

Blau Farmacêutica sets record of Net Revenues and Net Income in the first half of 2019, higher than the totals for 2016

Cotia, August 8th, 2019 - **Blau Farmacêutica, one of the main Brazilian pharmaceutical companies in the hospital segment**, announced its consolidated financial statements for 2nd Quarter of 2019 (2Q19). This document was prepared based on the financial statements as of June 30rd, 2019 of Blau Farmacêutica S.A. which were prepared in accordance with accounting practices adopted in Brazil, include the rules of the *Comissão de Valores Mobiliários (CVM; Securities and Exchange Commission of Brazil)* and the pronouncements of the Brazilian Accounting Pronouncement Committee (CPC). These financial statements are in conformity with the International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB and were audited by independent auditors in accordance with Brazilian and international auditing standards.

Highlights

- **LTM Net Revenues of R\$938 million**, 52,3% higher than the same period of the previous year
- **LTM Net Income of R\$177 million**, 125,2% higher than the same period of the previous year
- **1H19 Net Revenues of R\$490 million**, 46,6% higher than the same period of the previous year and superior than total of 2016 (R\$431 million)
- **1H19 Net Income of R\$91 million**, 142,0% higher than the same period of the previous year and superior than total of 2016 (R\$32 million)
- **1H19 Operating Expenses Dilution by 4,7p.p.** due to the operational leverage and expenses control

(R\$ million)	Jun 18 (LTM)		Jun 19 (LTM)		Δ%	Δ p.p.
LTM Net Revenues	616	100,0%	938	100,0%	52,3%	-
LTM Net Income	78	12,7%	177	18,8%	125,2%	6,1 p.p.

(R\$ million)	1H18	%NR	1H19	%NR	Δ%	Δ p.p.
Net Revenues	334	100,0%	490	100,0%	46,6%	-
Gross Profit	133	39,8%	207	42,1%	55,1%	2,3 p.p.
Operational Expenses	(61)	-18,3%	(67)	-13,6%	8,7%	4,7 p.p.
R&D	(6)	-1,7%	(9)	-1,9%	59,5%	-0,2 p.p.
R&D - Expenses	(6)	-1,7%	(8)	-1,6%	35,5%	0,1 p.p.
R&D - Intangible	-	-	(1)	-0,3%	-	-
EBITDA	79	23,7%	141	28,8%	77,9%	5,1 p.p.
Net Income	38	11,3%	91	18,6%	142,0%	7,3 p.p.

(R\$ million)	2Q18	%RL	2Q19	%RL	Δ%	Δ p.p.
Net Revenues	182	100,0%	302	100,0%	65,5%	-
Gross Profit	66	36,2%	128	42,5%	94,4%	6,3 p.p.
Operational Expenses	(32)	-17,4%	(34)	-11,3%	8,1%	6,0 p.p.
R&D	(3)	-1,5%	(6)	-1,4%	108,1%	0,1 p.p.
R&D - Expenses	(3)	-1,5%	(4)	-1,4%	55,7%	0,1 p.p.
R&D - Intangible	-	-	(1)	-0,5%	-	-
EBITDA	39	21,4%	94	31,1%	141,1%	9,8 p.p.
Net Income	15	8,2%	62	20,7%	315,1%	12,4 p.p.

IR Team

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Summary

About Blau Farmacêutica	3
Management Letter	3
Operational and Financial Performance	5
Summarized Income Statement	6
Net Revenues	6
Gross Profit	7
Operational Expenses	9
Adjusted EBITDA	10
Financial Expenses	11
Net Income	12
Net Debt	12
Balance Sheet	12
Income Statement	13
Cash Flow Statement	14
Disclaimer	15

About Blau Farmacêutica

Blau Farmacêutica is a 100% Brazilian pharmaceutical company that has operated since 1987 and has become a multinational focused in the hospital market (Non-Retail). It specializes in the production of mostly injectable high complexity drugs and marketed under its own brands.

It has an extensive product line for the daily life of hospitals and clinics, such as biological, specialties and oncological medications, and in several therapeutic classes as hematology, nephrology, infectiology, anesthesia, among others.

It has a large sales structure with national and international coverage, exporting its medicines to Latin America and Asia. The Company is supported by 1.056 employees in four manufacturing plants in Brazil, as well as five subsidiaries in Argentina, Chile, Colombia, Peru and Uruguay.

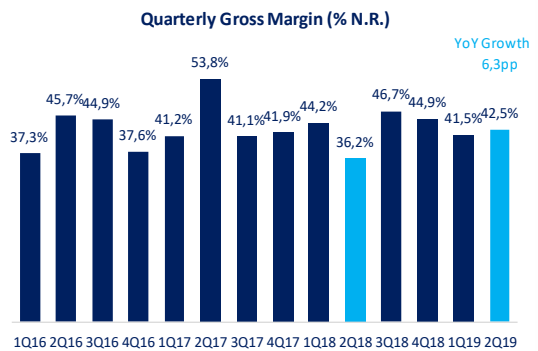
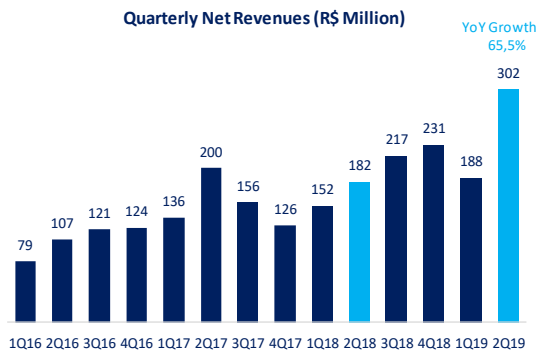
Management Letter

The first half of 2019 exceeded our expectations despite the start of a new government and the changes that naturally occur in this process. During the discussions on macroeconomic reforms stimulated by the new government, such as social security, there were exchange rate fluctuations that could impact our results. However, we achieved positive results with sustainable revenues growth and tight expenses control.

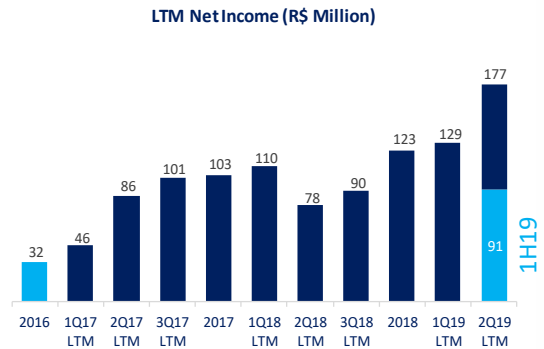
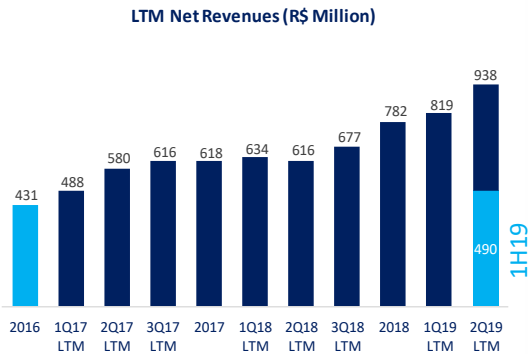
I highlight our successful launching of BOTULIM (Botulinum Toxin), launched in December 2017, which has already captured about 7,5% of the total Brazilian market in the last twelve months. Success attributed to new business unit for the Dermatological line.

Our international subsidiaries continue their efforts to register with the local health authorities our medicines manufactured in Brazil. About Peru and Chile, we will start to trade products with our own team as soon as we reach a suitable portfolio for these countries.

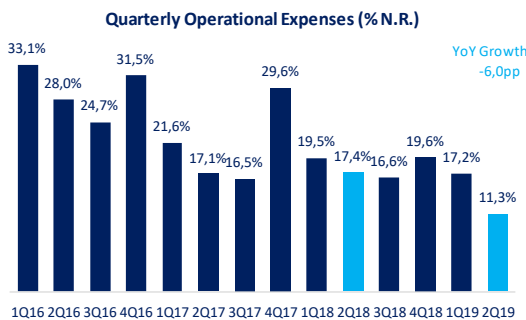
Regarding our financial performance, the 2019 Company's net revenues improved 65,5% when compared to the same quarter of 2018 and gross margin of 42,5%, 6,3p.p. higher than 2Q18. These variations are a reflection of the better mix of products sold, especially in Biological and Dermatological lines, which presented higher margins compared to the same period of the previous year.



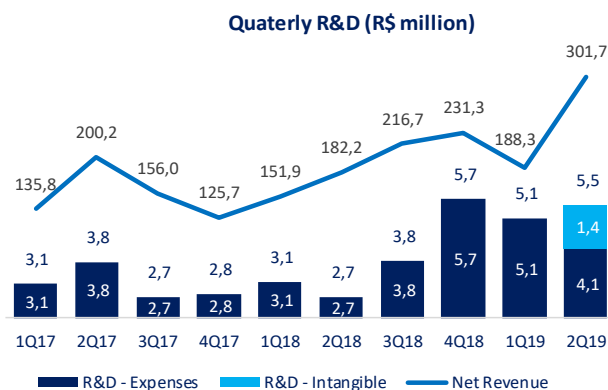
Net revenues and net income presented in the 1st half of this year (1H19) were higher than 2016 full year.



Operating expenses was diluted 6,0p.p., despite the 55,7% increase in Research and Development (R&D; considering only expenses). Such dilution reflects operational efficiency and discipline in controlling expenses.



In addition, we refined our accounting controls, which enabled, as from 2Q19, to account for part of R&D disbursements as property, plant and equipment (intangible assets). Below there is a graph that allows us to compare our R&D efforts on the same basis.



IQVIA data indicate that the hospital market (NRC) has grown 19,7% in value in the last 12 months¹ versus 9,3% in the retail medicine market². The growth of the hospital market was driven by higher government purchases which showed growth of 23,6% in the last 12 months.

For the second half of the year, we will launch a new injectable corticosteroid that will complement our Specialty line, advance manufacturing capacity improvements and continue to invest in R&D. Such initiatives will support our commitment to revenues growth and profitability maintenance.

Do not hesitate to contact our Investor Relations team to get to know our operations in person or solve any questions about the Company and our markets.

The contact details of our IR team are on the cover of this Earnings Release.

Marcelo R. Hahn
CEO

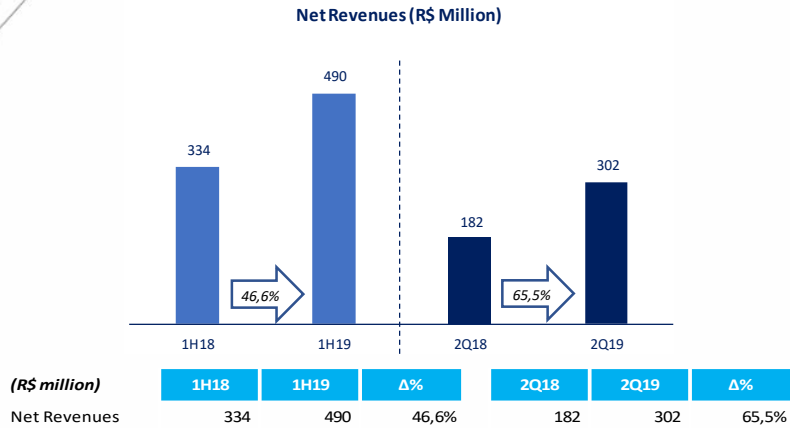
¹IQVIA – Non-Retail Market Monthly Newsletter Brazil (NRC Base June/2019 – with new HP.P.; Hospital Purchase Price – Private and Public Prices; MAT Jun/19 vs MAR Jun/18 – HP.P. Price)

²IQVIA – Pharma Brazil Monthly Newsletter (PMB June/2019; MFT Growth in P.P.P Price)

Operational and Financial Performance
Summarized Income Statement

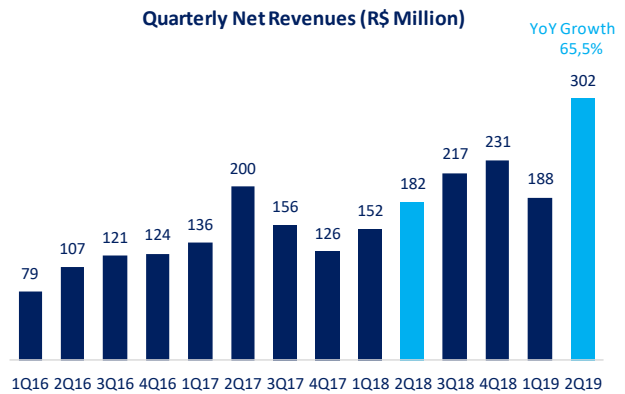
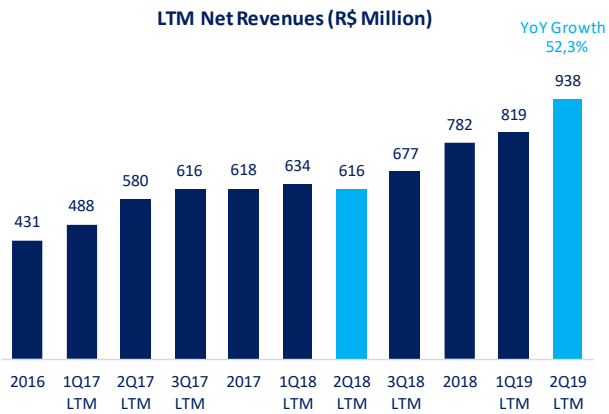
<i>(R\$ million)</i>	1H18	%NR	1H19	%NR	Δ%	2Q18	%NR	2Q19	%NR	Δ%
Net Revenues	334	100,0%	490	100,0%	46,6%	182	100,0%	302	100,0%	65,5%
COGS	(201)	-60,2%	(283)	-57,9%	41,0%	(116)	-63,8%	(173)	-57,5%	49,2%
Gross Profit	133	39,8%	207	42,1%	55,1%	66	36,2%	128	42,5%	94,4%
Operational Expenses	(61)	-18,3%	(67)	-13,6%	8,7%	(32)	-17,4%	(34)	-11,3%	8,1%
Sales	(23)	-6,8%	(26)	-5,4%	15,9%	(12)	-6,6%	(14)	-4,7%	17,8%
Research & Development	(6)	-1,7%	(9)	-1,9%	59,5%	(3)	-1,5%	(4)	-1,4%	55,7%
General & Administrative	(33)	-9,8%	(31)	-6,3%	-5,3%	(17)	-9,3%	(16)	-5,3%	-6,3%
Others	3	0,8%	(4)	-0,8%	-237,9%	2	1,2%	(3)	-0,9%	-219,4%
EBIT	75	22,3%	136	27,8%	82,8%	37	20,1%	92	30,3%	149,9%
Net Financial Expenses	(20)	-6,1%	(4)	-0,9%	-78,0%	(15)	-8,4%	(1)	-0,3%	-93,8%
EBT	54	16,2%	132	26,9%	143,1%	21	11,7%	91	30,0%	324,2%
Income Tax and CSLL	(17)	-5,0%	(41)	-8,3%	145,7%	(6)	-3,5%	(28)	-9,4%	345,7%
Net Income	38	11,3%	91	18,6%	142,0%	15	8,2%	62	20,7%	315,1%

Net Revenues



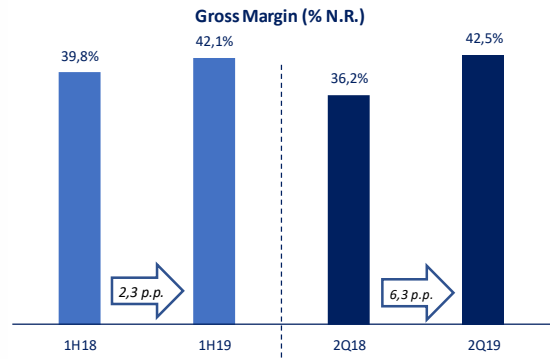
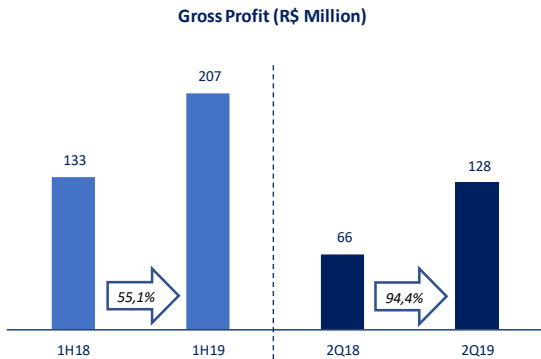
Net revenues reached R\$490 million in 1H19, 46,6% over the same period of the previous year. This growth was mainly due to the higher share of products with higher margins, especially in Biological and Specialties lines, besides growth of the Dermatological line.

2Q19 net revenues increased 65,5% over the same period of 2018 due to the greater participation of the Biological line with high margin products mix.



The Company achieved net revenues of R\$938 million in the last 12 months, 52,3% higher than the same period of the previous year and the highest in its history.

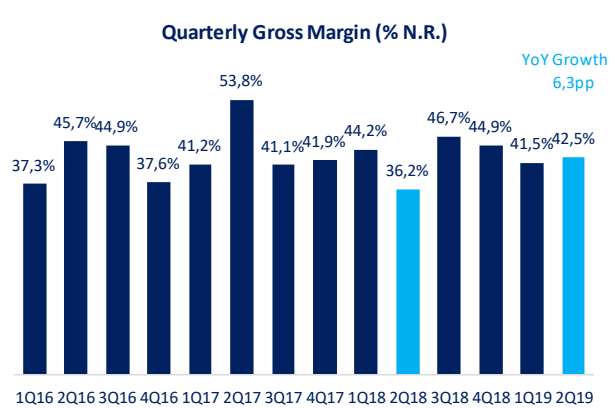
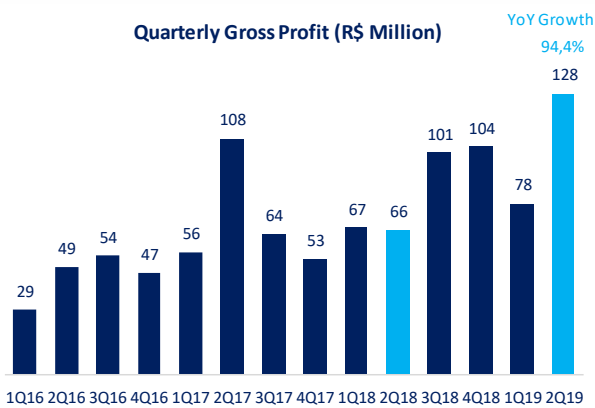
Gross Profit



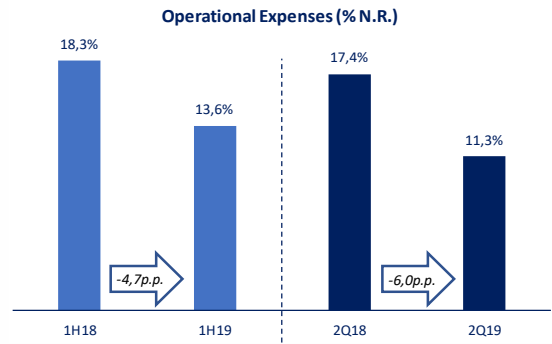
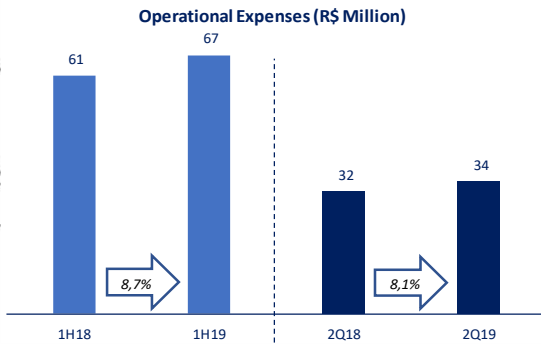
(R\$ million)	1H18	%NR	1H19	%NR	Δ%	2Q18	%NR	2Q19	%NR	Δ%
Gross Profit	133	39,8%	207	42,1%	55,1%	66	36,2%	128	42,5%	94,4%

1H19 gross profit was 55,1% higher than the same period of the previous year and gross margin was 2,3p.p. higher than 1H18. This was mainly because of the increase in volume and price, especially in the Biological product line, which exceeded the costs increase.

In the 2Q19 the gross profit was R\$128 million, 94,4% higher than the same period of the previous year, and the gross margin was 42,5%, 6,3p.p. higher than the same quarter of 2018. This was driven by the sales mix with higher share of Biological products with higher margins.



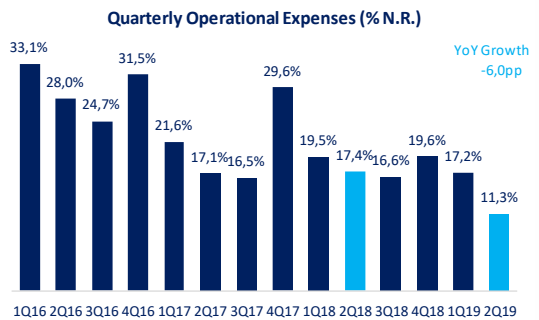
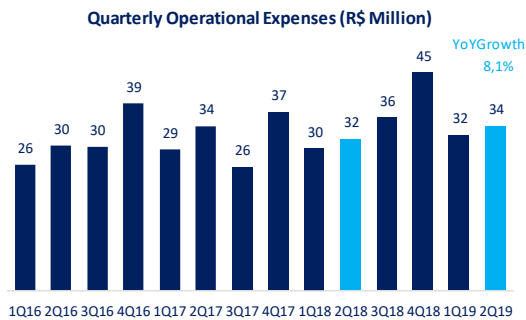
Operational Expenses



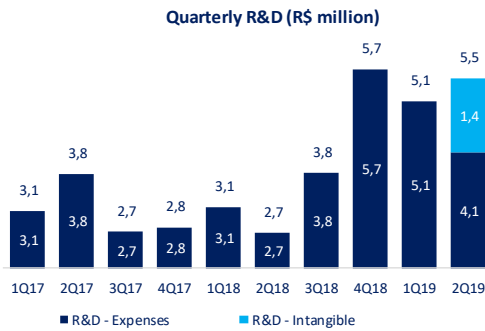
(R\$ million)	1H18	%NR	1H19	%NR	Δ%	2Q18	%NR	2Q19	%NR	Δ%
Operational Expenses	(61)	-18,3%	(67)	-13,6%	8,7%	(32)	-17,4%	(34)	-11,3%	8,1%
Sales	(23)	-6,8%	(26)	-5,4%	15,9%	(12)	-6,6%	(14)	-4,7%	17,8%
R&D	(6)	-1,7%	(9)	-1,9%	59,5%	(3)	-1,5%	(4)	-1,4%	55,7%
General and Administrative	(33)	-9,8%	(31)	-6,3%	-5,3%	(17)	-9,3%	(16)	-5,3%	-6,3%

1H19 operational expenses increased 8,7% compared to the same period of the previous year, driven by higher R&D investments. On the other hand, this increase was diluted by the growth of net revenues, representing a reduction of 4,7p.p. in the indicator operational expenses over net revenues.

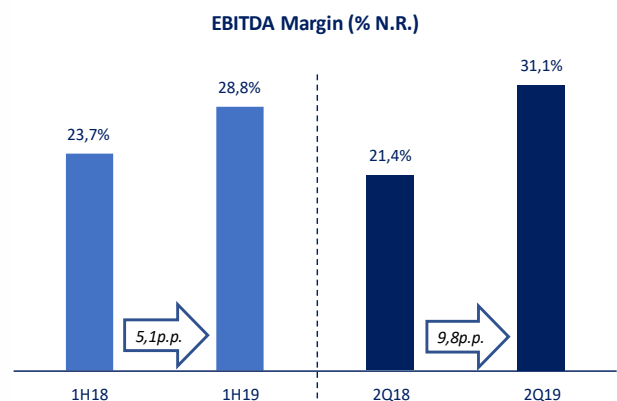
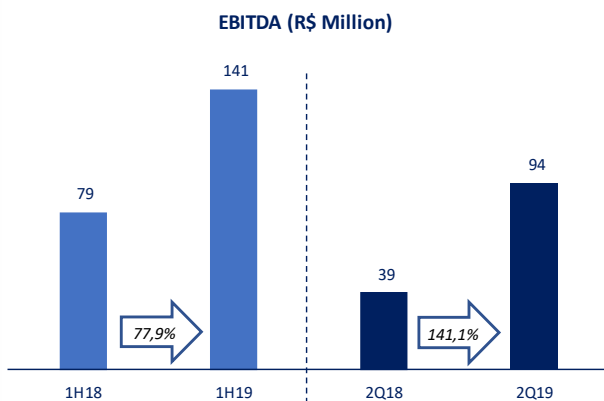
In the second quarter, despite an increase of 8,1% compared to the same period of the previous year, also explained by higher R&D expenses, it showed a 6,0p.p. dilution over net revenues.



In 2Q19 the Company has improved its accounting controls, allowing it to account for part of its R&D expenses as Property, Plant and Equipment (Intangible Assets). It is presented below a graph with R&D accounted as expense and Property, Plant and Equipment (Intangible Assets) for proper comparison with historical figures.



EBITDA



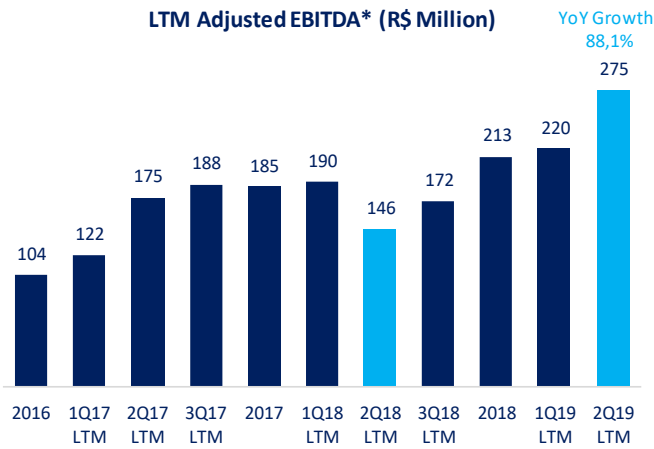
(R\$ million)	1H18	%NR	1H19	%NR	Δ%	2Q18	%NR	2Q19	%NR	Δ%
Net Income	38	11,3%	91	18,6%	142,0%	15	8,2%	62	20,7%	315,1%
Income Tax and CSLL	17	-5,0%	41	-8,3%	145,7%	6	-3,5%	28	-9,4%	345,7%
Net Financial Expenses	20	-6,1%	4	-0,9%	-78,0%	15	-8,4%	1	-0,3%	-93,8%
Depreciation and Amortization	5	1,4%	5	1,0%	1,5%	2	1,3%	2	0,8%	1,6%
EBITDA	79	23,7%	141	28,8%	77,9%	39	21,4%	94	31,1%	141,1%

1H19 EBITDA was R\$ 141 million and margin of 28,8%. A growth of 77,9% and 5,1p.p., respectively.

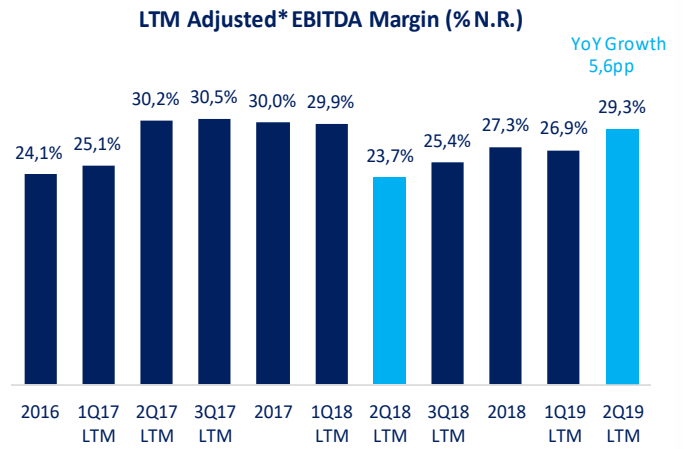
2Q19 EBITDA reached R\$94 million with a margin of 31,1%, which represents an 141,1% growth over the same period of the previous year and margin improve of 9,8p.p..

The effect observed in the EBITDA both, in the semester and the quarter, it is mainly due to the improvement in gross margin and dilution of operating expenses despite the increase in R&D.

LTM Adjusted EBITDA* (R\$ Million)



LTM Adjusted* EBITDA Margin (% N.R.)



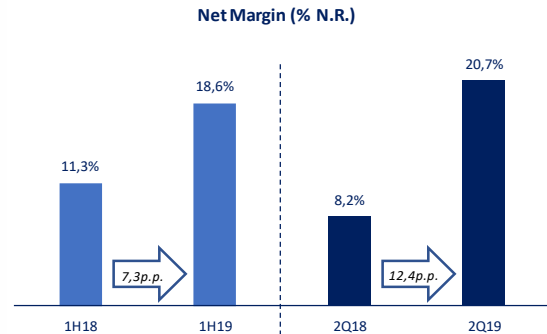
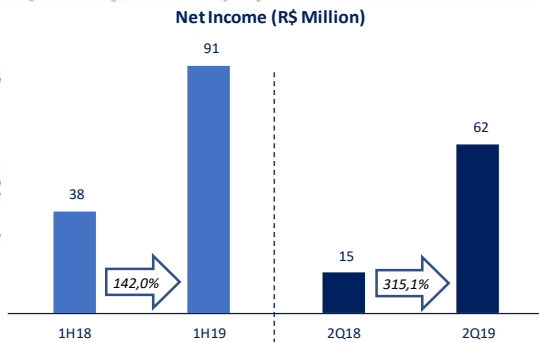
*Discontinued rental expenses adjustments from July 2017.

Financial Expenses

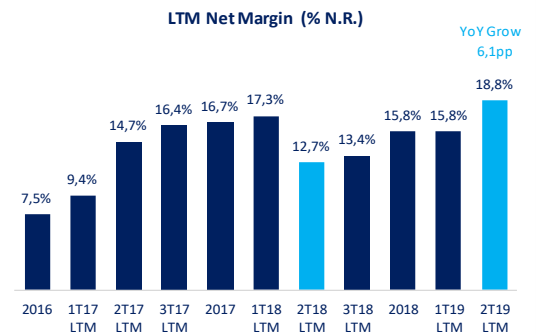
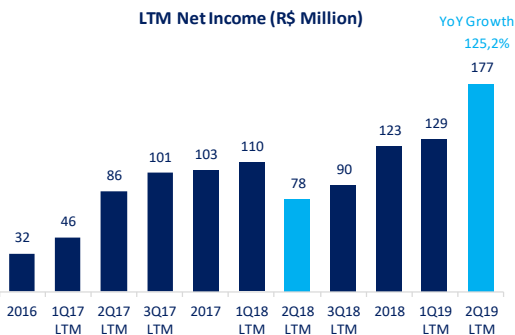
(R\$ million)	1H18	%NR	1H19	%NR	Δ%	2Q18	%NR	2Q19	%NR	Δ%
Net Financial Expenses	(20)	-6,1%	(4)	-0,9%	-78,0%	(15)	-8,4%	(1)	-0,3%	-93,8%
Fx Variation	(15)	-4,4%	1	0,1%	-104,1%	(11)	-6,1%	2	0,6%	-115,0%
Net Interest Expenses	(6)	-1,7%	(5)	-1,0%	-13,2%	(4)	-2,3%	(3)	-0,9%	-38,8%
Others	0	0,0%	(0)	-0,1%	-603,8%	0	0,1%	(0)	0,0%	-111,6%

Financial expenses in the semester and the quarter decreased mainly due to FX variation.

Net Income



(R\$ million)	1H18	%NR	1H19	%NR	Δ%	2Q18	%NR	2Q19	%NR	Δ%
EBIT	75	22,3%	136	27,8%	82,8%	37	20,1%	92	30,3%	149,9%
Net Financial Expenses	(20)	-6,1%	(4)	-0,9%	-78,0%	(15)	-8,4%	(1)	-0,3%	-93,8%
EBT	54	16,2%	132	26,9%	143,1%	21	11,7%	91	30,0%	324,2%
Income Tax and CSLL	(17)	-5,0%	(41)	-8,3%	145,7%	(6)	-3,5%	(28)	-9,4%	345,7%
Net Income	38	11,3%	91	18,6%	142,0%	15	8,2%	62	20,7%	315,1%



Net Debt

(R\$ million)	12.31.2018	06.30.2019	2019	2020	2021	2022	2023	2024 ->
Short Term	32	65						
Long Term	193	160						
Gross Debt	225	225	26	71	60	45	23	-
Cash & Investments	(113)	(71)						
Net Debt	112	154						
LTM Adjusted EBITDA	213	275						
Leverage*	0,53x	0,56x						

*Net Debt / LTM EBITDA

The Company's leverage remained practically stable compared to the end of last year.

Balance Sheet

(R\$ thousand)	12.31.2018	06.30.2019	12.31.2018	06.30.2019
Assets				
Current Assets	429.686	531.019		
Cash and Cash Equivalents	112.944	70.835		
Accounts Receivables	162.774	252.099		
Inventories	145.163	175.242		
Recoverable Taxes	5.547	27.732		
Other Assets	3.258	5.111		
Non-Current Assets	164.469	187.176		
Long Term Assets	19.516	19.404		
Judicial Deposits	5.231	5.760		
Recoverable Taxes	771	704		
Deferred Income Tax and Social Contribution	6.546	8.942		
Other Assets	6.968	3.998		
Property, Plants and Equipments	144.953	167.772		
Investments	15	15		
Biologic Assets	306	306		
Property, Plant and Equipment	135.706	156.787		
Intangible Assets	8.926	10.664		
Total Assets	594.155	718.195		
Liabilities and Shareholder's Equity				
Current liabilities	173.520	269.070		
Suppliers	85.926	124.470		
Loans and Financing	32.423	64.855		
Taxes Payable	1.972	1.725		
Income Tax and Social Contribution	16.002	26.744		
Labour	13.712	17.331		
Other Accounts Payable	23.485	33.945		
Non-Current Liabilities	197.301	165.270		
Loans and Financing	192.708	160.089		
Other Deferred Liabilities	-	1.148		
Deferred Income Tax and Social Contribution	-	-		
Provisions for Contingencies	4.593	4.033		
Shareholders' Equity	223.334	283.855		
Capital	100.640	100.640		
Accumulated Profit	-	84.184		
Profit Reserve	119.421	100.740		
Other Comprehensive Income	3.273	(1.709)		
Total Liabilities and Shareholders' Equity	594.155	718.195		

Income Statement

(R\$ thousand)	1H18	%NR	1H19	%NR	2Q18	%NR	2Q19	%NR
Net Revenues	334.172	100,0%	489.995	100,0%	182.245	100,0%	301.691	100,0%
Cost of Goods Sold	(201.046)	-60,2%	(283.471)	-57,9%	(116.199)	-63,8%	(173.327)	-57,5%
Gross Profit	133.126	39,8%	206.524	42,1%	66.046	36,2%	128.364	42,5%
Operational Expenses	(61.199)	-18,3%	(66.515)	-13,6%	(31.623)	-17,4%	(34.177)	-11,3%
Commercial Expenses	(28.441)	-8,5%	(35.485)	-7,2%	(14.681)	-8,1%	(18.301)	-6,1%
Administrative Expenses	(32.758)	-9,8%	(31.030)	-6,3%	(16.942)	-9,3%	(15.876)	-5,3%
Others	2.668	0,8%	(3.680)	-0,8%	2.212	1,2%	(2.641)	-0,9%
EBIT	74.595	22,3%	136.329	27,8%	36.635	20,1%	91.546	30,3%
Net Financial Expenses	(20.361)	-6,1%	(4.489)	-0,9%	(15.276)	-8,4%	(945)	-0,3%
Financial Revenues	5.955	1,8%	9.116	1,9%	4.357	2,4%	7.389	2,4%
Financial Expenses	(26.316)	-7,9%	(13.605)	-2,8%	(19.633)	-10,8%	(8.334)	-2,8%
EBT	54.234	16,2%	131.840	26,9%	21.359	11,7%	90.601	30,0%
Income Tax and CSLL	(16.544)	-5,0%	(40.641)	-8,3%	(6.347)	-3,5%	(28.286)	-9,4%
Net Income	37.690	11,3%	91.199	18,6%	15.012	8,2%	62.315	20,7%

Cash Flow Statement

(R\$ thousand)	1H18	1H19	2Q18	2Q19
Cash Flows from Operating Activities				
Income (Loss) Before Taxes	54.234	131.840	21.359	90.601
Depreciation and Amortization	4.720	4.790	2.307	2.345
P,P&E and Intangible Assets Write-off	1.558	2.742	1.098	1.591
Financial Charges on Loans	4.688	7.937	2.363	4.183
Fx Variation on Loans and Provision of SWAP / MTM	2.160	(606)	974	(564)
Fx Variation on Suppliers and Clients	(217)	(191)	-	(4.232)
Doubtful Accounts	627	1.398	717	(582)
Inventories Provisions	1.535	3.613	2.168	3.660
Provisions for Contingencies	240	(560)	1	(201)
Adjusted Results	69.545	150.963	30.987	96.801
Decrease (Increase) in Assets	(44.416)	(149.539)	(30.853)	(118.866)
Trade Accounts Receivable	(29.904)	(91.070)	(16.990)	(97.434)
Inventories	(8.876)	(33.692)	(9.476)	(11.197)
Recoverable Taxes	(1.854)	(25.307)	(1.712)	(9.745)
Other Credits	(3.873)	1.059	(2.675)	10
Judicial Deposits and Others	91	(529)	-	(500)
Increase (Decrease) in Liabilities	16.154	54.062	16.707	46.983
Suppliers	31.638	39.083	25.010	27.567
Labor Charges	1.419	3.619	1.489	3.223
Tax Charges	1.609	(248)	930	250
Other Accounts Payable	(18.512)	11.608	(10.722)	15.943
Cash Provided by Operating Activities	41.283	55.486	16.841	24.918
Paid Income Taxes CSLL	(14.055)	(29.045)	(10.195)	(13.387)
Net Cash Flow Provided by Operating Activities	27.228	26.441	6.646	11.531
Cash flows from Investing Activities				
Acquisitions of Property, Plant and Equipment	(23.276)	(28.058)	(19.645)	(18.784)
Intangible Aquisitions	(58)	(2.294)	(8)	(1.530)
Net Cash Used in Investing Activities	(23.334)	(30.352)	(19.653)	(20.314)
Cash Flows from Financing Activities				
Dividends and Interest Over Capital	-	(27.854)	-	(23.988)
Loans and Financing	210.071	13.931	183.518	155
Repayment of Loans - Principal	(46.190)	(13.427)	(16.289)	(6.407)
Repayment of Loans - Interest	(4.874)	(8.022)	(2.050)	(4.070)
Net Cash Used In Financing Activities	159.007	(35.372)	165.179	(34.310)
Cash Variation	162.901	(39.283)	152.172	(43.093)
Beginning of the Period	13.175	112.945	24.514	114.184
Fx Effect on Cash and Cash Equivalents	2.821	(2.825)	2.211	(254)
End of The Period	178.897	70.837	178.897	70.837

Disclaimer

This release contains forward-looking statements that are exclusively related to the prospects of the business, its operating and financial results, and prospects for growth. These data are merely projections and, as such, based exclusively on our management's expectations for the future of the business and its continued access to capital to fund its business plan. These forward-looking statements substantially depend on changing market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors, as well as the risks shown in our filed disclosure documents, and are therefore subject to change without prior notice.

In addition, unaudited information herein reflects management's interpretation of information taken from its financial information and their respective adjustments, which were prepared in accordance with market practices and for the sole purpose of a more detailed and specific analysis of our results. Therefore, these additional points and data must also be analyzed and interpreted independently by shareholders and market agents, who should carry out their own analysis and draw their own conclusions from the results reported herein. No data or interpretative analysis provided by our management should be treated as a guarantee of future performance or results and are merely illustrative of our directors' vision of our results.

Our management is not responsible for compliance or accuracy of the management financial data discussed in this report, which must be considered as for informational purposes only, and should not override the analysis of our audited consolidated financial statements or our reviewed quarterly information for purposes of a decision to invest in our stock, or for any other purpose.