,855	2,215	24,183	192
Income tax and social contribution paid		(39,337)	(25,172)	(87,016)	(43,272)
Tax, civil and labor risks paid		(1,887)	(33,540)	(1,887)	(33,540)
Interest paid on borrowings and financing		(12,370)	(16,592)	(13,606)	(17,805)
Net cash generated by operating activities		348,678	206,520	509,427	379,539
CASH FLOW FROM INVESTING ACTIVITIES					
Dividends received from subsidiaries		246,922	112,925	-	-
Acquisition of and capital contribution to subsidiaries less net cash		(2,840)	(1,750)	-	-
Capital reduction in subsidiaries		-	-	-	(3,632)
Purchases of property, plant and equipment and intangible assets	12 e 13	(21,399)	(47,343)	(25,761)	(59,633)
Cash investments		-	-	(884)	(707)
Net cash generated by (used in) investing activities		222,683	63,832	(26,645)	(63,972)
CASH FLOW FROM FINANCING ACTIVITIES					
Purchase of noncontrolling interests		-	-	-	(1,883)
New borrowings and financing		49,891	52,268	56,616	56,253
Repayment of borrowings and financing - principal		(70,675)	(64,991)	(75,438)	(68,430)
Dividends paid		(499,680)	(139,792)	(499,680)	(139,792)
Interest on capital paid		(59,425)	(104,708)	(59,425)	(104,708)
Net cash used in financing activities		(579,889)	(257,223)	(577,927)	(258,560)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(8,528)	13,129	(95,145)	57,007
Cash and cash equivalents at the beginning of the year	5	133,319	120,190	552,848	495,841
Cash and cash equivalents at the end of the year	5	124,791	133,319	457,703	552,848
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(8,528)	13,129	(95,145)	57,007

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

ACHÉ LABORATÓRIOS FARMACÊUTICOS S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	Note	12/31/12	12/31/11	12/31/12	12/31/11
REVENUES					
Sales of products and services		1,334,239	1,162,955	1,842,981	1,607,624
Allowance for doubtful debts		2,501	(85)	11,761	366
Other revenues		1,643	675	2,828	1,099
		1,338,383	1,163,545	1,857,570	1,609,089
INPUTS PURCHASED FROM THIRD PARTIES					
Raw materials consumed		180,757	144,619	259,911	201,711
Cost of sales and services		5,562	8,615	5,622	8,676
Materials, electric power, outside services and other		243,821	209,010	343,593	298,670
Impairment (recovery) of assets		(855)	6,812	(937)	9,685
		429,285	369,056	608,189	518,742
GROSS VALUE ADDED		909,098	794,489	1,249,381	1,090,347
DEPRECIATION AND AMORTIZATION	22	15,219	15,348	20,372	20,584
VALUE ADDED GENERATED BY THE COMPANY		893,879	779,141	1,229,009	1,069,763
VALUE ADDED RECEIVED IN TRANSFER					
Share of profits (losses) of subsidiaries	11	140,236	128,464	-	-
Financialincome	24	18,915	29,345	52,351	69,049
		159,151	157,809	52,351	69,049
TOTAL VALUE ADDED FOR DISTRIBUTION		1,053,030	936,950	1,281,360	1,138,812
DISTRIBUTION OF VALUE ADDED		1,053,030	936,950	1,281,360	1,138,812
Personnel		256,217	234,784	343,323	309,724
Salaries		217,739	202,335	290,860	266,181
Benefits		24,705	19,525	33,742	26,303
Severance Pay Fund (FGTS)		13,773	12,924	18,721	17,240
Taxes and contributions		332,907	278,868	456,659	392,367
Federal		219,409	180,347	302,533	255,427
State		111,513	97,142	151,222	134,533
Other taxes		1,985	1,379	2,904	2,407
Lenders and lessors		41,235	42,625	59,217	55,680
Interest		16,531	20,091	23,936	24,987
Rentals		24,704	22,534	35,281	30,693
Shareholders		422,671	380,673	422,161	381,041
Dividends and interest on capital		289,105	254,708	289,105	254,708
Retained earnings for the year		133,566	125,965	132,545	125,965
Noncontrolling interests		-	-	511	368

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

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 cosmeceuticals, through its prescription, hospital, generic and over-the-counter medicine business units.

b) Participation in joint venture

On March 23, 2012, the Company and other three companies entered into an investment agreement for incorporation of Bionovis S.A., a Brazilian biotechnological products company.

Estimated investments total R$500 million in the next five years, and each partner holds 25% of the capital of Bionovis S.A.

Accordingly, 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”) - jointly controlled entity - mainly engaged in the research, development, production, distribution and sale of biotechnological medicines.

- Raposo Participações Ltda. (“Raposo”) - indirect subsidiary - holding of a non-financial institution.

2. PREPARATION OF FINANCIAL STATEMENTS

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 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 Group is as follows:

2.3. Functional and presentation currency

Items included in the Company’s financial statements, of each of the subsidiaries and of the jointly controlled entity 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 income statement 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 and jointly controlled entity

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and jointly controlled entity. Control is achieved where 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.

	Equity interest - %	
	12/31/12	12/31/11
Direct subsidiaries and joint controlled entity:		
Aché International	100.00	100.00
Biosintética	99.99	99.99
Melcon	50.00	50.00
Labofarma	99.99	99.99
Bionovis	25.00	-
Indirect subsidiary-		
Raposo	99.99	99.99

The fiscal years of the subsidiaries and jointly controlled entity included in consolidation coincide with those of the parent company, 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 and jointly controlled entity to bring their accounting practices into line with those used by the Company. All intragroup transactions, balances, income and expenses are eliminated in full in the consolidated financial statements.

The main consolidation procedures are:

- Elimination of 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.

- Proportional consolidation of the investment in jointly controlled entity.

In the Company's individual financial statements, the financial statements of the subsidiaries and jointly controlled entity are accounted for by the equity method of accounting.

2.5. Significant accounting practices

2.5.1. General principles

Assets, liabilities, revenues and expenses are determined on the accrual basis. Sales revenue is recognized in the income statement when the risks and rewards of ownership of the products sold are transferred to the buyer or when the services are rendered.

Revenue is presented net of deductions, including tax on sales.

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

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 their residual values over their 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, where 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 where 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. Where 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. Where 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.

Where 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 income statement. 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 from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 income statement 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.

Deferred tax assets arising from tax losses and temporary differences are recognized in conformity with tax legislation, technical pronouncement CPC 31 - Noncurrent Assets Held for Sale and Discontinued Operations and CVM Instruction 371/02, and take into consideration the history of profitability and expectation of generation of future taxable profits, based on a technical feasibility study annually reviewed.

Current and deferred income tax and social contribution for the year

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.

The Company elected the Transition Tax Regime (RTT), as established by Law 11,941/09. The exercise of the option was irreversibly expressed in the 2009 Corporate Income Tax Return (DIPJ). RTT permits, among other situations, to neutralize the current tax effect on the profit and loss accounts that now have a different treatment under the tax legislation and the new corporate law.

2.5.13. Provisions

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, 2012 and 2011, 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, 2012 and 2011, for the Company, this balance includes cash and cash equivalents (note 5), borrowings and financing (note 15), trade accounts payable (note 14) and trade accounts receivable (note 6).

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 income statement. 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 income statement under “Finance income” or “Finance expenses”, respectively, in the year in which they arise. For financial assets classified as available-for-sale, where 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 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, where 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 income statement.

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, finance income and other income)). The second part of the DVA 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 29.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Company’s 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. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that period, or in future periods if the revision affects both current and future periods.

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 each reporting period, no evidence of impairment was identified.

The recoverable amount of an asset is the higher of: (a) an asset's fair value less costs to sell; and (b) its value in use. The value in use is measured based on discounted cash flows (pre-tax) derived from the continued used 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 dates 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 tax, civil and labor risks

The Company and its subsidiaries are parties to judicial and administrative proceedings, as described in note 18. 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. ADOPTION OF NEW AND REVISED INTERNATIONAL ACCOUNTING STANDARDS

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.

- IFRS 10 - Consolidated Financial Statements (CPC 36 (R3)) - IFRS 10 replaces SIC 12 and IAS 27 and applies to consolidated financial statements when an entity controls one or more entities. The standard includes a new definition of control that contains three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. This standard is effective for annual periods beginning on or after January 1, 2013, and the Company does not expect material effect as a result of its adoption.

- IFRS 11 - Joint Ventures (CPC 18 (R2)) - IFRS 11 replaces SIC 13 and IAS 31 and applies to jointly controlled entities. Under this standard, joint arrangements are classified as joint operations or joint ventures according to the rights and obligations of the parties to the joint arrangements. Joint ventures are recorded under the equity method of accounting, while jointly controlled entities can be accounted for under the equity method of accounting or the proportionate consolidation method. The standard is effective for annual periods beginning on or after January 1, 2013. The Company assessed the content of such standard and concluded that its application will have effect on the joint venture Bionovis, which on January 1, 2013 will cease to proportionately consolidate its financial statements (as shown in note 2.4) and will be accounted for under the equity method.

- IFRS 12 - Disclosure of Interests in Other Entities (CPC 45) - IFRS 12 addresses the disclosure of interests in other entities and its objective is to enable users of the financial statements to evaluate the risks and nature of those interests and their effects on the financial statements. This standard is effective for annual periods beginning on or after January 1, 2013, and the Company does not expect material effect as a result of its adoption.

- IFRS 13 - Fair Value Measurement (CPC 46) - IFRS 13 applies when other IFRSs require or permit fair value measurements or disclosures (and measurements such as fair value less costs to sell, based on fair value or disclosures on such measurements). This standard is effective for annual periods beginning on or after January 1, 2013, and the Company does not expect material effect as a result of its adoption.

IASB issued clarifications for standards and amendments to IFRSs. The main amendments are as follows:

- IAS 1 - Presentation of Financial Statements (CPC 26 (R1)) - presentation of items of other comprehensive income; the amendment is effective for annual periods beginning on or after July 1, 2012. This standard has had no effect on the Company's financial statements.

- IAS 27 - Separate Financial Statements (CPC 36) - as a consequence of the future application of IFRSs 10 and 12, the standard retains only the accounting requirements for subsidiaries, joint ventures and associates in separate financial statements; the amendment is effective for annual periods beginning on or after January 1, 2013, and the Company does not expect material effect as a result of its adoption.

- IAS 28 - Investments in Associates (CPC 18 (R2)) - as a consequence of the future application of IFRSs 11 and 12, the standard is now IAS 28 - Investments in Associates and Joint Ventures and describes the application of the equity method for investments in joint ventures and associates; the amendment is effective for annual periods beginning on or after January 1, 2013. The Company assessed the content of such standard and concluded that its application will have effect on the joint venture Bionovis, which on January 1, 2013 will cease to proportionately consolidate its financial statements (as shown in noteº 2.4) and will be accounted for under the equity method.

- 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.

The CPC has not yet issued the pronouncements and amendments correlated to the new and revised IFRSs presented above. Because of the CPC's commitment to keep the set of standards issued updated based on the updates made by the IASB, these pronouncements and amendments are expected to be issued by the CPC through the date of their mandatory adoption.

5. CASH AND CASH EQUIVALENTS

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Cash and banks	2,422	3,882	3,704	10,922
Cash investments	122,369	129,437	453,999	541,926
	124,791	133,319	457,703	552,848

Cash investments comprise repurchase agreements and bank certificates of deposit (CDBs) with several financial institutions, which are classified into the risk rating levels determined by the Company, with yield from 100.0% to 103.0% of the interbank certificate of deposit (CDI) rate, and are classified by the Company and its subsidiaries and jointly controlled entity in such line item 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.

6. TRADE ACCOUNTS RECEIVABLE

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Domestic	172,971	153,524	263,359	239,157
Foreign	603	219	3,560	4,790
Allowance for doubtful accounts	(5,471)	(7,973)	(8,749)	(20,511)
	168,103	145,770	258,170	223,436

The aging list of trade accounts receivable is as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Current	153,218	135,989	231,282	208,673
Past-due:				
From 1 to 30 days	14,231	11,135	25,910	16,714
From 31 to 60 days	443	955	544	1,405
From 61 to 90 days	169	888	199	914
From 91 to 180 days	18	318	74	588
Over 180 days	5,495	4,458	8,910	15,653
	173,574	153,743	266,919	243,947

Changes in the allowance for doubtful accounts were as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Balance at the beginning of the year	(7,973)	(7,888)	(20,511)	(20,877)
Allowance	(134)	(85)	(408)	(239)
Reversal	2,636	-	12,170	605
Balance at the end of the year	(5,471)	(7,973)	(8,749)	(20,511)

7. INVENTORIES

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Finished goods	33,035	48,818	60,477	76,279
Work in process	10,121	7,308	15,461	12,763
Raw materials	80,196	56,616	117,118	81,251
Advances to suppliers	5,643	3,420	5,647	8,167
Allowance for inventory losses	(10,408)	(9,314)	(18,733)	(17,243)
	118,587	106,848	179,970	161,217

Changes in the allowance for inventory losses were as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Balance at the beginning of the year	(9,314)	(4,508)	(17,243)	(9,740)
Allowance for inventory losses	(7,945)	(9,186)	(11,844)	(19,305)
Reversal of inventory loss	6,851	4,380	10,354	11,802
Balance at the end of the year	(10,408)	(9,314)	(18,733)	(17,243)

8. RECOVERABLE TAXES

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Social contribution on net income (CSLL)	-	4,928	2	4,934
State VAT (ICMS)	2,226	4,515	3,729	6,069
Tax on revenue (COFINS)	397	2,444	844	3,298
Tax on revenue (PIS)	85	633	233	848
Federal VAT (IPI)	11	158	204	3,481
Service tax - ISS	-	-	444	-
Social security contribution (INSS)	281	-	281	-
Other taxes	260	230	611	492
	3,260	12,908	6,348	19,122
Current	2,045	11,294	4,402	17,019
Noncurrent	1,215	1,614	1,946	2,103
	3,260	12,908	6,348	19,122

9. 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:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Assets				
Deferred income tax on:				
Temporary nondeductible provisions:				
Provision for tax, civil and labor risks	38,677	36,662	41,247	38,945
Profit sharing	5,388	4,426	5,388	4,426
Allowance for doubtful accounts	1,368	1,925	2,187	5,060
Allowance for inventory losses	2,769	2,652	4,884	4,733
Provision for fleet maintenance	1,302	901	1,892	1,227
Provision for checking account	1,728	1,368	4,694	2,151
Other	705	734	801	790
	51,937	48,668	61,093	57,332

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Deferred social contribution on:				
Tax losses	-	4,323	-	4,323
Provision for tax, civil and labor risks	13,924	11,048	14,849	11,869
Profit sharing	1,940	1,593	1,940	1,593
Allowance for doubtful accounts	492	693	787	1,822
Allowance for inventory losses	997	954	1,758	1,704
Provision for fleet maintenance	469	324	682	442
Provision for checking account	622	492	1,690	774
Other	1,115	1,129	1,185	1,145
	19,559	20,556	22,891	23,672
	71,496	69,224	83,984	81,004
Liabilities				
Deferred income tax on:				
Revaluation	2,114	2,131	2,917	2,996
Deemed cost of property, plant and equipment	47,890	29,500	56,783	32,486
Amortized goodwill	2,862	2,862	53,847	53,847
Borrowing costs	6,893	5,003	6,893	5,003
Inflation adjustment of escrow deposits (cash basis)	14,515	12,951	14,515	12,951
Adjustment to present value of financial liabilities	-	-	4,659	4,724
Other	-	-	403	1,440
	74,274	52,447	140,017	113,447
Deferred social contribution on:				
Revaluation reserve	761	334	1,050	645
Deemed cost of property, plant and equipment	17,240	10,620	20,442	11,696
Amortized goodwill	1,030	1,030	19,385	19,385
Borrowing costs	2,482	1,801	2,482	1,801
Inflation adjustment of escrow deposits (cash basis)	5,225	4,663	5,225	4,662
Adjustment to present value of financial liabilities	-	-	1,677	1,701
Other	-	-	145	520
	26,738	18,448	50,406	40,410
	101,012	70,895	190,423	153,857
Deferred income tax and social contribution, net	(29,516)	(1,671)	(106,439)	(72,853)

The deferred tax asset recognized is limited to the amounts for which their utilization is supported by taxable profit projections, prepared by the Company and its subsidiaries and jointly controlled entity, 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. Such tax losses can be carried forward indefinitely.

According to projections prepared by Management and approved by the Finance Committee and Board of Directors, deferred income tax and social contribution on tax losses is expected to be realized in the following years:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Tax losses-				
2012	-	4,323	-	4,323
	-	4,323	-	4,323

10. 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, 2012 and 2011 is as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Profit before income tax and social contribution	518,462	444,791	585,145	506,879
Income tax and social contribution expense at statutory rate - 34%	(176,277)	(151,229)	(198,949)	(172,339)
Reconciliation of income tax and social contribution expense at effective rate:				
Share of profits (losses) of subsidiaries	47,680	43,229	-	-
Tax benefit from technology research and development	6,498	6,520	7,435	7,353
Interest on capital	20,204	35,601	20,204	35,601
Nondeductible expenses	-	(688)	-	(1,121)
Other	6,104	2,449	8,325	4,668
Income tax and social contribution expense in the income statement	(95,791)	(64,118)	(162,985)	(125,838)
Current	(92,460)	(39,111)	(162,639)	(93,420)
Deferred	(3,331)	(25,007)	(346)	(32,418)
	(95,791)	(64,118)	(162,985)	(125,838)

11. INVESTMENTS

	Company (BR GAAP and IFRSs)	
	12/31/12	12/31/11
Investments in subsidiaries	577,487	561,330
Goodwill - Asta Médica Ltda.	11,446	11,446
Goodwill - Melcon	17,534	17,534
	606,467	590,310

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 is as follows:

	Investees' values at 12/31/12			Share of profits (losses) of subsidiaries			Investments	
Subsidiaries and jointly controlled entity	Equity	Profit (loss) for the year	Equity interest - %	Exchange differences	Share of profits (losses) of subsidiaries	Unrealized profits	12/31/12	12/31/11
Aché International	1,347	(8)	100,00	112	(8)	-	1,347	1,243
Biosintética (c)	572,336	143,248	99,99	-	143,248	-	572,336	555,797
Melcon (a)	7,562	(1,022)	50,00	-	(511)	(331)	3,448	4,495
Labofarma	(1,614)	(1,749)	99,99	-	(1,749)	-	(1,614)	(205)
Bionovis (b)	7,881	(2,099)	25,00	-	(525)	-	1,970	-
	587,512	138,370		112	140,455	(331)	577,487	561,330

Changes in investments in subsidiaries were as follows:

			Share of profits (losses) of subsidiaries					
Subsidiaries and jointly controlled entity	12/31/11	Capital increase	Exchange differences	Share of profits (losses) of subsidiaries	Unrealized profits	Dividends	Other adjustments	12/31/12
Aché International	1,243	-	112	(8)	-	-	-	1,347
Biosintética	555,797	-	-	143,248	-	(118,000)	(8,709)	572,336
Melcon (a)	4,495	-	-	(511)	(331)	-	(205)	3,448
Labofarma	(205)	340	-	(1,749)	-	-	-	(1,614)
Bionovis (b)	-	2,500	-	(525)	-	-	(5)	1,970
	561,330	2,840	112	140,455	(331)	(118,000)	(8,919)	577,487

(a) The share of profits (losses) of the jointly controlled entity Melcon was adjusted pursuant to ICPC 09 due to the elimination of unrealized profits on such entity's sales to the parent company.

(b) As described in note 1.b), the Company has interest in the joint venture Bionovis S.A., to which a capital contribution of R$2,500 was made during the year.

			Share of profits (losses) of subsidiaries				
Subsidiaries	12/31/10	Increase	Exchange differences	Share of profits (losses) of subsidiaries	Dividends	Decrease in investments	12/31/11
Aché International	1,111	-	140	(7)	-	-	1,244
Biosintética	556,532	-	-	128,186	(128,922)	-	555,796
Melcon	6,010	1,750	-	368	-	(3,633)	4,495
Labofarma	18	-	-	(223)	-	-	(205)
	563,671	1,750	140	128,324	(128,922)	(3,633)	561,330

Details on related-party transactions are provided in Note 17.

12. PROPERTY, PLANT AND EQUIPMENT

	Company (BR GAAP)					
	12/31/12			12/31/11		
	Cost	Accumulated depreciation	Residual value	Cost	Accumulated depreciation	Residual value
Land	82,774	-	82,774	82,773	-	82,773
Buildings	387,073	(102,044)	285,029	302,612	(96,399)	206,213
Facilities	39,966	(29,267)	10,699	39,448	(27,465)	11,983
Machinery and equipment	113,674	(75,741)	37,933	109,685	(72,530)	37,155
Furniture and fixtures	18,373	(17,029)	1,344	18,003	(16,595)	1,408
Vehicles	1,900	(1,670)	230	1,798	(1,570)	228
IT equipment	22,484	(20,466)	2,018	22,188	(19,358)	2,830
Molds and dies	10,513	(7,003)	3,510	9,892	(6,355)	3,537
Other	620	(607)	13	647	(622)	25
	677,377	(253,827)	423,550	587,046	(240,894)	346,152
Property, plant and equipment in progress	81,633	-	81,633	151,701	-	151,701
	759,010	(253,827)	505,183	738,747	(240,894)	497,853

	Consolidated (BR GAAP and IFRSs)					
	12/31/12			12/31/11		
	Cost	Accumulated depreciation	Residual value	Cost	Accumulated depreciation	Residual value
Land	122,666	-	122,666	122,666	-	122,666
Buildings	426,445	(110,959)	315,486	340,996	(104,480)	236,516
Facilities	47,625	(34,973)	12,652	46,789	(32,597)	14,192
Machinery and equipment	174,381	(111,470)	62,911	168,003	(105,431)	62,572
Furniture and fixtures	19,421	(17,345)	2,076	18,805	(16,793)	2,012
Vehicles	2,159	(1,805)	354	2,265	(1,897)	368
IT equipment	25,612	(22,937)	2,675	25,177	(21,501)	3,676
Molds and dies	14,424	(7,982)	6,442	12,685	(6,989)	5,696
Other	637	(613)	24	661	(625)	36
	833,370	(308,084)	525,286	738,047	(290,313)	447,734
Property, plant and equipment in progress	81,633	-	81,633	152,695	-	152,695
	915,003	(308,084)	606,919	890,742	(290,313)	600,429

Changes in property, plant and equipment were as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Balance at the beginning of the year	497,853	466,163	600,429	561,816
Additions (net of transfers to projects closed):				
Facilities	521	508	833	1,132
Machinery and equipment	4,145	10,077	6,561	18,930
Furniture and fixtures	505	349	755	563
Vehicles	102	54	134	69
IT equipment	325	2,838	487	3,644
Property, plant and equipment in progress	14,393	31,111	14,399	32,105
Molds and dies	620	407	1,732	1029
Other	1	-	1	-
	20,612	45,344	24,902	57,472
Net write-offs/transfers to intangible assets	(23)	(224)	(60)	(254)
Depreciation	(13,259)	(13,430)	(18,352)	(18,605)
Balance at the end of the year	505,183	497,853	606,919	600,429

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

Category	Useful life (years)
Buildings	25 to 48
Furniture and fixtures, facilities, molds and dies and other	10
Machinery and equipment	7 to 20
IT equipment	3 to 5
Vehicles	5

Assets pledged as collateral

As of December 31, 2012, the Company, its subsidiaries and jointly controlled entity had property, plant and equipment pledged as collateral for borrowings and financing as well as for lawsuits, as described in note 15.

Deemed cost

The Company and its subsidiaries elected to adopt the deemed cost, adjusting the opening balances at the transition date, that is, at January 1, 2010, by their fair values estimated in technical reports prepared by external specialists (engineers) with professional experience, objectivity and technical knowledge of the valued assets.

As of December 31, 2012, the Company and its subsidiaries evaluated the technical pronouncements and recorded deferred income tax and social contribution liabilities on the temporary differences related to the land revaluation, since they recognized that it is probable that the economic benefits associated to a nondepreciable asset will not revert to the Company and its subsidiaries.

Impairment test of assets

As of December 31, 2012, no events indicating the impairment of property, plant and equipment and intangible assets have been identified.

13. INTANGIBLE ASSETS

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Trademarks (a)	24,887	24,567	27,802	27,485
Software	2,859	4,352	3,098	4,576
Goodwill - Asta Médica Ltda. (b)	-	-	11,446	11,446
Goodwill - Biosintética (c)	-	-	203,942	203,942
Goodwill - Melcon (d)	-	-	17,533	17,533
	27,746	28,919	263,821	264,982

(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 subsidiary Biosintética Farmacêutica Ltda., 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 subsidiary Indústria Farmacêutica Melcon do Brasil S.A. in August 2010.

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

Category	Useful life (years)
Software	5
Trademarks	-

Changes in intangible assets were as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Balance at the beginning of the year	28,919	28,648	264,982	260,978
Additions - goodwill - Indústria Farmacêutica Melcon do Brasil S.A. (*)	-	-	-	3,632
Additions	787	1,999	859	2,161
Transfers to property, plant and equipment in progress	-	190	-	190
Amortization - software	(1,960)	(1,918)	(2,020)	(1,979)
Balance at the end of the year	27,746	28,919	263,821	264,982

(*) Adjustment of goodwill based on the Extraordinary Shareholders' Meeting of Indústria Farmacêutica Melcon do Brasil S.A, held on December 20, 2010 and registered with the Division of Corporations of the State of Goiás (JUCEG) on November 21, 2011, which approved the re-ratification of the 9th Amendment to the Company's Articles of Incorporation, dated August 26, 2010, changing the number of shares originally transferred by the former shareholders to the Company, from 7,500,000 shares to 3,867,501 shares.

Impairment test of assets

The Company tests the impairment of goodwill based on its value in use. The estimate of the value in use involves the use of assumptions, judgments and estimates on the cash flow and represents the Company's best estimate.

For purpose of testing the impairment of goodwill, the main assumptions used in the cash flow projection are:

- Gross revenue - varies according to the price that the company adopts for the type of service provided or product considered in the calculation.

- Production curve - varies according to the project structuring and performance of the various contracts.

- Fixed and variable operating costs - are associated to the production curves, but can vary also according to the technology and production methods.

- Percentages of the taxes.

- Investments to be made.

As of December 31, 2012, there are no factors that justify the impairment of assets considering that the Company has a profitability history in its budget approved by the Executive Officers.

14. TRADE ACCOUNTS PAYABLE

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Domestic suppliers	11,468	10,846	18,104	16,829
Foreign suppliers	19,532	11,520	36,896	19,058
Related parties (see note 17)	2,019	3,138	182	118
	33,019	25,504	55,182	36,005

15. BORROWINGS AND FINANCING

	Annual charges	Maturity	Company (BR GAAP) 12/31/12	Company (BR GAAP) 12/31/11	Consolidated (BR GAAP and IFRSs) 12/31/12	Consolidated (BR GAAP and IFRSs) 12/31/11
Local currency:						
PRÓ-DF (*)	25% of INPC + 2.43%	2035	-	-	20,000	18,847
FINAME	TJLP + 1.15% to 2.95%	2016	795	1,336	1,218	1,709
FINAME	2.5% to 5.5%	2020	4,178	4,914	5,004	5,629
FCO and FOMENTAR	9.5% to 10%	2018	-	-	3,871	3,242
FINEP	4%	2019	38,876	38,867	38,876	38,867
BNDES	4,5%	2020	1,103	-	1,103	-
BNDES	6%	2012	-	-	-	1,760
BNDES	UMBNDES + 1.5%	2012	-	-	-	172
Leases	1,35%	2015	-	-	22	-
Letter of guarantee	-	2014	-	-	61	-
Discounted trade notes - Banco do Brasil	26,23%	2013	-	-	395	-
Profarma - BNDES	TJLP + 1.5% to 3%	2019	135,979	154,781	140,003	154,806
			180,931	199,898	210,553	225,032
Foreign currency	Libor + 2.85% to 3.7%	2015	5,450	6,589	8,049	11,118
			186,381	206,487	218,602	236,150
Current			67,532	71,262	73,781	78,802
Noncurrent			118,849	135,225	144,821	157,348
			186,381	206,487	218,602	236,150

(*) The Company has a financing from Banco de Brasília that can be utilized up to 2035 and that will be repaid in a lump sum at the end of 25 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 finance income (expenses). The financial adjustment is calculated considering the SELIC interest rate projected by the Central Bank of Brazil (BACEN).

- Local currency

  Borrowings refers mainly to financing under the Profarma - National Bank for Economic and Social Development (BNDES) Program.

a) Guarantees and covenants

Company

The Profarma Production - BNDES financing is intended for the construction and modernization of the new industrial unit in Guarulhos - SP and the development of products. The Profarma Innovation - BNDES financing is intended for research and development of products with innovative characteristics. This financing provides for usual events of accelerated maturity, among which non-compliance 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 EBITDA. As of December 31, 2012, the Company is compliant with such covenant.

Additionally, the Profarma - BNDES financing are 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 Farmacêutica Ltda. - agreements entered into before its acquisition

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.

16. TAXES PAYABLE

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
State VAT (ICMS)	4,191	8,210	13,092	12,548
Corporate income tax (IRPJ)	43,000	5,012	80,155	32,568
Tax on revenue (COFINS)	4,501	5,040	4,680	5,224
Social contribution on net income (CSLL)	6,991	-	17,377	6,837
Tax on revenue (PIS)	951	1,067	990	1,107
Other	1,450	1,200	2,111	5,767
	61,084	20,529	118,405	64,051

17. RELATED PARTIES

Related-party transactions and balances are as follows:

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Revenues:				
Manufacturing for Biosintética (a)	44,126	32,955	-	-
Manufacturing for Melcon (a)	331	186	-	-
Sale of products to Labofarma	15,583	-	-	-
Purchases:				
Purchases of products for Biosintética (a)	10,314	8,625	-	-
Purchase of products for Melcon	3,598	-	-	-
Purchase of services for Labofarma	3,493			
Current assets:				
Trade accounts receivable - Biosintética (b)	6,718	5,134	-	-
Dividends and amounts due from related parties - Biosintética	-	128,922	-	-
Trade accounts receivable - Labofarma (b)	12,605	16	-	-
Advance to supplier - Farmaprod Administração e Serviços Ltda.	516	552	763	2,059
Trade accounts receivable - Melcon	112	-	-	-
Advance to supplier - Labofarma	-	1,950	-	-
Advance and receivables - Melcon	-	257	-	-
Current liabilities:				
Trade accounts payable - Biosintética (b)	1,269	624	-	-
Trade accounts payable - Labofarma (b)	621	2,426	-	-
Associação Brasileira de Assistência ao Deficiente Visual - Laramara (c)	129	88	182	118

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

(b) Balance of trade accounts receivable and trade accounts payable related to the above transactions and reimbursement of common expenses among the companies through debit notes.

(c) Balance of trade accounts payable related to sale of inputs.

Management compensation

The compensation of the Company's officers and management is as follows:

Compensation	Consolidated (BR GAAP and IFRSs) 12/31/12	12/31/11
Overall management compensation	7,637	5,860

In accordance with the Brazilian Corporate Law, contemplating the changes in accounting practices introduced by Law 11,638/07 and the Company's bylaws, the shareholders are responsible for setting the overall annual compensation of its officers at the General Meeting.

18. PROVISION FOR TAX, CIVIL AND LABOR RISKS

The Company, its subsidiaries and jointly controlled entity 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)	
	12/31/12	12/31/11	12/31/12	12/31/11
Tax	107,343	101,404	110,915	104,777
Labor	41,124	44,298	47,234	50,048
Civil	6,248	5,848	6,843	6,417
	154,715	151,550	164,992	161,242
Escrow deposits	(56,399)	(80,363)	(57,935)	(80,968)
	98,316	71,187	107,057	80,274

Movements were as follows:

	Company (BR GAAP)						
	12/31/11	Additions	Reversals	Payments	Inflation adjustment	Reclassification	12/31/12
Tax	101,404	4,160	(4,319)	(251)	6,349	-	107,343
Labor	44,298	4,221	(10,275)	(1,217)	4,097	-	41,124
Civil	5,848	948	(252)	(419)	123	-	6,248
	151,550	9,329	(14,846)	(1,887)	10,569	-	154,715
Escrow deposits	(80,363)	(857)	354	-	(4,451)	28,918	(56,399)
	71,187	8,472	(14,492)	(1,887)	6,118	28,918	98,316

	Consolidated (BR GAAP and IFRSs)						
	12/31/11	Additions	Reversals	Payments	Inflation adjustment	Reclassification	12/31/12
Tax	104,777	4,562	(4,559)	(251)	6,386	-	110,915
Labor	50,048	5,242	(11,470)	(1,217)	4,631	-	47,234
Civil	6,417	974	(252)	(419)	123	-	6,843
	161,242	10,778	(16,281)	(1,887)	11,140	-	164,992
Escrow deposits	(80,968)	(1,914)	480	-	(4,451)	28,918	(57,935)
	80,274	8,864	(15,801)	(1,887)	6,689	28,918	107,057

As defined in technical pronouncement CPC 25 - Provisions, Contingent Liabilities and Contingent Assets and according to the disclosure criteria of technical pronouncement CPC 26 - Presentation of Financial Statements, which suggests the presentation of assets and liabilities of the same origin on a net basis, in 2012 Management reclassified the amount of R$28,917 related to escrow deposits already made that were previously added to the balance of provisions and that, although related to lawsuits, does not have a provision recognized for ongoing lawsuits. The balancing item of this reclassification can be seen in the increase in the escrow deposits balance in the assets group.

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

	12/31/12	12/31/11
Taxes on revenue (PIS and COFINS) (a)	24,443	5,996
Corporate income tax (IRPJ) and social contribution on net income (CSLL)	33,197	23,418
Severance Pay Fund (FGTS) (c)	28,787	26,607
State VAT (ICMS) (d)	5,260	7,551
Other	19,228	41,205
	110,915	104,777
Escrow deposits	(48,076)	(82,437)
	62,839	22,340

(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 9,718/98 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 lawsuits 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 Pernambuco, Bahia, Espírito Santo and São Paulo 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.

Lawsuits classified as risk of possible loss

As of December 31, 2012, 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:

	12/31/12	12/31/11
Tax	239,029	220,145
Labor	21,264	15,867
Civil	3,681	1,242
	263,974	237,254

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 formalization of the court decision and the opening of the legal term for the filing of a special appeal to the Superior Board.

Thus, based on the opinion of the outside legal counselors and supported by the last decision of the judging body, the subsidiary 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.

19. FINANCIAL INSTRUMENTS

The estimated realizable values of the financial assets and liabilities of the Company, its subsidiaries and jointly controlled entity 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. This ratio is calculated as net debt divided by total capital. 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, 2012 and 2011 can be summarized as follows:

	Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11
Borrowings and financing (note 15)	218,602	236,150
Cash and cash equivalents (note 5)	(457,703)	(552,848)
Cash investments - noncurrent	(6,795)	(5,911)
Net debt	(245,896)	(322,609)
Equity	1,138,846	1,159,442
Total capital	440,959	407,310
Debt-equity ratio	(55.76%)	(79.20%)

b) Categories of financial instruments

	Company (BR GAAP) Carrying amount and fair value	
	12/31/12	12/31/11
Financial assets-		
Loans and receivables:		
Cash and cash equivalents	124,791	133,319
Trade accounts receivable	168,103	145,770
Other financial liabilities-		
Borrowings and financing (note 15)	186,381	206,487

	Consolidated (BR GAAP and IFRSs) Carrying amount and fair value	
	12/31/12	12/31/11
Financial assets:		
Held-to-maturity-		
Cash investments - CDBs	6,795	5,911
Loans and receivables:		
Cash and cash equivalents	457,703	552,848
Trade accounts receivable	258,170	223,436
Other financial liabilities-		
Borrowings and financing	218,602	236,150

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 are 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 they were settled before the due date.

c) 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.

d) Interest rates

The Company entered into agreements with fixed interest rates of 4.0% p.a. and agreements with floating interest rates mainly linked to the Long-term Interest Rate (TJLP) plus 1.5% per year on borrowings and financing denominated in Brazilian reais, and Libor variable interest plus 3.7% per year on borrowings in foreign currency. Interest rates on cash investments are pegged to the CDI fluctuation.

e) Credit risk concentration

The financial instruments that expose the Company, its subsidiaries and jointly controlled entity to concentration of credit risk consist principally of banks, cash investments and trade accounts receivable. The exposure to banks is mitigated by means of our investment policy and allocation of funds, which involves diversification and establishment of strict limits of exposure to each institution. 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. The credit area uses appropriate methods and tools in the daily monitoring of the exposure to each customer. Guarantees are negotiated for the most critical cases.

f) 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)	
		12/31/12	12/31/11	12/31/12	12/31/11
In Euros:	EUR				
Assets		152	1,433	736	2,225
Liabilities		(970)	(2,396)	(2,787)	(3,982)
Net exposure		(818)	(963)	(2,051)	(1,757)

		Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
		12/31/12	12/31/11	12/31/12	12/31/11
In U.S. Dollars:	US$				
Assets		1,068	837	2,533	3,299
Liabilities		(7,649)	(2,845)	(13,747)	(4,815)
Net exposure		(6,581)	(2,008)	(11,214)	(1,516)
In Swiss Francs:	CHF				
Assets		-	75	-	75
Liabilities		(533)	(168)	(533)	(168)
Net exposure		(533)	(93)	(533)	(93)
In Pound Sterling:	GBP				
Liabilities		(13)	(3)	(13)	(3)
Net exposure		(13)	(3)	(13)	(3)

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

- Trade accounts receivable - these assets generated exchange gain of R$51 - Company and exchange loss of R$134 - Consolidated as of December 31, 2012 (exchange loss of R$36 - Company and exchange gain of R$12 - Consolidated as of December 31, 2011).

- Trade accounts payable and advances - these liabilities generated exchange loss of R$126 - Company and exchange gain of R$228 - Consolidated as of December 31, 2012 (exchange loss of R$653 - Company and exchange loss of R$832 - Consolidated as of December 31, 2011).

- Borrowings and financing - as described in note 15, borrowings and financing are increased by charges up to the end of the reporting period, totaling a liability balance of R$5,450 - Company and R$8,048 - Consolidated as of December 31, 2012 (R$6,589 - Company and R$11,118 - Consolidated as of December 31, 2011). These liabilities generated exchange loss of R$310 - Company and exchange loss of R$636 - Consolidated (exchange loss of R$758 - Company and exchange gain of R$1,263 - Consolidated as of December 31, 2011).

g) Derivative financial instruments

The Company, its subsidiaries and jointly controlled entity do not enter into transactions involving derivative financial instruments.

h) 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, its subsidiaries and jointly controlled entity, considering the estimated cash flow and cash and cash equivalents (note 5). Additionally, the liquidity management policy of the Company, its subsidiaries and jointly controlled entity 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	55,182				55,182
Borrowings and financing	73,781	26,013	48,179	70,629	218,602

i) 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, and did not identify material effects that might cause a misstatement in the financial statements taken as a whole.

20. EQUITY

a) Share capital

As of December 31, 2012, 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.

Shareholder	Shares	Amount 12/31/2012	Amount 12/31/2011
Infinity Fundo de Investimento em Participações	21,300,000	146,986.33	135,770
Lajota Fundo de Investimento em Participações	21,300,000	146,986.33	135,770
Vincitore Fundo de Investimento em Participações	21,300,000	146,986.33	135,770
	63,900,000	440,959.00	407,310

b) Capital reserves

Special goodwill reserve	167,767
Share premium reserve	6,445
	174,212

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)	
	12/31/12	12/31/11
Legal reserve (i)	43,807	43,807
Reserve for new products, research and development and investments in property, plant and equipment (ii)	192,023	184,341
Reserve for expansion (iii)	-	33,649
Tax incentive reserve (iv)	584	475
Undistributed profits reserve	-	7,682
Reserve for additional dividends proposed (v)	135,131	120,000
	371,545	389,954

(i) Calculated as 5% of annual profit, pursuant to article 193 of Law 6,404/76, 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) Earnings retention, pursuant to article 196 of Law 6,404/76, to fund expansion plans foreseen in the capital budget.

(iv) 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 are satisfied.

(v) The retention related to 2011 is based on the capital budget prepared by Management and approved by the Board of Directors on March 1, 2012, which will be submitted to the approval of the shareholders at the Annual General Meeting.

The Company's Management proposed, subject to approval at the Annual General Meeting, the distribution of profits of R$135,131, related to fiscal year 2012.

d) Dividend 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 6,404/76. 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.

On November 21, 2012, the Board of Directors and the Extraordinary General Meeting approved the advance payment of interest on capital of R$59,424 and dividends of R$229,680, both payments were based on the retained earnings up to third quarter of 2012, calculated on the basis of the Company's interim balance sheet as of September 30, 2012.

21. NET REVENUE

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Gross sales revenue	1,699,402	1,486,294	3,154,454	2,657,876
Returns, discounts and other	(376,352)	(323,924)	(1,322,311)	(1,045,882)
Taxes on sales	(191,920)	(173,005)	(229,937)	(210,776)
	1,131,130	989,365	1,602,206	1,401,218

22. EXPENSES BY NATURE

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Cost of sales and services	186,319	153,234	265,533	210,387
Materials, energy, outside services and other	243,821	209,010	343,593	298,668
Other selling and administrative expenses	36,755	74,766	48,938	100,350
Personnel expenses	256,217	234,784	343,323	309,724
Depreciation and amortization	15,219	15,348	20,372	20,584
	738,331	687,142	1,021,759	939,713
Cost of sales	234,429	203,086	341,039	286,138
Selling expenses	429,633	403,031	587,976	546,640
General and administrative expenses	74,269	81,025	92,744	106,935
	738,331	687,142	1,021,759	939,713

23. OTHER OPERATING INCOME (EXPENSES), NET

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Integration expenses	22	(1,683)	712	(1,683)
Provision for tax, civil and labor risks (*)	12,270	30,710	12,201	30,057
Gain (loss) on sale of property, plant and equipment	80	(34)	214	(64)
PIS and COFINS on other revenues	117	394	(1,049)	1,562
Other	1,644	676	1,314	1,254
	14,133	30,063	13,392	31,126

(*) Refers to the write-off of provisions and payments of INSS, PIS, COFINS and IRRF debts due to the enrollment in REFIS program introduced by Law 11,941 of November 30, 2009. The consolidation of the debts was concluded on June 29, 2011.

24. FINANCE INCOME (COSTS)

	Company (BR GAAP)		Consolidated (BR GAAP and IFRSs)	
	12/31/12	12/31/11	12/31/12	12/31/11
Interest income	12,293	21,416	41,201	60,853
Monetary gains	6,309	7,658	6,311	7,658
Other finance income	313	271	538	538
Realization of adjustment to present value	-	-	4,301	-
Total finance income	18,915	29,345	52,351	69,049
Interest expenses	(4,926)	(5,221)	(6,090)	(6,466)
Monetary losses	(9,656)	(12,232)	(10,226)	(14,506)
Other finance costs	(1,565)	(1,059)	(2,102)	(1,509)
Realization of adjustment to present value	-	-	(5,087)	(692)
Total finance costs	(16,147)	(18,512)	(23,505)	(23,173)
Exchange losses	(4,551)	(5,496)	(7,866)	(8,436)
Exchange gains	4,166	3,917	7,436	6,622
Total exchange loss (gain), net	(385)	(1,579)	(430)	(1,814)
Finance income (costs), net	2,383	9,254	28,416	44,062

25. 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, 2012 totaled R$2,917 (R$2,569 in 2011).

26. 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.

27. SUPPLEMENTAL INFORMATION - STATEMENTS OF CASH FLOWS

The Management of the Company, its subsidiaries and jointly controlled entity defines as cash and cash equivalents the amounts maintained to meet short-term commitments and not for investments or other purposes. Cash investments are immediately convertible into a known amount of cash and are not subject to risk of significant change in value. As of December 31, 2012, the balances that comprise this line item are presented in note 5.

The Company, its subsidiaries and jointly controlled entity had no equity movements affecting their cash flows at December 31, 2012.

28. EMPLOYEE BENEFITS - CONSOLIDATED

The Company, its subsidiaries and jointly controlled entity 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, 2012, the profit-sharing plan amounted to R$37,110 (R$29,814 in 2011).

29. EARNINGS PER SHARE

As mentioned in note 20, the Company's share capital comprises common shares, all of them registered and without par value. Under technical pronouncement CPC 41/IAS 33, the table below reconciles the profit for the year to the amounts used to calculate basic and diluted earnings per share, as shown below:

	12/31/12	12/31/11
Basic and diluted numerator-		
Allocation of profit for the year to shareholders - R$	422,671	380,673
Basic and diluted denominator-		
Outstanding shares (in thousands)	63,900	63,900
Basic and diluted earnings per share - R$	6.61	5.96

30. APPROVAL OF FINANCIAL STATEMENTS

The current financial statements, which contemplate the subsequent events occurred after December 31, 2012, were approved and authorized for issue at the Board of Directors' meeting held on March 7, 2013.

Board of Directors

Adalmiro Dellape Baptista	Honorary Chairman
Adalberto Panzenboeck Dellape Baptista	Chairman
Jonas de Campos Siaulys	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

José Ricardo Mendes da Silva	Chief Executive Officer
Sidinei Righini	Chief Financial Officer
Wilson Roberto de Farias	Industrial Director

Accountant

Fernando de Assis Matias
CRC - 1 SP - 242753/O-5