

Blau Farmacêutica grows 45,8% in Net Revenues and 105,3% in Net Income in the last 12 months and reaches R\$987 million and R\$186 million respectively

Cotia, November 7th, 2019 - **Blau Farmacêutica, one of the main Brazilian pharmaceutical companies in the hospital segment**, announced its consolidated financial statements for 3rd Quarter of 2019 (3Q19). This document was prepared based on the financial statements as of September 30th, 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\$987 million**, 45,8% higher than the same period of the previous year
- **LTM Net Income of R\$186 million**, 105,3% higher than the same period of the previous year
- **9M19 Net Revenues of R\$755 million**, 37,1% higher than the same period of the previous year
- **9M19 Net Income of R\$143 million**, 78,0% higher than the same period of the previous year and superior than total of 2018 (R\$123 million)
- **9M19 Operating Expenses Dilution by 4,3p.p.** due to the operational leverage and expenses control

(R\$ million)	Sep 18 (LTM)		Sep 19 (LTM)		Δ%	Δ p.p.
LTM Net Revenues	677	100,0%	987	100,0%	45,8%	-
LTM Net Income	90	13,4%	186	18,8%	105,3%	5,5 p.p.

(R\$ million)	9M18	%NR	9M19	%NR	Δ%	Δ p.p.
Net Revenues	551	100,0%	755	100,0%	37,1%	-
Gross Profit	234	42,6%	326	43,2%	39,1%	0,6 p.p.
Operational Expenses	(97)	-17,6%	(101)	-13,4%	4,0%	4,3 p.p.
R&D	(10)	-1,7%	(16)	-2,1%	67,3%	-0,4 p.p.
R&D - Expenses	(10)	-1,7%	(14)	-1,8%	43,0%	-0,1 p.p.
R&D - Intangible	-	-	(2)	-0,3%	-	-
EBITDA	150	27,2%	228	30,2%	52,2%	3,0 p.p.
Net Income	80	14,5%	143	18,9%	78,0%	4,3 p.p.

(R\$ million)	3Q18	%RL	3Q19	%RL	Δ%	Δ p.p.
Net Revenues	217	100,0%	265	100,0%	22,4%	-
Gross Profit	101	46,7%	119	45,0%	17,9%	-1,7 p.p.
Operational Expenses	(36)	-16,6%	(35)	-13,0%	-3,9%	3,6 p.p.
R&D	(4)	-1,7%	(5)	-2,0%	42,4%	-0,3 p.p.
R&D - Expenses	(4)	-1,7%	(4)	-1,7%	17,4%	0,1 p.p.
R&D - Intangible	-	-	(1)	-0,4%	-	-
EBITDA	71	32,6%	87	32,8%	23,2%	0,2 p.p.
Net Income	42	19,6%	51	19,4%	21,2%	-0,2 p.p.

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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

Over the first nine months of 2019, we continued delivering consistent and growing results, associated with our effective cost and expenses control. These controls offset cost pressures due to local currency depreciation against the US dollar.

Market data from IQVia indicates regular growth in the hospital pharmaceutical market, both private and public segments. Demand for hospital medicines increased 15,9%¹ in the first nine months of this year compared to the same period of the previous year. We are proud to see that we have grown 10,4p.p. above the market average, or 26,3%.

The Brazilian public health system – responsible for about 40% of the country's hospital medicines – continues to operate normally and regularly purchasing drugs listed on RENAME². Eleven new drugs were included in RENAME during 2018, which is a reflection of the effort to improve drug coverage for our population.

Regarding our participation in public auctions, among thousands that occurred in the health sector throughout this year, we participated in 287 electronic biddings (approximately 1,5 per day), we won about 60% and we attended 69 public customers from the Union, States and Municipalities.

Our investments in Research and Development deserve to be highlighted and we believe that our future will be sustained by new products. Today, we are developing 42 hospital drugs in different therapeutic classes, in addition to the six currently under approval at ANVISA (Brazilian Health Authority). Such drugs will increase our addressable market by 70%. A good example of the result of this effort is the medicine BOTULIM[®] (Botulinum Toxin) – launched one year and nine months ago – is the 5th largest product in sales and 4th largest addressable market we operate. It is worth mentioning that we recently obtained new indications for BOTULIM[®] which will expand its use by the medical community.

Industrial expansion initiatives have advanced intensely to meet growing commercial demand (market growth, new products' pipeline and those we under explore). We divide these into four fronts: (1) Capacity expansion by bottleneck elimination, (2) Biotechnology raw materials plant, (3) Injectables and antibiotic production and (4) New plant for injectables, antibiotics and solids – also to support the innovation pipeline – which is in the design phase. The last three initiatives are being built from the perspective of Industry 4.0.

IQVia Sep/2019 HPP MAT (Valor)

¹ RENAME – National List of Essential Medicines (<http://saude.gov.br/saude-de-a-z/rename>):

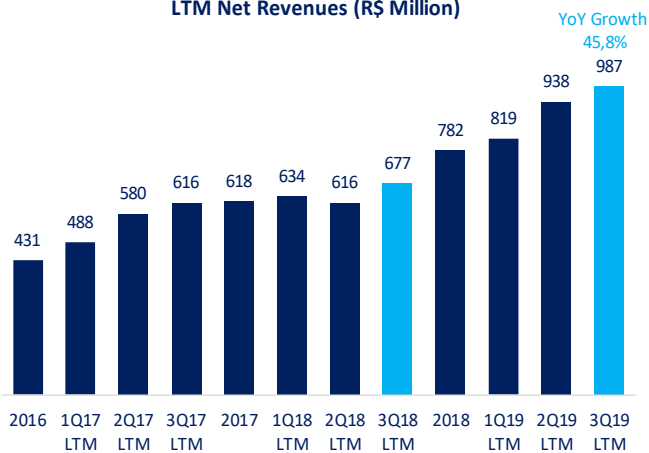
“Access to essential medicines is one of the guiding principles of drug policies (GM Ordinance No. 3.916 of October 30, 1998) and pharmaceutical assistance (CNS Resolution No. 338 of May 6, 2004).

In this sense, the Ministry of Health reaffirms the relevance of the National List of Essential Medicines (Rename), a technical-scientific element that guides the supply, prescription and dispensation of medicines in Brazilian Public Health Services”

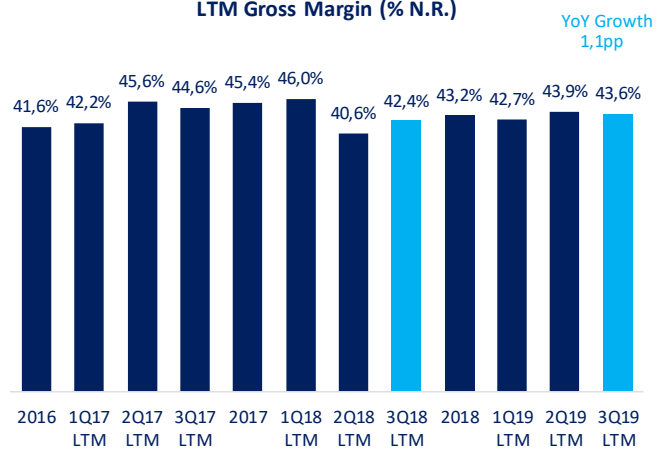
To analyze our financial performance, we recommend looking at data from the last 12 months (LTM). This eliminates the effects of any seasonality that may distort understanding. This is especially true in some public agreement which, by its characteristics, have concentrated deliveries.

Net Revenues for the last 12 months grew 45,8% over the same period last year and Gross Margin 1,1p.p., reaching 43,6%. This growth was mainly due to the Biologic and Other product lines.

LTM Net Revenues (R\$ Million)

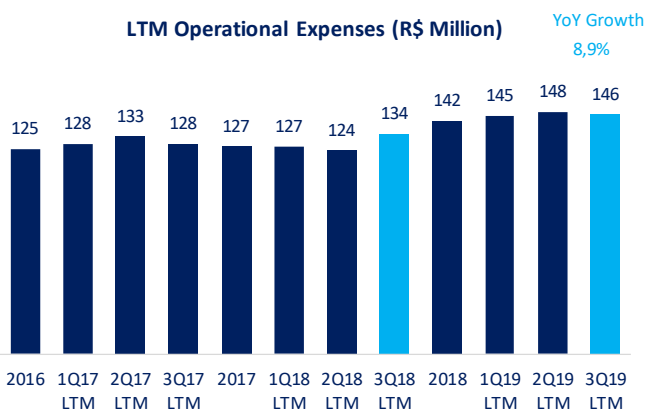


LTM Gross Margin (% N.R.)

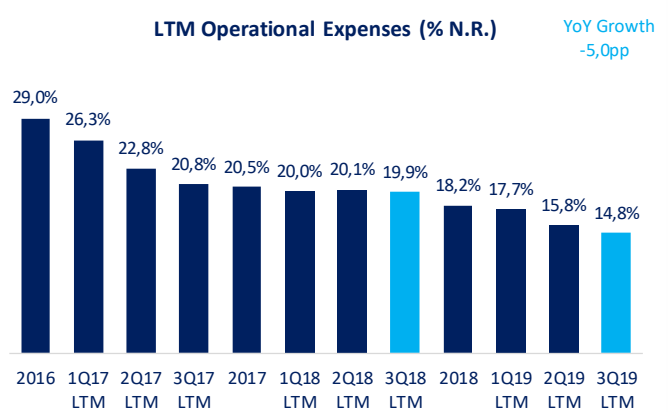


Operational expenses in the last 12 months grew slightly above the inflation of the period and they were diluted due to the increase in Net Revenues. This increase above inflation is mainly due to higher Research and Development (R&D).

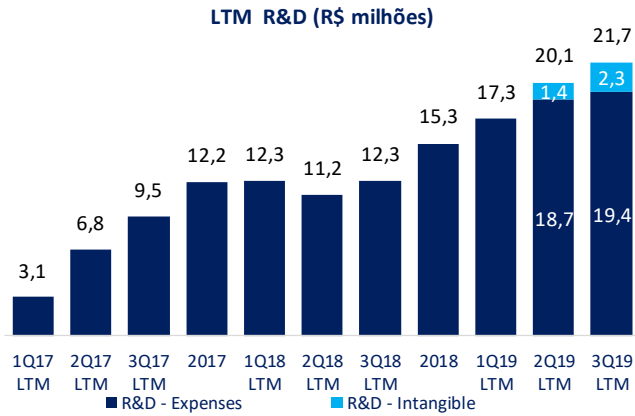
LTM Operational Expenses (R\$ Million)



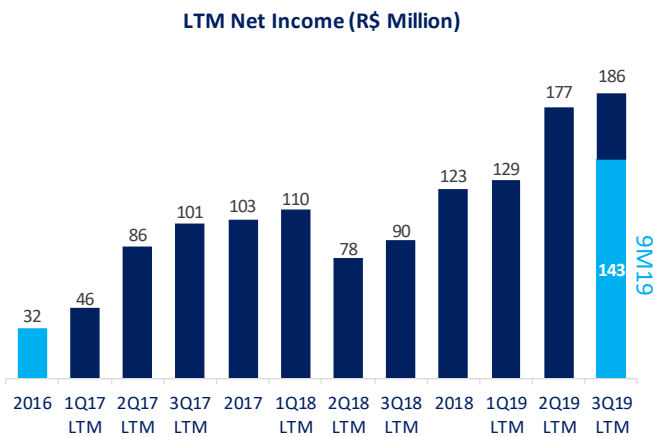
LTM Operational Expenses (% N.R.)



Our focus on R&D can be seen below.



As a consequence, net income for the last 12 months increased by 105,3% reaching R\$186 million, especially due to the net revenues' growth and operating leverage. It is interesting to note that net income for the first nine months of 2019 (R\$143 million) was higher than the total of 2018 (R\$123 million).



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.

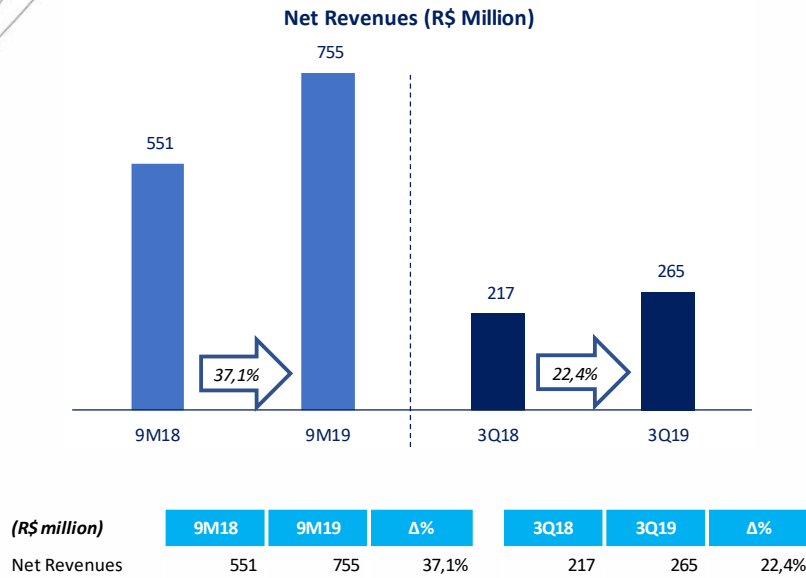
The contact details of our IR team are on the cover of this Earnings Release.

Marcelo R. Hahn
CEO

Operational and Financial Performance
Summarized Income Statement

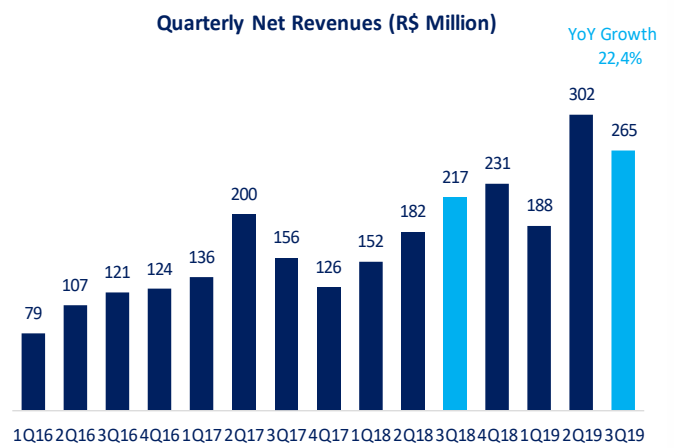
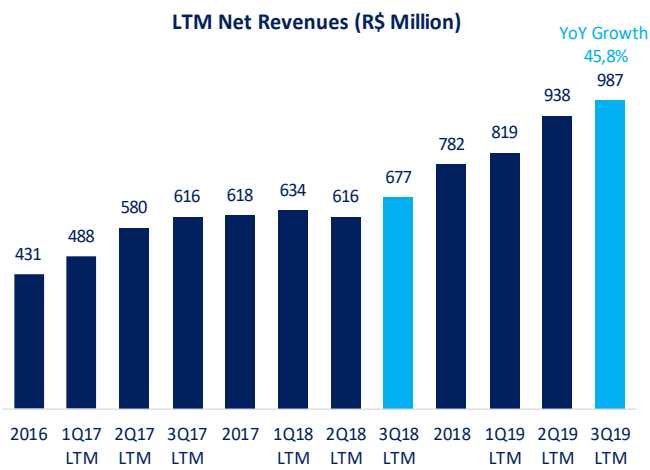
<i>(R\$ million)</i>	9M18	%NR	9M19	%NR	Δ%	3Q18	%NR	3Q19	%NR	Δ%
Net Revenues	551	100,0%	755	100,0%	37,1%	217	100,0%	265	100,0%	22,4%
COGS	(316)	-57,4%	(429)	-56,8%	35,7%	(115)	-53,3%	(146)	-55,0%	26,4%
Gross Profit	234	42,6%	326	43,2%	39,1%	101	46,7%	119	45,0%	17,9%
Operational Expenses	(97)	-17,6%	(101)	-13,4%	4,0%	(36)	-16,6%	(35)	-13,0%	-3,9%
Sales	(34)	-6,1%	(39)	-5,2%	16,4%	(12)	-5,6%	(14)	-5,4%	17,0%
Bad Debt Provision	(2)	-0,4%	(1)	-0,1%	-59,7%	(1)	-0,5%	0	0,2%	-145,7%
Research & Development	(10)	-1,7%	(14)	-1,8%	43,0%	(4)	-1,7%	(4)	-1,7%	17,4%
General & Administrative	(52)	-9,4%	(47)	-6,3%	-8,4%	(19)	-8,8%	(16)	-6,2%	-13,8%
Others	5	1,0%	(4)	-0,5%	-174,5%	3	1,2%	(0)	-0,1%	-109,6%
EBIT	143	25,9%	221	29,3%	55,0%	68	31,4%	85	31,9%	24,6%
Net Financial Expenses	(26)	-4,7%	(15)	-2,0%	-42,1%	(6)	-2,6%	(11)	-4,0%	87,8%
EBT	117	21,2%	206	27,3%	76,7%	62	28,8%	74	27,9%	18,9%
Income Tax and CSLL	(36)	-6,6%	(63)	-8,4%	73,7%	(20)	-9,2%	(23)	-8,5%	13,8%
Net Income	80	14,5%	143	18,9%	78,0%	42	19,6%	51	19,4%	21,2%

Net Revenues



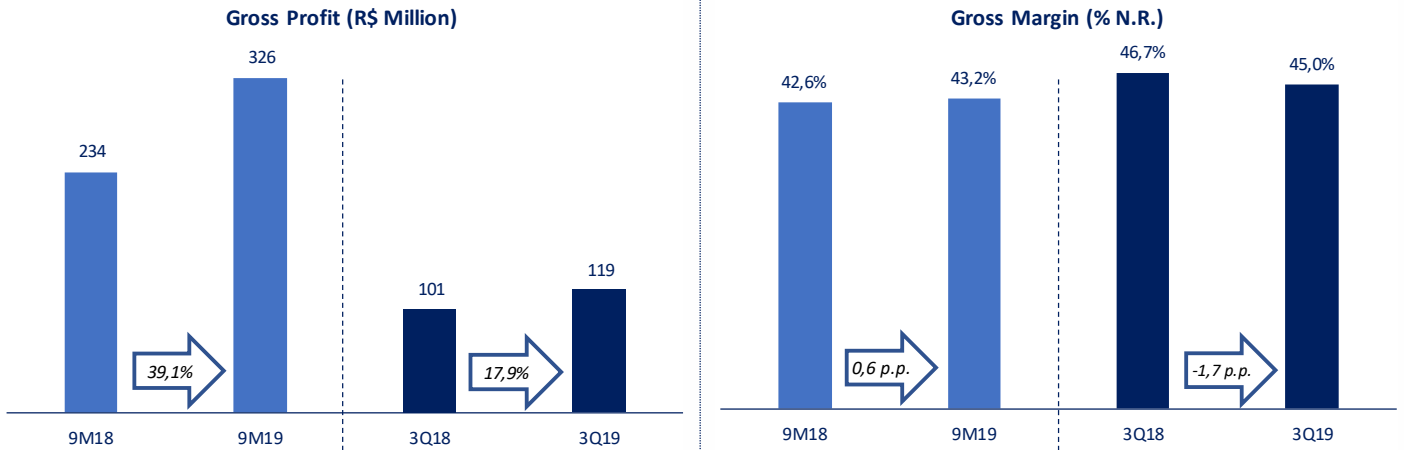
Net revenues reached R\$755 million in 9M19, 37,1% over the same period of the previous year. This growth was mainly due to higher volumes of biological and others product lines.

3Q19 net revenues increased 22,4% over the same period of 2018 due to the higher sales volumes of biological products.



The Company reached net revenues of R\$987 million in the last 12 months, 45,8% higher than the same period of the previous year.

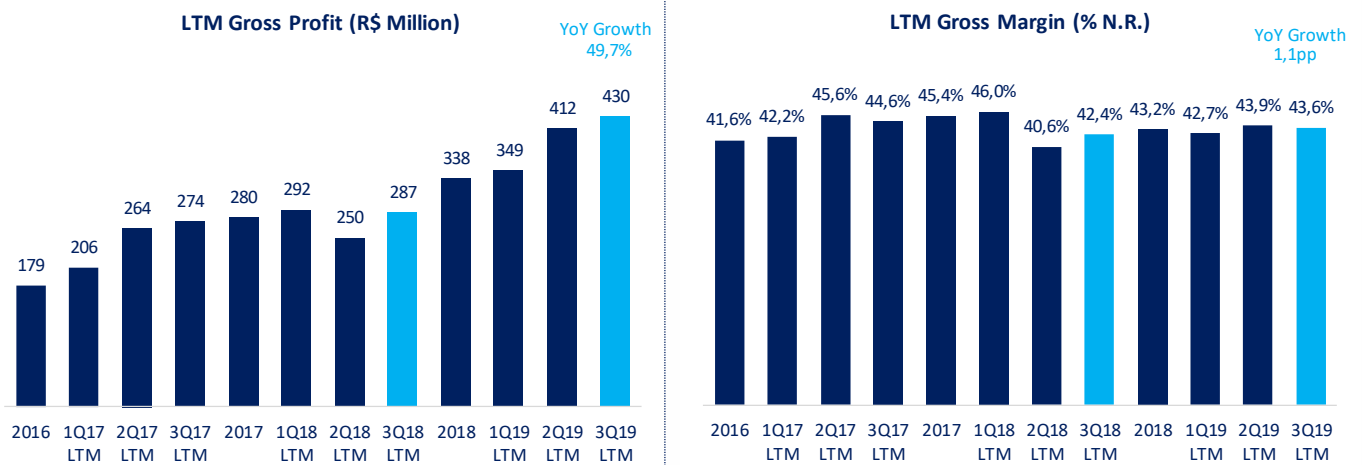
Gross Profit



(R\$ million)	9M18	%NR	9M19	%NR	Δ%	3Q18	%NR	3Q19	%NR	Δ%
Gross Profit	234	42,6%	326	43,2%	39,1%	101	46,7%	119	45,0%	17,9%

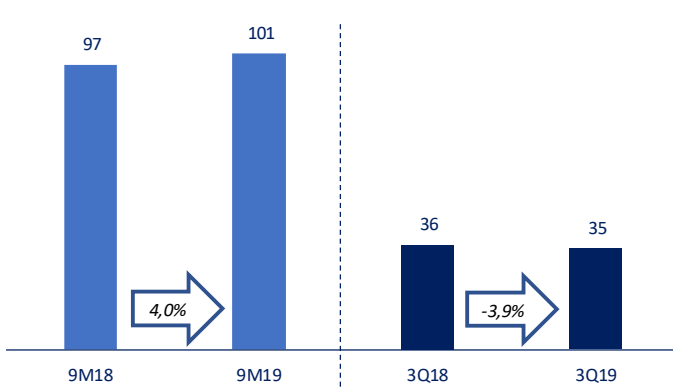
9M19 gross profit was 39,1% higher than the same period of the previous year and gross margin was 0,6p.p. higher. This is explained by higher sales of high margin products – especially in the biological product line – and higher prices in the specialty and oncology product lines.

In the 3Q19, the gross profit was R\$119 million, 17,9% higher than the same period of the previous year, and the gross margin was 45,0%, a decrease of 1,7p.p. when compared to the same quarter of 2018. This margin behavior was due to exchange rate pressure on raw material costs.

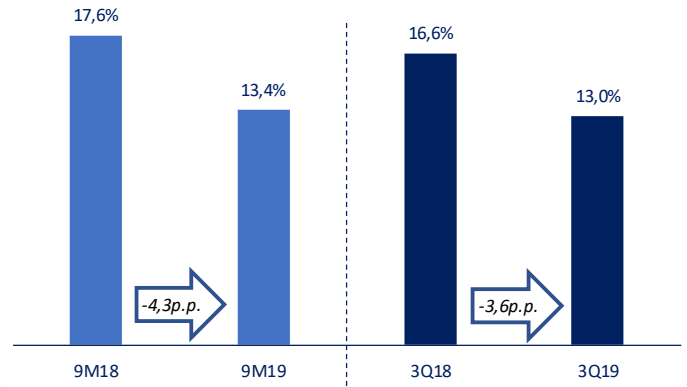


Operational Expenses

Operational Expenses (R\$ Million)



Operational Expenses (% N.R.)



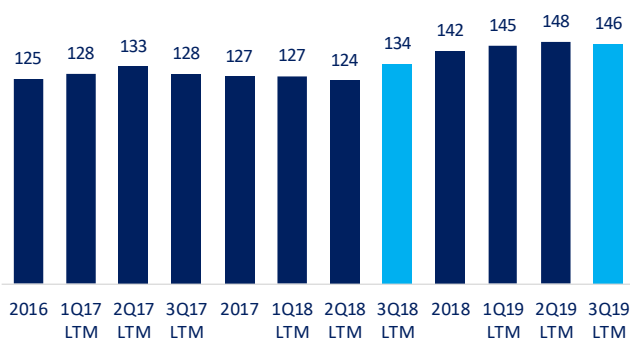
(R\$ million)	9M18	%NR	9M19	%NR	Δ%	3Q18	%NR	3Q19	%NR	Δ%
Operational Expenses	(97)	-17,6%	(101)	-13,4%	4,0%	(36)	-16,6%	(35)	-13,0%	-3,9%
Sales	(34)	-6,1%	(39)	-5,2%	16,4%	(12)	-5,6%	(14)	-5,4%	17,0%
Bad Debt Provision	(2)	-0,4%	(1)	-0,1%	-59,7%	(1)	-0,5%	0	0,2%	-145,7%
R&D	(10)	-1,7%	(14)	-1,8%	43,0%	(4)	-1,7%	(4)	-1,7%	17,4%
General and Administrative	(52)	-9,4%	(47)	-6,3%	-8,4%	(19)	-8,8%	(16)	-6,2%	-13,8%

9M19 operational expenses increased 4,0% compared to the same period of the previous year, close to period inflation. Despite the increase in R&D expenses and sales structure, there was a dilution of 4,3p.p. due to the growth in net revenues.

In the third quarter, despite an increase of 3,9% compared to the same period of the previous year, also explained by higher R&D expenses and increased sales structure, it showed a 3,6p.p. dilution over net revenues.

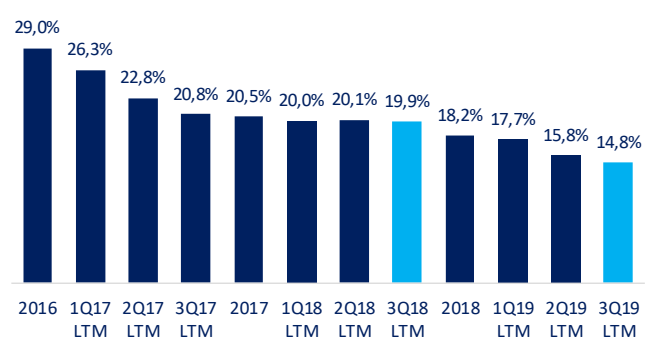
LTM Operational Expenses (R\$ Million)

YoY Growth
8,9%

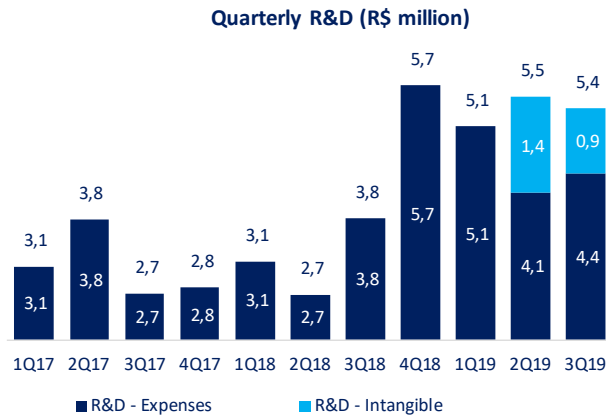


LTM Operational Expenses (% N.R.)

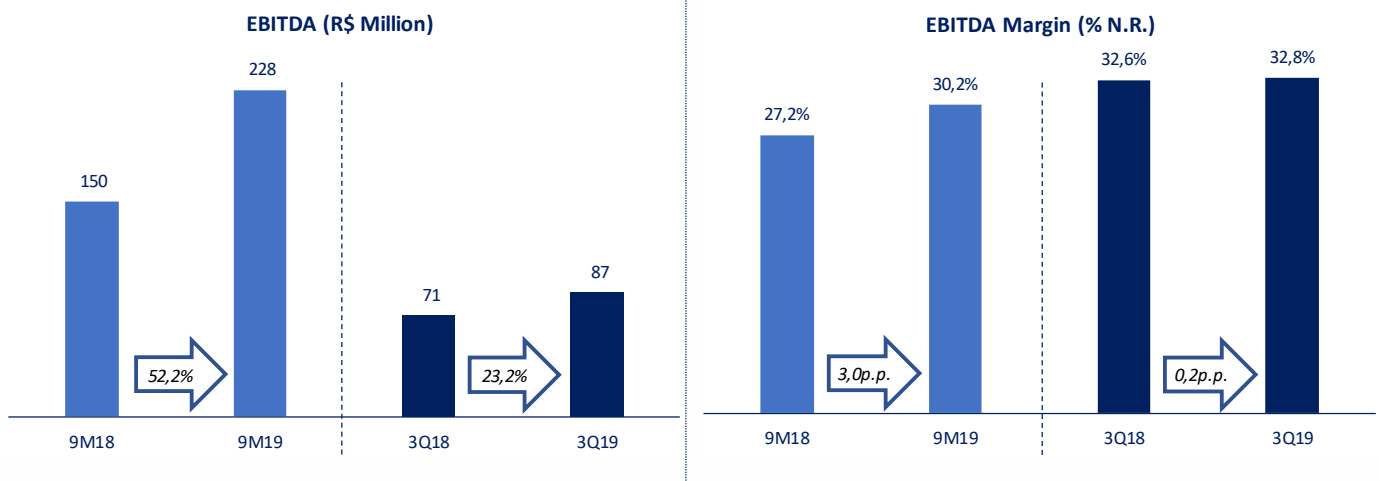
YoY Growth
-5,0pp



It is presented below the total R&D and the breakdown between expense and property, plant and equipment (intangible assets).



EBITDA



(R\$ million)	9M18	%NR	9M19	%NR	Δ%	3Q18	%NR	3Q19	%NR	Δ%
Net Income	80	14,5%	143	18,9%	78,0%	42	19,6%	51	19,4%	21,2%
Income Tax and CSLL	36	-6,6%	63	-8,4%	73,7%	20	-9,2%	23	-8,5%	13,8%
Net Financial Expenses	26	-4,7%	15	-2,0%	-42,1%	6	-2,6%	11	-4,0%	87,8%
Depreciation and Amortization	7	1,3%	7	1,0%	-3,0%	3	1,2%	2	0,9%	-10,8%
EBITDA	150	27,2%	228	30,2%	52,2%	71	32,6%	87	32,8%	23,2%

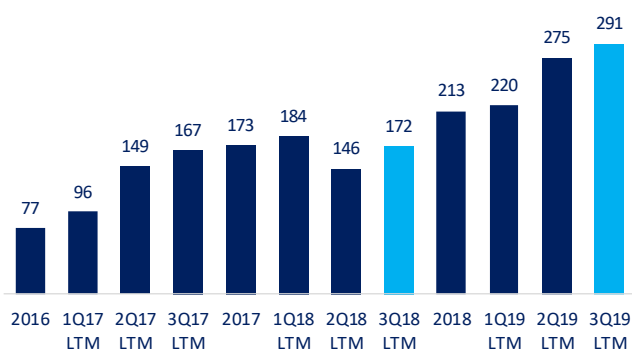
9M19 EBITDA was R\$228 million and margin of 30,2%. A growth of 52,2% and 3,0p.p., respectively.

3Q19 EBITDA reached R\$87 million with a margin of 32,8%, which represents an 23,2% growth over the same period of the previous year and margin improvement of 0,2p.p..

The effect observed in the EBITDA both, in the 9-month and the quarter, it is mainly due to the Company's operating leverage and expenses control.

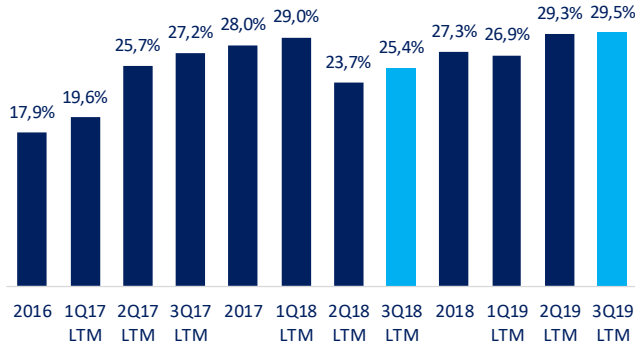
LTM EBITDA (R\$ Million)

YoY Growth
69,7%



LTM EBITDA Margin (% N.R.)

YoY Growth
4,2pp



Financial Expenses

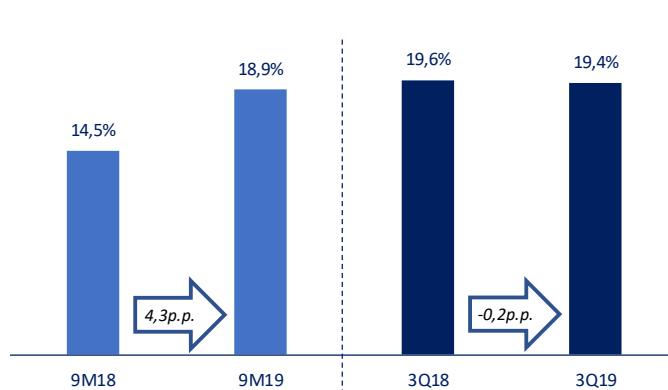
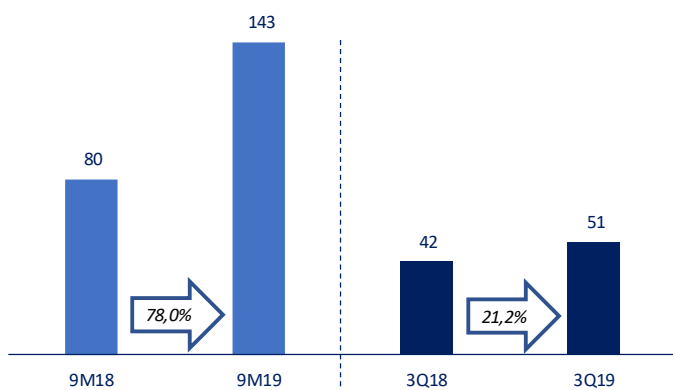
(R\$ million)	9M18	%NR	9M19	%NR	Δ%	3Q18	%NR	3Q19	%NR	Δ%
Net Financial Expenses	(26)	-4,7%	(15)	-2,0%	-42,1%	(6)	-2,6%	(11)	-4,0%	87,8%
Fx Variation	(17)	-3,1%	(8)	-1,1%	-50,6%	(2)	-1,0%	(9)	-3,4%	327,5%
Net Interest Expenses	(8)	-1,4%	(7)	-1,0%	-9,4%	(2)	-1,1%	(2)	-0,9%	-0,6%
Others	(1)	-0,2%	1	0,1%	-154,3%	(1)	-0,5%	1	0,3%	-175,9%

Financial Expenses in both, the first nine months of 2019 and 3Q19 were impacted mainly due to the weakening of the local currency.

Net Income

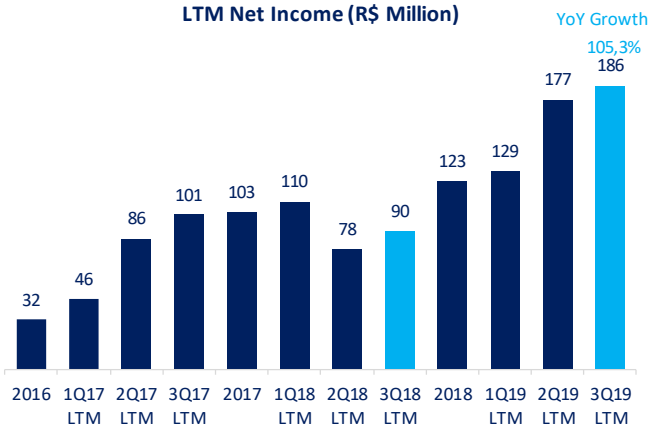
Net Income (R\$ Million)

Net Margin (% N.R.)

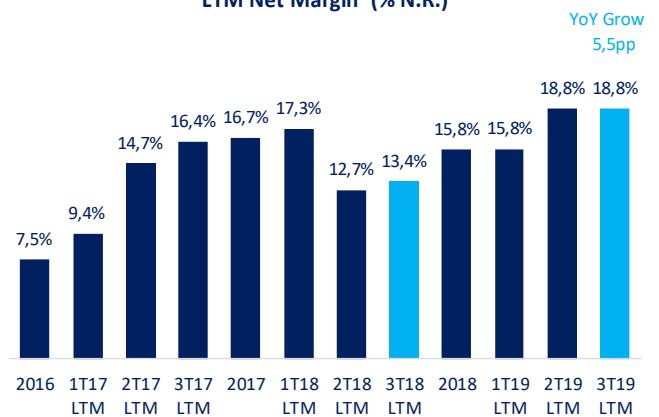


(R\$ million)	9M18	%NR	9M19	%NR	Δ%	3Q18	%NR	3Q19	%NR	Δ%
EBIT	143	25,9%	221	29,3%	55,0%	68	31,4%	85	31,9%	24,6%
Net Financial Expenses	(26)	-4,7%	(15)	-2,0%	-42,1%	(6)	-2,6%	(11)	-4,0%	87,8%
EBT	117	21,2%	206	27,3%	76,7%	62	28,8%	74	27,9%	18,9%
Income Tax and CSLL	(36)	-6,6%	(63)	-8,4%	73,7%	(20)	-9,2%	(23)	-8,5%	13,8%
Net Income	80	14,5%	143	18,9%	78,0%	42	19,6%	51	19,4%	21,2%

LTM Net Income (R\$ Million)



LTM Net Margin (% N.R.)



Net Debt

(R\$ million)	12.31.2018	09.30.2019	2019	2020	2021	2022	2023	2024 ->
Short Term	32	80						
Long Term	193	144						
Gross Debt	225	224	13	84	60	45	23	-
Cash & Investments	(113)	(153)						
Net Debt	112	71						
LTM Adjusted EBITDA	213	291						
Leverage*	0,53x	0,24x						

*Net Debt / LTM EBITDA

The Company's leverage decreased in the third quarter due to higher cash position at end of period.

Balance Sheet

(R\$ thousand)	12.31.2018	09.30.2019		12.31.2018	09.30.2019
Assets			Liabilities and Shareholder's Equity		
Current Assets	429.686	545.998	Current liabilities	173.520	351.751
Cash and Cash Equivalents	112.944	153.244	Suppliers	85.926	120.943
Accounts Receivables	162.774	194.521	Loans and Financing	32.423	80.104
Inventories	145.163	177.108	Taxes Payable	1.972	2.067
Recoverable Taxes	5.547	17.277	Income Tax and Social Contribution	16.002	18.250
Other Assets	3.258	3.848	Labour	13.712	19.840
Non-Current Assets	164.469	200.333	Other Accounts Payable	23.485	110.547
Long Term Assets	19.516	20.603	Non-Current Liabilities	197.301	149.791
Judicial Deposits	5.231	6.150	Loans and Financing	192.708	143.795
Recoverable Taxes	771	700	Other Deferred Liabilities	-	1.099
Deferred Income Tax and Social Contribution	6.546	8.788	Provisions for Contingencies	4.593	4.897
Other Assets	6.968	4.965			
Property, Plants and Equipments	144.953	179.730	Shareholders' Equity	223.334	244.789
Investments	15	15	Capital	100.640	100.640
Biologic Assets	306	306	Accumulated Profit	-	131.757
Property, Plant and Equipment	135.706	167.923	Profit Reserve	119.421	13.069
Intangible Assets	8.926	11.486	Other Comprehensive Income	3.273	(677)
Total Assets	594.155	746.331	Total Liabilities and Shareholders' Equity	594.155	746.331

Income Statement

(R\$ thousand)	9M18	%NR	9M19	%NR	3Q18	%NR	3Q19	%NR
Net Revenues	550.835	100,0%	755.261	100,0%	216.663	100,0%	265.266	100,0%
Cost of Goods Sold	(316.424)	-57,4%	(429.305)	-56,8%	(115.378)	-53,3%	(145.834)	-55,0%
Gross Profit	234.411	42,6%	325.956	43,2%	101.285	46,7%	119.432	45,0%
Operational Expenses	(97.159)	-17,6%	(101.068)	-13,4%	(35.960)	-16,6%	(34.553)	-13,0%
Commercial Expenses	(45.425)	-8,2%	(53.677)	-7,1%	(16.984)	-7,8%	(18.192)	-6,9%
Administrative Expenses	(51.734)	-9,4%	(47.391)	-6,3%	(18.976)	-8,8%	(16.361)	-6,2%
Others	5.278	1,0%	(3.930)	-0,5%	2.610	1,2%	(250)	-0,1%
EBIT	142.530	25,9%	220.958	29,3%	67.935	31,4%	84.629	31,9%
Net Financial Expenses	(25.971)	-4,7%	(15.025)	-2,0%	(5.610)	-2,6%	(10.536)	-4,0%
Financial Revenues	2.329	0,4%	6.180	0,8%	1.395	0,6%	2.880	1,1%
Financial Expenses	(28.300)	-5,1%	(21.205)	-2,8%	(7.005)	-3,2%	(13.416)	-5,1%
EBT	116.559	21,2%	205.933	27,3%	62.325	28,8%	74.093	27,9%
Income Tax and CSLL	(36.428)	-6,6%	(63.278)	-8,4%	(19.884)	-9,2%	(22.637)	-8,5%
Net Income	80.131	14,5%	142.655	18,9%	42.441	19,6%	51.456	19,4%

Cash Flow Statement

(R\$ thousand)	9M18	9M19	3Q18	3Q19
Cash Flows from Operating Activities				
Income (Loss) Before Taxes	116.559	205.933	62.325	74.093
Depreciation and Amortization	7.406	7.187	2.686	2.397
P,P&E and Intangible Assets Write-off	2.733	7.532	1.175	4.790
Financial Charges on Loans	9.413	12.153	4.725	4.216
Fx Variation on Loans and Provision of SWAP / MTM	1.278	524	(882)	1.130
Fx Variation on Suppliers and Clients	(217)	6.337	-	6.528
Doubtful Accounts	1.717	925	1.090	(473)
Inventories Provisions	1.392	4.743	(143)	1.130
Others	261	(204)	261	(204)
Provisions for Contingencies	116	305	(124)	865
Adjusted Results	140.658	245.435	71.113	94.472
Decrease (Increase) in Assets	(119.493)	(88.071)	(75.077)	61.468
Trade Accounts Receivable	(37.650)	(31.920)	(7.746)	59.150
Inventories	(71.896)	(36.688)	(63.020)	(2.996)
Recoverable Taxes	(5.790)	(19.957)	(3.936)	5.350
Other Credits	(4.156)	1.413	(283)	354
Judicial Deposits and Others	(1)	(919)	(92)	(390)
Increase (Decrease) in Liabilities	72.204	21.453	56.050	(32.609)
Suppliers	66.078	27.928	34.440	(11.155)
Labor Charges	3.078	6.128	1.659	2.509
Tax Charges	2.016	95	407	343
Other Accounts Payable	1.032	(12.698)	19.544	(24.306)
Cash Provided by Operating Activities	93.369	178.817	52.086	123.331
Paid Income Taxes CSLL	(18.085)	(54.770)	(4.030)	(25.725)
Net Cash Flow Provided by Operating Activities	75.284	124.047	48.056	97.606
Cash flows from Investing Activities				
Acquisitions of Property, Plant and Equipment	(40.999)	(46.318)	(17.723)	(18.260)
Intangible Aquisitions	(277)	(3.177)	(219)	(883)
Net Cash Used in Investing Activities	(41.276)	(49.495)	(17.942)	(19.143)
Cash Flows from Financing Activities				
Dividends and Interest Over Capital	(30.164)	(17.425)	(30.164)	10.429
Loans and Financing	226.277	25.762	16.206	11.831
Repayment of Loans - Principal	(93.594)	(27.699)	(47.404)	(14.272)
Repayment of Loans - Interest	(9.550)	(11.972)	(4.676)	(3.950)
Net Cash Used In Financing Activities	92.969	(31.334)	(66.038)	4.038
Cash Variation	126.977	43.217	(35.924)	82.500
Beginning of the Period	13.175	112.945	178.897	70.837
Fx Effect on Cash and Cash Equivalents	3.679	(2.918)	858	(93)
End of The Period	143.831	153.244	143.831	153.244

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.