

Hypera S.A.
Quarterly information report
March 31, 2020

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Hypera Pharma reports Net Revenue of R\$815.0 million in 1Q20 and increases Interest on Capital to R\$185.5 million in the quarter

São Paulo, April 24, 2020 – Hypera S.A. (“Hypera Pharma” or “Company”; B3: HYPE3; Bloomberg: HYPE3 BZ; ISIN: BRHYPEACNOR0; Reuters: HYPE3.SA; ADR: HYPMY) announces its financial results for the first quarter of 2020. Financial data disclosed here are taken from the Consolidated Financial Statements of Hypera S.A., prepared in accordance with the Brazilian Accounting Pronouncement Committee (CPC) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Highlights

- Double-digit sell-out growth for the fourth consecutive quarter, reaching 11.1% in 1Q20
- 30.5% EBITDA Margin in 1Q20
- Declared Interest on Capital in the quarter of R\$185.5 million in 1Q20, or 15.2% increase over 1Q19

Table 1

(R\$ million)	1Q19	% NR	1Q20	% NR	Δ %
Gross Revenue, net of Returns and Unconditional Discounts	452.6	118.0%	911.6	111.8%	101.4%
Net Revenue	383.6	100.0%	815.0	100.0%	112.5%
Gross Profit	185.9	48.5%	543.1	66.6%	192.2%
SG&A (ex-Marketing and R&D)	(147.5)	-38.5%	(145.2)	-17.8%	-1.6%
Research & Development	(28.8)	-7.5%	(32.0)	-3.9%	11.2%
Marketing	(159.6)	-41.6%	(182.6)	-22.4%	14.4%
EBITDA from Continuing Operations	401.4	104.6%	248.7	30.5%	-38.0%
Net Income from Continuing Operations	330.8	86.2%	248.0	30.4%	-25.0%
Net Income	321.2	83.7%	238.2	29.2%	-25.8%

(1) Sell out PPP (Pharmacy Purchase Price), as per IQVIA, considers the drug stores and big retailers average purchase price



Operating Scenario

In 1Q20, Hypera Pharma's sell-out¹ grew 11.1%, reaching double-digit growth for the fourth consecutive quarter. This performance was impacted by the strong sell-out increase in Consumer Health in the beginning of March, as a result of the rush of consumers to drugstores to purchase over-the-counter drugs after the beginning of the quarantine due to the Covid-19 pandemic.

The main categories benefited by the increased demand in Consumer Health were anti-flu, painkillers, vitamins and supplements, with emphasis on the brands **Benegrip**, **Coristina d**, **Apracur**, **Doril**, **Tamarine** and **Vitasay**. In Similar and Generics, the sell-out growth was also benefited by these categories, with emphasis on the brands **Neosoro**, **Doralgina**, **Histamin**, **Neolefrin** and **Centrotabs**.

In Branded Prescription, the quarter highlights were the brands **Rinosoro**, **Predsim**, **Colflex**, **Ofolato** and especially **Addera D3**, whose sell-out growth was driven by recent studies that reinforced the importance of Vitamin D for the regulation of the immune system and risk reduction of respiratory infections with viral origin. The **Addera D3** brand, which recently debuted its first advertisement campaign on TV and digital media, had a sell-out record in March.

It is important to mention, however, that it was already possible to see the negative impact on sell-out from some categories in Branded Prescription in 1Q20, such as dermatology and pediatrics, as a result of the reduction in the number of doctor appointments in this period due to the Covid-19 pandemic.

As a result, the Company reported Net Revenue of R\$815.0 million in 1Q20 and, as a consequence of the greater discipline in the costs and expenses management, the Company preserved the EBITDA Margin from Continued Operations, which reached 30.5% in the quarter. **In 1Q20, the Company also declared Interest on Capital of R\$185.5 million, or R\$0.29 per share, an increase of 15.2% over the amount declared in 1Q19.**

The Covid-19 pandemic brought additional challenges to the day-to-day operations of Brazilian companies in the most diverse segments throughout the quarter, and for Hypera Pharma it wasn't different. **As a pharmaceutical company, Hypera Pharma must guarantee to Brazilians access to healthcare, without losing sight of the well-being preservation of its employees and communities with which it relates.**

The Company reinforced its corporate health team and started to allow the entrance of its employees and suppliers to its sites only after checking the body temperature with infrared thermometers. In addition, purchase orders of imported APIs (active pharmaceutical ingredients) from China and India have been stepped up and new hygiene measures have been adopted at the facilities and innovation center in order to ensure uninterrupted supply of medicines to the Brazilian population.

Hypera Pharma also adopted home office for all employees who are part of the risk group for Covid-19 and for the administrative, sales, medical representatives and merchandising teams, allowing promotion of products with the medical community and orders at the point of sales to be carried out only remotely. It is important to mention that part of the medical representatives and merchandising teams are on collective vacation due to the recent extension of the population quarantine.

The Company also provided telemedicine service to its employees and their families, providing assistance on any health issue, including suspicions of Covid-19, and concluded the program to immunize its employees against influenzas A and B. Finally, with the objective of reducing the flow of people at point of sales and guaranteeing access to medicines,

(1) Sell out PPP (Pharmacy Purchase Price), as per IQVIA, considers the drug stores and big retailers average purchase price



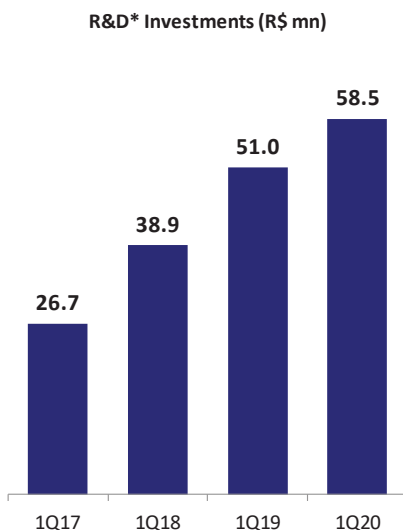
Hypera Pharma signed a partnership with the app Rappi to deliver the anti-flu product **Benegrip** with free shipping to the regions of São Paulo and Rio de Janeiro that were most impacted by the Covid-19 pandemic.

In addition to recent initiatives to preserve the employees' well-being and ensure continuity in the supply of medicines during the Covid-19 pandemic, **Hypera Pharma has chosen to further strengthen its short-term liquidity**. In view of the uncertainties and volatility of the current economic scenario, the Company reinforced its cash position on a preventive basis, by contracting loans in the amount of R\$895.0 million in March and April.

The Company also approved new issuance of long-term debentures, in the amount of R\$3.500 billion at the cost of CDI+1.5% per year to pay for the portfolio of drugs to be acquired from Takeda, estimated for 4Q20. In 1Q20, the Company approved the sale of part of this portfolio that will be acquired from Takeda in Argentina, Colombia, Ecuador, Mexico, Panama and Peru to Eurofarma for USD161.0 million, maintaining its exclusive focus on the Brazilian pharmaceutical market. With the sale of part of the portfolio to Eurofarma and the recent contracted operations of foreign exchange derivatives in March and April (“foreign exchange hedge”), the Company reduced its US Dollar exposure related to this acquisition to USD387.0 million.

Hypera Pharma continues to believe in the Brazilian pharmaceutical market, which combines resilience with growth opportunities in the most diverse segments and tends to be less impacted by the Covid-19 pandemic. The Company is the only Brazilian company with a prominent position in all segments of the pharmaceutical retail market, with leading brands, robust go-to-market platform, liquidity, strong investment and capital return to shareholders, and will continue to be committed to ensure to Brazilians access to healthcare during the Covid-19 pandemic.

Innovation & Launches



Total investments in innovation, research and development, including the amount capitalized as intangible assets, reached R\$58.5 million in 1Q20, reinforcing the Company's commitment to innovation and sustainable growth, also during the pandemic of Covid-19.

In this quarter, the Company entered into an agreement to acquire Glenmark's dermatological product portfolio in Brazil, adding the brands Adacne, Adacne Clin, Celamina, Demelan, Deriva Micro, Deriva-C Micro, Dermotil Fusid, Halobex and Tacroz to the Mantecorp Skincare portfolio.

The Company also launched 5 new products in 1Q20, such as the extensions of the leading brands in vitamin D and sunscreens **Addera D3** and **Episol**, Addera D3 in drops with 600UI and 1000UI and Episol Antiox, in addition to the launch of the anti-inflammatory ointment **Artrotop**. In Similar and Generics, Centrotabs Beauty was launched in liquid capsules for hair and nails, a new line extension of the **Centrotabs** brand.

Note: *It considers R&D expenses and the amount of capitalized as intangible assets. Excludes the Lei do Bem benefit and R&D amortization in the period.



Earnings Discussion

Income Statement

The following table is a summary of Hypera Pharma's Income Statement:

Table 2

(R\$ million)	1Q19	% NR	1Q20	% NR	Δ %
Net Revenue	383.6	100.0%	815.0	100.0%	112.5%
Gross Profit	185.9	48.5%	543.1	66.6%	192.2%
Marketing Expenses	(159.6)	-41.6%	(182.6)	-22.4%	14.4%
Selling Expenses	(124.3)	-32.4%	(127.4)	-15.6%	2.5%
General and Administrative Expenses	(52.0)	-13.6%	(49.8)	-6.1%	-4.2%
Other Operational Net Expenses	521.9	136.1%	29.5	3.6%	-94.4%
Equity in Subsidiaries	(0.4)	-0.1%	5.6	0.7%	-
EBIT from Continuing Operations	371.4	96.8%	218.3	26.8%	-41.2%
Net Financial Expenses	(1.8)	-0.5%	12.7	1.6%	-
Income Tax and CSLL	(38.8)	-10.1%	16.9	2.1%	-
Net Income (Loss) from Continuing Operations	330.8	86.2%	248.0	30.4%	-25.0%
Net Income from Discontinued Operations	(9.6)	-2.5%	(9.8)	-1.2%	1.7%
Net Income (Loss)	321.2	83.7%	238.2	29.2%	-25.8%
EBITDA from Continuing Operations	401.4	104.6%	248.7	30.5%	-38.0%

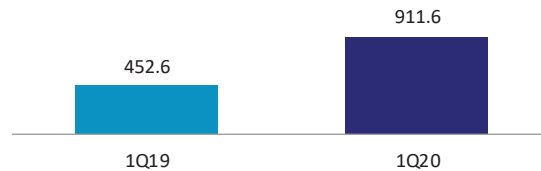


Net Revenue

Graph 1

Gross Revenue, net of Returns and Unconditional Discounts (R\$ mm)

Δ 1T20 vs 1T19 **101.4%**



Graph 2

Net Revenue (R\$ mm)

Δ 1Q20 vs 1Q19 **112.5%**

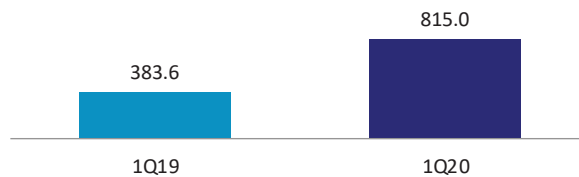


Table 3

(R\$ million)	1Q19	1Q20	Δ %
Gross Revenue, net of Returns and Unconditional Discounts	452.6	911.6	101.4%
Promotional Discounts	(34.7)	(26.1)	-24.9%
Taxes	(34.3)	(70.5)	105.5%
Net Revenue	383.6	815.0	112.5%

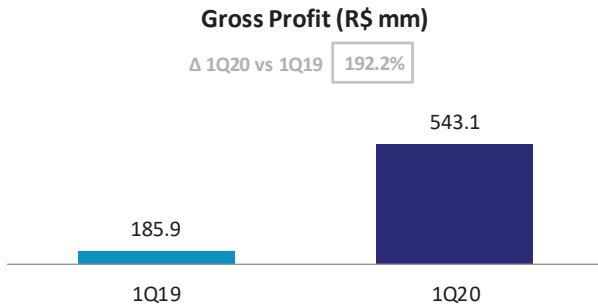
Net Revenue grew 112.5% in 1Q20, when compared to the same period of the previous year, mainly due to the reduction in sales of Prescription Products and Consumer Health in 1Q19 with the objective of reducing the inventory levels of these products in the Company's clients in that period.

In 1Q20, Net Revenue totaled R\$815.0 million, and did not capture the increase in sell-out in the last month of the quarter resulted from the rush of consumers to drugstores to purchase over-the-counter medications after the beginning of quarantine rules due to the Covid-19 pandemic, which tends to occur only in 2Q20.



Gross Profit

Graph 3



Graph 4

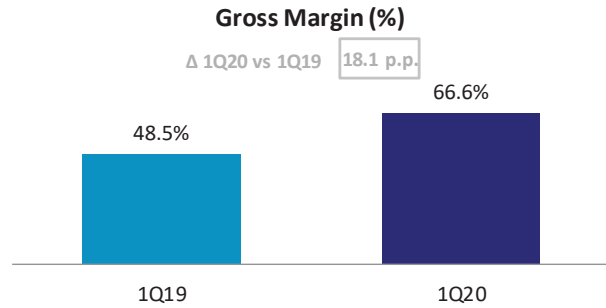


Table 4

(R\$ million)	1Q19	% NR	1Q20	% NR	Δ %	Δ p.p.
Gross Profit	185.9	48.5%	543.1	66.6%	192.2%	18.1 p.p.

Gross Profit was R\$543.1 million in 1Q20, with a Gross Margin of 66.6%, compared to 48.5% in 1Q19. The Gross Margin growth was mainly due to the product mix effect, a consequence of the lower sales of Prescription Products and Consumer Health in 1Q19, which have higher Gross Margin.

In comparison with 1Q19, Gross Margin was also positively impacted by 2.2 percentage points due to the reduction in idleness, and negatively impacted by 0.7 percentage point due to the devaluation of Real against US Dollar.



Marketing Expenses

Table 5

(R\$ million)	1Q19	% NR	1Q20	% NR	Δ %
Marketing Expenses	(159.6)	-41.6%	(182.6)	-22.4%	14.4%
Advertisement and Consumer Promotion	(48.3)	-12.6%	(42.6)	-5.2%	-11.8%
Trade Deals	(11.8)	-3.1%	(20.5)	-2.5%	74.2%
Medical Visits, Promotions and Others	(99.5)	-26.0%	(119.5)	-14.7%	20.0%

Marketing Expenses represented 22.4% of Net Revenue in 1Q20, a 14.4% increase over 1Q19, due to the growth of expenses with Medical Visits, Promotions and Others as a consequence of the increase in the medical visitation team in 3Q19. In this quarter, expenses with Advertisement and Consumer Promotion were impacted by the reduction in the number of marketing campaigns related to the Globo TV football advertising package, as a result of the suspension of football competitions due to the Covid-19 pandemic.

Selling Expenses

Table 6

(R\$ million)	1Q19	% NR	1Q20	% NR	Δ %
Selling Expenses	(124.3)	-32.4%	(127.4)	-15.6%	2.5%
Commercial Expenses	(79.0)	-20.6%	(74.1)	-9.1%	-6.2%
Freight and Logistics Expenses	(16.5)	-4.3%	(21.3)	-2.6%	28.9%
Research & Development	(28.8)	-7.5%	(32.0)	-3.9%	11.2%

Selling Expenses grew 2.5% in 1Q20, when compared to 1Q19, reflecting the increase in Freight and Logistics Expenses due to the higher sales volume in the quarter and the growth in Research and Development Expenses, a consequence of the increase in innovation investments in order to accelerate the pace of new product launches.

In the quarter, total investments in R&D, including the amount capitalized as intangible assets, reached 7.2% of Net Revenue, reinforcing the Company's commitment to innovation and sustainable growth, including during the Covid-19 pandemic.

General and Administrative Expenses & Other Operating Revenues / Expenses, Net

Table 7

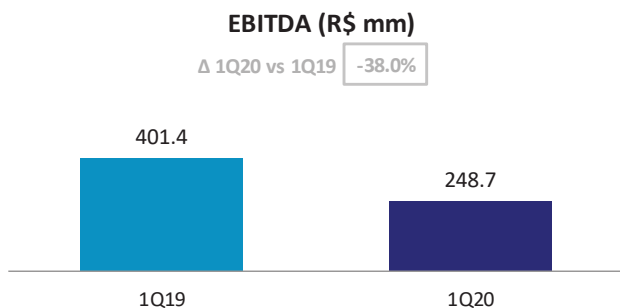
(R\$ million)	1Q19	% NR	1Q20	% NR	Δ %
General & Administrative Expenses	(52.0)	-13.6%	(49.8)	-6.1%	-4.2%
Other Operating Revenues (Expenses)	521.9	136.1%	29.5	3.6%	-94.4%

General and Administrative Expenses totaled R\$49.8 million, a 4.2% reduction over 1Q19, mainly due to the Company's recent initiatives to increase administrative efficiency in its operations. The Other Operating Revenues line was positively affected by the accounting of tax credits in the quarter.



EBITDA from Continuing Operations

Graph 5



Graph 6

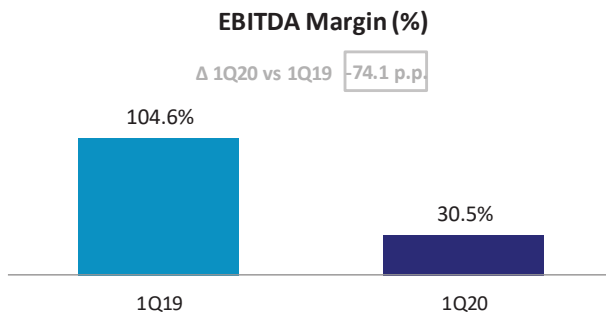


Table 8 – EBITDA from Continuing Operations Reconciliation

(R\$ million)	1Q19	% NR	1Q20	% NR	Δ %
EBITDA from Continuing Operations	401.4	104.6%	248.7	30.5%	-38.0%

EBITDA from Continuing Operations was R\$248.7 million in 1Q20, with margin of 30.5%. This EBITDA Margin performance is mainly a result of the Gross Margin increase and the greater discipline in managing expenses in 1Q20 due to the Covid-19 pandemic, which led, for example, to a reduction in promotional discounts, in the number of marketing campaigns related to the Globo TV football advertisement package and in travel expenses for the field and administrative teams.



Net Financial Expenses

Table 9

(R\$ million)	1Q19	% NR	1Q20	% NR	Δ R\$
Financial Result	(1.8)	-0.5%	12.7	1.6%	14.5
Net Interest Expenses	7.7	2.0%	17.9	2.2%	10.2
Cost of Hedge and FX Gains (Losses)	(1.0)	-0.3%	6.3	0.8%	7.3
Other	(8.5)	-2.2%	(11.5)	-1.4%	(3.0)

The Financial Result presented positive balance of R\$12.7 million in 1Q20, versus a negative balance of R\$1.8 million in 1Q19. This variation is mainly due to the increase in the monetary restatement of tax credits and the gain from derivative operations to reduce the Company's FX exposure related to the payment for the acquisition of Takeda's portfolio.

Net Income

Table 10

(R\$ million)	1Q19	1Q20	Δ %
EBIT from Continuing Operations	371.4	218.3	-41.2%
(-) Net Financial Expenses	(1.8)	12.7	-
(-) Income Tax and Social Contribution	(38.8)	16.9	-
Net Income from Continuing Operations	330.8	248.0	-25.0%
(+) Net Income from Discontinued Operations	(9.6)	(9.8)	1.7%
Net Income	321.2	238.2	-25.8%
EPS	0.51	0.38	-25.7%
EPS from Continuing Operations	0.52	0.39	-24.9%

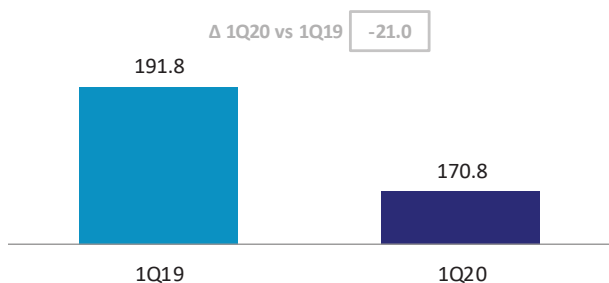
Net Income totaled R\$238.2 million in 1Q20, and was benefited by the reduction in the effective income tax rate due to the declaration of Interest on Equity in 1Q20, in the amount of R\$185.5 million, which was 15.2% higher than the declared amount in 1Q19.



Cash Flow (Continuing and Discontinued Operations)

Graph 7

Cash Flow from Operations (R\$ mm)



Graph 8

Free Cash Flow (R\$ mm)

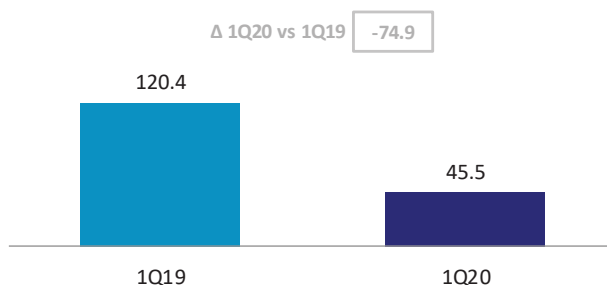


Table 11

(R\$ million)	1Q19	1Q20
Cash Flow from Operations	191.8	170.8
Purchase of Property, Plant and Equipment	(48.5)	(92.8)
Purchase of Intangible Assets	(23.4)	(33.1)
Sale of Property, Plant and Equipment	0.5	0.5
(=) Free Cash Flow	120.4	45.5

Cash Flow from Operations was R\$170.8 million in 1Q20, a reduction of R\$21.0 million over 1Q19, mainly due to the reduction in the period's income, adjusted for items that did not affect cash. Free Cash Flow decreased by R\$74.9 million, as a result of additional investments to expand the plant in Anápolis and in Research and Development.



Net Debt

Table 12

(R\$ million)	1Q20
Loans and Financing	(2,023.0)
Notes Payable	(8.0)
Gross Debt	(2,031.0)
Cash and Cash Equivalents	2,253.6
Net Cash / (Debt)	222.6
Unrealized Gain/Loss on Debt Hedge	18.2
Net Cash / (Debt) After Hedge	240.8

Net Cash position ended the quarter at R\$240.8 million, versus R\$216.3 million at the end of 4Q19. The Company reinforced its cash position on a preventive basis in view of the uncertainties and volatility of the current economic scenario due to the Covid-19 pandemic by contracting loans in the amount of R\$595.0 million in 1Q20, to be paid in 2021.



Investor Relations Agenda

Earnings Conference Call

	Portuguese	English
Date:	April 27, 2020	April 27, 2020
Time:	11:00 (Brasília) 10:00 (New York)	11:00 (Brasília) 10:00 (New York)
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Code:	Hypera Pharma	Hypera Pharma
Webcast:	Click here	Click here
Replay:	+55 (11) 2188-0400	+55 (11) 2188-0400
Replay Code:	Hypera Pharma	Hypera Pharma

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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.

Additional 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 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.



Consolidated Income Statement (R\$ thousand)

Table 13

	1Q19	1Q20
Net Revenue	383,578	815,032
Cost of Goods Sold	(197,711)	(271,974)
Gross Profit	185,867	543,058
Selling and Marketing Expenses	(283,891)	(309,933)
General and Administrative Expenses	(52,009)	(49,835)
Other Operating Income (Expenses)	521,902	29,469
Equity in Subsidiaries	(433)	5,577
Operating Income Before Equity Income and Financial Result	371,436	218,336
Net Financial Expenses	(1,803)	12,716
Financial Expenses	(20,847)	(26,465)
Financial Income	19,044	39,181
Profit Before Income Tax and Social Contribution	369,633	231,052
Income Tax and Social Contribution	(38,828)	16,939
Net Income from Continuing Operations	330,805	247,991
Net Income from Discontinued Operations	(9,623)	(9,782)
Income for the Period	321,182	238,209
Earnings per Share – R\$	0.51	0.38



Consolidated Balance Sheet (R\$ thousand)

Table 14

Assets	31/12/2019	31/03/2020	Liabilities and Shareholders' Equity	31/12/2019	31/03/2020
Current Assets	4,737,327	4,719,381	Current Liabilities	1,585,308	1,579,890
Cash and Cash Equivalents	2,246,436	2,253,593	Suppliers	333,829	193,650
Accounts Receivables	1,313,671	1,186,027	Suppliers' Assignment of Receivables	124,019	209,482
Inventories	664,643	697,114	Loans and Financing	108,622	618,537
Recoverable Taxes	300,826	251,453	Salaries Payable	205,996	153,536
Financial Derivatives	1,409	81,226	Income Tax and Social Contribution	337	1,040
Other Assets	206,966	247,465	Taxes Payable	47,857	66,709
Dividends and IOC receivables	2,261	2,261	Accounts Payable	135,710	136,855
Assets Held for Sale	1,115	242	Dividends and IOC Payable	612,143	185,498
			Notes Payable	7,802	7,952
			Financial Derivatives	3,820	338
			Liabilities Held for Sale	5,173	6,293
Non-Current Assets	7,182,148	7,384,099	Non-Current Liabilities	1,624,067	1,734,856
Long Term Assets	909,728	992,175	Loans and Financing	1,293,983	1,404,489
Deferred Income Tax and Social Contribution	26,551	34,519	Deferred Income Tax and Social Contribution	92,543	85,923
Recoverable Taxes	662,183	712,560	Taxes Payable	8,360	8,195
Other Assets	220,994	226,916	Accounts Payable	29,841	41,078
Financial Derivatives	0	18,180	Provisions for Contingencies	191,763	195,171
			Financial Derivatives	7,577	0
Investments	6,272,420	6,391,924	Shareholders' Equity	8,710,100	8,788,734
Investments	19,123	37,701	Capital	4,448,817	4,448,817
Investment Properties	150,240	149,238	Capital Reserve	1,270,401	1,272,997
Property, Plants and Equipments	1,167,946	1,247,960	Equity Valuation Adjustments	(254,994)	(244,096)
Intangible Assets	4,935,111	4,957,025	Profit Reserves	3,280,079	3,280,079
			Treasury Stock	(34,203)	(21,774)
			Income for the Period	0	52,711
Total Assets	11,919,475	12,103,480	Total Liabilities and Shareholders' Equity	11,919,475	12,103,480



Consolidated Cash Flow Statement (R\$ thousand)

Table 15

	1Q19	1Q20
Cash Flows from Operating Activities		
Income (Loss) Before Income Taxes including Discontinued Operations	355,081	217,677
Depreciation and Amortization	29,940	30,327
Asset Impairment	0	1,095
Gain on Permanent Asset Disposals	15,494	11,019
Equity Method	(85)	(4,604)
Foreign Exchange (Gains) Losses	1,013	(23,038)
Net Interest and Related Revenue/Expenses	790	10,322
Expenses Related to Share Based Remuneration	2,960	4,130
Provisions	25,046	(1,053)
Adjusted Results	430,239	245,875
Decrease (Increase) in Assets	(158,040)	66,443
Trade Accounts Receivable	478,492	150,980
Inventories	(74,556)	(53,119)
Recoverable Taxes	(528,921)	5,397
Judicial Deposits and Others	(3,080)	1,430
Other Accounts Receivable	(29,975)	(38,245)
Increase (Decrease) in Liabilities	(80,381)	(141,545)
Suppliers	(46,193)	(180,273)
Suppliers' Assignment of Receivables	(15,379)	85,464
Financial Derivatives	1,863	8,431
Income Tax and Social Contribution Paid	(2,241)	(610)
Taxes Payable	(2,174)	18,381
Salaries and Payroll Charges	15,837	(52,461)
Accounts Payable	(21,514)	(4,028)
Operations Interest Paid	(7,320)	(12,216)
Other Accounts Payable	(3,260)	(4,233)
Net Cash Provided by Operating Activities	191,818	170,773
Cash flows from Investing Activities		
Capital Increase/Decrease in Subsidiaries/Affiliates	0	(100)
Acquisitions of Subsidiaries, Net of Cash Acquired	0	(13,000)
Acquisitions of Property, Plant and Equipment	(48,457)	(92,785)
Intangible Assets	(23,438)	(33,067)
Proceeds from the Sale of Assets with Permanent Nature	451	547
Interest and Others	12,031	13,104
Investment Hedge	0	(2,155)
Net Cash Used in Investing Activities	(59,413)	(127,456)
Cash Flows from Financing Activities		
Borrowings	0	595,000
Repayment of Loans - Principal	(22,558)	(22,825)
Repayment of Loans - Interest	(6,910)	(7,086)
Dividends Paid	(560,275)	(612,143)
Receipt for disposed treasury shares	0	10,894
Net Cash Used in Financing Activities	(589,743)	(36,160)
Net Increase (Decrease) in Cash and Cash Equivalents	(457,338)	7,157
Statement of Increase in Cash and Cash Equivalents, Net		
Cash and Cash Equivalents at the Beginning of the Period	1,646,869	2,246,436
Cash and Cash Equivalents at the End of the Period	1,189,531	2,253,593
Change in Cash and Cash Equivalent	(457,338)	7,157



Other Information

Cash Conversion Cycle – Continuing Operations

Table 16

(Days)	1Q19	2Q19	3Q19	4Q19	1Q20	(R\$ million)	1Q19	2Q19	3Q19	4Q19	1Q20
Receivables ⁽¹⁾	197	95	99	114	117	Receivables	979	1,133	1,234	1,314	1,186
Inventories ⁽²⁾	302	191	183	159	231	Inventories	664	655	667	665	697
Payables ⁽²⁾⁽³⁾	(134)	(92)	(110)	(110)	(133)	Payables ⁽³⁾	(294)	(316)	(399)	(458)	(403)
Cash Conversion Cycle	366	194	173	164	214	Working Capital	1,350	1,472	1,502	1,520	1,480
						% of Annualized Net Revenue ⁽⁴⁾	88%	38%	37%	41%	45%

(1) Calculated based on Continuing Operations Gross Revenue, Net of Discounts

(2) Calculated based on Continuing Operations COGS

(3) Includes Suppliers' Assignment of Receivables

(4) Annualized last quarter Net Revenue

Tax Credits to offset Income Tax payment

- i) Federal Recoverable Taxes: R\$813.6 million (please refer to Explanatory Note 13 of the Financial Statements);
- ii) Cash effect of Income Tax and Social Contribution Losses Carryforward: R\$1,535.9 million (please refer to Explanatory Note 23(a) of the Financial Statements).

Reconciliation of Adjusted EBITDA, or EBITDA from Continuing Operations

Table 17

(R\$ million)	1Q19	% NR	1Q20	% NR	Δ %
Net Income	321.2	83.7%	238.2	29.2%	-25.8%
(+) Income Tax and CSLL	33.9	8.8%	(20.5)	-2.5%	-
(+) Net Interest Expenses	1.8	0.5%	(12.7)	-1.6%	-
(+) Depreciations / Amortizations	29.9	7.8%	30.3	3.7%	1.3%
EBITDA	386.8	100.8%	235.3	28.9%	-39.2%
(-) EBITDA from Discontinued Operations	14.6	3.8%	13.4	1.6%	-8.1%
Adjusted EBITDA (EBITDA from Continuing Operations)	401.4	104.6%	248.7	30.5%	-38.0%

EBITDA is a non-accounting measure prepared by the Company and it is calculated based on net income, added by income taxes, financial expenses net of financial income, depreciation and amortization. The Adjusted EBITDA, or EBITDA from Continuing Operations, represents the EBITDA, excluding the effects related to discontinued operations that affected the Company's EBITDA. The Company uses Adjusted EBITDA, or EBITDA from Continuing Operations, as a non-accounting measure, in order to present its performance in a way that better translates the operating cash generation potential of its business.



(A free translation of the original in Portuguese)

Report on review of quarterly information

To the Board of Directors and Stockholders
Hypera S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Hypera S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2020, comprising the balance sheet at that date and the statements of income, comprehensive income, changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Emphasis of matter - Investigation in progress

As mentioned in Note 31(a) to the Quarterly Information (ITR), and as a result of the on-going investigations by the Judiciary, search and seizure warrants were issued and executed by the Federal Police, one of which for the Company's premises, and the others for residences of certain former officers and executives of the Company. As described therein, the Company's Board of Directors nominated an Independent Investigation Committee to clarify the facts and to recommend the adoption, by the Board, of measures it considers applicable in light of issues that may be identified. Currently, due to the stage of the investigations, it is not possible to determine effects or consequences, if any, therefrom to the financial statements. The Company's Quarterly Information does not include adjustments that may arise from this matter. Our conclusion is not qualified in respect of this matter.

Other matters

Statements of value added

The quarterly information referred to above includes the parent company and consolidated statements of value added for the quarter ended March 31, 2020. These statements are the responsibility of the Company's management and are presented as supplementary information under IAS 34. These statements have been subjected to review procedures performed together with the review of the quarterly information for the purpose of concluding whether they are reconciled with the interim accounting information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the accounting standard CPC 09 - "Statement of Value Added". Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been properly prepared, in all material respects, in accordance with the criteria established in this accounting standard, and consistent with the parent company and consolidated interim accounting information taken as a whole.

Goiânia, April 24, 2020

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Valdir Renato Coscodai
Contador CRC 1SP165875/O-6

Hypera S.A.

Balance sheets In thousands of Reais

	Parent company		Consolidated			Parent company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019		March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Assets					Liabilities and equity				
Current					Current				
Cash and cash equivalents (Note 10)	2,169,191	2,117,668	2,253,593	2,246,436	Suppliers (Note 20)	420,870	344,357	193,650	333,829
Accounts receivable (Note 11)	1,185,940	1,313,767	1,186,027	1,313,671	Suppliers' assignments of receivables (Note 21)	236	291	209,482	124,019
Inventory (Note 12)	142,885	108,887	697,114	664,643	Loans, financing and debentures (Note 22)	587,295	77,571	618,537	108,622
Recoverable taxes (Note 13)	187,993	236,278	251,453	300,826	Salaries payable	96,146	126,984	153,536	205,996
Derivative financial instruments (Note 4 (e))	26,146	-	81,226	1,409	Income tax and social contribution payable	-	-	1,040	337
Dividends receivable (Note 16 (a))	6,925	6,925	2,261	2,261	Taxes payable (Note 24)	43,211	31,640	66,709	47,857
Other assets (Note 14)	219,744	176,852	247,465	206,966	Notes payable	7,952	7,802	7,952	7,802
	<u>3,938,824</u>	<u>3,960,377</u>	<u>4,719,139</u>	<u>4,736,212</u>	Dividends and interest payable on shareholders' equity	185,498	612,143	185,498	612,143
Assets held for sale	242	1,115	242	1,115	Derivative financial instruments (Note 4 (e))	-	-	338	3,820
					Accounts payable (Note 25)	85,505	88,310	136,855	135,710
						<u>1,426,713</u>	<u>1,289,098</u>	<u>1,573,597</u>	<u>1,580,135</u>
Non-current					Liabilities held for sale	6,154	5,058	6,293	5,173
Long-term receivables					Non-current				
Deferred income tax and social contribution (Note 23)	5,688	-	34,519	26,551	Loans, financing and debentures (Note 22)	1,315,265	1,204,481	1,404,489	1,293,983
Recoverable taxes (Note 13)	625,083	622,409	712,560	662,183	Taxes payable (Note 24)	8,195	8,360	8,195	8,360
Derivative financial instruments (Note 4 (e))	18,180	-	18,180	-	Deferred income tax and social contribution (Note 23)	-	20,661	85,923	92,543
Other assets (Note 14)	189,920	184,270	226,916	220,994	Provision for contingencies (Note 26)	168,292	168,101	195,171	191,763
	<u>838,871</u>	<u>806,679</u>	<u>992,175</u>	<u>909,728</u>	Derivative financial instruments (Note 4 (e))	-	7,577	-	7,577
					Accounts payable (Note 25)	31,333	19,836	41,078	29,841
						<u>1,523,085</u>	<u>1,429,016</u>	<u>1,734,856</u>	<u>1,624,067</u>
Investments (Note 16)	2,032,505	1,738,263	37,701	19,123	Total liabilities	<u>2,955,952</u>	<u>2,723,172</u>	<u>3,314,746</u>	<u>3,209,375</u>
Investment properties (Note 17)	156,906	157,955	149,238	150,240	Equity				
Property, plant and equipment (Note 18)	137,692	129,067	1,247,960	1,167,946	Share capital (Note 27 (a))	4,448,817	4,448,817	4,448,817	4,448,817
Intangible assets (Note 19)	4,639,646	4,639,816	4,957,025	4,935,111	Capital reserves (Note 27)	1,272,997	1,270,401	1,272,997	1,270,401
	<u>6,966,749</u>	<u>6,665,101</u>	<u>6,391,924</u>	<u>6,272,420</u>	Equity valuation adjustments	(244,096)	(254,994)	(244,096)	(254,994)
					Revenue reserves	3,280,079	3,280,079	3,280,079	3,280,079
	<u>7,805,620</u>	<u>7,471,780</u>	<u>7,384,099</u>	<u>7,182,148</u>	Treasury shares	(21,774)	(34,203)	(21,774)	(34,203)
					Retained earnings	52,711	-	52,711	-
						<u>8,788,734</u>	<u>8,710,100</u>	<u>8,788,734</u>	<u>8,710,100</u>
Total assets	<u>11,744,686</u>	<u>11,433,272</u>	<u>12,103,480</u>	<u>11,919,475</u>	Total liabilities and equity	<u>11,744,686</u>	<u>11,433,272</u>	<u>12,103,480</u>	<u>11,919,475</u>

The accompanying notes are an integral part of the quarterly information.

Hypera S.A.

Statements of income

Periods ended March 31

In thousands of Reais, unless stated otherwise

	Parent company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Continuing operations				
Net revenue (Note 28)	838,857	398,159	815,032	383,578
Cost of sales (Note 29 (a))	(338,415)	(232,087)	(271,974)	(197,711)
Gross profit	500,442	166,072	543,058	185,867
Selling and marketing expenses (Note 29 (a))	(280,100)	(257,386)	(309,933)	(283,891)
General and administrative expenses (Note 29 (a))	(35,611)	(36,389)	(49,835)	(52,009)
Other operating (expenses) income, net (Note 29 (b))	(7,025)	543,309	29,469	521,902
Equity accounting (Note 16 (a))	33,782	(33,910)	5,577	(433)
Income before financial income and expenses	211,488	381,696	218,336	371,436
Financial income (Note 29 (c))	37,944	16,714	39,181	19,044
Financial expenses (Note 29 (d))	(28,091)	(16,092)	(26,465)	(20,847)
Net financial expenses	9,853	622	12,716	(1,803)
Income before income tax and social contribution	221,341	382,318	231,052	369,633
Income tax and social contribution (Note 23 (c))	26,650	(51,513)	16,939	(38,828)
Net income from continuing operations	247,991	330,805	247,991	330,805
Discontinued operations				
Net income from discontinued operations (Note 15)	(9,782)	(9,623)	(9,782)	(9,623)
Net income for the period	238,209	321,182	238,209	321,182
Earnings per share				
Basic earnings per share (in R\$)	0.37746	0.50820	0.37746	0.50820
Diluted earnings per share (in R\$)	0.37222	0.50199	0.37222	0.50199
Earnings per share - Continuing operations				
Basic earnings per share (in R\$)	0.39296	0.52343	0.39296	0.52343
Diluted earnings per share (in R\$)	0.38750	0.51703	0.38750	0.51703

The accompanying notes are an integral part of the quarterly information.

Hypera S.A.

Statements of comprehensive income

Periods ended March 31

In thousands of Reais, unless stated otherwise

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>March 31,</u> <u>2020</u>	<u>March 31,</u> <u>2019</u>	<u>March 31,</u> <u>2020</u>	<u>March 31,</u> <u>2019</u>
Net income for the period	238,209	321,182	238,209	321,182
Other comprehensive income				
Items that will be reclassified to income				
Cash flow hedge - effective portion of the changes in fair value	16,512	1,764	16,512	1,764
Income tax and social contribution on other comprehensive income	(5,614)	(600)	(5,614)	(600)
Other comprehensive income, net of income tax and social contribution	10,898	1,164	10,898	1,164
Comprehensive income for the period	249,107	322,346	249,107	322,346

The accompanying notes are an integral part of the quarterly information.

Hypera S.A.

Statements of changes in equity In thousands of Reais

	Capital reserves					Profit reserves					Total	
	Capital	Premium on share issuance	Share purchase options	Debentures subscription bonus options	Treasury shares	Equity valuation adjustments	Legal reserve	Government grant reserve	Profit retention reserve	Supplemental dividends proposed		Retained earnings
Balances at January 1, 2019	4,448,817	1,161,726	73,201	50,244	(6,459)	(254,680)	180,592	2,470,495	143,737	-	-	8,267,673
Recognition of leases per CPC 06/IFRS 16	-	-	-	-	-	-	-	-	-	-	(3,546)	(3,546)
Share purchase options	-	-	280	-	-	-	-	-	-	-	-	280
Results on sales of treasury shares	-	(2,244)	-	-	-	-	-	-	-	-	-	(2,244)
Sale of shares (Note 27 (d))	-	-	-	-	2,244	-	-	-	-	-	-	2,244
Net income for the period	-	-	-	-	-	-	-	-	-	-	321,182	321,182
Interest on shareholders' equity	-	-	-	-	-	-	-	-	-	-	(160,994)	(160,994)
Other comprehensive income												
Gains or losses on derivatives, net of tax	-	-	-	-	-	1,164	-	-	-	-	-	1,164
Balances at March 31, 2019	4,448,817	1,159,482	73,481	50,244	(4,215)	(253,516)	180,592	2,470,495	143,737	-	156,642	8,425,759
Balances at January 1, 2020	4,448,817	1,141,620	78,537	50,244	(34,203)	(254,994)	180,592	2,838,613	260,874	-	-	8,710,100
Share purchase options	-	-	4,131	-	-	-	-	-	-	-	-	4,131
Results on sales of treasury shares	-	(1,535)	-	-	-	-	-	-	-	-	-	(1,535)
Sale of shares (Note 27(d))	-	-	-	-	12,429	-	-	-	-	-	-	12,429
Net income for the period	-	-	-	-	-	-	-	-	-	-	238,209	238,209
Interest on shareholders' equity	-	-	-	-	-	-	-	-	-	-	(185,498)	(185,498)
Other comprehensive income												
Gains or losses from derivatives, net of tax	-	-	-	-	-	10,898	-	-	-	-	-	10,898
Balances at March 31, 2020	4,448,817	1,140,085	82,668	50,244	(21,774)	(244,096)	180,592	2,838,613	260,874	-	52,711	8,788,734

The accompanying notes are an integral part of the quarterly information.

Hypera S.A.

Statements of cash flows Periods ended March 31 In thousands of Reais

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>March 31, 2020</u>	<u>March 31, 2019</u>	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Cash flow from operating activities				
Income before income tax and social contribution, including discontinued operations	209,177	367,341	217,677	355,081
Adjustments				
Depreciation and amortization	12,005	11,002	30,327	29,940
Impairment of assets	1,095	-	1,095	-
Results on the sale of fixed assets	7,741	15,607	11,019	15,494
Equity accounting	(30,428)	32,895	(4,604)	(85)
Foreign exchange gains (losses)	(17,673)	66	(23,038)	1,013
Interest and related expenses (income)	7,820	(688)	10,322	790
Share-based compensation expenses	3,458	2,876	4,130	2,960
Provisions	(16,198)	2,447	(1,053)	25,046
Adjusted income	<u>176,997</u>	<u>431,546</u>	<u>245,875</u>	<u>430,239</u>
Changes in assets and liabilities				
Accounts receivable	151,161	478,397	150,980	478,492
Inventory	(44,721)	(49,275)	(53,119)	(74,556)
Recoverable taxes	47,842	(529,761)	5,397	(528,921)
Deposits with courts and others	1,084	(3,266)	1,430	(3,080)
Other accounts receivable	(37,378)	(27,547)	(38,245)	(29,975)
Suppliers	76,508	(106,787)	(180,273)	(46,193)
Suppliers' assignment of receivables	(56)	(507)	85,464	(15,379)
Derivative financial instruments	-	-	8,431	1,863
Taxes payable	11,554	(254)	18,381	(2,174)
Salaries/wages payable	(30,837)	6,998	(52,461)	15,837
Income tax and social contribution paid	(116)	-	(610)	(2,241)
Accounts payable	(10,226)	(23,942)	(4,028)	(21,514)
Interest on transactions	(1,323)	(2,861)	(12,216)	(7,320)
Other accounts payable	(3,933)	(2,741)	(4,233)	(3,260)
Net cash provided by operating activities	<u>336,556</u>	<u>170,000</u>	<u>170,773</u>	<u>191,818</u>
Cash flow from investment activities				
Acquisition of subsidiaries (less net cash on acquisition)	(13,000)	-	(13,000)	-
Capital increase in subsidiaries	(243,170)	(101,100)	(100)	-
Purchases of property, plant and equipment	(1,682)	(3,044)	(92,785)	(48,457)
Purchases of intangible assets	(5,533)	(1,161)	(33,067)	(23,438)
Investment hedge	(2,155)	-	(2,155)	-
Proceeds from sale of fixed assets	474	451	547	451
Interest and others	12,561	10,596	13,104	12,031
Loans receivable	717	(92)	-	-
Net cash used in investment activities	<u>(251,788)</u>	<u>(94,350)</u>	<u>(127,456)</u>	<u>(59,413)</u>
Cash flows from financing activities				
Sales of treasury shares	10,894	-	10,894	-
Proceeds from borrowings	595,000	-	595,000	-
Payment of loans and financing – principal	(20,547)	(20,086)	(22,825)	(22,558)
Payment of loans and financing – interest	(6,592)	(5,978)	(7,086)	(6,910)
Dividends paid	(612,143)	(560,275)	(612,143)	(560,275)
Loans payable	143	2,867	-	-
Net cash used in financing activities	<u>(33,245)</u>	<u>(583,472)</u>	<u>(36,160)</u>	<u>(589,743)</u>
Net increase (decrease) in cash and cash equivalents	<u>51,523</u>	<u>(507,822)</u>	<u>7,157</u>	<u>(457,338)</u>
Cash and cash equivalents at beginning of period	2,117,668	1,578,684	2,246,436	1,646,869
Cash and cash equivalents at end of period	<u>2,169,191</u>	<u>1,070,862</u>	<u>2,253,593</u>	<u>1,189,531</u>
Change in cash and cash equivalents	<u>51,523</u>	<u>(507,822)</u>	<u>7,157</u>	<u>(457,338)</u>
Transactions not involving cash	2,457	729	10,971	5,658
Acquisitions of property, plant and equipment	2,457	729	10,971	5,658

Hypera S.A.

Statements of added value (*)

Periods ended March 31

In thousands of Reais

	Parent company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Gross income				
Sales of goods and products, including discontinued operations	885,422	417,786	885,505	417,872
Other income	7,112	564,570	40,163	549,844
Income related to construction of own assets	13,571	1,285	60,112	24,463
Allowance for doubtful accounts	(155)	635	936	609
	<u>905,950</u>	<u>984,276</u>	<u>986,716</u>	<u>992,788</u>
Inputs acquired from third parties				
Costs of materials, goods and services sold	(337,561)	(229,745)	(175,350)	(93,111)
Materials, power, third-party services and others	(213,880)	(197,947)	(329,321)	(269,990)
Impairment of assets	(16,494)	(12,348)	(26,184)	(17,465)
	<u>(567,935)</u>	<u>(440,040)</u>	<u>(530,855)</u>	<u>(380,566)</u>
Gross added value	<u>338,015</u>	<u>544,236</u>	<u>455,861</u>	<u>612,222</u>
Depreciation and amortization	(12,005)	(11,002)	(30,327)	(29,940)
Net added value generated by the Company	<u>326,010</u>	<u>533,234</u>	<u>425,534</u>	<u>582,282</u>
Transfers of value added received				
Equity accounting	30,428	(32,895)	4,604	85
Financial income	37,944	16,714	39,181	19,044
	<u>68,372</u>	<u>(16,181)</u>	<u>43,785</u>	<u>19,129</u>
Total added value to be distributed	<u>394,382</u>	<u>517,053</u>	<u>469,319</u>	<u>601,411</u>
Distribution of added value				
Personnel and charges	125,921	114,438	212,019	215,011
Salaries and wages	101,505	95,173	164,616	173,872
Benefits	17,064	13,597	35,293	30,490
Government severance indemnity fund for employees (FGTS)	7,352	5,668	12,110	10,649
Taxes, fees and contributions	(534)	64,021	(11,943)	41,006
Federal	(17,364)	55,018	8,057	58,293
State	16,189	8,421	(20,696)	(18,030)
Municipal	641	582	696	743
Interest	28,068	16,146	26,347	20,790
Rentals	2,718	1,266	4,687	3,422
Retained earnings	<u>238,209</u>	<u>321,182</u>	<u>238,209</u>	<u>321,182</u>
Value added distributed	<u>394,382</u>	<u>517,053</u>	<u>469,319</u>	<u>601,411</u>

(*) The statement of value added is not an integral part of the quarterly information under IFRS.

Hypera S.A.

Quarterly information report

March 31, 2020

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(In thousands of Reais, unless stated otherwise)

1 General information

Hypera S.A. (“the Company”), headquartered in São Paulo-SP, is a Brazilian pharmaceutical company and is a leader in the various markets in which it operates (according to IQVIA data). Its mission is “providing access to healthcare for the Brazilian population, offering safe, high-quality products, continually investing in innovation and growing in a sustainable way, so that people can live longer and better”.

The Company’s main products are:

- a) Under the umbrella brand Mantecorp Farmasa, the Company operates in various medical specialty areas within the Primary Care segment, including several of the top 30 products in Brazil, according to data from Close-Up International, including Predsim, Celestamine, Maxsulid, Diprospan, Mioflex-A and Addera D3. Under the brand Mantecorp Skincare, it offers dermo-cosmetics recommended by dermatologists throughout Brazil, as per information from Close-Up International;
- b) The Company is a lead supplier in the Brazilian market of prescription-free products, as per IQVIA, including brands such as Apracur, Benegrip, Coristina d, Engov, Epocler and Estomazil, among others. It also offers nutrition, sweeteners and vitamin supplement lines, with brands such as Tamarine, Vitasay 50+, Biotônico Fontoura and Zero-Cal, which was the Top of Mind brand for 16 years in Brazil, according to Datafolha;
- c) Through the Neo Química brand, the Company is a leader in the markets for “*similares*” and generic medicines, as per IQVIA data. The brand is present in 96% of Brazilian pharmaceutical point of sales, according to IQVIA, consistent with its mission of providing access to health for the Brazilian population.

With a long history of growth through acquisitions, the Company announced an agreement to purchase the family of Buscopan brands, from Boehringer Ingelheim, in November 2019, with an estimated price of R\$ 1.3 billion. It also signed an agreement for the acquisition of a selected portfolio of Takeda brands, including Neosaldina and Dramin, in March 2020, for US\$ 825 million, having secured credit lines of R\$ 3.5 billion to finance the transaction. The closing of these deals depends on the fulfillment of conditions precedent, including the approval by regulatory agencies.

Also in March 2020, the Company announced an agreement with Eurofarma Laboratórios S.A. for the sale of part of the portfolio to be acquired from Takeda in Latin American countries, except Brazil, for US\$ 161 million, subject to certain conditions precedent, including the closing of the agreement between the Company and Takeda.

Products are manufactured mainly by the subsidiaries Brainfarma Indústria Química e Farmacêutica S.A. (“Brainfarma”) and Cosmed Indústria de Cosméticos e Medicamentos S.A. (“Cosmed”), located in the State of Goiás (GO). The main distribution center is in Anápolis - GO.

The Company's research and development activities for pharmaceuticals, dermo-cosmetics and nutritional products are centered in the Brainfarma innovation facility in Barueri - SP. Operating since 2017, the facility houses technologies for development of various forms of pharmaceutical products across the six laboratories that make up the complex.

The Company also operates an extensive sales and distribution structure, with national coverage. Its products are distributed throughout Brazil, either directly to retailers or indirectly, via distributors and wholesalers.

2 Summary of significant accounting policies

The individual and consolidated interim financial information has been prepared in accordance with CPC 21(R1) and IAS 34, issued by the IASB and applicable to the preparation of Quarterly Information (ITR) and presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission applicable to the preparation of ITR.

The presentation of the individual and consolidated statements of added value in the terms of technical pronouncement CPC 09 - Statement of Added Value, is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies. IFRS does not require the presentation of this statement. Under IFRS, the presentation of this statement is considered supplementary information, and not as part of the set of interim financial information.

The main accounting policies applied to the preparation of this individual and consolidated Quarterly Information have not changed materially related to the policies presented in the financial statements for the year ended December 31, 2019. In cases where the notes to this Quarterly Information are not presented in full, due to redundancy of information with that presented in the financial statements, the complete information should be read in the corresponding Note to the annual financial statements for the year ended December 31, 2019.

2.1 Approval of the interim financial information

The present Quarterly Information was approved by the Board of Directors on April 24, 2020.

3 Critical accounting estimates and judgments

Accounting estimates and judgments are evaluated on an ongoing basis and are based on experience and other factors, including expectations of future events that are considered reasonable under the circumstances. The critical accounting estimates and judgments underlying this Quarterly Information have not changed relative to those published in the annual financial statements for 2019.

4 Financial risk management

There has been no change in the financial risk factors or in the risk management policy compared to those described in the financial statements at December 31, 2019.

In the following tables, the financial data for the current period are presented on a comparative basis with the financial data at December 31, 2019.

a. Foreign exchange risk

At March 31, 2020 and December 31, 2019, the assets and liabilities denominated in foreign currencies and the financial instruments to mitigate exchange risks were as follows:

	Parent company					
	March 31, 2020			December 31, 2019		
	US\$ '000	EUR '000	RS '000	US\$ '000	EUR '000	RS '000
Liabilities						
Suppliers	6	-	33	44	-	177
Suppliers' assignment of receivables	-	-	-	-	-	-
Loans and financing	-	21,108	121,320	-	20,964	94,487
Derivative instruments that mitigate risks	(100,000)	(20,090)	(636,182)	-	(20,090)	(90,549)
Accounts payable	1	-	6	4	-	10
Net exposure	<u>(99,993)</u>	<u>1,018</u>	<u>(514,823)</u>	<u>48</u>	<u>874</u>	<u>4,125</u>
	Consolidated					
	March 31, 2020			December 31, 2019		
	US\$ '000	EUR '000	RS '000	US\$ '000	EUR '000	RS '000
Liabilities						
Suppliers	6,299	-	32,801	20,206	-	81,326
Suppliers' assignment of receivables	40,056	-	208,577	30,615	-	123,223
Loans and financing	-	21,108	121,320	-	20,964	94,487
Derivative instruments that mitigate risks	(155,072)	(20,090)	(922,946)	(62,912)	(20,090)	(343,765)
Accounts payable	232	59	1,544	158	292	1,989
Net exposure	<u>(108,485)</u>	<u>1,077</u>	<u>(558,704)</u>	<u>(11,933)</u>	<u>1,166</u>	<u>(42,740)</u>

On March 31, 2020, the Company contracted US\$ 100 million of NDF hedge and call options for hedge of the purchase and sale agreement signed with Takeda on March 2, 2020.

b. Cash flow or fair value risk associated with the interest and inflation rates

Presented in the following table is the exposure to interest rate risk of transactions related to variations in the Interbank Deposit Certificate (CDI) rate, long-term rate (TJLP) and referential rate (TR):

	March 31, 2020	
	Parent company	Consolidated
Loans, financing and swaps - CDI	700,729	700,729
Financing - TLP	314,218	314,218
Financing - TR	41,657	133,558
Notes payable - CDI	7,952	7,952
Debentures - CDI	808,202	808,202
Financial investments - CDI	<u>(2,146,729)</u>	<u>(2,229,535)</u>
Net exposure	<u>(273,971)</u>	<u>(264,876)</u>

c. Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits in banks and financial institutions and credit exposure to wholesale and retail customers, including outstanding accounts receivable and repurchase operations.

For banks and financial institutions, the Company has a policy of diversifying its financial investments in top-tier institutions with ratings described in Note 9 (Credit quality of the financial assets).

d. Liquidity risk

The amounts disclosed in the table below represent the undiscounted future cash flow, by maturity, which include interest to be incurred, meaning that these amounts do not match the amounts disclosed in the balance sheet.

Parent company

	March 31, 2020				
	Less than one year	From one to two years	From two to five years	More than five years	Overall total
Debentures	37,414	44,812	680,617	343,977	1,106,820
Loans and financing	604,510	299,229	209,065	99,368	1,212,172
Notes payable	7,952	-	-	-	7,952
Suppliers	420,870	-	-	-	420,870
Suppliers' assignment of receivables	236	-	-	-	236
Accounts payable	85,505	31,333	-	-	116,838
Derivative financial instruments	(19,735)	(21,738)	-	-	(41,473)
	<u>1,136,752</u>	<u>353,636</u>	<u>889,682</u>	<u>443,345</u>	<u>2,823,415</u>
	December 31, 2019				
	Less than one year	From one to two years	From two to five years	More than five years	Overall total
Debentures	46,515	56,375	662,246	340,585	1,105,721
Loans and financing	38,714	150,084	169,064	61,787	419,649
Notes payable	7,802	-	-	-	7,802
Suppliers	344,357	-	-	-	344,357
Suppliers' assignment of receivables	291	-	-	-	291
Accounts payable	88,310	19,836	-	-	108,146
Derivative financial instruments	-	(4,179)	-	-	(4,179)
	<u>525,989</u>	<u>222,116</u>	<u>831,310</u>	<u>402,372</u>	<u>1,981,787</u>

Consolidated

	March 31, 2020				
	Less than one year	From one to two years	From two to five years	More than five years	Overall total
Debentures	37,414	44,812	680,617	343,977	1,106,820
Loans and financing	632,439	326,503	273,477	134,421	1,366,840
Notes payable	7,952	-	-	-	7,952
Suppliers	193,650	-	-	-	193,650
Suppliers' assignment of receivables	209,482	-	-	-	209,482
Accounts payable	136,855	41,078	-	-	177,933
Derivative financial instruments	(74,596)	(21,738)	-	-	(96,334)
	<u>1,143,196</u>	<u>390,655</u>	<u>954,094</u>	<u>478,398</u>	<u>2,966,343</u>

	December 31, 2019				Overall total
	Less than one year	From one to two years	From two to five years	More than five years	
Debentures	46,515	56,375	662,246	340,585	1,105,721
Loans and financing	87,126	177,513	235,841	96,850	597,330
Notes payable	7,802	-	-	-	7,802
Suppliers	333,829	-	-	-	333,829
Suppliers' assignments of receivables	124,019	-	-	-	124,019
Accounts payable	140,768	24,783	-	-	165,551
Derivative financial instruments	2,522	(4,179)	-	-	(1,657)
	<u>742,581</u>	<u>254,492</u>	<u>898,087</u>	<u>437,435</u>	<u>2,332,595</u>

e. Derivatives

At March 31, 2020, transactions of the derivative instruments contracted by the Company totaled R\$ 922,946 (at December 31, 2019 - R\$ 343,765) in the consolidated and R\$ 636,182 (at December 31, 2019 - R\$ 90,549) in the parent company. The results of the transactions not yet settled represented gains of R\$ 99,068 (at December 31, 2019 gains of R\$ 9,988) in the consolidated and gains of R\$ 44,326 (at December 31, 2019 losses of R\$ 7,577) in the parent company.

At March 31, 2020 and December 31, 2019, these transactions can be summarized as follows:

Parent company

Type	Counterparties	Notional value		Fair value receivable (payable)		Realized gain (loss)	
		Mar/20	Dec/19	Mar/20	Dec/19	Mar/20	Dec/19
<i>(In R\$ thousand)</i>							
Foreign currency							
Forward contracts		260,355	-	7,272	-	-	-
Long position	BofA, Bradesco, Santander	260,355	-	7,272	-	-	-
Short position		-	-	-	-	-	-
Swaps		115,472	90,549	18,180	(7,577)	-	-
Long position	Itaú	115,472	90,549	18,180	(7,577)	-	-
Short position		-	-	-	-	-	-
Subtotal		<u>375,827</u>	<u>90,549</u>	<u>25,452</u>	<u>(7,577)</u>	<u>-</u>	<u>-</u>
Options contracts							
Call		260,355	-	18,874	-	-	-
Long position	Itaú	260,355	-	18,874	-	-	-
Total		<u>636,182</u>	<u>90,549</u>	<u>44,326</u>	<u>(7,577)</u>	<u>-</u>	<u>-</u>

Consolidated

Type	Counterparties	Notional value		Fair value receivable (payable)		Realized gain (loss)	
		Mar/20	Dec/19	Mar/20	Dec/19	Mar/20	Dec/19
<i>(In R\$ thousand)</i>							
Foreign currency							
Forward contracts		547,119	253,216	62,014	(2,411)	8,431	12,435
Long position	BR Partners, Bradesco, Citibank, Itaú, BOFA, Original, Safra, Santander, MUFG, Votorantim	558,340	261,889	62,352	(2,513)	8,350	12,409
Short position	Santander, BR Partners	(11,221)	(8,673)	(338)	102	81	26
Swaps		115,472	90,549	18,180	(7,577)	-	-
Long position	Itaú	115,472	90,549	18,180	(7,577)	-	-
Short position		-	-	-	-	-	-
Subtotal		662,591	343,765	80,194	(9,988)	8,431	12,435
Options contracts							
Call		260,355	-	18,874	-	-	-
Long position	Itaú	260,355	-	18,874	-	-	-
Total		922,946	343,765	99,068	(9,988)	8,431	12,435

f. Methodology for calculating the fair value of derivatives

- (i) Foreign currency forward contracts are valued using the interpolation of the market rates of US Dollar future contracts for each base date, as informed by B3 S.A. – Brasil, Bolsa, Balcão (“B3”).
- (ii) Swaps are valued using the interpolation of the exchange coupon market and future interbank deposit rates for each base date, as informed by B3.
- (iii) Currency options contracts are valued using the Garman-Kohlhagen model, adjusted by the CDS (Credit Default Swap) of the issuing entity.

g. Sensitivity analysis

Presented below is a sensitivity analysis table of the financial instruments, including derivatives that describe the risks that may cause material losses for the Company, with the most likely scenario (Scenario I, considering a fluctuation of 20.71% for the US Dollar, and the same fluctuations in the Euro variation for borrowings, which corresponds to three standard deviations of the fluctuation over the three months of the third quarter of the year) according to the evaluation made by management, considering a range of perception of three months, when the next quarterly financial information containing this analysis should be released. In addition, two other scenarios are presented; these are further stressed in order to provide a 25% and 50% deterioration in the exchange rate of the Real against the US Dollar and against the Euro, respectively (Scenarios II and III).

Parent company						
Risk	Scenario I		Scenario II		Scenario III	
<i>(In R\$ thousand)</i>	25% fluctuation				50% fluctuation	
	Appreciation	Depreciation	Appreciation	Depreciation	Appreciation	Depreciation
US Dollar quotation	4.129	6.285	3.905	6.509	2.604	7.811
Foreign currency						
Economic hedge	(77,513)	77,513	(93,585)	93,585	(187,171)	187,171
Forward contracts	(53,603)	53,603	(64,717)	64,717	(129,435)	129,435
Swaps	(23,910)	23,910	(28,868)	28,868	(57,736)	57,736
Object of the economic hedge	77,821	(77,821)	93,957	(93,957)	187,913	(187,913)
Loans, financing and notes payable subject to short-term exchange rate variations	77,821	(77,821)	93,957	(93,957)	187,913	(187,913)
Net effect	308	(308)	372	(372)	742	(742)
Consolidated						
Risk	Scenario I		Scenario II		Scenario III	
<i>(In R\$ thousand)</i>	25% fluctuation				50% fluctuation	
	Appreciation	Depreciation	Appreciation	Depreciation	Appreciation	Depreciation
US Dollar quotation	4.129	6.285	3.905	6.509	2.604	7.811
Foreign currency						
Economic hedge	(136,692)	136,692	(165,035)	165,035	(330,070)	330,070
Forward contracts	(112,782)	112,782	(136,167)	136,167	(272,334)	272,334
Swaps	(23,910)	23,910	(28,868)	28,868	(57,736)	57,736
Object of the economic hedge	136,121	(136,121)	164,346	(164,346)	328,692	(328,692)
Loans, financing and notes payable subject to short-term exchange rate variations	136,121	(136,121)	164,346	(164,346)	328,692	(328,692)
Net effect	(571)	571	(689)	689	(1,378)	1,378

The sensitivity analysis presented above shows the net effect on the profit and loss, and considers changes regarding the exchange rate of the Brazilian Real against the US Dollar and the Euro, holding all other risk variables constant.

The scenarios for monetary variations and floating rate interest on the Company's loans, financing, debentures and notes payable projected for the second quarter of 2020 are as follows.

Parent company

Variation scenarios	Likely scenario*	25% change	50% change
Loans - CDI	(5,445)	7,318	14,636
Financing - TLP	(448)	3,998	7,997
Debentures - CDI	(6,284)	8,446	16,891
Loan - TR	4	-	-
Notes payable - CDI	(62)	83	166
Financial investments	16,691	(22,433)	(44,867)
Total loss (gain)	4,456	(2,588)	(5,177)

Consolidated			
Variation scenarios	Likely scenario*	25% change	50% change
Loans - CDI	(5,445)	7,318	14,636
Financing - TLP	(448)	3,998	7,997
Debentures - CDI	(6,284)	8,446	16,891
Loan - TR	13	-	-
Notes payable - CDI	(62)	83	166
Financial investments	17,335	(23,299)	(46,597)
Total loss (gain)	5,109	(3,454)	(6,907)

***Likely scenario assumptions**

Forecast CDI of 3.37% p.a.

Forecast TR of 0.01% p.a.

Forecast TLP of 4.94% p.a.

5 Capital management

The Company's objectives when managing its capital are to safeguard the ability to continue to offer a return for its shareholders and benefits for the other interested parties and to maintain an optimal capital structure in order to reduce this cost.

To maintain or adjust the capital structure, the Company can review the dividend payment policy, return capital to shareholders, or even issue new shares or sell assets to reduce, for example, the level of indebtedness.

The Company monitors its capital based on the financial leverage ratio. This ratio is calculated as net debt divided by total capitalization. Net debt is calculated as total loans (including short and long-term loans, financing, and trade notes payable, as presented in the consolidated balance sheet) less cash and cash equivalents and (gain) loss on financial hedge. Total capitalization is calculated based on the sum of shareholders' equity, as shown in the consolidated balance sheet, and net debt.

Due to the agreements for the purchase of brands (Note 1), the Company's Board of Directors approved the new issuance of long-term debentures, in the amount of R\$ 3.5 billion at the cost of CDI + 1.5% p.a. (Note 32), and also reinforced its cash position, on a preventive basis, due to the uncertainties and volatility of the current economic scenario caused by the COVID-19 pandemic, with the contracting of loans in the amount of R\$ 595 million, maturing in 2021 (Note 22).

The indexes of financial leverage at March 31, 2020 and December 31, 2019 may be summarized as follows:

	Parent company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Total loans and financing (Note 22)	1,902,560	1,282,052	2,023,026	1,402,605
Total notes payable	7,952	7,802	7,952	7,802
Loss (gain) on financial hedge	(18,180)	7,577	(18,180)	7,577
Less: cash and cash equivalents (Note 10)	<u>(2,169,191)</u>	<u>(2,117,668)</u>	<u>(2,253,593)</u>	<u>(2,246,436)</u>
Cash and cash equivalents, net	<u>(276,859)</u>	<u>(820,237)</u>	<u>(240,795)</u>	<u>(828,452)</u>
Total shareholders' equity	<u>8,788,734</u>	<u>8,710,100</u>	<u>8,788,734</u>	<u>8,710,100</u>
Adjusted shareholders' equity	<u>8,511,875</u>	<u>7,889,863</u>	<u>8,547,939</u>	<u>7,881,648</u>
Net debt to adjusted equity ratio (*)	N.A.	N.A.	N.A.	N.A.

(*) Not applicable because the amount of cash and cash equivalents is higher than the net debt shown above.

6 Estimate of fair value

It is assumed that the balances of accounts receivable and suppliers at book value, less the loss (impairment), are close to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows by the prevailing market interest rate, which is available to the Company for similar financial instruments (Note 22 (b)).

The Company applies CPC 40 (R1)/IFRS 7 to financial instruments measured in the balance sheet at fair value, which requires disclosure of the fair value measurements according to the level of the following fair value measurement hierarchy:

- Prices quoted (unadjusted) in active markets for similar assets and liabilities (level 1).
- Inputs, other than quoted prices included in level 1 that are adopted by the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).
- Inputs for the assets or liabilities that are not based on data adopted by the market (i.e. unobservable inputs) (level 3).

The table below presents the Company's derivative instruments, assets and liabilities, at March 31, 2020, as well as the amounts measured at fair value.

	Parent company		
	Level 1	Level 2	Total
Assets			
Derivative financial instruments	-	44,326	44,326
Total assets	<u>-</u>	<u>44,326</u>	<u>44,326</u>
Liabilities			
Derivative financial instruments	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
			Consolidated
	Level 1	Level 2	Total
Assets			
Derivative financial instruments	-	99,406	99,406
Total assets	<u>-</u>	<u>99,406</u>	<u>99,406</u>
Liabilities			
Derivative financial instruments	-	338	338
Total liabilities	<u>-</u>	<u>338</u>	<u>338</u>

The table below presents the Company's assets and liabilities at December 31, 2019, as well as the amounts stated at fair value.

	Parent company		
	Level 1	Level 2	Total
Assets			
Derivative financial instruments	-	-	-
Total assets	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Derivative financial instruments	-	7,577	7,577
Total liabilities	<u>-</u>	<u>7,577</u>	<u>7,577</u>
			Consolidated
	Level 1	Level 2	Total
Assets			
Derivative financial instruments	-	1,409	1,409
Total assets	<u>-</u>	<u>1,409</u>	<u>1,409</u>
Liabilities			

Derivative financial instruments	-	11,397	11,397
Total liabilities	-	11,397	11,397

The fair values of financial instruments that are not traded in active markets (e.g. derivatives) are determined using valuation techniques. These valuation techniques maximize the use of data derived from the market when available and rely to the minimum extent possible on the Company's specific estimates.

7 Hedge accounting

The Company holds derivative financial instruments to hedge its exposure to foreign currency variation and interest rate risk.

Specifically for hedge accounting, the Company has not yet adopted the new rules under CPC 48 (IFRS 9). According to the characteristics of the hedge, it is the Company's accounting policy to adopt hedge accounting, as established in CPC38 (IAS 39). For operations that are designated for hedge accounting, the Company formally documents the relationship between the hedge instruments and the hedged items, including the risk management objectives and the strategy for conducting the hedge transaction, together with the methods that will be used to evaluate the effectiveness of the hedge relationship. The Company makes a forward-looking assessment, both at the time of designation of the hedge relationship, and continuously, if it is expected that the hedge instruments will be "highly effective" in offsetting changes in the fair value of the respective hedged items during the period for which the hedge is designated, and if the actual results of each hedge are within the range of 80% to 125%.

Fair value hedges

Currently, the Company adopts fair value hedges for its transactions, so that both the hedge instruments and hedged items are stated at the FVTPL. See below the transactions and accounting effects arising from the adoption of this practice:

Parent company					
March 31, 2020					
Operation	Indexing	Type of hedge	Principal amount	Asset/(liability) balance	Gain/loss in the income
Loan - 4131*	EUR + spread	Fair value	115,472	121,320	(515)
<i>Swap - 4131*</i>	<i>EUR + Spread</i>	Fair value	115,472	18,180	-
	<i>vs. % CDI</i>				

* Maturity in Aug/21.

Parent company					
December 31, 2019					
Operation	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain/loss in the income
Loan - 4131	EUR + spread	Fair value	90,549	94,487	(151)
<i>Swap - 4131</i>	<i>EUR + Spread</i>	Fair value	90,549	(7,577)	-
	<i>vs. % CDI</i>				

* Maturity in Aug/21.

Consolidated					
March 31, 2020					
Operation	Indexing	Type of hedge	Principal amount	Asset/(liability) balance	Gain/loss in the income
Loan - 4131*	EUR + spread	Fair value	115,472	121,320	(515)

Swap - 4131*	EUR + Spread vs. % CDI	Fair value	115,472	18,180	-
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* Maturity in Aug/21.

					Consolidated
					December 31, 2019
Operation	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain/loss in the income
Loan - 4131	EUR + spread	Fair value	90,549	94,487	(151)
Swap - 4131	EUR + Spread vs. % CDI	Fair value	90,549	(7,577)	-

* Maturity in Aug/21.

The fair value cash flow hedge operation maintained a hedging ratio of 1:1 with a weighted average rate of BRL/EUR 4.7287.

If a hedge instrument no longer meets the criteria for hedge accounting, expires or is sold, closed, exercised, or has its designation revoked, then hedge accounting is discontinued prospectively. Hedged items previously recognized at fair value are recorded at amortized cost.

Cash flow hedges

The Company adopts cash flow hedges for most supplier operations. Gains or losses on the effective portion of the hedge are recognized in equity/other comprehensive income.

Presented below are the transactions and accounting effects arising from the adoption of this practice:

					Parent company
					March 31, 2020
Operation	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain in comprehensive income
Suppliers	USD	Cash flow	-	-	-
NDF	USD vs BRL	Cash flow	-	-	-
NDF Acquisition (II)	USD vs BRL	Cash flow	260,355	7,273	7,273

(II) The NDF Acquisition operation, in the amount of R\$ 260,355, refers to financial instruments intended to hedge the acquisition of Takeda. The closing of this acquisition depends on the fulfillment of conditions precedent, including the approval by regulatory agencies.

					Parent company
					December 31, 2019
Operation	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain in comprehensive income
Suppliers	USD	Cash flow	-	-	-
NDF	USD vs BRL	Cash flow	-	-	-

Consolidated					
March 31, 2020					
Operation	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain in comprehensive income
Suppliers	USD	Cash flow	230,126	(230,126)	-
NDF Suppliers (I)	USD vs BRL	Cash flow	230,126	43,439	(47)
NDF Purchases (I)	USD vs BRL	Cash flow	41,657	9,180	9,286
NDF Acquisition (II)	USD vs BRL	Cash flow	260,355	9,273	7,273

(I) Maturities within 1 year.

(II) The NDF Acquisition operation, in the amount of R\$ 260,355, refers to financial instruments intended to hedge the acquisition of Takeda. The closing of this acquisition depends on the fulfillment of certain conditions precedent, including the approval by regulatory agencies.

Consolidated					
December 31, 2019					
Operation	Indexing	Hedge type	Principal amount	Asset/(liability) balance	Gain in comprehensive income
Suppliers	USD	Cash flow	169,188	(169,188)	-
NDF Suppliers*	USD vs BRL	Cash flow	169,188	(1,981)	(26)
NDF Purchases*	USD vs BRL	Cash flow	76,473	(97)	(450)

* Maturities within 1 year.

Cash flow hedge operations maintained the hedging ratio at 1:1 with a weighted average rate of BRL/USD 4.2266 for NDF Suppliers, BRL/USD 4.0685 for NDF Future Purchases and BRL/USD 5.0999 for Acquisition NDFs.

The cash flows of these operations are stated in the note on Financial Risk Management - Liquidity Risk (Note 4 (d)).

If a hedge instrument no longer meets hedge accounting criteria, expires or is sold, closed, exercised, then the hedge accounting is discontinued prospectively, and the hedge accounting adjustment deferred in equity is recognized in the income statement for the year.

8 Financial instruments by category

Parent company

	March 31, 2020					
	Amortized cost	FVOCI	FVTPL	Designated for fair value hedge	Designated for cash flow hedge	Total
Financial assets per the balance sheet						
Accounts receivable (Note 11)	1,185,940	-	-	-	-	1,185,940
Financial investments (Note 10)	2,146,729	-	-	-	-	2,146,729
Cash and cash in banks (Note 10)	22,462	-	-	-	-	22,462

Quarterly Information - ITR as at March 31, 2020

Derivative financial instruments	-	7,273	37,053	-	-	44,326
Other assets (Note 14)	204,138	-	-	-	-	204,138
	<u>3,559,269</u>	<u>7,273</u>	<u>37,053</u>	<u>-</u>	<u>-</u>	<u>3,603,595</u>

March 31, 2020						
	FVOCI	FVTPL	Amortized cost	Designated for fair value hedge	Designated for cash flow hedge	Total
Financial liabilities per the balance sheet						
Loans and financing (Note 22)	-	-	1,902,560	-	-	1,902,560
Suppliers (Note 20)	-	-	420,870	-	-	420,870
Suppliers' assignment of receivables (Note 21)	-	-	236	-	-	236
Accounts payable	-	-	95,491	-	-	95,491
Notes payable	-	-	7,952	-	-	7,952
Derivative financial instruments	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>2,427,109</u>	<u>-</u>	<u>-</u>	<u>2,427,109</u>

December 31, 2019						
	Amortized cost	FVOCI	FVTPL	Designated for fair value hedge	Designated for cash flow hedge	Total
Financial assets per the balance sheet						
Accounts receivable (Note 11)	1,313,767	-	-	-	-	1,313,767
Financial investments (Note 10)	2,106,872	-	-	-	-	2,106,872
Cash and cash in banks (Note 10)	10,796	-	-	-	-	10,796
Derivative financial instruments	-	-	-	-	-	-
Other assets (Note 14)	193,471	-	-	-	-	193,471
	<u>3,624,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,624,906</u>

December 31, 2019						
	FVOCI	FVTPL	Amortized cost	Designated for fair value hedge	Designated for cash flow hedge	Total
Financial liabilities per the balance sheet						
Loans and financing (Note 22)	-	-	1,282,052	-	-	1,282,052
Suppliers (Note 20)	-	-	344,357	-	-	344,357
Suppliers' assignment of receivables (Note 21)	-	-	291	-	-	291
Accounts payable	-	-	87,658	-	-	87,658
Notes payable	-	-	7,802	-	-	7,802
Derivative financial instruments	-	7,577	-	-	-	7,577
	<u>-</u>	<u>7,577</u>	<u>1,722,160</u>	<u>-</u>	<u>-</u>	<u>1,729,737</u>

Consolidated

March 31, 2020						
	Amortized cost	FVOCI	FVTPL	Designated for fair value hedge	Designated for cash flow hedge	Total
Financial assets per the balance sheet						
Accounts receivable (Note 11)	1,186,027	-	-	-	-	1,186,027
Financial investments (Note 10)	2,229,535	-	-	-	-	2,229,535
Cash and cash in banks (Note 10)	24,058	-	-	-	-	24,058
Derivative financial instruments	-	16,452	39,515	-	43,439	99,406
Other assets (Note 14)	245,294	-	-	-	-	245,294
	<u>3,684,914</u>	<u>16,452</u>	<u>39,515</u>	<u>-</u>	<u>43,439</u>	<u>3,784,320</u>

	March 31, 2020					
	FVOCI	FVTPL	Amortized cost	Designated for fair value hedge	Designated for cash flow hedge	Total
Financial liabilities per the balance sheet						
Loans and financing (Note 22)	-	-	2,023,026	-	-	2,023,026
Suppliers (Note 20)	-	-	193,650	-	-	193,650
Suppliers' assignment of receivables (Note 21)	-	-	209,482	-	-	209,482
Accounts payable	-	-	136,470	-	-	136,470
Notes payable	-	-	7,952	-	-	7,952
Derivative financial instruments	-	338	-	-	-	338
	-	338	2,570,580	-	-	2,570,918

	December 31, 2019					
	Amortized cost	FVOCI	FVTPL	Designated for fair value hedge	Designated for cash flow hedge	Total
Financial assets per the balance sheet						
Accounts receivable (Note 11)	1,313,671	-	-	-	-	1,313,671
Financial investments (Note 10)	2,233,113	-	-	-	-	2,233,113
Cash and cash in banks (Note 10)	13,323	-	-	-	-	13,323
Derivative financial instruments	-	(97)	325	-	1,181	1,409
Other assets (Note 14)	233,582	-	-	-	-	233,582
	3,793,689	(97)	325	-	1,181	3,795,098

	December 31, 2019					
	FVOCI	FVTPL	Amortized cost	Designated for fair value hedge	Designated for cash flow hedge	Total
Financial liabilities per the balance sheet						
Loans and financing (Note 22)	-	-	1,402,605	-	-	1,402,605
Suppliers (Note 20)	-	-	333,829	-	-	333,829
Suppliers' assignment of receivables (Note 21)	-	-	124,019	-	-	124,019
Accounts payable	-	-	134,194	-	-	134,194
Notes payable	-	-	7,802	-	-	7,802
Derivative financial instruments	-	8,235	-	-	3,162	11,397
	-	8,235	2,002,449	-	3,162	2,013,846

9 Credit quality of financial assets

The credit quality of financial assets (cash and cash equivalents) can be evaluated using historical information on default rates:

	Parent company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Current account and short-term bank deposit (*)				
AAA	2,169,186	2,117,663	2,253,587	2,246,430
A-	3	4	3	4
	2,169,189	2,117,667	2,253,590	2,246,434

(*) Source: Moody's, Standard & Poor's and Fitch rating agencies, on a local scale, when available, otherwise on a global scale.

The residual balance of “cash and cash equivalents” in the balance sheet mainly represents cash on hand.

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Derivative financial assets				
AAA	44,326	-	95,648	1,316
AA+	-	-	25	-
A-	-	-	3,733	93
	<u>44,326</u>	<u>-</u>	<u>99,406</u>	<u>1,409</u>

None of the fully performing financial assets were renegotiated in the last financial year. None of the loans with related parties are overdue or impaired.

Accounts receivable - The credit analysis department assesses the credit quality of the customers considering their financial position, payment history, publicly available information and information obtained from credit analysis institutions (Serasa, CISP and Credifar). Individual risk limits are determined based on regular internal monitoring processes.

A significant portion of the Company's sales are made to large retail chains and distributors with a widespread distribution network in Brazil, which mitigates the Company's consolidated credit risk. Additionally, the credit analysis department uses the aforementioned controls to constantly monitor and assess the Company's portfolio. See the details on the analysis of the due dates in Note 11.

10 Cash and cash equivalents

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Cash and cash in banks	22,462	10,796	24,058	13,323
Short-term financial investments:				
Repurchase operations	204,868	310,230	219,106	363,372
Bank deposit certificates (CDBs)	1,941,861	1,796,642	2,010,429	1,869,741
	<u>2,146,729</u>	<u>2,106,872</u>	<u>2,229,535</u>	<u>2,233,113</u>
	<u>2,169,191</u>	<u>2,117,668</u>	<u>2,253,593</u>	<u>2,246,436</u>

Financial investments yield between 97.0% and 102.5% (at December 31, 2019 between 97% and 100.6%) of the CDI with a weighted average of 100.6% (at December 31, 2019 - 99.4%).

11 Accounts receivable

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Domestic customers	1,237,784	1,375,127	1,240,729	1,377,891
Expected credit loss	(51,844)	(61,360)	(54,702)	(64,220)
	<u>1,185,940</u>	<u>1,313,767</u>	<u>1,186,027</u>	<u>1,313,671</u>

The amounts of accounts receivable that are overdue, but not impaired, relate to a number of independent customers that have no recent history of default. The aging analysis of these accounts receivable is presented as follows:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Up to 3 months	13,835	14,993	13,833	14,882
From three to six months	2,976	4,468	2,966	4,468
Over 6 months	2,636	3,027	2,636	3,028
	<u>19,447</u>	<u>22,488</u>	<u>19,435</u>	<u>22,378</u>

The additions and write-offs of the allowance for doubtful accounts were recorded in the income statement as “selling and marketing expenses”. Amounts charged to the expected credit loss are generally written off from receivables when there is no expectation of recovery of the funds.

The maximum exposure to credit risk on the reporting date is the carrying amount of each class of accounts receivable mentioned above. The Company holds certain notes as a guarantee (Note 22 (a)).

Changes in the allowance for doubtful accounts for the period ended March 31, 2020 were as follows:

	<u>Parent company</u>	<u>Consolidated</u>
Balances at 12/31/2019	(61,360)	(64,220)
(Additions)/reversals, net	935	936
Write-offs	8,581	8,582
Balances at 03/31/2020	<u>(51,844)</u>	<u>(54,702)</u>

12 Inventory

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Finished goods and resale	180,213	144,916	232,846	181,361
Semi-finished goods	-	-	50,963	31,094
Raw materials	-	-	417,644	451,944

Maintenance and supplies	111	112	72,489	70,717
Allowance for inventory losses	<u>(37,439)</u>	<u>(36,141)</u>	<u>(76,828)</u>	<u>(70,473)</u>
	<u>142,885</u>	<u>108,887</u>	<u>697,114</u>	<u>664,643</u>

The table below presents the changes in the provision:

	<u>Parent company</u>	<u>Consolidated</u>
At 12/31/2019	<u>(36,141)</u>	<u>(70,473)</u>
Additions for the period (a)	(14,594)	(29,074)
Write-offs for the period (b)	13,296	22,719
At 03/31/2020	<u>(37,439)</u>	<u>(76,828)</u>

(a) Refer to the addition of a provision for losses due to discontinuity, validity, quality and realization of inventories, in accordance with the policy established by the Company.

(b) Composed, mainly, by write-offs and reversals of products discarded by the Company and its subsidiaries.

13 Recoverable taxes

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
PIS/COFINS/IPI and others	702,758	761,110	776,147	788,525
VAT (ICMS)	89,201	79,355	150,408	141,221
Recoverable IRPJ and CSSL	21,117	18,222	37,458	33,263
	<u>813,076</u>	<u>858,687</u>	<u>964,013</u>	<u>963,009</u>
Current	187,993	236,278	251,453	300,826
Non-current	<u>625,083</u>	<u>622,409</u>	<u>712,560</u>	<u>662,183</u>

14 Other assets

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Prepaid expenses (a)	191,583	141,039	203,363	152,198
Bills receivable (b)	81,158	70,817	93,271	82,808
Deposits in court (c)	122,976	121,932	152,023	150,774
Advances	7,373	21,479	19,050	36,917
Related parties (Note 30)	4	722	-	-
Others	6,570	5,133	6,674	5,263
	<u>409,664</u>	<u>361,122</u>	<u>474,381</u>	<u>427,960</u>
Current	219,744	176,852	247,465	206,966
Non-current	<u>189,920</u>	<u>184,270</u>	<u>226,916</u>	<u>220,994</u>

(a) Refer mainly to advance payments for advertising and publicity.

(b) Refer mainly to contingency amounts paid related to former owners, to be reimbursed.

(c) Refer to deposits as guarantees of contingent liabilities (Note 26).

15 Discontinued operations

a) Analysis of the results of discontinued operations

	Parent company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Net revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
(Expenses)/income	(12,163)	(14,977)	(13,376)	(14,552)
Income before financial income and expenses	(12,163)	(14,977)	(13,376)	(14,552)
Financial expenses	-	-	-	-
Income before income tax and social contribution	(12,163)	(14,977)	(13,376)	(14,552)
Income tax and social contribution	2,381	5,354	3,594	4,929
Net income for the period	(9,782)	(9,623)	(9,782)	(9,623)

b) Analysis of the cash flow used in discontinued operations

	Parent company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Cash flow from operating activities	(5,295)	(5,203)	(7,502)	(4,472)
Cash flow from investment activities	474	447	473	447
Net cash used in discontinued operations	(4,821)	(4,756)	(7,029)	(4,025)

16 Investments

The investments held by the Company are presented below:

Company	Date of incorporation	Country	Business	Interest in shares/quotas	Type of interest
Cosmed Indústria de Cosméticos e Medicamentos S.A.	12/17/2008	Brazil	Sweeteners/Pharma	100%	Direct
My Agência de Propaganda Ltda.	11/29/1999	Brazil	Advertising agency	100%	Direct
Brainfarma Indústria Química e Farmacêutica S.A.	06/24/2002	Brazil	Pharma	86.33%	Direct
Brainfarma Indústria Química e Farmacêutica S.A.	06/24/2002	Brazil	Pharma	13.67%	Indirect
Bionovis S.A.	07/15/2010	Brazil	Biotechnology	25%	Direct
Neolatina Comércio e Indústria Farmacêutica S.A.	09/15/1966	Brazil	Pharma	100%	Indirect
Mantecorp Participações S.A.	09/28/2016	Brazil	Pharma	100%	Direct

a. Changes in the parent company's investments

	Brainfarma	Cosmed	My	Bionovis	Other investments	Total
Balance at January 1, 2020	1,123,636	585,784	9,720	18,941	182	1,738,263
Capital increase	231,560	11,610	-	-	-	243,170
Equity accounting	3,400	24,708	97	5,577	-	33,782
Share of discontinued equity accounting in the investment	204	(2,679)	-	-	-	(2,475)
Stock Option/Matching/Restricted	688	13	(34)	-	-	667
Equity valuation adjustment	5,729	368	-	-	-	6,097
Other interests	-	-	-	-	13,001	13,001
Balance at March 31, 2020	1,365,217	619,804	9,783	24,518	13,183	2,032,505

The table below shows the Company's interest in the earnings of the main subsidiaries, as well as in their total assets and liabilities:

March 31, 2020	Assets	Liabilities	Revenue	Income (loss)	Adjusted net income (loss) (*)
Brainfarma Indústria Química e Farmacêutica S.A.	2,250,129	612,488	324,183	4,065	3,400
Cosmed Indústria de Cosméticos e Medicamentos S.A.	821,999	185,617	104,573	25,106	24,708
My Agência de Propaganda Ltda.	11,190	1,012	1,140	57	97

December 31, 2019	Assets	Liabilities	Revenue	Income (loss)	Adjusted net income (loss) (*)
Brainfarma Indústria Química e Farmacêutica S.A.	2,047,673	652,445	1,308,081	(67,118)	(44,134)
Cosmed Indústria de Cosméticos e Medicamentos S.A.	789,764	190,147	332,741	21,073	23,771
My Agência de Propaganda Ltda.	11,680	1,526	4,560	647	814

(*) This refers to the net income (loss) for the period for transactions between the investor and its investees.

b. Share in the results of investees

	Number of shares and quotas	Adjusted shareholders' equity at March 31, 2020	Ownership %	Equity accounting at March 31, 2020	Balance of the investment at March 31, 2020	Equity accounting at March 31, 2019	Balance of the investment at December 31, 2019
Cosmed Indústria de Cosméticos e Medicamentos S.A.	1,608,848,478	619,804	100%	24,708	619,804	(6,852)	585,784
My Agência de Propaganda Ltda.	20,130,000	9,783	100%	97	9,783	296	9,720
Brainfarma Indústria Química e Farmacêutica S.A.	474,325,386	1,365,217	100%	3,400	1,365,217	(26,921)	1,123,636
Bionovis S.A.	6,000,000	98,074	25%	5,577	24,518	(433)	18,941
				<u>33,782</u>	<u>2,019,322</u>	<u>(33,910)</u>	<u>1,738,081</u>

17 Investment properties

This balance refers to leased properties, one of which is used as a distribution center that is rented to third parties; another is a real estate property used by Cosmed Indústria de Cosméticos e Medicamentos S.A. (a Sweetener production facility). At December 31, 2019, according to a technical report prepared by an independent company, the total fair value of these properties was R\$ 255,000.

	<u>Parent company</u>	<u>Consolidated</u>
Balance at January 1, 2020	157,955	150,240
Depreciation	(1,049)	(1,002)
Balance at March 31, 2020	156,906	149,238
Total cost	184,021	174,415
Accumulated depreciation	(27,115)	(25,177)
Residual value	156,906	149,238

18 Property, plant and equipment

Parent company

	<u>Land</u>	<u>Buildings and improvements</u>	<u>Machinery, equipment and facilities</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Others</u>	<u>Total in operation</u>	<u>Fixed assets under construction</u>	<u>Total property, plant and equipment</u>
Own assets									
Balance at January 1, 2020	7,091	22,990	38,716	140	9,388	9,546	87,871	5,545	93,416
Additions	-	463	2,736	-	118	-	3,317	694	4,011
Write-off	-	-	-	-	-	(8,344)	(8,344)	-	(8,344)
Depreciation	-	(52)	(1,400)	(8)	(168)	(141)	(1,769)	-	(1,769)
Balance at March 31, 2020	7,091	23,401	40,052	132	9,338	1,061	81,075	6,239	87,314
Right-of-use assets - leases									
Balance at January 1, 2020	-	17,670	-	17,981	-	-	35,651	-	35,651
Additions	-	1,034	-	21,151	-	-	22,185	-	22,185
Write-off	-	-	-	(64)	-	-	(64)	-	(64)
Amortization	-	(1,778)	-	(5,616)	-	-	(7,394)	-	(7,394)
Balance at March 31, 2020	-	16,926	-	33,452	-	-	50,378	-	50,378
Total cost of own assets and right-of-use assets - leases	7,091	87,186	84,368	82,329	14,578	8,236	283,788	6,239	290,027
Total accumulated depreciation	-	(46,859)	(44,316)	(48,745)	(5,240)	(7,175)	(152,335)	-	(152,335)
Residual value	7,091	40,327	40,052	33,584	9,338	1,061	131,453	6,239	137,692

Consolidated

	Land	Buildings and improvements	Machinery, equipment and facilities	Vehicles	Furniture and fixtures	Others	Total in operation	Fixed assets under construction(*)	Total property, plant and equipment
Own assets									
Balance at January 1, 2020	20,849	277,248	669,034	241	22,549	18,241	1,008,162	119,999	1,128,161
Additions	-	464	25,607	580	230	492	27,373	63,056	90,429
Write-off	-	-	(2,007)	-	-	(8,344)	(10,351)	-	(10,351)
Depreciation	-	(2,451)	(10,953)	(22)	(426)	(671)	(14,523)	-	(14,523)
Transfers	-	331	38,038	-	29	2	38,400	(38,400)	-
Balance at March 31, 2020	20,849	275,592	719,719	799	22,382	9,720	1,049,061	144,655	1,193,716
Right-of-use assets - leases									
Balance at January 1, 2020	-	20,678	-	19,107	-	-	39,785	-	39,785
Additions	-	1,033	-	21,155	-	-	22,188	-	22,188
Write-off	-	-	-	(115)	-	-	(115)	-	(115)
Amortization	-	(1,603)	-	(6,011)	-	-	(7,614)	-	(7,614)
Balance at March 31, 2020	-	20,108	-	34,136	-	-	54,244	-	54,244
Total cost of own assets and right-of-use assets - leases	20,849	413,088	1,154,771	89,359	44,822	42,356	1,765,245	144,655	1,909,900
Total accumulated depreciation	-	(117,388)	(435,052)	(54,424)	(22,440)	(32,636)	(661,940)	-	(661,940)
Residual value	20,849	295,700	719,719	34,935	22,382	9,720	1,103,305	144,655	1,247,960

(*) Mainly represent purchases for upgrades to the Anápolis-GO plant.

19 Intangible assets

	Parent company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Goodwill on acquisition of investments in merged companies				
Mantecorp Indústria Química Farmacêutica S.A.	1,798,470	1,798,470	1,798,470	1,798,470
Luper Indústria Farmacêutica Ltda.	45,917	45,917	45,917	45,917
Laboratório Neo Química Comércio e Indústria S.A.	967,154	967,154	967,154	967,154
DM Indústria Farmacêutica Ltda.	743,029	743,029	743,029	743,029
Farmasa - Laboratório Americano de Farmacoterapia S.A.	666,808	666,808	666,808	666,808
Barrenne Indústria Farmacêutica Ltda.	33,955	33,955	33,955	33,955
Finn Administradora de Marcas Ltda.	17,857	17,857	17,857	17,857
	<u>4,273,190</u>	<u>4,273,190</u>	<u>4,273,190</u>	<u>4,273,190</u>
Trademarks and patents	336,396	337,222	336,699	337,525
Rights of use and software	17,255	16,531	36,427	37,702
Product development	12,805	12,873	310,709	286,694
	<u>4,639,646</u>	<u>4,639,816</u>	<u>4,957,025</u>	<u>4,935,111</u>

Goodwill is measured as the surplus of the consideration transferred in relation to the net assets acquired, and is based mainly on the future profitability, supported by appraisal reports prepared by a specialized company, using the cash flow method discounted to present value. The discount rates used in the calculations were determined by adopting the weighted average cost of capital (WACC). For acquisitions after 2009, the consideration transferred was allocated to certain assets acquired in the business (inventory, property, plant and equipment, and trademarks, among others).

Changes in the balances

Parent company

	Trademarks and patents	Rights of use and software	Product development	Goodwill	Total
Balance at January 1, 2020	337,222	16,531	12,873	4,273,190	4,639,816
Additions	-	1,729	-	-	1,729
Amortization	(826)	(1,005)	(68)	-	(1,899)
Balance at March 31, 2020	336,396	17,255	12,805	4,273,190	4,639,646
Total cost	360,620	91,972	13,718	4,273,190	4,739,500
Accumulated amortization	(24,224)	(74,717)	(913)	-	(99,854)
Residual value	336,396	17,255	12,805	4,273,190	4,639,646

Consolidated

	Rights of use trademarks	Rights of use and software	Product development	Goodwill	Total
Balance at January 1, 2020	337,525	37,702	286,694	4,273,190	4,935,111
Additions	-	3,079	26,521	-	29,600
Amortization	(826)	(4,354)	(2,506)	-	(7,686)
Balance at March 31, 2020	336,699	36,427	310,709	4,273,190	4,957,025
Total cost	360,947	147,058	422,362	4,273,190	5,203,557
Accumulated amortization	(24,248)	(110,631)	(111,653)	-	(246,532)
Residual value	336,699	36,427	310,709	4,273,190	4,957,025

Impairment of assets

The Company annually tests the recoverable value of its intangible assets with indefinite useful lives, or when there are indications that the value may not be recovered. These assets are represented mainly by the portion of goodwill for expected future income and trademarks arising from business combinations.

In connection with the annual impairment test of these assets, the Company performs stress tests that demonstrate the existence of reasonable gap before the need to record any impairment loss. Considering the behavior of the Company's operations up to the date of approval of this quarterly information and the gap shown in the stress test, management concluded that there is no impairment to be recorded.

20 Suppliers

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Domestic suppliers	11,115	17,946	160,849	252,503
Foreign suppliers	33	177	32,801	81,326
Related party suppliers (Note 30 (a))	409,722	326,234	-	-
	<u>420,870</u>	<u>344,357</u>	<u>193,650</u>	<u>333,829</u>

21 Suppliers' assignment of receivables

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Local market (overdraft risk)	236	291	905	796
External market (forfait)	-	-	208,577	123,223
	<u>236</u>	<u>291</u>	<u>209,482</u>	<u>124,019</u>

Some suppliers have the option to assign Company receivables, without right of recourse, to financial institutions. As part of these transactions, the supplier may see a decrease in its financial costs, because the financial institution takes into consideration the credit risk of the buyer.

At March 31, 2020, the discount rates in assignment operations carried out by the Company's suppliers with the financial institutions in the domestic market were between 0.52% and 0.57% with a weighted average of 0.52% p.m. (at December 31, 2019 this rate was 0.57% p.m.).

At March 31, 2020, the discount rates in assignment operations carried out by the Company's suppliers with the financial institutions in the foreign market were between 1.50% and 6.14% with a weighted average of 3.62% p.a. (at December 31, 2019 these rates were between 1.50% and 5,00% with a weighted average of 3.97% p.a.).

22 Loans and financing

	Nominal rate	Parent company		Consolidated	
		March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Foreign currency					
Loans (i)	€ + 1.61% p.a.	121,320	94,487	121,320	94,487
Local currency					
Loans	CDI + 2.90% to 3.5% p.a.	595,766	-	595,766	-
FCO (i)	Fixed rate from 2.50% to 8.50% p.a.	19,872	20,911	43,162	45,949
Financing	Fixed rate from 2.50% to 8.70% p.a.	1,525	1,676	6,800	7,389
Debentures	CDI + 1.25% p.a.	808,202	797,336	808,202	797,336
Finep	TLP + 1.00% p.a.	314,218	326,932	314,218	326,932
Real estate financing	TR + 9.60% p.a.	41,657	40,710	133,558	130,512
		<u>1,902,560</u>	<u>1,282,052</u>	<u>2,023,026</u>	<u>1,402,605</u>
Current		<u>587,295</u>	<u>77,571</u>	<u>618,537</u>	<u>108,622</u>
Non-current		<u>1,315,265</u>	<u>1,204,481</u>	<u>1,404,489</u>	<u>1,293,983</u>

(i) Contracts with covenants on debt levels and coverage of interest with respect to certain financial information (EBITDA and net interest expenses), disposals, spin-offs, mergers, amalgamations or any corporate restructuring which, if they occur, require prior approval from the financial agents. If any of these events occur without the consent of the lenders, the outstanding balances will have their maturities accelerated. At December 31, 2019, the covenants were met. The next measurement will be made at June 30, 2020.

The breakdown of long-term loans and financing at March 31, 2020, by year of maturity, is as follows:

	Parent company	Consolidated
2021	278,793	297,799
2022	62,355	81,270
2023	217,507	233,333
2024	368,286	380,181
2025	337,066	348,861
2026	17,066	28,852
2027	11,723	11,723
2028	11,723	11,723
2029	10,746	10,747
	<u>1,315,265</u>	<u>1,404,489</u>

Debentures

On December 5, 2019, 80,000 debentures of the 8th public issuance, single series, were issued, in the amount of R\$ 800,000,000, with par value of R\$ 10,000.00, which interest corresponding

to 100% of the cumulative variation of the daily average rates of the Interbank Deposits (DI) plus spread of 1.25% per year. The unit nominal value of debentures will be amortized in five consecutive semiannual installments, with final maturity on November 28, 2025.

Debentures - Changes

	8th Public Issuance 1st Series
Balance at January 1, 2020	797,336
Financial charges	10,866
At March 31, 2020	808,202
Current	12,706
Non-current	795,496
Unrealized transaction costs	5,508
Current	1,004
Non-current	4,504

Long-term amounts of debentures have the following breakdown, by year of maturity:

	March 31, 2020
2023	156,727
2024	319,126
2025	319,643
	795,496

a. Guarantee of loans and financing at March 31, 2020

	Parent company	Consolidated
Accounts receivable – Pledged guarantees	12,972	20,338
Letter of guarantee (*)	314,218	314,218
Pledged fixed assets	50,082	163,133
	377,272	497,689

(*) Letter of guarantee for the loan from FINEP (Contract No. 0799/13).

b. Book values and estimated fair value

The carrying amounts and estimated fair values of loans, financing and debentures are as follows:

	Nominal rate	Consolidated		Fair value	
		March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Foreign currency					
Loans	€ + 1.61% p.a.	121,320	94,487	121,320	94,487
Local currency					
Loans	CDI + 2.90% to 3.50% p.a.	595,766	-	595,766	-
FCO	Fixed rate from 2.50% to 8.50% p.a.	43,162	45,949	43,162	45,949
Financing	Fixed rate from 2.50% to 8.70% p.a.	6,800	7,389	6,707	6,752
Debentures	CDI + 1.25% p.a.	808,202	797,336	808,202	797,336
Finep	TLP + 1.00% p.a.	314,218	326,932	314,218	326,932
Real estate financing	TR + 9.60% p.a.	133,558	130,512	140,154	137,899
		2,023,026	1,402,605	2,029,529	1,409,355

The fair value of some of the current loans is equal to their book value, since the impact of the discounting is not material. The fair values are based on the discounted cash flows, using a market rate of CDI + 0.16% to CDI + 1.56% p.a. (December 31, 2019 - CDI + 0.22% to CDI + 1.36% p.a.).

c. Reconciliation of changes in equity with the cash flow from financing activities

Parent company

							Derivatives (assets/liabilities) held to hedge long-term loans		Shareholder' equity	Total	
	Loans and financing	Notes payable	Taxes payable	Proposed dividends	Related parties	Leases	Other assets - loans	Liabilities			Derivative financial instruments (assets)
At January 1, 2020	1,282,052	7,802	40,000	612,143	-	32,193	(70,817)	-	7,577	8,710,100	10,621,050
Changes in financing cash flow											
Loans taken out	595,000	-	-	-	-	-	-	-	-	-	595,000
Payment of loans - principal	(12,837)	-	(245)	-	-	(6,169)	(1,296)	-	-	-	(20,547)
Payment of loans - interest	(5,432)	-	-	-	-	(1,160)	-	-	-	-	(6,592)
Sales of shares	-	-	-	-	-	-	-	-	-	10,894	10,894
Loans payable	-	-	-	-	143	-	-	-	-	-	143
Dividends paid	-	-	-	(612,143)	-	-	-	-	-	-	(612,143)
Total changes in financing cash flow	576,731	-	(245)	(612,143)	143	(7,329)	(1,296)	-	-	10,894	(33,245)
Other changes											
Initial application	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(41)	-	-	-	-	(41)
Additions	-	-	-	-	-	21,285	-	-	-	-	21,285
Other assets	-	-	-	-	-	-	-	-	-	-	-
Sales of properties	-	-	-	-	-	-	513	-	-	-	513
Leases	-	-	-	-	-	657	-	-	-	-	657
Taxes payable	-	-	11,864	-	-	-	-	-	-	-	11,864
Stock Option/Matching/Restricted	-	-	-	-	-	-	-	-	-	-	-
Interest accrued	43,777	150	97	-	-	1,133	(9,558)	(20,941)	(4,816)	4,131	9,842
Interest on shareholders' equity	-	-	-	185,498	-	-	-	-	-	(185,498)	-
MtM - Hedge loans	-	-	-	-	-	-	-	2,761	(2,761)	-	-
Equity valuation adjustments	-	-	-	-	-	-	-	-	-	10,898	10,898
Net income for the period	-	-	-	-	-	-	-	-	-	238,209	238,209
Interest accrued - Acquisition	-	-	-	-	-	-	-	(7,272)	-	-	(7,272)
Hedge Option - interest paid	-	-	-	-	-	-	-	(2,155)	-	-	(2,155)
Interest accrued - Option	-	-	-	-	-	-	-	(16,719)	-	-	(16,719)
Total other changes related to liabilities	43,777	150	11,961	185,498	-	23,034	(9,045)	(44,326)	(7,577)	67,740	271,212
At March 31, 2020	1,902,560	7,952	51,716	185,498	143	47,898	(81,158)	(44,326)	-	8,788,734	10,859,017

Consolidated

							Derivatives (assets/liabilities) held to hedge long-term loans		Shareholders' equity	Total
	Loans and financing	Notes payable	Taxes payable	Proposed dividends	Leases	Other assets - loans	Liabilities	Derivative financial instruments (assets)		
At January 1, 2020	1,402,605	7,802	56,217	612,143	37,864	(82,808)	(1,409)	11,397	8,710,100	10,753,911
Changes in financing cash flow										
Loans taken out	595,000	-	-	-	-	-	-	-	-	595,000
Payment of loans - principal	(15,012)	-	(245)	-	(6,272)	(1,296)	-	-	-	(22,825)
Payments of loans - interest	(5,976)	-	-	-	(1,110)	-	-	-	-	(7,086)
Sales of shares	-	-	-	-	-	-	-	-	10,894	10,894
Dividends paid	-	-	-	(612,143)	-	-	-	-	-	(612,143)
Total changes in financing cash flow	574,012	-	(245)	(612,143)	(7,382)	(1,296)	-	-	10,894	(36,160)
Other changes										
Initial application	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(41)	-	-	-	-	(41)
Additions	-	-	-	-	21,285	-	-	-	-	21,285
Other assets	-	-	-	-	-	-	-	-	-	-
Sales of properties	-	-	-	-	-	513	-	-	-	513
Leases	-	-	-	-	662	-	-	-	-	662
Taxes payable	-	-	19,145	-	-	-	-	-	-	19,145
Stock Option/Matching/Restricted	-	-	-	-	-	-	-	-	-	-
Interest	46,409	150	97	-	1,028	(9,680)	(20,941)	(4,816)	4,131	12,247
Interest on shareholders' equity	-	-	-	185,498	-	-	-	-	(185,498)	-
MtM - Hedge loans	-	-	-	-	-	-	2,761	(2,761)	-	-
MtM - Supplier hedges	-	-	-	-	-	-	3,613	(3,613)	-	-
Supplier hedge - interest paid	-	-	-	-	-	-	(57,284)	131	-	(57,153)
Equity valuation adjustment	-	-	-	-	-	-	-	-	10,898	10,898
Net income for the period	-	-	-	-	-	-	-	-	238,209	238,209
Interest accrued - Acquisition	-	-	-	-	-	-	-	(7,272)	-	(7,272)
Hedge Option - interest paid	-	-	-	-	-	-	-	(2,155)	-	(2,155)
Interest accrued - Option	-	-	-	-	-	-	-	(16,719)	-	(16,719)

Total other changes related to liabilities	46,409	150	19,242	185,498	22,934	(9,167)	(97,997)	(11,059)	67,740	223,750
At March 31, 2020	<u>2,023,026</u>	<u>7,952</u>	<u>75,214</u>	<u>185,498</u>	<u>53,416</u>	<u>(93,271)</u>	<u>(99,406)</u>	<u>338</u>	<u>8,788,734</u>	<u>10,941,501</u>

23 Deferred income tax and social contribution

a. Breakdown of deferred tax assets

This refers to the tax credits on accumulated tax losses carried forward, the negative bases of social contribution and temporary differences. These assets are recognized proportionally to the likelihood of realization of the related tax benefit against future taxable income. This is based on a study of future realization, using a projection of the generation of taxable income from 2021 onward. The tax losses carried forward and the negative bases of social contribution are generated mainly by the fiscal use of goodwill from the acquisition of companies (Note 19), which will cease in 2020, and the distribution of interest on shareholders' equity in recent years.

	Parent company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Deferred tax assets:				
Tax losses carried forward and negative bases of CSLL	1,515,344	1,470,627	1,535,907	1,491,060
Contingencies	67,119	67,330	77,356	76,578
Expected credit losses	52,932	57,718	56,089	60,875
Allowance for losses on inventory	12,729	12,288	28,767	26,824
Other temporary differences	79,361	88,439	130,142	124,506
Total deferred tax assets	<u>1,727,485</u>	<u>1,696,402</u>	<u>1,828,261</u>	<u>1,779,843</u>
(-) Portion of deferred tax assets recoverable through deferred liabilities of the same company with the same tax authority (also recoverable against the calculation of the current tax)	(1,721,797)	(1,696,402)	(1,793,742)	(1,753,292)
Remaining balance of deferred tax assets	<u>5,688</u>	<u>-</u>	<u>34,519</u>	<u>26,551</u>

b. Deferred tax liabilities

This consists mainly of deferred income tax and social contribution tax liabilities arising from temporary differences between the tax basis of goodwill and its book value in the balance sheet, as the goodwill continues to be amortized for tax purposes, but ceased to be amortized in the accounting records from January 1, 2009. This temporary difference may result in amounts being added in the calculation of taxable income for future years when the book value of the asset is reduced (impairment) or settled, thus making it necessary to record a deferred tax liability.

	Parent company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Goodwill	1,575,837	1,575,837	1,575,837	1,575,837
Tax debt - PIS/COFINS (*)	101,540	101,540	111,722	101,540
Fair value of property, plant and equipment - business combinations	11,590	11,620	41,951	42,930
Others	32,830	28,066	150,155	125,528

Quarterly Information - ITR as at March 31, 2020

Total tax debt	1,721,797	1,717,063	1,879,665	1,845,835
(-) Portion of deferred tax liabilities recoverable through deferred assets of the same company with the same tax authority (also recoverable against the calculation of the current tax)	(1,721,797)	(1,696,402)	(1,793,742)	(1,753,292)
Remaining balance of deferred liabilities	-	20,661	85,923	92,543

c. Reconciliation of income tax and social contribution expenses

	Parent company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
<i>Continuing and discontinued operations</i>				
Income before income tax and social contribution	209,177	367,341	217,677	355,081
Combined rate - %	34%	34%	34%	34%
Income tax and social contribution expenses at the combined rate	(71,120)	(124,897)	(73,998)	(120,728)
Equity accounting	10,346	(11,184)	1,565	29
Interest on shareholders' equity	63,069	54,738	63,069	54,738
Interest/ indexation of indemnity nature on tax assets (*)	916	-	6,561	-
Government grants	27,884	22,258	29,676	22,258
Permanent additions/exclusions	(2,064)	12,926	(6,340)	9,804
Income tax and social contribution expense	29,031	(46,159)	20,533	(33,899)
Current	-	94,775	(605)	102,371
Deferred	29,031	(140,934)	21,138	(136,270)
Discontinued operations	2,381	5,354	3,594	4,929
Continuing operations	26,650	(51,513)	16,939	(38,828)
	29,031	(46,159)	20,533	(33,899)
	14%	-13%	9%	-10%

(*) the base amount of R\$ 19,297 refers to interest and indexation of an indemnity nature on tax assets (see note 13).

24 Taxes payable

	Parent company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
ICMS (value added tax) payable	48,288	37,097	66,689	49,219
IPI/PIS/COFINS payable	1,106	1,089	5,034	2,015
Other taxes payable	2,012	1,814	3,181	4,983

	51,406	40,000	74,904	56,217
Current	43,211	31,640	66,709	47,857
Non-current	8,195	8,360	8,195	8,360

25 Accounts payable

	Parent company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Freight payable	12,295	12,042	15,065	14,638
Services provided	21,983	23,800	43,378	44,967
Advertising	3,926	7,920	3,896	7,949
Revenue to elapse	1,173	1,602	1,449	1,602
Purchases of fixed assets	2,457	3,919	9,363	13,043
Payables arising from disposal	12,867	12,410	12,867	12,410
Leases (i)	47,898	32,193	53,416	37,864
Accrued taxes on provision for inventory losses	8,225	6,387	20,866	17,073
Related parties (Note 30)	143	-	-	-
Others	5,871	7,873	17,633	16,005
	<u>116,838</u>	<u>108,146</u>	<u>177,933</u>	<u>165,551</u>
Current	85,505	88,310	136,855	135,710
Non-current	31,333	19,836	41,078	29,841

(i) Lease liabilities

	Parent company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Current	21,365	17,108	22,148	17,832
Non-current	26,533	15,085	31,268	20,032
	<u>47,898</u>	<u>32,193</u>	<u>53,416</u>	<u>37,864</u>

The changes in lease liabilities are presented in the table below:

	Parent company	Consolidated
Balance at January 1, 2020	32,193	37,864
Payments of loans - principal	(6,169)	(6,272)
Payments of loans - interest	(1,160)	(1,110)
Additions	21,285	21,285
Write-off	(41)	(41)
Remeasurement	657	662
Interest	1,133	1,028

At March 31, 2020	47,898	53,416
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a. Maturity of installments

Leases at March 31, 2020 have the following breakdown, by year of maturity:

	Parent company	Consolidated
Less than 1 year	21,365	22,148
From 1 to 2 years	22,842	24,387
From 2 to 5 years	2,831	5,994
More than 5 years	860	887
	47,898	53,416

b. Tax rights on leases

The table below shows the potential right of PIS/COFINS recoverable embedded in the lease payments, according the periods provided for payment:

	Parent company		Consolidated	
	Nominal	Adjusted to present value	Nominal	Adjusted to present value
Lease liability	53,228	47,898	61,371	53,416
Estimated PIS/COFINS	(1,537)	(1,241)	(2,223)	(1,686)
	51,691	46,657	59,148	51,730

c. Agreements by term and discount rate

The Company estimated the discount rates, based on free risk interest rates observed in the Brazilian market, for the terms of its agreements. The table below shows the rates used taking into consideration the lease terms:

Terms	Parent company	Consolidated
	Rate % p.a.	Rate % p.a.
Up to 2 years	7.89%	6.73%
From 2 to 5 years	5.96%	5.91%
More than 5 years	10.48%	12.14%

The table below shows the comparative balances of the lease liability, right of use, financial expenses and depreciation, considering the effect of the future inflation rate projected in the flows of the lease agreements, discounted at the nominal rate.

	Parent company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Lease liabilities				
Carrying amount - IFRS 16/ CPC 06 (R2)	47,898	32,193	53,416	37,864
Flow with projected inflation	50,154	33,838	55,932	39,799
Variation	4.71%	5.11%	4.71%	5.11%
Net right of use - closing balance				
Carrying amount - IFRS 16/ CPC 06 (R2)	50,378	35,651	54,244	39,807
Flow with projected inflation	52,751	34,473	56,799	41,841
Variation	4.71%	5.11%	4.71%	5.11%
Financial expenses				
Carrying amount - IFRS 16/ CPC 06 (R2)	(869)	(3,466)	(1,009)	(4,251)
Flow with projected inflation	(910)	(3,643)	(1,057)	(4,468)
Variation	4.71%	5.11%	4.71%	5.11%
Depreciation expense				
Carrying amount - IFRS 16/ CPC 06 (R2)	(7,394)	(25,488)	(7,614)	(26,771)
Flow with projected inflation	(7,742)	(26,790)	(7,973)	(28,139)
Variation	4.71%	5.11%	4.71%	5.11%

26 Contingencies

Provision for contingencies

At March 31, 2020, the Company had the following provision for contingencies and corresponding deposits in court related to the contingencies:

	Parent company							
	March 31, 2020				December 31, 2019			
	Forecast of likely loss	Contingencies assumed in the business combination	Deposits in court	Contingencies net of deposits in court	Forecast of likely loss	Contingencies assumed in the business combination	Deposits in court	Contingencies net of deposits in court
Civil	8,619	11,291	(54)	19,856	8,218	11,123	-	19,341
Labor	101,853	27,325	(28,511)	100,667	104,038	26,597	(29,382)	101,253
Tax	78	43,899	(328)	43,649	74	43,775	(327)	43,522
Administrative/other	3,962	383	(225)	4,120	3,828	375	(218)	3,985
	<u>114,512</u>	<u>82,898</u>	<u>(29,118)</u>	<u>168,292</u>	<u>116,158</u>	<u>81,870</u>	<u>(29,927)</u>	<u>168,101</u>

	Consolidated							
	March 31, 2020				December 31, 2019			
	Forecast of likely loss	Contingencies assumed in the business combination	Deposits in court	Contingencies net of deposits in court	Forecast of likely loss	Contingencies assumed in the business combination	Deposits in court	Contingencies net of deposits in court
Civil	8,638	11,291	(54)	19,875	8,234	11,123	-	19,357
Labor	113,089	27,325	(31,737)	108,677	115,695	26,597	(32,921)	109,371
Tax	81	43,899	(330)	43,650	76	43,775	(329)	43,522
Administrative/other	22,811	383	(225)	22,969	19,356	375	(218)	19,513
	144,619	82,898	(32,346)	195,171	143,361	81,870	(33,468)	191,763

Changes in contingencies

	Parent company					
	December 31, 2019	Monetary restatements	Additions	Reversals	Payments	March 31, 2020
Civil	19,341	362	215	-	(8)	19,910
Labor	130,635	3,463	3,551	(3,455)	(5,016)	129,178
Tax	43,849	128	-	-	-	43,977
Administrative/ other	4,203	141	3	(2)	-	4,345
	198,028	4,094	3,769	(3,457)	(5,024)	197,410
Deposits in court	(29,927)	(543)	(1,744)	2,941	155	(29,118)
	168,101	3,551	2,025	(516)	(4,869)	168,292
	Consolidated					
	December 31, 2019	Monetary restatements	Additions	Reversals	Payments	March 31, 2020
Civil	19,357	362	218	-	(8)	19,929
Labor (a)	142,292	3,667	3,969	(4,474)	(5,040)	140,414
Tax	43,851	129	-	-	-	43,980
Administrative/other (b)	19,731	726	3,773	(9)	(1,027)	23,194
	225,231	4,884	7,960	(4,483)	(6,075)	227,517
Deposits in court	(33,468)	(588)	(1,847)	3,398	159	(32,346)
	191,763	4,296	6,113	(1,085)	(5,916)	195,171

(a) The additions refer to approximately 26 new labor lawsuits.

(b) The additions refer substantially to the process of the Public Prosecutor's Office of the State of Goiás (MPE - GO).

a) Possible contingencies - Responsibility of the Company and its subsidiaries

The Company and its subsidiaries are involved in labor, civil, tax and regulatory lawsuits where the current evaluation of the likelihood of success under advice of the legal advisors, as well as the legal aspects, do not require the recording of a provision, either because the expectation of loss is classified as possible, or through the exclusion of a liability arising from a contractual agreement.

	Parent company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
	Possible loss	Possible loss	Possible loss	Possible loss
Civil	43,131	42,720	43,703	43,160
Labor	471,856	439,245	492,755	458,478
Tax	121,463	120,641	154,448	153,317
Administrative/other	3,006	2,904	3,501	3,371

639,456	605,510	694,407	658,326
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b) Contingencies of acquired companies, where the responsibility is of the former owners - possible and probable:

In business combinations of prior years, in addition to probable contingencies, possible contingencies were also provisioned, with fair value considerations for them. In addition to these lawsuits, the Company has contingencies whose risk of loss is probable and possible in cases that are the responsibility of the former owners.

Below is a summary of the contingencies considered as probable and possible losses under the responsibility of the former owners:

Company and/or acquired brands	Possible	Probable	Total
Aprov	252	511	763
Bitufo	-	213	213
Ceil	3,947	1,578	5,525
Cosmed-Pompom	1,675	2,396	4,071
DM	-	3	3
Facilit	-	3,159	3,159
Farmasa	144,262	95	144,357
Inal	-	9	9
Neolatina	13,357	-	13,357
Luper	-	67	67
Mabesa	708	475	1,183
Mantecorp	204,510	-	204,510
Brainf.-NQ	140,016	1,148	141,164
Sapeka	203	1,138	1,341
Sul Química	-	2,770	2,770
York	2,293	189	2,482
	511,223	13,751	524,974

In this cases, and when applicable, the Company makes the payment of the causes and seeks reimbursement from the former owners.

27 Share capital

a. Share capital

On March 31, 2020, the Company was authorized to increase the share capital up to the limit of R\$ 5,500,000.00, in accordance with a provision of its bylaws and a decision of the Board of Directors at the Special General Meeting (SGM) on January 24, 2011.

The share capital at March 31, 2020, was R\$ 4,448,817 (at December 31, 2019 - R\$ 4,448,817), represented by 632,238,060 common shares (at December 31, 2019 - 632,238,060).

b. Treasury shares

The changes in the number of treasury shares were as shown in the table below:

	Number	Amount
At 12/31/2019	1,164,957	34,203
Sales in the period	(423,346)	(12,429)
At 03/31/2020	741,611	21,774

c. Interest on shareholders' equity

On March 24, 2020, the Board of Directors approved the payment of interest on shareholders' equity to the Company's shareholders, in the amount of R\$ 185,498.

28 Revenue

The reconciliation of gross and net revenue is as follows:

	Parent company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Gross revenue from products	992,584	530,797	992,667	530,869
Returns	(32,163)	(30,312)	(32,163)	(30,312)
Unconditional discounts	(48,916)	(47,984)	(48,916)	(47,970)
Net revenue from returns and unconditional discounts	<u>911,505</u>	<u>452,501</u>	<u>911,588</u>	<u>452,587</u>
Promotional discounts	(26,083)	(34,715)	(26,083)	(34,715)
Taxes	(46,565)	(19,627)	(70,473)	(34,294)
Net revenue	<u>838,857</u>	<u>398,159</u>	<u>815,032</u>	<u>383,578</u>

Net revenue grew 112.5% in the first quarter of 2020, when compared to the same period of the previous year, mainly due to the reduction in sales of prescription and consumer health products in the first quarter of 2019 with the objective of reducing the inventory level of these products to the Company's customers in that period.

The Company does not present its revenue disaggregated by product since essentially: (a) the nature and the economic risk factors of the products are similar, (b) the consumers and customers do not have significant distinctions; (c) the Company operates only in the Brazilian market; and (d) the presentations to investors mentioning different types of products reflect only different go-to-market models. Therefore, the Company optimizes synergies between these different models leveraging the single sell-out structure.

In addition, the decisions on the resources to be allocated are not related to business segments but occur individually by products to be launched, resulting in assessments of the general performance of the operating results to all portfolios of products.

29 Breakdown of the statement of income accounts

a. Operating expenses and cost of sales

	Parent company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Cost of sales	(338,415)	(232,087)	(271,974)	(197,711)
Raw materials	-	-	(134,337)	(99,827)
Packaging materials	-	-	(53,679)	(50,591)
Labor	-	-	(88,279)	(77,282)
Depreciation and amortization expenses	-	-	(14,079)	(13,394)
Resale	(323,016)	(223,538)	(36,864)	(23,517)
Losses on inventories	(15,399)	(8,549)	(26,185)	(17,466)
Changes in inventories/others	-	-	81,449	84,366
Selling and marketing expenses	(280,100)	(257,386)	(309,933)	(283,891)
Marketing expenses	(191,061)	(168,138)	(182,569)	(159,606)
Advertising and consumer promotion	(42,661)	(47,112)	(41,684)	(46,135)
Trade deals	(20,489)	(11,763)	(20,489)	(11,763)
Market surveys and others	(935)	(2,161)	(935)	(2,161)
Medical detailing, promotions, gifts and samples	(126,976)	(107,102)	(119,461)	(99,547)
Selling expenses	(89,039)	(89,248)	(127,364)	(124,285)
Sales force	(51,814)	(56,970)	(52,960)	(58,108)
Freight and logistics expenses	(18,249)	(14,819)	(21,276)	(16,511)
Research and development	(2,037)	(2,055)	(32,018)	(28,793)
Depreciation and amortization expenses	(7,328)	(6,846)	(11,095)	(11,433)
Other expenses	(9,611)	(8,558)	(10,015)	(9,440)
General and administrative expenses	(35,611)	(36,389)	(49,835)	(52,009)
Salaries/wages payable	(22,917)	(20,416)	(33,240)	(37,921)
Lawyers, advisors and auditors	(9,400)	(6,717)	(10,689)	(8,600)
Depreciation and amortization expenses	(2,302)	(2,804)	(4,192)	(4,140)
Other expenses	(992)	(6,452)	(1,714)	(1,348)

b. Other operating (expenses) income, net

	Parent company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Eventual gains (losses) (*)	(9,532)	543,248	29,367	538,904
Depreciation of investment properties	(961)	(973)	(961)	(973)
Rental income	5,847	4,858	5,202	4,167
Civil and labor contingencies	(2,379)	(3,824)	(4,139)	(20,196)
	<u>(7,025)</u>	<u>543,309</u>	<u>29,469</u>	<u>521,902</u>

(*) The gain in 2019 results from a final and unappealable decision on a lawsuit, authorizing the recovery of PIS and COFINS improperly levied on the ICMS included in billing invoices.

c. Financial income

	Parent company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest income	5,909	3,329	6,422	4,078
Income from short-term financial investments and others	15,317	13,385	16,041	14,966
Exchange variation (gains on derivative transactions)	16,718	-	16,718	-
	<u>37,944</u>	<u>16,714</u>	<u>39,181</u>	<u>19,044</u>

d. Financial expenses

	Parent company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest on financing	(4,431)	(5,423)	(6,958)	(8,273)
Interest on loans	(2,048)	(1,702)	(2,048)	(1,704)
Interest on notes payable	(149)	(279)	(149)	(279)
Interest/indexation on contingencies	(4,094)	(2,425)	(4,884)	(2,702)
REFIS (financing of tax liabilities)	(97)	(108)	(97)	(108)
Debentures	(10,866)	-	(10,866)	-
Interest and commission on letters of guarantee	(1,168)	(949)	(1,169)	(949)
Bank expenses, discounts granted and others	(5,304)	(3,892)	(5,408)	(4,050)
Cost of hedge and exchange variation of loans	971	(51)	971	(51)
Cost of hedge and exchange variation of suppliers and customers	(17)	(14)	5,328	(962)
Reversals of present value adjustment	(869)	(996)	(1,009)	(1,180)
Other	(19)	(253)	(176)	(589)
	<u>(28,091)</u>	<u>(16,092)</u>	<u>(26,465)</u>	<u>(20,847)</u>

30 Related-party transactions

The Company is a publicly traded company with shares traded on the stock exchange. Under a shareholders' agreement entered into on June 23, 2010, and subsequently amended on March 16, 2016, October 24, 2016 and July 2017, the following are the parties in the Controlling Interest group: Mr. João Alves de Queiroz Filho, with 21.42% of the share capital and Maiorem, S.A. de C.V., with 14.77% of the share capital; while the other signatories of the Shareholders' Agreement hold 0.97% of the Company's share capital. The remaining 62.84% of the shares are held by various shareholders.

Transactions and balances

The main asset and liability balances as well as the transactions between related parties that impacted the results for the period arise from transactions with the Company and its subsidiaries, which management considers to have been conducted under normal market conditions and within normal timeframes for the respective types of transactions.

Loans with related parties are indexed to the CDI plus a spread.

In commercial relationships with related parties, prices are established based on the characteristics and nature of the transactions. In this case, both Cosmed and Brainfarma manufacture and sell almost all of their production to Hypera to be sold in the market.

Trading transactions involving the sale purchase of products, raw materials, contracting of services and rents, as well as financial transactions involving loans and fundraising between group companies, are presented as follows:

- The rental agreement with Brainfarma Indústria Química Farmacêutica S.A. is indexed to the IGPM-FGV, and the maturity date is May 2, 2020, which may be extended as agreed between the parties.
- The rental agreement with Cosmed Indústria de Cosméticos e Medicamentos S.A. (Sweetener) is indexed to the IGPM - FGV index of April 1, 2019 and the maturity date is March 31, 2027, which may be extended as agreed between the parties.
- The service agreement with UOL Diveo Tecnologia Ltda. will be indexed to the IGPM - FGV index every twelve months, beginning October 30, 2018 and the maturity date is October 29, 2021.

a. In assets and liabilities

							Parent company
							March 31, 2020
Companies	Customers	Other amounts receivable	Loans receivable	Suppliers	Accounts payable	Other amounts payable	Loans payable
Cosmed Indústria de Cosméticos e Medicamentos S.A.	-	-	-	(96,337)	-	(26)	-
My Agência Propaganda Ltda.	-	4	-	(17)	-	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	-	-	-	(313,368)	(496)	(68)	(49)
UOL Diveo Tecnologia Ltda..	-	-	-	-	(13)	-	-
Total	-	<u>4</u>	-	<u>(409,722)</u>	<u>(509)</u>	<u>(94)</u>	<u>(49)</u>

							Consolidated
							March 31, 2020
Companies	Customers	Other amounts receivable	Loans receivable	Suppliers	Accounts payable	Other amounts payable	Loans payable
UOL Diveo Tecnologia Ltda..	-	-	-	-	(13)	-	-
Total	-	-	-	-	<u>(13)</u>	-	-

							Parent company
							December 31, 2019
Companies	Customers	Other amounts receivable	Loans receivable	Suppliers	Accounts payable	Other amounts payable	Loans payable
Cosmed Indústria de Cosméticos e Medicamentos S.A.	-	244	-	(84,891)	-	-	-
My Agência Propaganda Ltda.	-	9	-	(17)	-	-	-
Brainfarma Ind. Quim. e Farmacêutica S.A.	-	469	-	(241,326)	(969)	-	-
Universo Online S.A.	-	-	-	-	(667)	-	-
UOL Diveo Tecnologia Ltda..	-	-	-	-	(13)	-	-
Total	-	<u>722</u>	-	<u>(326,234)</u>	<u>(1,649)</u>	-	-

							Consolidated
							December 31, 2019
Companies	Customers	Other amounts receivable	Loans receivable	Suppliers	Accounts payable	Other amounts payable	Loans payable
Universo Online S.A.	-	-	-	-	(667)	-	-
UOL Diveo Tecnologia Ltda..	-	-	-	-	(13)	-	-
Total	-	-	-	-	<u>(680)</u>	-	-

b. In income for the year

							Parent company	
							March 31, 2020	
Companies	Transactions		Other (expenses)/income			Interest on loans		
	Purchases of goods/products	Rental income	Advertising	Lease amortization	Services provided	Financial expenses	Financial income	
Cosmed Indústria de Cosméticos e Medicamentos S.A.	(100,454)	628	-	-	-	-	-	
My - Agência Propaganda Ltda.	-	51	(1,140)	-	-	-	-	
Brainfarma Ind. Quim. e Farmacêutica S.A.	(324,072)	-	-	(547)	-	(74)	-	
Universo Online S.A.	-	-	(1,333)	-	-	-	-	
UOL Diveo Tecnologia Ltda..	-	-	-	-	(77)	-	-	
	<u>(424,526)</u>	<u>679</u>	<u>(2,473)</u>	<u>(547)</u>	<u>(77)</u>	<u>(74)</u>	<u>-</u>	
							Consolidated	
							March 31, 2020	
Companies	Transactions		Other (expenses)/income			Interest on loans		
	Purchases of goods/products	Rental income	Advertising	Lease amortization	Services provided	Financial expenses	Financial income	
Universo Online S.A.	-	-	(1,333)	-	-	-	-	
UOL Diveo Tecnologia Ltda..	-	-	-	-	(77)	-	-	
	<u>-</u>	<u>-</u>	<u>(1,333)</u>	<u>-</u>	<u>(77)</u>	<u>-</u>	<u>-</u>	
							Parent company	
							March 31, 2019	
Companies	Transactions		Other (expenses)/income			Interest on loans		
	Purchases of goods/products	Rental income	Advertising	Lease amortization	Services provided	Financial expenses	Financial income	
Cosmed Indústria de Cosméticos e Medicamentos S.A.	(66,681)	686	-	-	-	-	-	
My - Agência Propaganda Ltda.	-	51	(1,140)	-	-	-	-	
Brainfarma Ind. Quim. e Farmacêutica S.A.	(239,913)	-	-	(600)	-	-	1	
Universo Online S.A.	-	-	(2,684)	-	-	-	-	
UOL Diveo Tecnologia Ltda..	-	-	-	-	-	-	-	
	<u>(306,594)</u>	<u>737</u>	<u>(3,824)</u>	<u>(600)</u>	<u>-</u>	<u>-</u>	<u>1</u>	
							Consolidated	
							March 31, 2019	
Companies	Transactions		Other (expenses)/income			Interest on loans		
	Purchases of goods/products	Rental income	Advertising	Lease amortization	Services provided	Financial expenses	Financial income	
TV Serra Dourada Ltda.	-	-	-	(150)	-	-	-	
Universo Online S.A.	-	-	(2,684)	-	-	-	-	
Megatelecom Telecommunications S.A.	-	-	-	-	(173)	-	-	
	<u>-</u>	<u>-</u>	<u>(2,684)</u>	<u>(150)</u>	<u>(173)</u>	<u>-</u>	<u>-</u>	

c. Compensation of key management personnel

The key management personnel comprise the members of the Board of Directors, Supervisory Board, Audit Committee and Statutory Directors. The compensation paid or payable to key management personnel is as follows:

	Parent company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Salaries and other short-term benefits	4,348	3,618	4,348	4,211
Board members' fees	1,337	732	1,337	732
Share-based payments	1,937	1,907	1,937	2,178
	<u>7,622</u>	<u>6,257</u>	<u>7,622</u>	<u>7,121</u>

31 Other matters

a) “Tira-Teima” operation

On April 10, 2018, through an interlocutory injunction, a warrant for search and seizure was issued for the Company's head office and the residences of the Company's then-CEO and the Chairman of the Board of Directors, related to facts included in the plea bargain signed by Mr. Nelson José de Mello, former Director of Investor Relations, as part of the investigations conducted by the Federal Public Prosecutors in the operation called “Tira-Teima”. Information was made public in a material fact published on June 28, 2016, as well as other press releases disclosed by the Company.

The then-CEO voluntarily presented a letter to the members of the Board requesting his resignation from the position of Chief Executive Officer and from all activities of the Company, for the period required to conclude the internal investigations and the investigations by the Federal Public Prosecutors. Also, the then-Chairman of the Company's Board of Directors voluntarily presented a letter to the other members of the Board requesting his resignation as a member of the Board for the same period. The Board of Directors accepted the requests and elected a new CEO and a new Chairman of the Board of Directors.

The Board of Directors also resolved to set up an Independent Special Committee to coordinate an independent investigation of the matters related to the Material Fact published by the Company on April 10, 2018 and the Notice to the Market published by the Company on April 20, 2018. Since then the Committee (a) defined the scope of the internal investigation; (b) engaged external advisors, specifically a first-tier law firm and auditing firm; (c) made presentations about the progress to the External Auditor and the Audit Committee; (d) presented its recommendations to the Audit Committee; and (e) subsequently will present them to the Board of Directors.

In parallel and to complement the work developed by the Independent Committee, the Company, through its specialized legal counselors, has supported and collaborated with the investigations conducted by the appropriate authorities.

The Company's Management is committed to adopting the necessary measures and will assess, based on the results and with the support of its specialized legal counselors, the convenience and the opportunity of eventually using legal mechanisms that are adequate to the conclusion of the matter, including the hypotheses of agreements with the appropriate authorities. At this moment, the Company's Management is not able to assess the impacts of the conclusions of the investigations conducted by the Independent Committee.

b) Impacts of the COVID-19 pandemic

To date, the Company's operations have not been impacted in relation to the COVID-19 pandemic. The Company's operating segment is considered essential and, therefore, its operations were not interrupted and the Company is following the decisions of municipal and/or state legislation in all its industrial parks located in Anápolis and Goiânia-in Goiás State.

The use of personal protective equipment (PPE) is already mandatory in our operating segment, being commonly used by employees in the normal course of the Company's operational activities. Accordingly, the Company strengthened its corporate health team and started to require entry to its facilities to verify the temperature of employees with infrared thermometers. In addition, API purchase orders (active pharmaceutical ingredients) imported from China and India were intensified and new hygiene and respiratory etiquette measures were adopted at the

factory and at the innovation center in order to guarantee the uninterrupted supply of medicines for the Brazilian population.

Due to good supply chain management, the Company's inventory levels remain normal and capable of maintaining productive capacity within normal limits, with no interruption in the supply of inputs. In relation to the Company's receivables, the pharmaceutical sector is not presently suffering from an increase in defaults and there has also been no lengthening of maturities; accordingly, there has been no impact on these receivables so far.

The Company also adopted work from home measures for all employees who are part of the COVID-19 risk group, administrative activities, sales of medical visits and merchandising that serve the points of sale, allowing only the promotion of products with the medical community and taking orders at points of sale to be carried out remotely, respecting the quarantine decrees of each state. It is important to mention that part of the medical visitation and merchandising teams entered a vacation period due to the extension of the lock-down rules.

Our IT tools have proven to be effective and, along with the management discipline, the Company's employees continue to work within the usual level of productivity.

The Company understands that it is taking all appropriate measures to prevent the spread of COVID-19, as well as to ensure business continuity during the pandemic period. Although the Company's operations have not been significantly affected to date, the Company's management is unable to estimate or predict the occurrence of future events related to the COVID-19 pandemic that may have an impact on the Company, but will continue to monitor and evaluate actions to be taken.

32 Events after the reporting period

a) Issuance of debentures

On March 30, 2020, the Board of Directors approved the 9th simple, unsecured, non-convertible debentures, in two series, for public distribution with restricted distribution efforts of the Company ("the Issuance"), with the following main characteristics: the issuance date of the First Series Debentures will be April 3, 2020 and the issuance date of the Second Series Debentures will coincide with the first Date of Payment of the Second Series Debentures.

The total amount of the Issuance will be R\$ 3,500,000 on the Issuance Date, being: (i) R\$ 2,485,000 related to the First Series Debentures; and (ii) R\$ 1,015,000, on the Issuance Date, related to the Second Series Debentures.

350,000 Debentures will be issued, as follows: (i) 248,500 First Series Debentures; and (ii) 101,500 Second Series Debentures. The Debentures will have a unit par value of R\$ 10,000 on the Issuance Date ("Unit Par Value").

The First Series Debentures will have a term of six years as of the Issuance Date of the First Series Debentures, maturing, therefore, on April 3, 2026, and the Second Series Debentures will also have a term six years from the Issuance Date of the Second Series Debentures, except, in any case, the hypothesis of early maturity due to the occurrence of one of the default and early redemption events provided for in the Issuance Deed.

The debentures will be remunerated with semiannual interest payments corresponding to 100% of the accumulated variation of the average daily rates of DI - Interbank Deposits plus a spread of 1.5%.

b) Bank financing

On April 13, 2020, the Company obtained bank financing from Banco Safra, in the amount of R\$ 300 million, with an interest rate of 3.76% p.a. and maturity on April 4, 2022.

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