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## Company Data / Capital Stock

Number of Shares (in thousands)	Current quarter 03/31/2020
<b>Paid-in Capital</b>	
Common	339,000,000
Preferred	-
<b>Total</b>	<b>339,000,000</b>
<b>Treasury Shares</b>	
Common	1,105,000
Preferred	-
<b>Total</b>	<b>1,105,000</b>

Company Data / Cash Dividends

Event	Approval	Type	Date of Payment	Type of Share	Class of Share	Amount per Share
						(Reais / Share)
Board of Shareholders' Meeting	04/09/2020	Interest on Own Capital	04/30/2020	Common		0,25074
.....						

**Individual Financial statements / Balance Sheet – Assets****(in thousands)**

<b>Code of the account</b>	<b>Description of the code</b>	<b>Current Quarter 03/31/2020</b>	<b>Previous Period 12/31/2019</b>
1	Total Assets	8,859,366	8,101,914
1.01	Current Assets	3,061,115	2,320,833
1.01.01	Cash and Cash Equivalents	794,616	348,312
1.01.02	Financial Investments	16,413	16,392
1.01.02.03	Financial Investments Valued at Amortized Cost	16,413	16,392
1.01.03	Trade Accounts Receivable	931,252	957,325
1.01.03.01	Clients	931,252	957,325
1.01.04	Inventory	987,046	799,044
1.01.06	Recoverable Taxes	203,993	162,535
1.01.06.01	Current Recoverable Taxes	203,993	162,535
1.01.07	Prepaid Expenses	14,473	7,736
1.01.08	Other Current Assets	113,322	29,489
1.01.08.03	Other	113,322	29,489
1.01.08.03.02	Derivative Financial Instruments	91,727	7,963
1.01.08.03.20	Other Credits	21,595	21,526
1.02	Non-current Assets	5,798,251	5,781,081
1.02.01	Long-term Assets	624,814	597,129
1.02.01.03	Financial Investments Valued at Amortized Cost	3,728	3,782
1.02.01.04	Trade Accounts Receivable	177	263
1.02.01.04.01	Clients	177	263
1.02.01.10	Other Non-current Assets	620,909	593,084
1.02.01.10.03	Judicial Deposits	281,909	257,434
1.02.01.10.04	Recoverable Taxes	273,304	273,880
1.02.01.10.05	Tax Incentives/Other Credits	6,005	3,997
1.02.01.10.06	Indemnity Assets	59,691	57,773
1.02.02	Investments	111,396	112,349
1.02.02.01	Shareholdings	56,421	57,124
1.02.02.01.02	Subsidiaries	170	132
1.02.02.01.03	Interest in Subsidiaries	55,363	56,104
1.02.02.01.04	Other Shareholdings	888	888
1.02.02.02	Investment Properties	54,975	55,225
1.02.03	Property, Plant and Equipment	3,343,832	3,349,190
1.02.03.01	Property, Plant and Equipment in Operation	2,895,007	2,908,075
1.02.03.02	Right-of-use in Leasing	98,851	100,094
1.02.03.02.02	Right-of-Use	98,851	100,094
1.02.03.03	Property, Plant and Equipment in Progress	349,974	341,021
1.02.04	Intangible	1,718,209	1,722,413
1.02.04.01	Intangible	1,718,209	1,722,413
1.02.04.01.02	Brands and Patents	543,847	543,847
1.02.04.01.03	Software	66,067	67,250
1.02.04.01.04	Goodwill	944,412	944,412
1.02.04.01.05	Customer Relationships	163,245	166,214
1.02.04.01.06	Non-compete agreement	638	690

**Individual Financial statements / Balance Sheet – Liabilities****(in thousands)**

Code of the account	Description of the code	Current Quarter	Previous Period
		03/31/2020	12/31/2019
2	Total Liabilities	8,859,366	8,101,914
2.01	Current Liabilities	1,768,816	1,154,542
2.01.01	Social and Labor Liabilities	151,123	167,344
2.01.01.01	Social Liabilities	54,569	53,238
2.01.01.02	Labor Liabilities	96,554	114,106
2.01.02	Suppliers	122,968	149,219
2.01.02.01	Domestic Suppliers	122,765	148,713
2.01.02.02	Foreign Suppliers	203	506
2.01.03	Tax Obligations	111,346	83,646
2.01.03.01	Federal Tax Obligations	30,815	19,449
2.01.03.01.02	Other Federal Tax Obligations	30,815	19,449
2.01.03.02	State Tax Obligations	79,114	62,829
2.01.03.03	Municipal Tax Obligations	1,417	1,368
2.01.04	Loans and Financing	1,201,158	608,190
2.01.04.01	Loans and Financing	1,201,158	608,190
2.01.04.01.01	National Currency	146,155	108,999
2.01.04.01.02	Foreign Currency	1,055,003	499,191
2.01.05	Other Obligations	182,221	146,143
2.01.05.02	Other	182,221	146,143
2.01.05.02.01	Proposed dividends	36,929	36,929
2.01.05.02.04	Advances of Clients	10,407	10,164
2.01.05.02.05	Government Subsidies	13,610	4,799
2.01.05.02.06	Derivative Financial Instruments	0	1,887
2.01.05.02.07	Leasing	16,221	15,075
2.01.05.02.20	Other Debts	105,054	77,289
2.02	Non-current Liabilities	961,456	912,419
2.02.01	Loans and Financing	366,209	371,487
2.02.01.01	Loans and Financing	366,209	371,487
2.02.01.01.01	National Currency	366,209	371,487
2.02.02	Other Obligations	120,905	122,173
2.02.02.02	Other	120,905	122,173
2.02.02.02.03	Tax Obligations	0	968
2.02.02.02.04	Other Debts	34,318	34,301
2.02.02.02.07	Leasing	86,587	86,904
2.02.03	Deferred Taxes	253,067	205,214
2.02.03.01	Deferred Income Tax and Social Contribution	253,067	205,214
2.02.04	Provisions	221,275	213,545
2.02.04.01	Provisions Tax, Social Security, Labor and Civil	221,275	213,545
2.02.04.01.01	Tax Provisions	102,140	102,824
2.02.04.01.02	Labor and Social Security Provisions	108,943	101,536
2.02.04.01.04	Civil Provisions	10,192	9,185
2.03	Shareholders' Equity	6,129,094	6,034,953
2.03.01	Realized Capital Stock	2,567,941	2,508,400
2.03.02	Capital Reserves	27,281	26,343
2.03.02.08	Special Reserve	16,529	16,529
2.03.02.09	Granted Recognized Shares	10,752	9,814

**Individual Financial statements / Balance Sheet – Liabilities****(in thousands)**

Code of the account	Description of the code	Current Quarter	Previous Period
		03/31/2020	12/31/2019
2.03.04	Profit Reserves	3,396,712	3,500,089
2.03.04.01	Legal Reserves	308,459	308,459
2.03.04.02	Statutory Reserves	1,928,920	1,928,920
2.03.04.07	Tax Incentive Reserve	1,155,094	1,214,635
2.03.04.08	Additional Proposed Dividend	48,075	48,075
2.03.04.09	Treasury Shares	-43,836	0
2.03.05	Accumulated Profits/Losses	137,000	0
2.03.07	Accumulated Translation Adjustments	160	121

## Individual Financial statements / Statement of Income

(in thousands)

Code of the account	Description of the code	Current Quarter	Previous Period
		01/01/2020 to 03/31/2020	01/01/2019 to 03/31/2019
3.01	Revenue from Sale of Goods and/or Services	1,636,746	1,172,666
3.01.01	Gross sales and /or Services	1,995,333	1,472,175
3.01.02	Returns, Discounts and Cancellations	-358,587	-299,509
3.02	Cost of Goods Sold and/or Services Rendered	-1,012,002	-781,891
3.02.01	Cost of Goods Sold	-1,088,749	-842,206
3.02.02	Tax Incentives (ICMS)	76,747	60,315
3.03	Gross Income	624,744	390,775
3.04	Operating Income/Expenses	-458,020	-332,659
3.04.01	Selling Expenses	-367,944	-258,524
3.04.01.01	Selling Expenses	-358,403	-254,286
3.04.01.02	Depreciation and Amortization	-9,541	-4,238
3.04.02	General and Administrative Expenses	-72,381	-57,084
3.04.02.01	Administrative Expenses	-63,796	-52,797
3.04.02.04	Depreciation and Amortization	-8,585	-4,287
3.04.04	Other Operating Income	14,265	24,726
3.04.05	Other Operating Expenses	-31,119	-31,043
3.04.06	Equity in net Income of Subsidiaries	-841	-10,734
3.05	Income Before Financial Results and Tax	166,724	58,116
3.06	Financial Results	-3,949	-615
3.06.01	Financial Income	18,472	50,810
3.06.02	Financial Expenses	-22,421	-51,425
3.07	Income Before Tax	162,775	57,501
3.08	Income Tax and Social Contribution	-25,775	-572
3.08.01	Current	22,080	9,865
3.08.02	Deferred	-47,855	-10,437
3.09	Net Income from the Continuing Operations	137,000	56,929
3.11	Income for the period	137,000	56,929
3.99	Earnings per Share - (Reais / Share)		
3.99.01	Basic Earnings per Share		
3.99.01.01	Common	0.40413	0.16793
3.99.02	Diluted Earnings per Share		
3.99.02.01	Common	0.40498	0.16779

## Individual Financial statements / Statements of Comprehensive Income

(in thousands)

Code of the account	Description of the code	Current Quarter	Previous Period
		01/01/2020 to 03/31/2020	01/01/2019 to 03/31/2019
4.01	Net Profit for the Period	137,000	56,929
4.02	Other Comprehensive Income	39	0
4.02.02	Accumulated Translation Adjustments	39	0
4.03	Comprehensive Income for the Period	137,039	56,929



**Individual Financial statements / Statement of Cash Flow - Indirect Method****(in thousands)**

Code of the account	Description of the code	Current Quarter	Previous Period
		01/01/2020 to 03/31/2020	01/01/2019 to 03/31/2019
6.01	Net Cash from Operating Activities	76,952	195,407
6.01.01	Cash Generated from Operations	252,905	108,718
6.01.01.01	Net Income before Income Tax and Social Contribution	162,775	57,501
6.01.01.02	Depreciation and Amortization	61,797	37,069
6.01.01.03	Cost of Sale of Fixed Assets	1,419	977
6.01.01.04	Equity in Net Income of Subsidiaries	841	10,734
6.01.01.05	Loans, Investments and Exchange Variations Interests	155,699	13,982
6.01.01.06	Updated judicial deposits	-1,848	-1,225
6.01.01.08	Tax Credits and Updates	-6,455	-26,622
6.01.01.09	Provision for Civil, Labor and Tax Risks	4,991	8,623
6.01.01.10	Provision for Impairment Losses of Customers	9,282	6,945
6.01.01.11	Impairment Losses on Inventory	1,099	1,617
6.01.01.13	Granted Recognized Shares	939	1,020
6.01.01.14	Lease update	2,734	1,095
6.01.01.15	Provision arising from swap derivative contracts	-146,057	-4,123
6.01.01.16	Update Provision for Civil, Labor and Tax Risks	4,587	249
6.01.01.17	Provision for Income tax on financing	1,102	876
6.01.02	Changes in Assets and Liabilities	-155,066	98,400
6.01.02.01	(Increase) Decrease in Trade Accounts Receivable	16,877	185,604
6.01.02.02	(Increase) Decrease in Inventories	-184,534	-100,180
6.01.02.03	(Increase) Decrease in Recoverable Taxes	4,649	4,975
6.01.02.04	(Increase) Decrease in Financial Investments	-21	0
6.01.02.06	(Increase) Decrease in Other Credits	-33,360	-3,441
6.01.02.07	Increase (Decrease) in Suppliers	-26,253	53,909
6.01.02.08	Increase (Decrease) in Taxes and Contributions	48,811	-16,247
6.01.02.09	Increase (Decrease) in Government Subsidies	8,810	-4,016
6.01.02.12	Increase (Decrease) in Other Debts	9,955	-22,204
6.01.03	Other	-20,887	-11,711
6.01.03.02	Interests Paid	-9,601	-5,344
6.01.03.03	Income tax and Social Contributions Paid	-9,718	-2,831
6.01.03.05	Receipts (payments) of resources for settlement of derivative transactions	31,055	5,883
6.01.03.06	Exchange Variations Paid	-32,623	-9,419
6.02	Net Cash from Investment Activities	-53,285	-83,094
6.02.01	Acquisition of Property and Intangible Assets	-53,270	-64,856
6.02.02	Amortization of Debt Acquisition of Companies	0	-3,788
6.02.06	Redeem Financial Investment in the Long Term	85	0
6.02.07	Financial Investments	-100	-14,450
6.03	Net Cash from Financing Activities	422,637	32,460
6.03.02	Acquisition Financing	642,334	111,182
6.03.03	Financing Payment	-169,258	-76,160
6.03.04	Acquisition of Shares Issued by Cia.	-43,836	0
6.03.05	Lease Payment	-6,603	-2,562
6.05	Increase (decrease) in Cash and Cash Equivalents	446,304	144,773
6.05.01	Opening Balance of Cash and Cash Equivalents	348,312	350,896
6.05.02	Closing Balance of Cash and Cash Equivalents	794,616	495,669

**Individual Financial statements / Statement of Changes in Shareholders' Equity - 01/01/2020 to 03/31/2020****(in thousands)**

Code of the account	Description of the code	Capital Stock	Capital Reserves, Options Granted and Shares in Treasury	Profit Reserves	Retained Earnings or Accumulated Losses	Comprehensive Income	Shareholders' Equity
5.01	Opening Balance	2,508,400	26,343	3,500,089	0	121	6,034,953
5.03	Adjusted Opening Balance	2,508,400	26,343	3,500,089	0	121	6,034,953
5.04	Capital Transactions with Associates	59,541	-42,898	-59,541	0	0	-42,898
5.04.01	Increase in Capital Stock	59,541	0	-59,541	0	0	0
5.04.04	Acquired Treasury Shares	0	-43,836	0	0	0	-43,836
5.04.11	Granted Recognized Shares	0	938	0	0	0	938
5.05	Total Comprehensive Income	0	0	0	137,000	39	137,039
5.05.01	Net Profit for the Period	0	0	0	137,000	0	137,000
5.05.02	Other Comprehensive Income	0	0	0	0	39	39
5.05.02.04	Translation Adjustments for the Period	0	0	0	0	39	39
5.07	Closing Balance	2,567,941	-16,555	3,440,548	137,000	160	6,129,094

**Individual Financial statements / Statement of Changes in Shareholders' Equity - 01/01/2019 to 03/31/2019****(in thousands)**

Code of the account	Description of the code	Capital Stock	Capital Reserves, Options Granted and Shares in Treasury	Profit Reserves	Retained Earnings or Accumulated Losses	Comprehensive Income	Shareholders' Equity
5.01	Opening Balance	2,258,633	21,506	3,281,587	0	117	5,561,843
5.03	Adjusted Opening Balance	2,258,633	21,506	3,281,587	0	117	5,561,843
5.04	Capital Transactions with Associates	249,767	1,020	-249,767	0	0	1,020
5.04.01	Increase in Capital Stock	249,767	0	-249,767	0	0	0
5.04.11	Granted Recognized Shares	0	1,020	0	0	0	1,020
5.05	Total Comprehensive Income	0	0	0	56,929	0	56,929
5.05.01	Net Profit for the Period	0	0	0	56,929	0	56,929
5.07	Closing Balance	2,508,400	22,526	3,031,820	56,929	117	5,619,792

**Individual Financial statements / Statement of Value Added****(in thousands)**

Code of the account	Description of the code	Current Quarter	Previous Period
		01/01/2020 to 03/31/2020	01/01/2019 to 03/31/2019
7.01	Revenues	2,160,175	1,415,912
7.01.01	Sale of Goods, Products and Services	1,871,111	1,338,492
7.01.02	Other Revenues	14,214	66,731
7.01.03	Related to Construction of Own Assets	284,132	17,634
7.01.04	Provision/Reversal of Doubtful Accounts	-9,282	-6,945
7.02	Input Acquired from Third Parties	-1,452,139	-963,003
7.02.01	Costs of Products, Goods and Services Sold	-719,275	-574,237
7.02.02	Materials, Energy, Third Party Services and Other	-480,576	-384,638
7.02.04	Other	-252,288	-4,128
7.02.04.01	Materials related to Construction of Own Assets	-252,288	-4,128
7.03	Gross Value Added	708,036	452,909
7.04	Retention	-61,797	-37,069
7.04.01	Depreciation, Amortization and Depletion	-61,797	-37,069
7.05	Net Value Added Produced	646,239	415,840
7.06	Value Added Received Through Transfer	17,631	40,076
7.06.01	Equity in net Income of Subsidiaries	-841	-10,734
7.06.02	Financial Revenue	18,472	50,810
7.07	Total Value Added to Distribute	663,870	455,916
7.08	Distribution of Value Added	663,870	455,916
7.08.01	Personnel	290,826	213,438
7.08.01.01	Direct Compensation	201,205	138,567
7.08.01.02	Benefits	72,983	61,889
7.08.01.03	Severance fund (FGTS)	16,638	12,982
7.08.02	Taxes, Fees and Contributions	205,873	126,041
7.08.02.01	Federal	112,649	71,033
7.08.02.02	State	89,902	52,549
7.08.02.03	Municipal	3,322	2,459
7.08.03	Remuneration of third party capital	30,171	59,508
7.08.03.01	Interest Rates	22,421	51,425
7.08.03.02	Rentals	7,750	8,083
7.08.04	Remuneration of Own Capital	39,696	-3,386
7.08.04.03	Retained Earnings/Losses for the Period	39,696	-3,386
7.08.05	Other	97,304	60,315
7.08.05.01	Government subsidies	97,304	60,315

**Consolidated Financial statements / Balance Sheet - Assets****(in thousands)**

Code of the account	Description of the code	Current Quarter	Previous Period
		03/31/2020	12/31/2019
1	Total Assets	8,858,717	8,101,031
1.01	Current Assets	3,062,056	2,321,779
1.01.01	Cash and Cash Equivalents	794,773	348,377
1.01.02	Financial Investments	16,413	16,392
1.01.02.03	Financial Investments Valued at Amortized Cost	16,413	16,392
1.01.03	Trade Accounts Receivable	931,429	957,533
1.01.03.01	Clients	931,429	957,533
1.01.04	Inventory	987,069	799,068
1.01.06	Recoverable Taxes	203,995	162,537
1.01.06.01	Current Recoverable Taxes	203,995	162,537
1.01.07	Prepaid Expenses	14,508	7,788
1.01.08	Other Current Assets	113,869	30,084
1.01.08.03	Other	113,869	30,084
1.01.08.03.02	Derivative Financial Instruments	91,727	7,963
1.01.08.03.20	Other credits	22,142	22,121
1.02	Non-current Assets	5,796,661	5,779,252
1.02.01	Long-term Assets	624,816	597,131
1.02.01.03	Financial Investments Valued at Amortized Cost	3,728	3,782
1.02.01.04	Trade Accounts Receivable	177	263
1.02.01.04.01	Clients	177	263
1.02.01.10	Other Non-current Assets	620,911	593,086
1.02.01.10.03	Judicial Deposits	281,914	257,439
1.02.01.10.04	Recoverable Taxes	273,304	273,880
1.02.01.10.05	Tax Incentives/Other Credits	6,002	3,994
1.02.01.10.06	Indemnity assets	59,691	57,773
1.02.02	Investments	107,041	108,098
1.02.02.01	Shareholdings	52,066	52,873
1.02.02.01.04	Interest in subsidiaries	51,178	51,985
1.02.02.01.05	Other Shareholdings	888	888
1.02.02.02	Investment Properties	54,975	55,225
1.02.03	Property, Plant and Equipment	3,346,595	3,351,610
1.02.03.01	Property, Plant and Equipment in Operation	2,897,771	2,910,496
1.02.03.02	Right-of-use in Leasing	98,850	100,093
1.02.03.02.02	Right-of-Use	98,850	100,093
1.02.03.03	Property, Plant and Equipment in Progress	349,974	341,021
1.02.04	Intangible	1,718,209	1,722,413
1.02.04.01	Intangible	1,718,209	1,722,413
1.02.04.01.02	Brands and Patents	543,847	543,847
1.02.04.01.03	Software	66,067	67,250
1.02.04.01.04	Goodwill	944,412	944,412
1.02.04.01.05	Customer Relationships	163,245	166,214
1.02.04.01.06	Non-compete agreement	638	690

**Consolidated Financial statements / Balance Sheet - Liabilities****(in thousands)**

Code of the account	Description of the code	Current Quarter	Previous Period
		03/31/2020	12/31/2019
2	Total Liabilities	8,858,717	8,101,031
2.01	Current Liabilities	1,768,100	1,153,607
2.01.01	Social and Labor Liabilities	151,241	167,428
2.01.01.01	Social Liabilities	54,654	53,303
2.01.01.02	Labor Liabilities	96,587	114,125
2.01.02	Suppliers	123,052	149,044
2.01.02.01	Domestic Suppliers	122,849	148,538
2.01.02.02	Foreign Suppliers	203	506
2.01.03	Tax Obligations	111,408	83,819
2.01.03.01	Federal Tax Obligations	30,875	19,619
2.01.03.01.01	Income Tax and Social Contribution	0	71
2.01.03.01.02	Other Federal Tax Obligations	30,875	19,548
2.01.03.02	State Tax Obligations	79,114	62,829
2.01.03.03	Municipal Tax Obligations	1,419	1,371
2.01.04	Loans and Financing	1,201,158	608,190
2.01.04.01	Loans and Financing	1,201,158	608,190
2.01.04.01.01	National Currency	146,155	108,999
2.01.04.01.02	Foreign Currency	1,055,003	499,191
2.01.05	Other Obligations	181,241	145,126
2.01.05.02	Other	181,241	145,126
2.01.05.02.01	Proposed dividends	36,929	36,929
2.01.05.02.04	Advances of Clients	10,407	10,164
2.01.05.02.05	Government Subsidies	13,610	4,799
2.01.05.02.06	Derivative Financial Instruments	0	1,887
2.01.05.02.08	Leasing	16,221	15,075
2.01.05.02.20	Other debts	104,074	76,272
2.02	Non-current Liabilities	961,523	912,471
2.02.01	Loans and Financing	366,209	371,487
2.02.01.01	Loans and Financing	366,209	371,487
2.02.01.01.01	National Currency	366,209	371,487
2.02.02	Other Obligations	120,972	122,225
2.02.02.02	Other	120,972	122,225
2.02.02.02.03	Tax Obligations	0	968
2.02.02.02.04	Other debts	34,385	34,353
2.02.02.02.07	Leasing	86,587	86,904
2.02.03	Deferred Taxes	253,067	205,214
2.02.03.01	Deferred Income Tax and Social Contribution	253,067	205,214
2.02.04	Provisions	221,275	213,545
2.02.04.01	Provisions Tax, Social Security, Labor and Civil	221,275	213,545

**Consolidated Financial statements / Balance Sheet - Liabilities****(in thousands)**

<b>Code of the account</b>	<b>Description of the code</b>	<b>Current Quarter 03/31/2020</b>	<b>Previous Period 12/31/2019</b>
2.02.04.01.01	Tax Provisions	102,140	102,824
2.02.04.01.02	Labor and Social Security Provisions	108,943	101,536
2.02.04.01.04	Civil Provisions	10,192	9,185
2.03	Shareholders' Equity	6,129,094	6,034,953
2.03.01	Realized Capital Stock	2,567,941	2,508,400
2.03.02	Capital Reserves	27,281	26,343
2.03.02.08	Special Reserve	16,529	16,529
2.03.02.09	Granted Recognized Shares	10,752	9,814
2.03.04	Profit Reserves	3,396,712	3,500,089
2.03.04.01	Legal Reserves	308,459	308,459
2.03.04.02	Statutory Reserves	1,928,920	1,928,920
2.03.04.07	Tax Incentive Reserve	1,155,094	1,214,635
2.03.04.08	Additional Proposed Dividend	48,075	48,075
2.03.04.09	Treasury Shares	-43,836	0
2.03.05	Accumulated Profits/Losses	137,000	0
2.03.07	Accumulated Translation Adjustments	160	121

**Consolidated Financial statements / Statement of Income****(in thousands)**

Code of the account	Description of the code	Current Quarter	Previous Period
		01/01/2020 to 03/31/2020	01/01/2019 to 03/31/2019
3.01	Revenue from Sale of Goods and/or Services	1.636.746	1.316.923
3.01.01	Gross sales and / or Services	1.995.333	1.651.827
3.01.02	Returns, discounts and cancellations	-358.587	-334.904
3.02	Cost of Goods Sold and/or Services Rendered	-1.012.039	-864.146
3.02.01	Cost of Goods Sold	-1.088.786	-926.116
3.02.02	Tax Incentives (ICMS)	76.747	61.970
3.03	Gross Income	624.707	452.777
3.04	Operating Income/Expenses	-457.984	-394.318
3.04.01	Selling Expenses	-367.944	-305.019
3.04.01.01	Selling Expenses	-358.403	-297.919
3.04.01.02	Depreciation and Amortization	-9.541	-7.100
3.04.02	General and Administrative Expenses	-72.524	-66.470
3.04.02.01	Administrative Expenses	-63.939	-61.563
3.04.02.02	Depreciation and Amortization	-8.585	-4.907
3.04.04	Other Operating Income	14.419	24.871
3.04.05	Other Operating Expenses	-31.128	-47.433
3.04.06	Equity in net Income of Subsidiaries	-807	-267
3.05	Income Before Financial Results and Tax	166.723	58.459
3.06	Financial Results	-3.948	-3.692
3.06.01	Financial Income	18.473	53.934
3.06.02	Financial Expenses	-22.421	-57.626
3.07	Income Before Tax	162.775	54.767
3.08	Income Tax and Social Contribution	-25.775	2.162
3.08.01	Current	22.080	9.830
3.08.02	Deferred	-47.855	-7.668
3.09	Net Income from the Continuing Operations	137.000	56.929
3.11	Income for the Period	137.000	56.929
3.11.01	Awarded to Members of the Parent Company	137.000	56.929
3.99	Earnings per Share - (Reais / Share)		
3.99.01	Basic Earnings per Share		
3.99.01.01	Common	0.40413	0.16793
3.99.02	Diluted Earnings per Share		
3.99.02.01	Common	0.40498	0.16779



**Consolidated Financial statements / Statements of Comprehensive Income****(in thousands)**

Code of the account	Description of the code	Current Quarter	Previous Period
		01/01/2020 to 03/31/2020	01/01/2019 to 03/31/2019
4.01	Net Profit for the Period	137,000	56,929
4.02	Other Comprehensive Income	39	0
4.02.02	Accumulated Translation Adjustments	39	0
4.03	Comprehensive Income for the Period	137,039	56,929
4.03.01	Awarded to Members of the Parent Company	137,039	56,929

**Consolidated Financial Statements / Statement of Cash Flow - Indirect Method****(in thousands)**

Code of the account	Description of the code	Current Quarter	Previous Period
		01/01/2020 to 03/31/2020	01/01/2019 to 03/31/2019
6.01	Net Cash from Operating Activities	77,379	205,527
6.01.01	Cash Generated from Operations	252,871	118,772
6.01.01.01	Net Income before Income Tax and Social Contribution	162,775	54,767
6.01.01.02	Depreciation and Amortization	61,797	53,665
6.01.01.03	Cost of Sale of Fixed Assets	1,419	977
6.01.01.04	Equity in Net Income of Subsidiaries	807	267
6.01.01.05	Loans, Investments and Exchange Variations Interests	155,699	18,974
6.01.01.06	Updated judicial deposits	-1,848	-2,222
6.01.01.08	Tax Credits and Updates	-6,455	-26,622
6.01.01.09	Provision for Civil, labor and Tax Risks	4,991	9,074
6.01.01.10	Provision for Impairment losses of Customers	9,282	8,193
6.01.01.11	Impairment Losses on Inventory	1,099	1,617
6.01.01.13	Granted Recognized Shares	939	1,020
6.01.01.14	Lease update	2,734	1,818
6.01.01.15	Provision arising from swap derivative contracts	-146,057	-4,123
6.01.01.16	Update Provision for Civil, Labor and Tax Risks	4,587	492
6.01.01.17	Provision for Income tax on financing	1,102	875
6.01.02	Changes in Assets and Liabilities	-154,534	99,322
6.01.02.01	(Increase) in Trade Accounts Receivable	16,908	194,216
6.01.02.02	(Increase) Decrease in Inventories	-184,442	-105,151
6.01.02.03	Decrease in Recoverable Taxes	4,649	7,503
6.01.02.04	Decrease in Financial Investments	-21	0
6.01.02.06	(Increase) Decrease in Other Credits	-33,294	-7,147
6.01.02.07	Increase (Decrease) in Suppliers	-25,992	57,484
6.01.02.08	Increase (Decrease) in Taxes and Contributions	48,769	-18,646
6.01.02.09	Increase (Decrease) in Government Subsidies	8,810	-4,017
6.01.02.12	Increase (Decrease) in Other Debts	10,079	-24,920
6.01.03	Other	-20,958	-12,567
6.01.03.02	Interests Paid	-9,601	-6,200
6.01.03.03	Income Tax and Social Contributions Paid	-9,789	-2,831
6.01.03.05	Receipts (payments) of resources for settlement of derivative transactions	31,055	5,883
6.01.03.06	Exchange Variations Paid	-32,623	-9,419
6.02	Net Cash from Investment Activities	-53,620	-85,661
6.02.01	Acquisition of Property, Plant and Equipment and Intangible Assets	-53,705	-67,873
6.02.02	Amortization of Debt Acquisition of Companies	0	-3,788
6.02.06	Redeem Financial Investment in the Long Term	85	0
6.02.07	Financial Investments	0	-14,000
6.03	Net Cash from Financing Activities	422,637	25,366
6.03.02	Acquisition Financing	642,334	111,182
6.03.03	Financing Payment	-169,258	-80,675
6.03.04	Acquisition of Shares Issued by Cia.	-43,836	0
6.03.05	Lease Payment	-6,603	-5,141
6.05	Increase (Decrease) in Cash and Cash Equivalents	446,396	145,232
6.05.01	Opening Balance of Cash and Cash Equivalents	348,377	451,000
6.05.02	Closing Balance of Cash and Cash Equivalents	794,773	596,232

**Consolidated Financial Statements / Statement of Changes in Shareholders' Equity - 01/01/2020 to 03/31/2020****(in thousands)**

Code of the account	Description of the code	Capital Stock	Capital Reserves, Options Granted and Shares in Treasury	Profit Reserves	Retained Earnings or Accumulated Losses	Comprehensive Income	Shareholders' Equity	Participation of Non-Controlling	Consolidated Shareholders' Equity
5.01	Opening Balance	2,508,400	26,343	3,500,089	0	121	6,034,953	0	6,034,953
5.03	Adjusted Opening Balance	2,508,400	26,343	3,500,089	0	121	6,034,953	0	6,034,953
5.04	Capital Transactions with Associates	59,541	-42,898	-59,541	0	0	-42,898	0	-42,898
5.04.01	Increase in Capital Stock	59,541	0	-59,541	0	0	0	0	0
5.04.04	Acquired Treasury Shares	0	-43,836	0	0	0	-43,836	0	-43,836
5.04.11	Granted Recognized Shares	0	938	0	0	0	938	0	938
5.05	Total Comprehensive Income	0	0	0	137,000	39	137,039	0	137,039
5.05.01	Net Profit for the Period	0	0	0	137,000	0	137,000	0	137,000
5.05.02	Other Comprehensive Income	0	0	0	0	39	39	0	39
5.05.02.04	Translation Adjustments for the Period	0	0	0	0	39	39	0	39
5.07	Closing Balance	2,567,941	-16,555	3,440,548	137,000	160	6,129,094	0	6,129,094

**Consolidated Financial Statements / Statement of Changes in Shareholders' Equity - 01/01/2019 to 03/31/2019****(in thousands)**

Code of the account	Description of the code	Capital Stock	Capital Reserves, Options Granted and Shares in Treasury	Profit Reserves	Retained Earnings or Accumulated Losses	Comprehensive Income	Shareholders' Equity	Participation of Non-Controlling	Consolidated Shareholders' Equity
5.01	Opening Balance	2,258,633	21,506	3,281,587	0	117	5,561,843	0	5,561,843
5.03	Adjusted Opening Balance	2,258,633	21,506	3,281,587	0	117	5,561,843	0	5,561,843
5.04	Capital Transactions with Associates	249,767	1,020	-249,767	0	0	1,020	0	1,020
5.04.01	Increase in Capital Stock	249,767	0	-249,767	0	0	0	0	0
5.04.11	Granted Recognized Shares	0	1,020	0	0	0	1,020	0	1,020
5.05	Total Comprehensive Income	0	0	0	56,929	0	56,929	0	56,929
5.05.01	Net Profit for the Period	0	0	0	56,929	0	56,929	0	56,929
5.07	Closing Balance	2,508,400	22,526	3,031,820	56,929	117	5,619,792	0	5,619,792

**Consolidated Financial statements / Statement of Value Added****(in thousands)**

Code of the account	Description of the code	Current Quarter	Previous Period
		01/01/2020 to 03/31/2020	01/01/2019 to 03/31/2019
7.01	Revenues	2,160,329	1,585,874
7.01.01	Sale of Goods, Products and Services	1,871,111	1,509,702
7.01.02	Other Revenues	14,368	66,731
7.01.03	Related to Construction of Own Assets	284,132	17,634
7.01.04	Provision/Reversal of Doubtful Accounts	-9,282	-8,193
7.02	Input Acquired from Third Parties	-1,452,278	-1,052,202
7.02.01	Costs of Products, Goods and Services Sold	-719,312	-609,524
7.02.02	Materials, Energy, Third Party Services and Other	-480,678	-438,550
7.02.04	Other	-252,288	-4,128
7.02.04.01	Materials related to Construction of Own Assets	-252,288	-4,128
7.03	Gross Value Added	708,051	533,672
7.04	Retention	-61,797	-53,665
7.04.01	Depreciation, Amortization and Depletion	-61,797	-53,665
7.05	Net Value Added Produced	646,254	480,007
7.06	Value Added Received Through Transfer	17,666	53,667
7.06.01	Equity in net Income of Subsidiaries	-807	-267
7.06.02	Financial Revenue	18,473	53,934
7.07	Total Value Added to Distribute	663,920	533,674
7.08	Distribution of Value Added	663,920	533,674
7.08.01	Personnel	290,864	255,419
7.08.01.01	Direct Compensation	201,233	165,845
7.08.01.02	Benefits	72,987	70,971
7.08.01.03	Severance fund (FGTS)	16,644	18,603
7.08.02	Taxes, Fees and Contributions	205,882	155,419
7.08.02.01	Federal	112,649	87,465
7.08.02.02	State	89,908	65,227
7.08.02.03	Municipal	3,325	2,727
7.08.03	Remuneration of Third Party Capital	30,174	65,907
7.08.03.01	Interest Rates	22,421	57,626
7.08.03.02	Rentals	7,753	8,281
7.08.04	Remuneration of Own Capital	39,696	-5,041
7.08.04.02	Dividends	0	-5,041
7.08.04.03	Retained Earnings/Losses for the Period	39,696	0
7.08.05	Other	97,304	61,970
7.08.05.01	Government subsidies	97,304	61,970



## MANAGEMENT'S COMMENTS

To the Shareholders and the Public,

The Management of **M. Dias Branco S.A.** Indústria e Comércio de Alimentos announces and submits its results for the first quarter of 2020 (1Q20). The Company's consolidated interim financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil (BR GAAP).

M. Dias Branco announces its consolidated results for the first quarter of 2019 (1Q19) and reaffirms its commitment to the best transparency and disclosure practices, dedicated to providing shareholders and society with the broadest and most accurate interpretation of its operations and purposes.

Financial and Operating Results	1Q20	1Q19	Variation	4Q19	Variation
Net Revenue (R\$ million)	1,636.7	1,316.9	24.3%	1,694.1	-3.4%
Total Sales Volume (thousand tonnes)	476.5	389.3	22.4%	492.2	-3.2%
Cookies & Crackers Sales Volume (thousand tonnes)	137.9	110.2	25.1%	140.5	-1.9%
Pasta Sales Volume (thousand tonnes)	104.9	82.4	27.3%	104.9	0.0%
Market share of Cookies & Crackers (volume)*	33.2%	36.0%	-2.8 p.p	32.2%	1 p.p
Market share of Pasta (volume)*	32.4%	37.9%	-5.5 p.p	32.9%	-0.5 p.p
Net Income (R\$ million)	137.0	56.9	140.8%	264.9	-48.3%
Ebitda (R\$ million)	228.5	112.1	103.8%	289.2	-21.0%
Ebitda Margin	14.0%	8.5%	5.5 p.p	17.1%	-3.1 p.p
Net Cash (Debt) (R\$ million)	-660.7	-651.6	1.4%	-605.0	9.2%
Net Cash (Debt) / EBITDA (last 12 months)	-0.7	-0.8	-12.5%	-0.8	-12.5%
Capex (R\$ million)	56.3	69.6	-19.1%	101.7	-44.6%
Net Cash generated from operating activities	77.4	205.5	-62.3%	-17.9	n/a

\*Note: The values presented on 1Q20 and 1Q19 are from the period of Jan/Feb 2020 and 2019.

\* The values presented on 4Q19 are from the period of Nov /Dec 2019.

### • Revenue

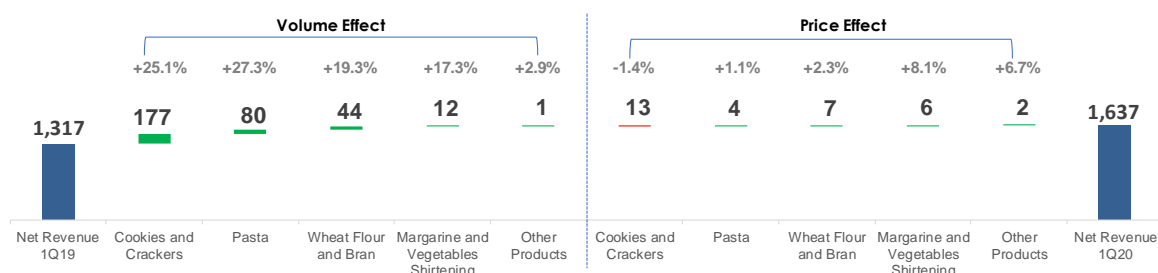
**M. Dias Branco's net revenue grew 24.3% over 1Q19.** As shown in the chart below, sales volume recorded double-digit growth in cookies & crackers, pasta, wheat flour/bran and margarine/vegetable shortening, accompanied by an increase in the average price of all product lines, except for cookies & crackers.

The initiatives implemented as of the second half of last year played a major role in this growth, including the improvement in our pricing model, a broader and more segmented go-to-market approach, investments in marketing focused on our main regional brands and Piraquê, and organization of the sales force in two large areas, among other measures.

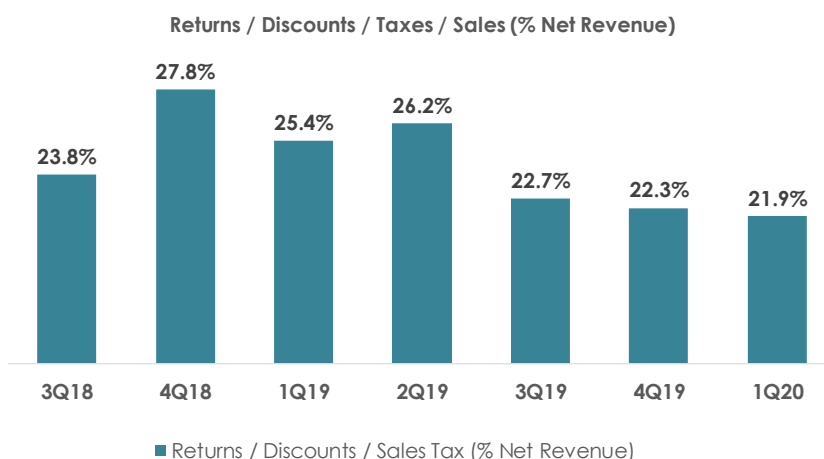
We also saw a strong sales performance in the second half of March, as a result of the social distancing measures designed to contain the COVID-19 pandemic. In addition to increased demand, consumers prioritized the purchase of items with lower average prices, which are also available in our portfolio of brands and products.



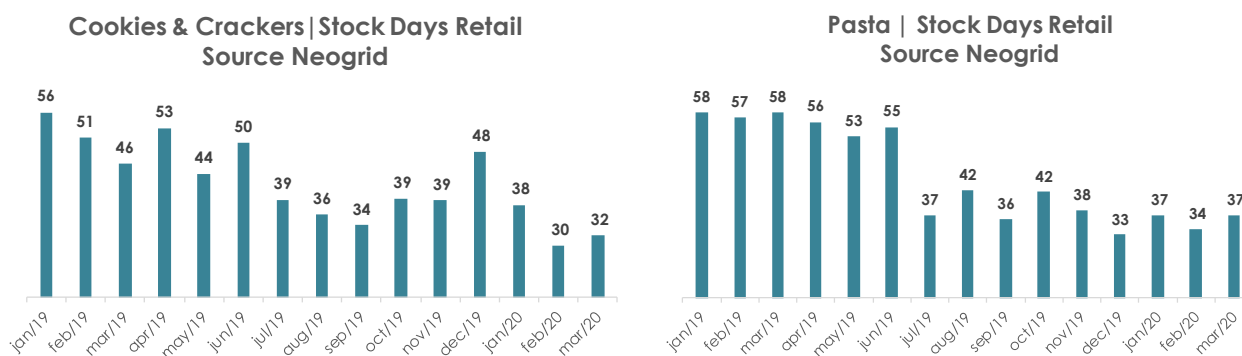
### Variation of Net Revenue - 1Q20 vs. 1Q19 (R\$ Million) | M.Dias + Piraquê



**Disciplined execution and a better pricing process helped maintain adequate discount levels with higher sales volume.** As shown in the chart below, this was the third consecutive quarter in which we were able to maintain discounts at adequate levels.



**We were able to guarantee appropriate stock coverage in our clients throughout 1Q20 (inventory days in retail).** Since July 2019, we have kept cookies & crackers and pasta inventory days close to 35-40 days, a level considered adequate vis-à-vis the characteristics of these products. It is important to highlight that inventory days remained virtually unchanged in March 2020, which means that the increase in sales in the second half of this month was due to greater demand from end consumers.





**Exports grew 103.2%, totaling R\$25.1 million in 1Q20.** Sales volume in the United States under the Vitarella brand and private label projects increased 79%. The growth of exports follows the plan to launch products and packaging adapted to the international markets and focus on markets with greater growth potential, such as South America, the United States, Africa and Central America.

## • Market Share

**M. Dias Branco continued to be the national leader in the cookies & crackers and pasta markets, with a market share of 33.2% and 32.4%, respectively<sup>1</sup>.**

Compared to 4Q19, our share of the cookies & crackers market increased 1pp, with a satisfactory performance in all Brazilian regions, especially the Southeast and the South.

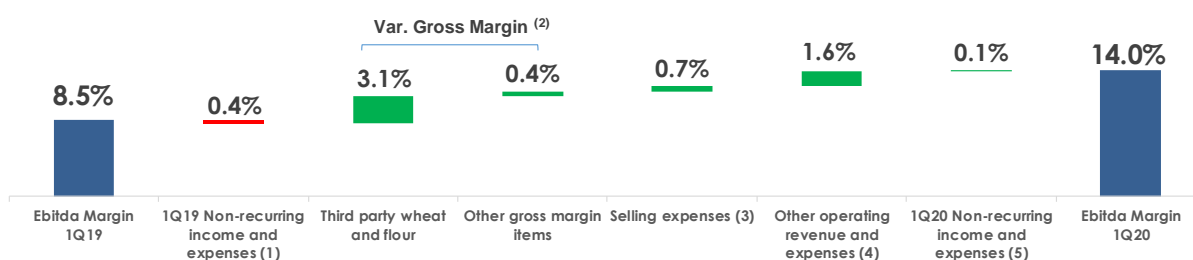
In the pasta market, our share fell 0.5pp in the same period, due to the weak performance in the Northeast region.

Compared to 1Q19, our share of the cookies & crackers and pasta market declined 2.8pp and 5.5pp, respectively, due to a weaker performance in the first nine months of 2019.

## • EBITDA

**EBITDA totaled R\$228.5 million in 1Q20, 103.8% higher than in 1Q19, accompanied by margin growth (14% in 1Q20 vs. 8.5% in 1Q19).** As shown in the chart below, the EBITDA margin increased, due to faster growth in the product lines in which wheat flour accounts for a smaller share of costs (cookies & crackers vs. flour and bran); lower wheat costs in 1Q20 versus 1Q19 (-6.9%), as a result of appropriate purchases in late 2019 and early 2020; increased wheat flour vertical integration level (96.7% in 1Q20 vs. 84.2% in 1Q19); and greater dilution of fixed selling and administrative expenses.

**Variation of EBITDA Margin (%NR) 1Q20 vs. 1Q19 | M.Dias + Piraquê**



(1)Note: Non-recurring expenses in 1Q19 related to expenses with the integration of Piraquê (R\$ 1.8 million) and consulting and restructuring (R\$ 11.6 million) and revenue from extemporaneous tax credit (R\$ 19.1 million).

(2)Note: Variation in Gross Margin without considering the representativeness of the depreciation of the COGS over net revenue.

(3)Note: Excludes non-recurring expenses.

(4)Note: Referring to tax expenses, equity income and administrative expenses, without non-recurring expenses from 1Q20.

(5)Note: Non-recurring expenses in 1Q20 related to expenses with the integration of Piraquê (R\$ 2.6 million) and revenue from extemporaneous tax credit (R\$ 4.5 million).

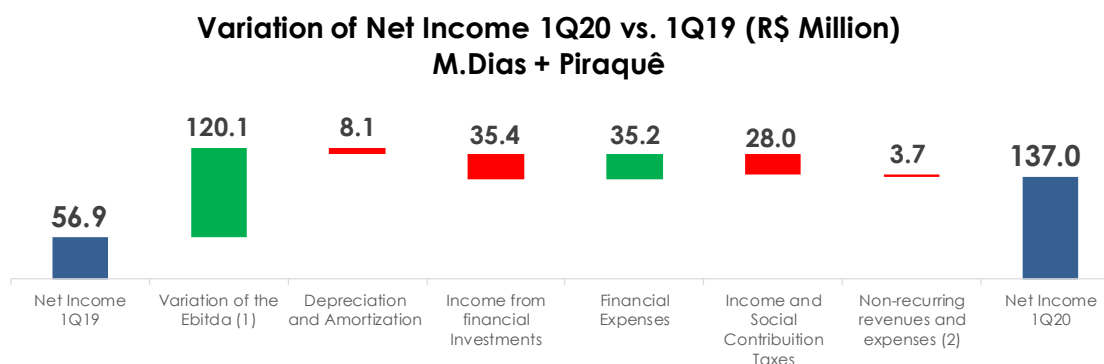
<sup>1</sup> NIELSEN data for January and February 2020, including Piraquê.





## • Net Income

**Net income jumped 140.8% over 1Q19, totaling R\$137 million.** As shown in the chart below, the strong growth in net income was mainly due to higher EBITDA.



<sup>(1)</sup>Note: Variation of EBITDA without non-recurring income and expenses with Piraquê.

<sup>(2)</sup>Note: Variation of non-recurring income and expenses of 1Q20 (R\$ 1.8 million) vs 1Q19 (R\$ 5.7million):

**1Q20 (R\$1.8 million):** related to expenses with the integration of Piraquê (R\$ 2.6 million) and revenue from extemporaneous tax credit (R\$ 4.5 million).

**1Q19 (R\$ 5.7 million):** related to expenses with the integration of Piraquê (R\$ 1.8 million) and consulting and restructuring (R\$ 11.6 million) and revenue from extemporaneous tax credit (R\$ 19.1 million).

## • Investments

We invested R\$56.3 million in 1Q20, 19.1% less than in 1Q19, led by (i) the acquisition of equipment and construction of a parking lot for the new milling unit in Bento Gonçalves (RS); (ii) logistics redesign, comprising new distribution centers; and (iii) the acquisition and installation of two silos for storage of wheat flour in the Maracanaú unit.

## • Capitalization, Debt and Cash

Net cash generated from operating activities totaled R\$77.4 million in 1Q20, below the figure recorded in 1Q19, due to an increase of 10.7% in accounts receivable and 12.9% in inventories, noting that net revenue climbed 24.3%.

Finally, we closed 1Q20 with net debt of R\$660.7 million and a net debt to EBITDA (the last 12 months) ratio of 0.7x, lower than the ratio of 0.8x recorded in both 1Q19 and 4Q19, enabling us to continue to invest in business growth and the creation of value for shareholders, despite the current pandemic and the negative outlook for the economy.

We remain confident in the sustainable growth potential of M. Dias Branco, as we strongly believe we are making the necessary investments and working hard to create value for the Company, so that our brands can be increasingly recognized and desired by our clients and consumers.



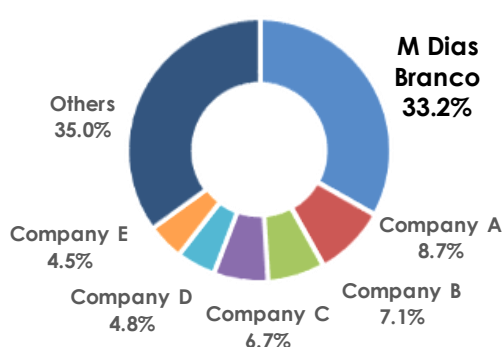


## MARKET HIGHLIGHTS

### MARKET SHARE

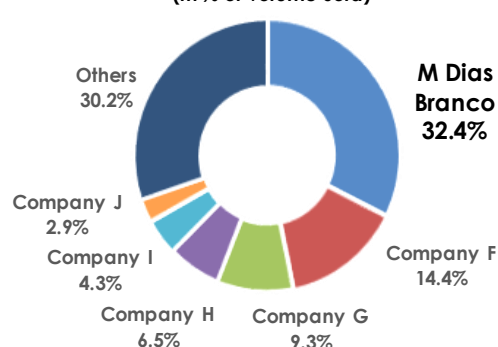
The chart below shows the market share (in percentage of sales volume) of M. Dias Branco, the national leader in the cookies & crackers and pasta markets, and its main competitors in Brazil in January and February 2020.

**Market Share Cookies & Crackers\* - Brazil**  
(in % of volume sold)



\* NIELSEN data from Jan/Feb of 2020.

**Market Share Pasta\* - Brazil**  
(in % of volume sold)



\* NIELSEN data from Jan/Feb of 2020.

### SALES CHANNELS

Between 1Q19 and 1Q20, revenue grew in all channels, especially distributors and wholesale, which play an important role in our growth strategy in the Southeast, South and Midwest regions. In addition, the share of the Cash & Carry channel increased compared to 4Q19, driven by higher demand in the second half of March 2020.

Client Mix	1Q20	1Q19	Variation	4Q19	Variation
Small Retail	27.3%	30.0%	-2.7 p.p	29,9%	-2.6 p.p
Wholesale	24.8%	23.1%	1.7 p.p	25,3%	-0.5 p.p
Key Accounts / Regional Chains	20.1%	20.7%	-0.6 p.p	20,7%	-0.6 p.p
Cash and Carry	19.8%	19.5%	0.3 p.p	17,6%	2.2 p.p
Distributors	5.8%	4.8%	1 p.p	4,4%	1.4 p.p
Industry	0.8%	0.9%	-0.1 p.p	0,8%	0 p.p
Other	1.4%	1.0%	0.4 p.p	1,3%	0.1 p.p
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100,0%</b>	

Note: Client mix, considering gross revenue excluding discounts

Major Clients		Sales 1Q20 (R\$ million) *	Participation in Revenue excluding Discount Sales (%)	
Sequence	Accumulated		Individual	Accumulated
Major Client	1	224.3	11.4%	11.4%
49 Subsequent	50	538.7	27.4%	38.8%
50 Subsequent	100	147.4	7.5%	46.3%
900 Subsequent	1,000	554.9	28.3%	74.6%
Other Clients	All clients	498.3	25.4%	100.0%
<b>TOTAL</b>		<b>1,963.6</b>		

\* Gross Revenue excluding Discount



## OPERATIONAL HIGHLIGHTS



### PRODUCTION CAPACITY UTILIZATION RATE

Effective Production / Production Capacity *	Cookies and Crackers		Pasta		Wheat Flour and Bran		Margarine and Vegetable Shortening		Other products **		Total	
	1Q20	1Q19	1Q20	1Q19	1Q20	1Q19	1Q20	1Q19	1Q20	1Q19	1Q20	1Q19
Total Production	149.4	132.1	108.5	95.6	434.3	350.5	45.9	44.0	3.8	3.9	741.9	626.1
Total Production Capacity	215.7	215.5	138.1	138.2	579.9	478.0	101.0	100.1	9.5	10.0	1,044.2	941.8
<b>Capacity Utilization</b>	<b>69.3%</b>	<b>61.3%</b>	<b>78.6%</b>	<b>69.2%</b>	<b>74.9%</b>	<b>73.3%</b>	<b>45.4%</b>	<b>44.0%</b>	<b>40.0%</b>	<b>39.0%</b>	<b>71.0%</b>	<b>66.5%</b>

Effective Production / Production Capacity *	Cookies and Crackers		Pasta		Wheat Flour and Bran		Margarine and Vegetable Shortening		Other products **		Total	
	1Q20	4Q19	1Q20	4Q19	1Q20	4Q19	1Q20	4Q19	1Q20	4Q19	1Q20	4Q19
Total Production	149.4	155.5	108.5	107.1	434.3	427.8	45.9	50.0	3.8	3.7	741.9	744.1
Total Production Capacity	215.7	221.0	138.1	141.3	579.9	528.9	101.0	100.7	9.5	9.9	1,044.2	1,001.8
<b>Capacity Utilization</b>	<b>69.3%</b>	<b>70.4%</b>	<b>78.6%</b>	<b>75.8%</b>	<b>74.9%</b>	<b>80.9%</b>	<b>45.4%</b>	<b>49.7%</b>	<b>40.0%</b>	<b>37.4%</b>	<b>71.0%</b>	<b>74.3%</b>

\* Thousand tonnes

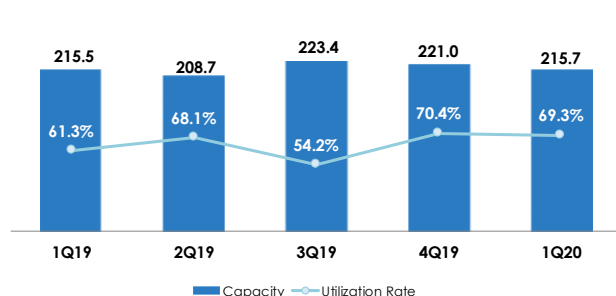
\*\* Cakes, snacks, cake mix and packaged toast

Note: Total production capacity refers to the maximum yield that can be extracted from the equipment considering the losses caused by maintenance stoppages, setup time, line clean-up, restrictions on the maximum number of shifts in each plant, etc.

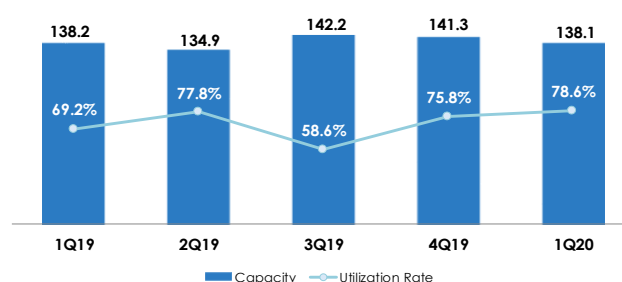
To keep up with sales growth between 1Q19 and 1Q20, we increased our production volume by 18.5%, thus improving the capacity utilization rate by 4.5pp, from 66.5% in 1Q19 to 71.0% in 1Q20, while total production capacity grew 10.9%, driven by the beginning of operations at the new wheat mill in Bento Gonçalves (RS).

The capacity utilization rate declined 3.3pp from 4Q19, due to the concentration preventive maintenance stoppages in 1Q20 and the Carnival holiday.

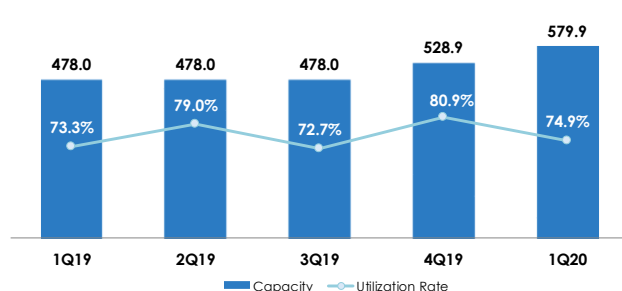
Production Capacity ('000 tonnes) and Utilization Rate - Cookies and Crackers (%)



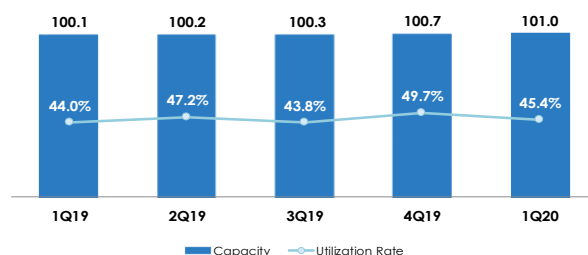
Production Capacity ('000 tonnes) and Utilization Rate - Pasta (%)



Production Capacity ('000 tonnes) and Utilization Rate - Wheat Flour and Bran (%)



Production Capacity ('000 tonnes) and Utilization Rate - Margarine and Vegetable (%)

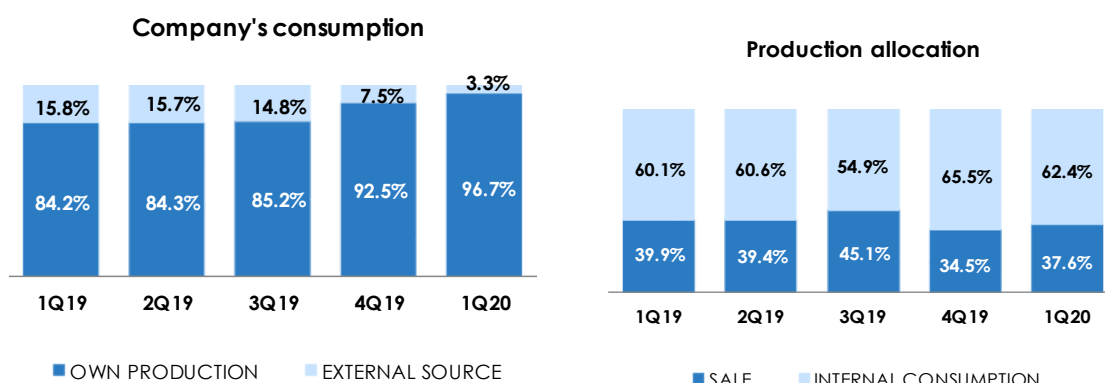




## VERTICAL INTEGRATION

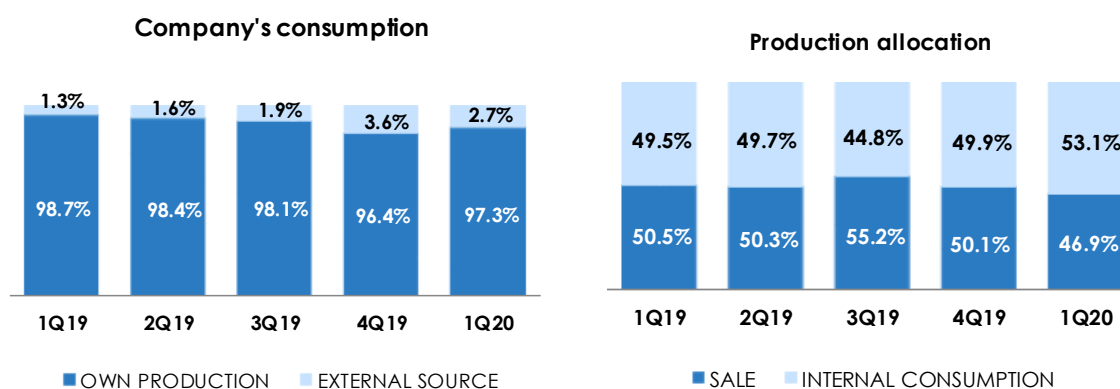
### WHEAT FLOUR

The wheat flour vertical integration level came to 96.7% in 1Q20, versus 84.2% in 1Q19. This increase was due to the beginning of operations at the wheat mill in Bento Gonçalves (RS), which has been supplying our production units in the South and Southeast regions.



### VEGETABLE SHORTENING

The vegetable shortening vertical integration level stood at 97.3% in 1Q20, versus 98.7% in 1Q19, in line with the levels recorded in recent quarters.



Note: In the Company's consumption charts, we show the origin of the wheat flour and vegetable shortening consumed in the period, with a breakdown of own production and purchases from third parties. In the production destination graphs, we show the percentage of wheat flour and vegetable shortening that was allocated to sales and to the production of cookies & crackers and pasta, etc. (internal consumption).

## FINANCIAL AND ECONOMIC HIGHLIGHTS

### NET REVENUE

Net revenue grew 24.3% in 1Q20 compared to 1Q19, due to a 1.5% increase in the average price and a 22.4% upturn in sales volume.

This increase was mainly driven by higher volume across all product lines.

Segment	1Q20			1Q19			Variation		
	Net Revenue	Weight	Average Price	Net Revenue	Weight	Average Price	Net Revenue	Weight	Average Price
Cookies and Crackers	866.9	137.9	6.29	702.8	110.2	6.38	23.3%	25.1%	-1.4%
Pasta	374.6	104.9	3.57	290.6	82.4	3.53	28.9%	27.3%	1.1%
Wheat Flour and Bran	276.0	210.5	1.31	225.3	176.5	1.28	22.5%	19.3%	2.3%
Margarine and Vegetable Shortening	84.4	19.7	4.28	66.5	16.8	3.96	26.9%	17.3%	8.1%
Other products **	34.8	3.5	9.94	31.7	3.4	9.32	9.8%	2.9%	6.7%
<b>TOTAL</b>	<b>1,636.7</b>	<b>476.5</b>	<b>3.43</b>	<b>1,316.9</b>	<b>389.3</b>	<b>3.38</b>	<b>24.3%</b>	<b>22.4%</b>	<b>1.5%</b>

\* Net Revenue in R\$ million, Weight excluding sales returns in thousand tonnes and Net Average Price in R\$/Kg.

\*\* Cakes, snacks, cake mix, juice powder and packaged toast

We present below some of our launches and sales and marketing initiatives carried out in 1Q20:



**Launches:** launched 24 new products, thus expanding our portfolio with the launch of Tortinhas Piraguê, Isabela Chocks (chocolate covered wafer cookies), Isabela wheat flour (1Kg and 5kg) and Fortaleza ring-shaped cookies (coconut flavor).

**Investments in marketing and sales:** We ran marketing campaigns and promotions to boost sell-out, including (i) promotion with Rappi; (ii) production of a 30-minute film on Treloso; (iii) the DELICITA CRISTAL 360° campaign; and (iv) Piraguê actions at Carnival.

*Gulfood*

**Participation in events:** we attended the Gulfood Fair in Dubai and the ISM global food fair in Cologne, Germany.



Our net revenue fell 3.4% from 4Q19, as sales volume declined 3.2% and the average price edged down 0.3%.

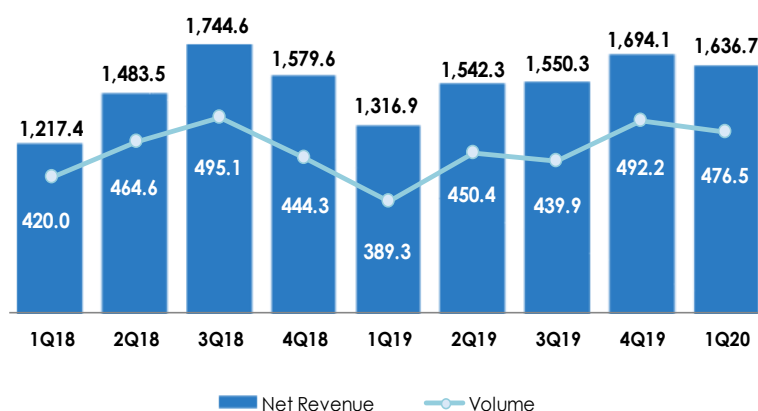
Segment	1Q20			4Q19			Variation		
	Net Revenue	Weight	Average Price	Net Revenue	Weight	Average Price	Net Revenue	Weight	Average Price
Cookies and Crackers	866.9	137.9	6.29	897.2	140.5	6.39	-3.4%	-1.9%	-1.6%
Pasta	374.6	104.9	3.57	378.4	104.9	3.61	-1.0%	0.0%	-1.1%
Wheat Flour and Bran	276.0	210.5	1.31	288.8	220.0	1.31	-4.4%	-4.3%	0.0%
Margarine and Vegetable Shortening	84.4	19.7	4.28	94.2	23.3	4.04	-10.4%	-15.5%	5.9%
Other products **	34.8	3.5	9.94	35.5	3.5	10.14	-2.0%	0.0%	-2.0%
<b>TOTAL</b>	<b>1,636.7</b>	<b>476.5</b>	<b>3.43</b>	<b>1,694.1</b>	<b>492.2</b>	<b>3.44</b>	<b>-3.4%</b>	<b>-3.2%</b>	<b>-0.3%</b>

\* Net Revenue in R\$ million, Weight excluding sales returns in thousand tonnes and Net Average Price in R\$/Kg.

\*\* Cakes, snacks, cake mix, juice powder and packaged toast



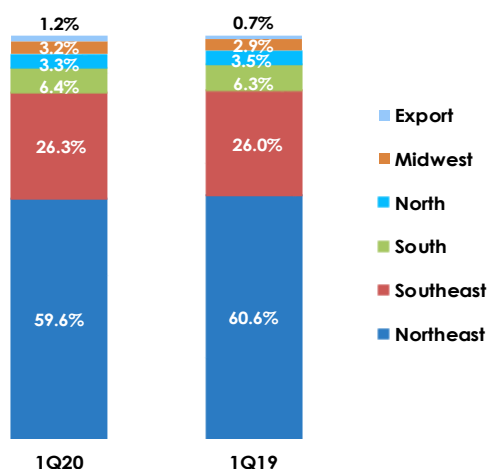
Net Revenue (R\$ million) and Net Volume ('000 tonnes)



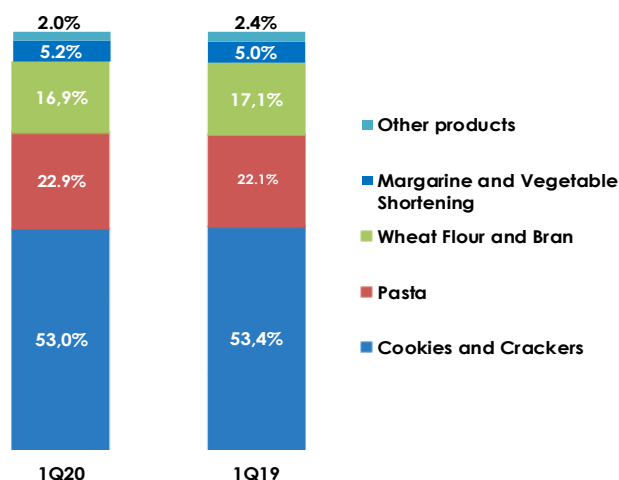
In line with the strategy of geographic diversification of sales, focused on growth in the South, Southeast and Midwest regions, the combined share of these regions moved up 0.7pp, from 35.2% in 1Q19 to 35.9% in 1Q20.

**Our exports reached 23 countries in 1Q20 (21 countries in 1Q19), with gross revenue of R\$25.1 million (R\$12.4 million in 1Q19), up 103.2%.** South America continued to account for the largest share of sales volume (77%) in 1Q20, up 183.4%. We highlight the sales volume growth in the United States, up 79.3% over 1Q19, reflecting the focus on the Vitarella brand (brand chosen for the country) and private label projects.

The growth of exports in in line with the strategic plan, supported by (i) innovation projects with new products and packaging more adapted to the markets, as well as the development of own brands; and (ii) greater focus on markets with high growth potential, such as South America, the USA, Africa and Central America.

Sales by Region  
(% Gross Revenue excluding Discounts and Returns)

Net Revenue Breakdown



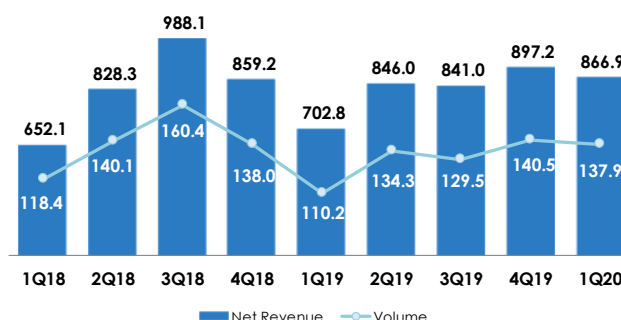


## HIGHLIGHTS – COOKIES & CRACKERS

Net revenue from cookies and crackers increased 23.3% in 1Q20 over 1Q19, as sales volume grew 25.1% and the average price fell 1.4%.

Virtually all subcategories recorded an increase in sales volume, and the main subcategories (Water biscuit/Cream Cracker, Maria/Maizena and sandwich cookies) recorded double-digit growth. Sales volume grew in all regions, especially the Southeast and the Midwest.

Cookies and Crackers - Net Revenue (R\$ million) and Net Volume ('000 tonnes)



The drop in the average price between 1Q19 and 1Q20 was a reflection of the mix effect between subcategories and the migration to brands with lower prices, mainly in the second half of March.

Gross revenue from launches totaled R\$59.5 million in 1Q20, with 108 new products/flavors launched in the last 24 months (52 new products/flavors and gross revenue of R\$31.0 million in 1Q19).

Compared to 4Q19, revenue declined 3.4%, as sales volume dropped 1.9% and the average price fell 1.6%.

The drop in the average price compared to 4Q19 followed the mix trend observed in the comparison of 1Q20 versus 1Q19.

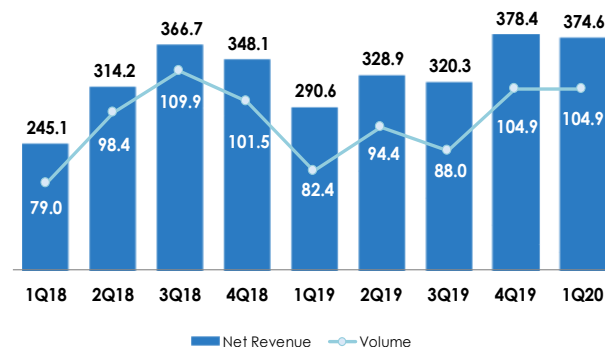
## HIGHLIGHTS – PASTA

Net revenue from pasta grew 28.9% in 1Q20 over 1Q19, as sales volume increased 27.3% and the average price rose 1.1%.

Sales volume grew in virtually all subcategories, especially semolina pasta and instant noodles, and in all regions, especially the Northeast and the South.

The increase in the average price in 1Q20 reflected the favorable mix between subcategories, with an increase in the share of semolina pasta, which has a higher average price, and a decrease in the share of common pasta, which has a lower average price.

Pasta- Net Revenue (R\$ million) and Net Volume ('000 tonnes)



Compared to 4Q19, net revenue declined 1%, due to a 1.1% decrease in the average price, due to the search for brands with a lower average price.



## HIGHLIGHTS – WHEAT FLOUR AND BRAN

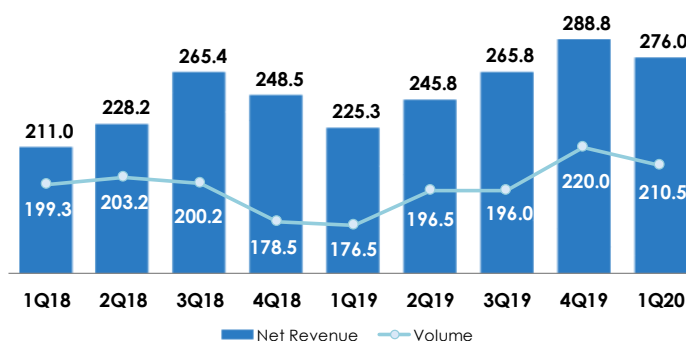
Net revenue from wheat flour and bran moved up 22.5% in 1Q20, due to an increase of 19.3% in sales volume and 2.3% in the average price.

Sales volume of wheat flour and bran grew, due the start of operations of the new wheat mill in Bento Gonçalves (RS).

In the flour category, sales volume increased in the domestic flour subcategory in the Northeast and Southeast regions under the Finna brand and in the South region under the Isabela brand.

Compared to 4Q19, net revenue declined 4.4%, due to a 4.3% decrease in sales volume.

Wheat Flour and Bran - Net Revenue (R\$ million) and Net Volume ('000 tonnes)



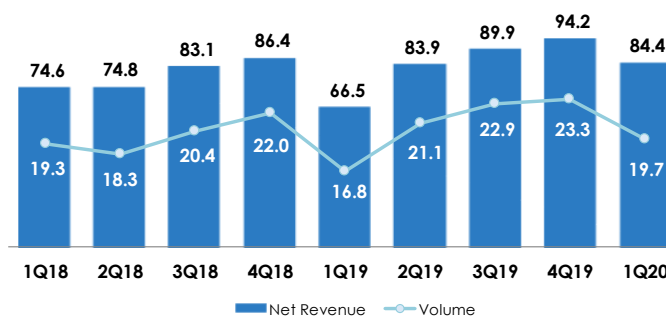
## HIGHLIGHTS – MARGARINE AND VEGETABLE SHORTENING

Net revenue from margarine and vegetable shortening grew 26.9% in 1Q20 over 1Q19, as sales volume increased 17.3% and the average price rose 8.1%.

Industrial margarine recorded a substantial increase in sales volume under the Medalha de Ouro and Puro Sabor brands in the Northeast region.

Compared to 4Q19, net revenue declined 10.4%, reflecting the 15.5% drop in sales volume and the 5.9% increase in the average price.

Margarine and Vegetable Shortening - Net Revenue (R\$ million) and Net Volume ('000 tonnes)







## COSTS

COGS (R\$ million)	1Q20	% Net Rev.	1Q19	% Net Rev.	Variation	4Q19	% Net Rev.	Variation
<b>Raw material</b>	<b>688.3</b>	<b>42.1%</b>	<b>585.0</b>	<b>44.4%</b>	<b>17.7%</b>	<b>739.7</b>	<b>43.7%</b>	<b>-6.9%</b>
Wheat	448.8	27.4%	370.5	28.1%	21.1%	493.2	29.1%	-9.0%
Vegetable Oil	107.8	6.6%	83.6	6.3%	28.9%	100.9	6.0%	6.8%
Sugar	41.7	2.5%	31.1	2.4%	34.1%	38.4	2.3%	8.6%
Third Party Flour	8.5	0.5%	38.1	2.9%	-77.7%	24.4	1.4%	-65.2%
Third Party Vegetable Shortening	2.4	0.1%	0.6	0.0%	n/a	2.7	0.2%	-11.1%
Other	79.1	4.8%	61.1	4.6%	29.5%	80.1	4.7%	-1.2%
<b>Packages</b>	<b>108.1</b>	<b>6.6%</b>	<b>89.1</b>	<b>6.8%</b>	<b>21.3%</b>	<b>113.0</b>	<b>6.7%</b>	<b>-4.3%</b>
<b>Labor</b>	<b>147.7</b>	<b>9.0%</b>	<b>124.2</b>	<b>9.4%</b>	<b>18.9%</b>	<b>149.0</b>	<b>8.8%</b>	<b>-0.9%</b>
<b>Indirect costs</b>	<b>101.9</b>	<b>6.2%</b>	<b>89.6</b>	<b>6.8%</b>	<b>13.7%</b>	<b>108.9</b>	<b>6.4%</b>	<b>-6.4%</b>
<b>Depreciation and amortization</b>	<b>42.8</b>	<b>2.6%</b>	<b>37.9</b>	<b>2.9%</b>	<b>12.9%</b>	<b>42.6</b>	<b>2.5%</b>	<b>0.5%</b>
<b>Other</b>	<b>0.0</b>	<b>0.0%</b>	<b>0.3</b>	<b>0.0%</b>	<b>-100.0%</b>	<b>0.2</b>	<b>0.0%</b>	<b>-100.0%</b>
<b>Total</b>	<b>1,088.8</b>	<b>66.5%</b>	<b>926.1</b>	<b>70.3%</b>	<b>17.6%</b>	<b>1,153.4</b>	<b>68.1%</b>	<b>-5.6%</b>

In the comparison between 1Q20 versus 1Q19, the cost of goods sold increased 17.6% in absolute terms, reflecting the 22.4% growth in sales volume, but decreased 3.8pp as a percentage of net revenue, from 70.3% % in 1Q19 to 66.5% in 1Q20.

We list below the main favorable and unfavorable impacts on the cost of goods sold in these periods.

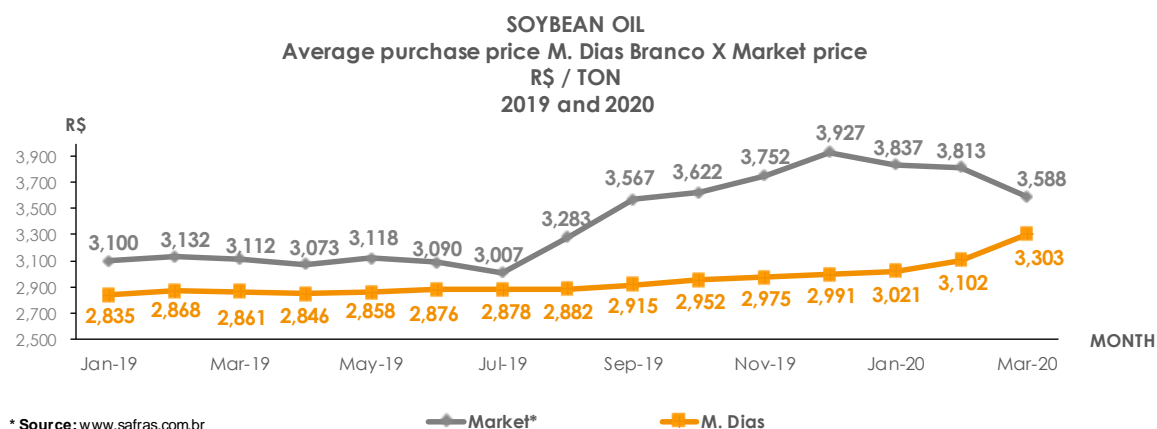
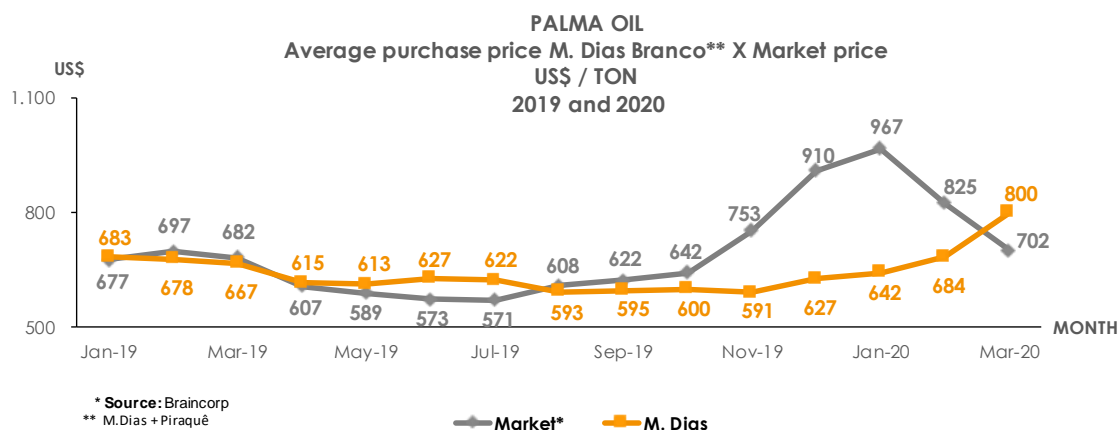
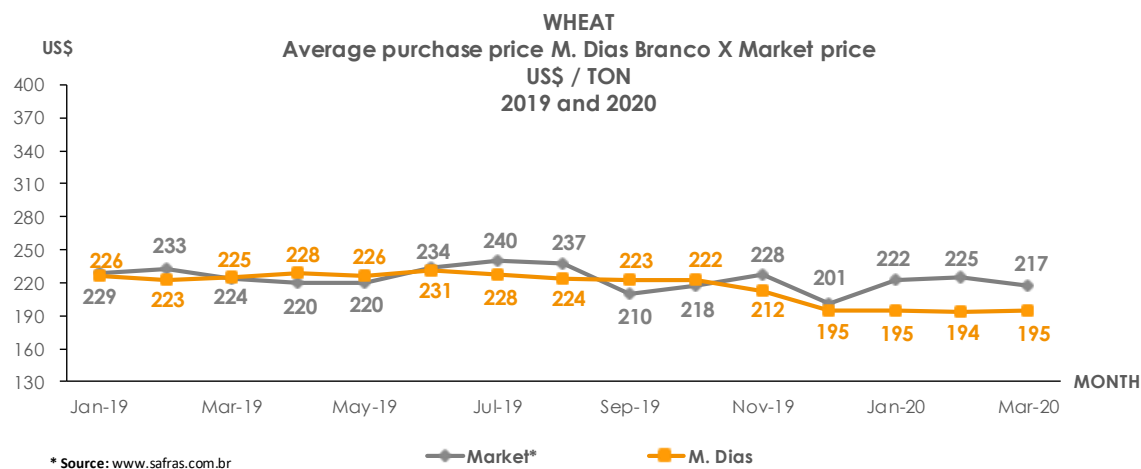
### POSITIVE IMPACTS

- A 6.9% reduction in the average cost of consumed wheat (BRL);
- An 18.5% increase in production volume; and
- A 12.5pp upturn in the flour vertical integration level.

### NEGATIVE IMPACTS

- A 16.8% upturn in the average cost of vegetable oil consumed by the Company (BRL);
- An increase in labor costs resulting from pay rises in line with inflation following collective bargaining agreements; and
- Higher general expenses related to an increase in preventive and corrective maintenance.

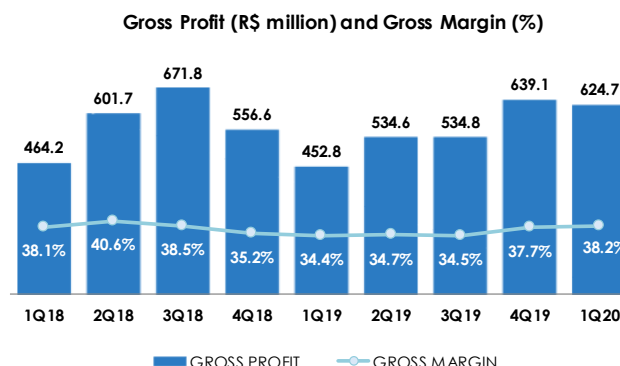
Compared to 4Q19, the cost of goods sold fell 5.6% in absolute terms and 1.6pp as a percentage of net revenue, from 68.1% in 4Q19 to 66.5% in 1Q20, mainly due to a 4.5% decline in the average cost of consumed wheat.





## GROSS PROFIT

Gross profit grew 38.0%, while the margin increased 3.8 pp, from 34.4% in 1Q19 to 38.2% in 1Q20. The gross margin increase was due to higher sales volume in lines in which wheat flour accounts for a smaller share of costs (cookies & crackers and pasta) and a 6.9% decline in the average cost of wheat between 1Q19 and 1Q20.



Compared to 4Q19, gross profit fell 2.3%, while the gross margin increased 0.5pp, from 37.7% in 4Q19 to 38.2% in 1Q20. The margin increase was mainly due to a 4.5% drop in the cost of wheat compared to 4Q19.

It is important to highlight that gross profit includes subsidies for state investments totaling R\$76.8 million in 1Q20 (R\$62.0 million in 1Q19), through profit or loss in compliance with CPC 07 - Government Grants.

## OPERATING EXPENSES

To provide a better understanding of the changes in operating expenses, we report depreciation and amortization expenses and tax expenses separately. Please see below:

Operating Expenses (R\$ million)	1Q20	% Net Rev.	1Q19	% Net Rev.	Variation	4Q19	% Net Rev.	Variation
Selling*	358.4	21.9%	297.9	22.6%	20.3%	333.8	19.7%	7.4%
Administrative	60.8	3.7%	58.5	4.4%	3.9%	77.5	4.6%	-21.5%
Management fees	3.1	0.2%	3.0	0.2%	3.3%	4.1	0.2%	-24.4%
Taxes	5.9	0.4%	8.3	0.6%	-28.9%	10.4	0.6%	-43.3%
Depreciation and amortization	19.0	1.2%	15.8	1.2%	20.3%	18.8	1.1%	1.1%
Other operating expenses/(revenue)	10.0	0.6%	10.6	0.8%	-5.7%	-33.7	-2.0%	n/a
<b>TOTAL</b>	<b>457.2</b>	<b>27.9%</b>	<b>394.1</b>	<b>29.9%</b>	<b>16.0%</b>	<b>410.9</b>	<b>24.3%</b>	<b>11.3%</b>

\*Salaries and benefits, freight and other expenses with marketing, sales force and logistics.

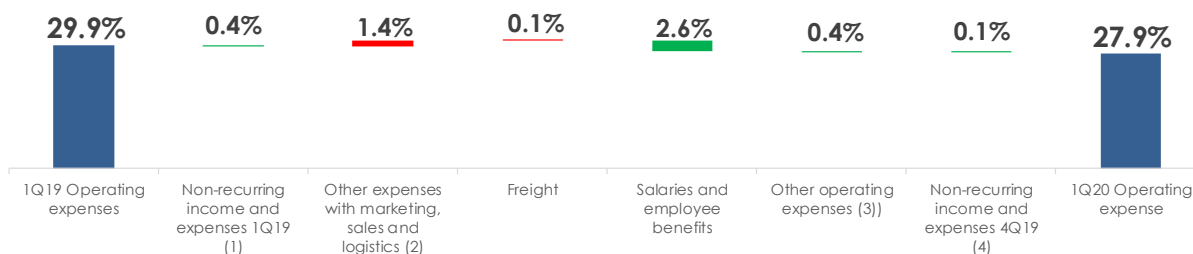
Between 1Q19 and 1Q20, operating expenses rose 16% in absolute terms, but fell 2pp as a percentage of net revenue, due to higher dilution of fixed expenses.

Compared to 4Q19, expenses climbed 11.3% in absolute terms and 3.6pp in terms of representation of net revenue. We registered higher expenses with freight and cargo, also due to the increase in demand in the last half of March / 2020 and the measures that are being taken to sustain growth in the South, Southeast and Midwest regions.

It is also important to point out that the 4Q19 comparison base was affected by a non-recurring effect of R\$52.4 million related to the recognition of revenue from tax credits from prior periods.



### Evolution Operating expenses (%NR) | M.Dias + Piraquê | 1Q20 vs 1Q19



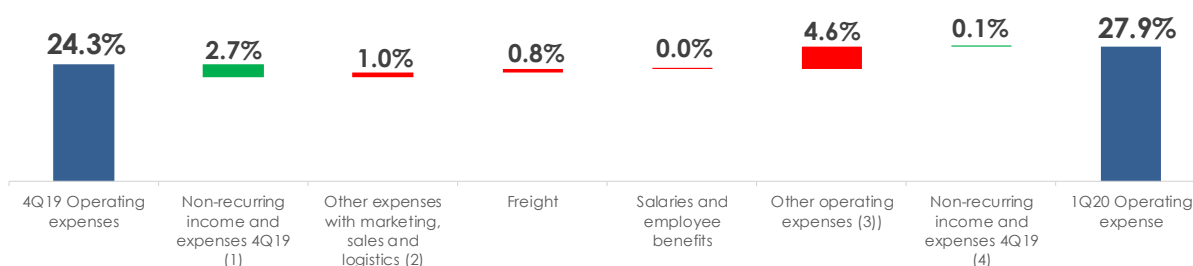
(1) **Note:** Non-recurring expenses in 1Q19 related to expenses with the integration of Piraquê (R\$ 1,8 million) and consulting and restructuring (R\$ 11,6 million) and revenue from extemporaneous tax credit (R\$ 19,1 million).

(2) **Note:** Excludes non-recurring expenses.

(3) **Note:** Excludes revenue from extemporaneous tax credit net of successful attorney's fees and non-recurring expenses.

(4) **Note:** Non-recurring expenses in 1Q20 related to expenses with the integration of Piraquê (R\$ 2,6 million) and revenue from extemporaneous tax credit (R\$ 4,5 million).

### Evolution Operating expenses (%NR) | M.Dias + Piraquê | 1Q20 vs 4Q19



(1) **Note:** Non-recurring expenses in 4Q19 related to expenses with the integration of Piraquê (R\$ 3.3 million), restructuring and implementation of the new Logistics model (R\$ 2.8 million) and revenue from extemporaneous tax credit (R\$ 52.4 million).

(2) **Note:** Excludes non-recurring expenses.

(3) **Note:** Excludes revenue from extemporaneous tax credit net of successful attorney's fees and non-recurring expenses.

(4) **Note:** Non-recurring expenses in 1Q20 related to expenses with the integration of Piraquê (R\$ 2,6 million) and revenue from extemporaneous tax credit (R\$ 4,5 million).

## FINANCIAL RESULT

To provide a better understanding of the variations in the financial result, we report and analyze exchange variations and swap operations in the period separately from financial income and expenses, as shown below:

Financial Income (R\$ million)	1Q20	1Q19	Variation	4Q19	Variation
Financial Revenue	10.9	20.3	-46.3%	56.7	-80.8%
Financial Expenses	-20.0	-22.8	-12.3%	-15.4	29.9%
Exchange Variation	-140.8	-5.4	n/a	11.5	n/a
Losses/Gains on swaps	146.0	4.2	n/a	-15.9	n/a
<b>TOTAL</b>	<b>-3.9</b>	<b>-3.7</b>	<b>5.4%</b>	<b>36.9</b>	<b>n/a</b>



The Company recorded a negative financial result of R\$3.9 million in 1Q20, against a negative financial result of R\$3.7 million in 1Q19.

The higher negative result in 1Q20 was essentially due to lower financial returns as a result of a decline in the interest rate.

It is worth mentioning that M. Dias Branco is reiterating its commitment to a conservative policy by maintaining swap contracts, through which the foreign exchange risk plus a fixed rate is swapped for a percentage of the CDI rate to hedge financing of working capital and input imports. Swap contracts are recognized at fair value under the financial result.

## TAXES ON INCOME

The Company recorded a provision for income tax and social contribution of R\$25.8 million in 1Q20, against a reversal of R\$2.2 million in 1Q19.

This variation was mainly due to an increase of 197.6% in income before tax and social contribution, from R\$54.7 million in 1Q19 to R\$162.8 million in 1Q20.

Income and Social Contribution Taxes (R\$ million)	1Q20	1Q19	Variation
Income and Social Contribution Taxes	25.8	-2.2	n/a
Income Tax Incentive	0.0	0.0	n/a
<b>TOTAL</b>	<b>25.8</b>	<b>-2.2</b>	<b>n/a</b>

## GOODWILL

In 2020, due to the merger of Piraquê, approved on December 27, 2019, the Company began the tax amortization of goodwill arising from the acquisition. It is estimated that all goodwill will be tax deductible, totaling R\$361.6 million. However, the current benefit takes into account the portion of goodwill actually paid, which will be amortized over a minimum period of five years. In 1Q20, the Company recognized a tax benefit resulting from amortization in the amount of R\$ 2.5 million.

## EBITDA AND NET INCOME

### EBITDA – NET INCOME

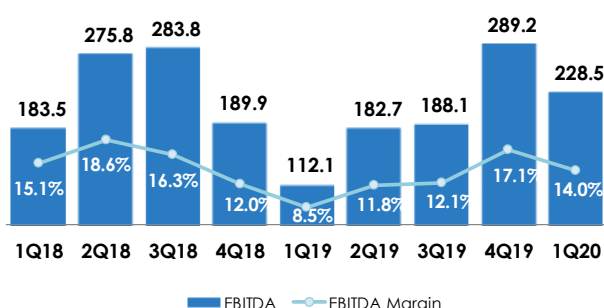
EBITDA CONCILIATION (R\$ million)	1Q20	1Q19	Variation	4Q19	Variation
<b>Net Profit</b>	<b>137.0</b>	<b>56.9</b>	<b>140.8%</b>	<b>264.9</b>	<b>-48.3%</b>
Income Tax and Social Contribution	25.8	-2.2	n/a	9.2	n/a
Income Tax Incentive	0.0	0.0	n/a	-9.4	-100.0%
Financial Revenue	-18.5	-53.9	-65.7%	-95.9	-80.7%
Financial Expenses	22.4	57.6	-61.1%	59.0	-62.0%
Depreciation and Amortization of cost of goods	42.8	37.9	12.9%	42.6	0.5%
Depreciation and Amortization Adm/Com Expenses	19.0	15.8	20.3%	18.8	1.1%
<b>EBITDA</b>	<b>228.5</b>	<b>112.1</b>	<b>103.8%</b>	<b>289.2</b>	<b>-21.0%</b>
<b>EBITDA Margin</b>	<b>14.0%</b>	<b>8.5%</b>	<b>5.5 p.p</b>	<b>17.1%</b>	<b>-3.1 p.p</b>



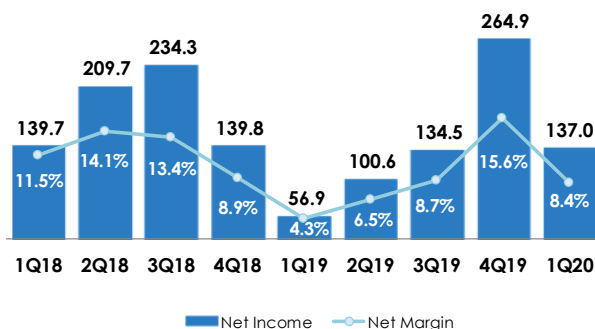
## EBITDA – NET REVENUE

EBITDA CONCILIATION (R\$ million)	1Q20	1Q19	Variation	4Q19	Variation
<b>Net Revenue</b>	<b>1,636.7</b>	<b>1,316.9</b>	<b>24.3%</b>	<b>1,694.1</b>	<b>-3.4%</b>
Cost of goods sold	-1,088.8	-926.1	17.6%	-1,153.4	-5.6%
Depreciation and Amortization of cost of goods	42.8	37.9	12.9%	42.6	0.5%
Tax Incentive (ICMS)	76.8	62.0	23.9%	98.4	-22.0%
Operating Expenses	-457.2	-394.1	16.0%	-410.9	11.3%
Equity in net income of subsidiaries	-0.8	-0.3	n/a	-0.4	100.0%
Depreciation and Amortization Adm/Com Expenses	19.0	15.8	20.3%	18.8	1.1%
<b>EBITDA</b>	<b>228.5</b>	<b>112.1</b>	<b>103.8%</b>	<b>289.2</b>	<b>-21.0%</b>
<b>EBITDA Margin</b>	<b>14.0%</b>	<b>8.5%</b>	<b>5.5 p.p</b>	<b>17.1%</b>	<b>-3.1 p.p</b>

EBITDA (R\$ million) and EBITDA Margin (%)



Net Profit (R\$ million) and Net Margin (%)



## CAPITALIZATION, DEBT AND CASH

Capitalization (R\$ million)	3/31/2020	3/31/2019	Variation	Financial Indicator	3/31/2020	3/31/2019	Variation
Cash	794.8	596.2	33.3%	Cash (Debt) Net / EBITDA (last 12 months)	-0.7	-0.8	-12.5%
Financial Investments Short Term	16.4	0.0	n/a	Cash (Debt) Net / Shareholder's Equity	-10.8%	-11.6%	0.8 p.p
Financial Investments Long Term	3.7	13.2	-72.0%	Indebtedness / Total Assets	17.7%	16.0%	1.7 p.p
<b>Total Indebtedness</b>	<b>-1,567.3</b>	<b>-1,280.1</b>	<b>22.4%</b>				
(-) Short Term	-1,201.1	-741.8	61.9%				
(-) Long Term	-366.2	-538.3	-32.0%				
<b>(-) Derivatives Financial Instruments</b>	<b>91.7</b>	<b>19.1</b>	<b>n/a</b>				
<b>(=) Net Cash (Net Debt)</b>	<b>-660.7</b>	<b>-651.6</b>	<b>1.4%</b>				
Shareholder's Equity	6,129.1	5,619.8	9.1%				
<b>Capitalization</b>	<b>7,696.4</b>	<b>6,899.9</b>	<b>11.5%</b>				

The Company uses swap contracts to hedge foreign exchange risk. These contracts are recorded at fair value through profit or loss and consist of swapping the exchange rate risk plus a fixed rate for a percentage of the CDI rate.



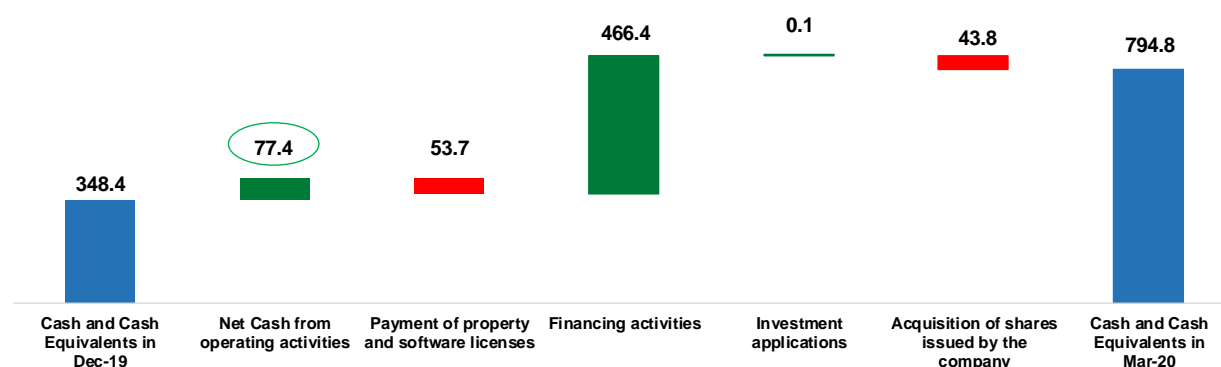
Consolidated Debt (R\$ million)	Index	Interest (year)	3/31/2020	% Debt	3/31/2019	% Debt	Variation
<b>Domestic Currency:</b>			<b>512.3</b>	<b>32.7%</b>	<b>664.9</b>	<b>51.9%</b>	<b>-23.0%</b>
BNDES - FINAME	TJLP	2.17% (2.25% in 03/31/19)	17.3	1.1%	23.5	1.8%	-26.4%
BNDES - PSI	R\$	2.98% (4.45% in 03/31/19)	97.2	6.2%	221.7	17.3%	-56.2%
BNDES - FINEM	IPCA	8.65%	51.2	3.3%	61.1	4.8%	-16.2%
BNDES - PROGEREN	IPCA	6.28%	59.4	3.8%	80.8	6.3%	-26.5%
BNDES - PSI	TJLP	6.30% in 03/31/19	0.0	0.0%	0.1	0.0%	-100.0%
FINIMP	CDI	3.80%	37.0	2.4%	0.0	0.0%	n/a
(PROADI) Financing of state taxes	TR	3.00% in 03/31/19	0.0	0.0%	0.1	0.0%	-100.0%
(PROVIN) Financing of state taxes	TJLP	-	9.6	0.6%	10.0	0.8%	-4.0%
(DESENVOLVE) Financing of state taxes	TJLP	-	0.0	0.0%	0.4	0.0%	-100.0%
BNB-FNE - Financing	Flat rate	8.24% in 03/31/19	0.0	0.0%	32.7	2.6%	-100.0%
Investment of assignment of Pilar's shares	100% CDI	-	2.2	0.1%	2.3	0.2%	-4.3%
Investment of assignment of Estrela's shares	100% CDI	-	5.0	0.3%	4.9	0.4%	2.0%
Investment of assignment of Moinho Santa Lúcia's shares	100% CDI	-	0.0	0.0%	3.1	0.2%	-100.0%
Investment of assignment of Piraquê's shares	100% CDI	-	233.4	14.9%	224.2	17.5%	4.1%
<b>Foreign Currency:</b>			<b>1,055.0</b>	<b>67.3%</b>	<b>615.2</b>	<b>48.1%</b>	<b>71.5%</b>
(FINIMP) Imports Financing and Working Capital - Law 4,131	USD	1.90% (3.31% in 03/31/19)	885.6	56.5%	615.2	48.1%	44.0%
Working Capital - Law 4,131	EUR	0.18%	169.4	10.8%	0.0	0.0%	n/a
<b>TOTAL</b>			<b>1,567.3</b>	<b>100.0%</b>	<b>1,280.1</b>	<b>100.0%</b>	<b>22.4%</b>

M. Dias Branco had R\$1,055 million in liabilities pegged to foreign currencies at the end of 1Q20. The reported amounts refer to imports of inputs, which are hedged by swap transactions. In this sense, the Company closed 1Q20 with 27 swap contracts to hedge working capital and wheat import financing (Finimp) with different maturities, the last of which March 31, 2021, in which the long leg receives, on average, the dollar rate plus 2.26% and the short leg pays, on average, 134.41% of the CDI rate, as well as one working capital contract, in euros, with maturity on May 7, 2020, in which the long leg receives the euro rate plus 0.24% and the short leg pays 102.60% of the CDI rate.

We closed 1Q20 with cash and cash equivalents of R\$794.8 million, up from R\$596.2 million in 1Q19, as shown in the chart below:

### R\$ Million

4.7% of Net Revenue

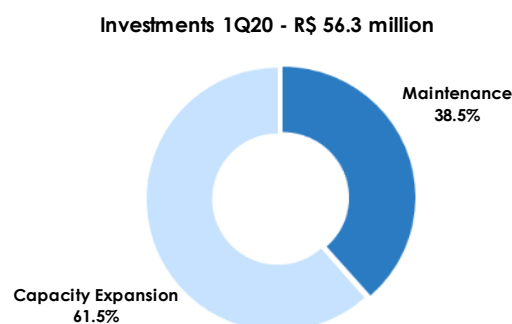




## INVESTMENTS

Investments (R\$ Million)	1Q20	1Q19	Variation
Buildings	7.7	10.7	-28.0%
Machinery and equipment	31.6	30.4	3.9%
Construction in progress	10.1	19.0	-46.8%
Vehicles	0.3	0.1	n/a
IT Equipment	0.6	0.4	50.0%
Furniture and Fixtures	2.7	1.8	50.0%
Land	0.9	-	n/a
Software Use License	1.4	6.9	-79.7%
Others	1.0	0.3	n/a
<b>Total</b>	<b>56.3</b>	<b>69.6</b>	<b>-19.1%</b>

Note: Total investments now include software licenses, trademarks and patents, without considering investments in the acquisition of companies.



The Company invested R\$56.3 million in 1Q20 (R\$69.6 million in 1Q19), led by (i) the acquisition of equipment and construction of a parking lot for the new milling unit in Bento Gonçalves (RS); (ii) logistics redesign, comprising new distribution centers; and (iii) the acquisition and installation of two silos for storage of wheat flour in the Maracanaú unit.

During 1Q20 the amount of R\$ 2.8 million was invested in the Research and Development of new products.

The Company has investments in the following subsidiaries: Indústria de Produtos Alimentícios Piraquê S.A.; Tergran - Terminais de Grãos de Fortaleza Ltda.; M. Dias Branco International Trading LLC; M. Dias Branco International Trading Uruguay S.A. and M. Dias Branco Argentina S.A.. The operations of those investments are detailed in the Notes to the Interim financial information.

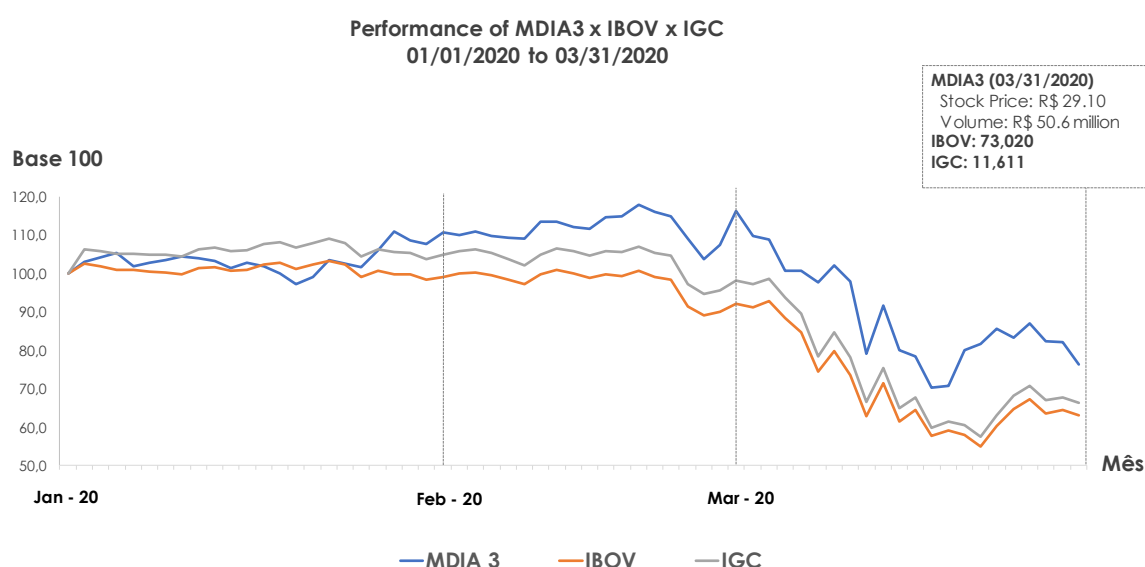




## CAPITAL MARKET



The Company's shares are traded on B3 (Brasil, Bolsa e Balcão) under the ticker MDIA3 and are listed in the Novo Mercado segment. On March 31, 2020, there were 83,609,141 outstanding shares, representing 24.66% of the Company's capital stock, priced at **R\$29.10** each, totaling **R\$2,433.0 million**. The average daily trading volume was 8,831 in 1Q20 (2,803 in 1Q19), and the average daily trading financial volume was R\$63.4 million in 1Q20 (R\$22.7 million in 1Q19).



## MAIN ADMINISTRATIVE FACTS



### Impacts related to the spread of the COVID-19 pandemic

On March 27, 2020, the Company released a notice to the market about the impacts related to the spread of the COVID-19 pandemic, informing that it has maintained the development of its activities of production and distribution operations are running normally and that it has followed all the measures recommended by the World Health Organization and the Ministry of Health.

### First (1<sup>st</sup>) issue of commercial promissory notes

On April 15, 2020, the Company published a Material Facto to announce the first (1<sup>st</sup>) issue of commercial promissory notes, which will be carried out in a single series, totaling two hundred million reais (R\$200,000,000.00). The commercial notes will mature in one hundred and eighty-three (183) days from the issue date.



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### **Approval of the Quarterly Information**

At the meeting of the Board of Directors held on May 08, 2020, the following was approved: (i) the Quarterly Information (ITR) for the quarter ended March 31, 2020; and (ii) other provisions.

### **Shareholders' Meeting**

At the Annual and Extraordinary Shareholders' Meeting held on April 9, 2020, the following items were approved by a majority vote at the annual shareholders' meeting) (i) the annual management report and the financial statements for to the fiscal year ended on December 31, 2019, accompanied by the opinion of the independent auditors; (ii) the allocation of net income for 2019, as proposed by the Board of Directors at a meeting held on 03/06/2020; (iii) the number and election of the members of the Board of Directors; and (at the extraordinary shareholders' meeting) (iv) change in the annual global compensation of management for the year of 2019 approved at the Meeting of April 18, 2019; and (v) the annual global compensation of the Company's management for the year 2020.

## SOCIAL AND ENVIRONMENTAL HIGHLIGHTS



M. Dias Branco has continued to reinforce its commitment to sustainability through working groups focused on strengthening sustainable practices in several areas of the business.

Regarding environmental management, through the technical area focused on the topic, the Company adopts practices to minimize its main environmental impacts related to waste management and consumption of natural resources, such as the reuse of rainwater and treated wastewater and a nobler destination for solid waste.

### Analysis of Indicators

Indicators*	1Q20	1Q19	Variation
Average Energy Intensity (Kwt/ton)	130.58	140,0	-7%
Water consumption (m³/ton)	0.4	0.4	-15%
Waste Recycling Index (%)	88.4	90.1	-1.7pp
Solid waste generation (Kg/Ton)	8.6	9.4	-7.8%
Frequency rate of occupational accidents	0.7	1.2	-0.5

\*Without Piraquê

### Energy intensity [SDG 7 and 12](#)

Energy intensity fell 7.0% from 1Q19, to 130.6 kWh/ton in 1Q20, due to higher production volume and fewer line interruptions. The Company also carried out energy efficiency actions to reduce energy and gas consumption, such as retrofit of the furnace combustion system, replacing conventional light bulbs with led light bulbs and replacing low-efficiency engines with high-efficiency engines, among others.

### Water consumption [SDG 6, 9 and 12](#)

The Company reduced its relative water consumption by 15.0% compared to the same period in 2019.

We highlight initiatives designed to reduce water consumption implemented in 1Q20, including the reuse plant in the Special Margarine and Vegetable Shortening unit in Fortaleza (CE) and reuse initiatives at the Jaboatão dos Guararapes (PE) unit, showing increasingly better results as the system matures.

### Waste recycling rate and solid waste generation [SDG 9 and 12](#)

The Company's waste recycling rate edged down 1.7pp in 1Q20. The reduction was due to changes in legislation related to the disposal of organic waste, which affected the amount of waste destined to landfills. Solid waste generation fell 7.8% between 1Q19 and 1Q20, thanks to the evolution of several initiatives implemented by the team dedicated to World-Class Management improvements in the production process.



### Rate of occupational accidents **SDG 3 and 8**

The rate of occupational accidents fell in 1Q20, thanks to campaigns to reinforce employees' risk perception, NR12<sup>2</sup> adjustments, safe transit campaigns and incentives to register security warnings, among other initiatives.

### Other initiatives and achievements

- ✓ M. Dias Branco donated two used ambulances to a hospital called Irmandade Beneficente da Santa Casa da Misericórdia de Fortaleza, also known as Santa Casa; **SDG 3**
- ✓ M. Dias Branco's official website started featuring an accessibility tool in Brazilian Sign Language (Libras). Hugo, the Hand Talk virtual assistant, is already available on the website and has the mission of supporting the hearing impaired who access the Company's information online; **SDG 4 and 5**

We believe these actions will allow us to develop a culture of sustainability, with the gradual integration of social and environmental aspects into the decision-making process and in the Company's value creation.



## INDEPENDENT AUDITORS



The Company's independent auditors are PricewaterhouseCoopers Auditores Independentes, contracted to audit the individual and consolidated interim financial information for the year ended December 31, 2020 and review of the individual and consolidated interim financial information for the quarters ended March 31, June 30 and September 30, of the respective year, and did not provide conflicting services, as provided in CVM Instruction 308. The non-financial information on the Company and its subsidiaries, as well as management's expectations regarding the future performance of the Company and its subsidiaries, were not revised by the independent auditors.

<sup>2</sup> Standard that deals with occupational safety in machinery and equipment.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****1. Operations**

M. Dias Branco S. A. Indústria e Comércio de Alimentos (the "Company") is a publicly traded corporation, with its shares listed on B3 S.A., in the Novo Mercado (New Market) segment (MDIA3). The Company started to operate in 1951 and its head office is located at Rodovia BR 116, KM 18, in Eusébio, State of Ceará. Its corporate activities principally comprise the industrialization, sale and distribution of food products derived from wheat, mainly biscuits, pastas and wheat flour/bran and the manufacture, sale and distribution of vegetable fats and margarines, cakes, cake mixes, packaged toast and snacks. The Company operates through an integrated and vertical production process, producing the majority of the two main raw materials used to produce biscuits, crackers and pastas: flour and vegetable fats. Five of its wheat mills are physically integrated within the biscuits, crackers and pasta factories, which eliminates the costs of transporting the flour used in the production of these two main items.

On December 27, 2019 the Company approved the acquisition of Indústria de Produtos Alimentícios Piraquê S.A. (Piraquê), a Brazilian company producing and marketing pasta, cookies, crackers, snacks and powdered beverages. The acquisition was concluded on May 16, 2018. Piraquê has two production sites in the state of Rio de Janeiro, one in Madureira, where the company produces cookies, crackers, pasta and vegetable fat, and another in Queimados, producing cookies and crackers. The two sites are integrated with storage and/or distribution facilities in the states of Rio de Janeiro, Espírito Santo, São Paulo, Minas Gerais, Paraná and Bahia.

Following the acquisition, the Company now has 14 production sites, eight of which are located in the Northeast (Bahia, Ceará, Paraíba, Pernambuco and Rio Grande do Norte), four in the Southeast (São Paulo and Rio de Janeiro) and two in the South (Rio Grande do Sul and Paraná). These units operate seven wheat mills, nine pasta factories, nine biscuit factories, two manufacturers of vegetable fat and margarines, one manufacturer of snacks and cakes, one manufacturer of cake mix and one factory for toasted biscuits. The Company has thirty-five distribution centers, integrated with this production structure, for storage, sales and/or distribution of its products, located in the following states: Alagoas, Bahia, Ceará, Distrito Federal, Maranhão, Minas Gerais, Pará, Paraíba, Paraná, Pernambuco, Piauí, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, São Paulo, Espírito Santo and Sergipe.

The Company has the following brands in the domestic market: Adria, Aldente, Basilar, Bonsabor, Estrela, Fortaleza, Finna, Isabela, Pelágio, Pilar, Piraquê, Predilieto, Richester, Salsito, Treloso, Vitarella, and Zabet.

**2. Impacts of the Novel Coronavirus (COVID-19)**

In light of the global COVID-19 pandemic, the Company has been monitoring the effects of this outbreak in Brazil in order to ensure the safety of its staff, maintain the uninterrupted supply of its products in the marketplace and map out this pandemic's impacts on its business operations.

We firstly emphasize that the Company has continued its food distribution and production operations. Complementing the government's determination to ensure food companies keep producing, the measures we have rolled out have proven decisive to maintaining normal operations.

In order to protect the health and safety of its staff, the Company has adopted several prudent initiatives based primarily on the guidelines issued by the World Health Organization and Brazil's Ministry of Health.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

To this end the Company has set up a crisis committee comprised of managers from multiple departments in order to address and steer the initiatives being taken by the Company in a more agile fashion, on the following main fronts: (i) people management; (ii) client and brand management; (iii) supply chain management; and, (iv) financial management, as per the press release published on March 27, 2020.

The main measures already approved by the Crisis Committee include:

- Continuous dissemination of COVID-19 preventive measures through various internal communication channels with employees (intranet, social media, email and posters, among others);
- Exclusive communication channels for employees and family members to interact with our medical teams 24/7 to resolve doubts related to COVID-19;
- Intensification of hygiene and health measures for employees, such as scheduled breaks for hand washing, and provision of masks and hand sanitizers, according to the nature of their work;
- Remote work allowed for employees who perform activities that can be carried out remotely;
- Cancellation of trips and participation in events that gather people;
- Exempting employees in the high-risk group from participating in in-person activities;
- Contingency plan with the opening of five hundred (500) new temporary vacancies to continue to meet market demands without compromising the health of our employees;
- Intensified monitoring to guarantee service to our clients and the continuity of our entire supply chain;
- Adjustment of our production planning and incentive to development of new distribution channels, such as online retail, through digital platforms of traditional retailers and digital-only companies;
- Measures to preserve and maximize the Company's cash, designed to maintain the Company's renowned financial strength.

The Committee understands the importance of continually updating the Company's decisions in accordance with judicial and administrative decisions and the legislation/regulations in force.

Lastly, conscious of its social role, the Company has ramped up donations to communities surrounding its manufacturing facilities, in accordance with the Company's donations policy. Furthermore, in April 2020 it made donations to blood centers to support the deployment of mobile blood donation centers and hematology research.

The Company clarifies that to date it has not observed significant impacts from COVID-19 on its operations constituting adjusting events.

**3. Corporate reorganization**

As previously described, in 2018 the Company acquired the entire share capital of Piraquê for a total price of R\$ 1,449,032, of which R\$ 1,299,032 was paid up front and R\$ 150,000 will be paid in 5 (five) installments incurring interest at the CDI rate, less any contingencies paid by Piraquê in connection with events prior to the acquisition, as described in Note 16.3 (i).

It should be noted that the economic benefits arising from contingent assets determined by Piraquê for periods prior to the acquisition date, as well as certain tax credits already

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

recognized and judicial deposits already made by Piraquê up to that date, converted into income in favor of Piraquê or compensated, shall be transferred to the sellers.

This acquisition was part of the Company's strategy of participating actively in the segment's consolidation process, expanding its domestic leadership in the areas of pasta and cookies with accelerated growth in the southern and southeastern regions, by including greater value-added products in its portfolio.

In terms of recognition of the business-combination transaction, the Company completed the period in which assets acquired and liabilities assumed were measured at fair value on May 16, 2019 and, based on a valuation report issued by specialized, independent consultants, allocated the acquisition price as follows:

	<b>Allocation of acquisition price</b>
Fixed quota of acquisition price	<b>1,449,032</b>
Quota of contingent consideration of the price (i)	<b>75,137</b>
Total consideration transferred	<b>1,524,169</b>
(-) Indemnity assets (ii)	<b>(55,829)</b>
Total consideration	<b>1,468,340</b>
(-) Shareholders' equity of the acquired company	<b>(405,847)</b>
Overpay price	<b>1,062,493</b>
(-) Intangible assets identified at fair value	<b>(505,466)</b>
Brands (iii)	(318,510)
Non-contractual relationship with client (iv)	(185,921)
Non-competition agreement (v)	(1,035)
(-) Goodwill on fixed assets	<b>(247,496)</b>
(-) Adjustment to fair value of other assets and liabilities	<b>52,785</b>
Goodwill (unallocated quota of the price)	<b>362,316</b>

**Note:** (i) The fair value of the contingent consideration on the date of acquisition based on the expectation of realization of credits that may be reimbursed to the former partners; (ii) Refers to the acquirer's indemnification asset recognized as a result of the obligation of sellers to return or deduct from the retained quota of the price any contingencies that may materialize; (iii) indefinite useful life; (iv) defined useful life estimated at 15.6 years; (v) defined useful life estimated at 5 years.

To simplify the Company's ownership structure and deliver greater synergies through operating cost reductions achieved through the shared use of assets, especially administrative assets, and in order to maximize the legal and financial benefits from the acquisition, an Extraordinary General Meeting held on December 27, 2019 approved the merger of Piraquê into the Company.

The net assets acquired by the Company have the following composition:

<b>Assets of Piraquê</b>	<b>12/27/2019</b>
Current assets	234,062
Non-current assets	519,335
<b>Assets Total</b>	<b>753,397</b>
Current liabilities	129,978
Non-current liabilities	184,057
<b>Non-current liabilities Total</b>	<b>314,035</b>
<b>Net assets incorporated</b>	<b>439,362</b>

Because Piraquê was a wholly-owned subsidiary, the merger had no effects on the Company's consolidated asset position, results or ownership structure.



**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

As a result of the Piraquê merger, the portion of the excess value paid that was recognized as investment in subsidiaries at the date of the merger was transferred to the relevant account groups in the statement of financial position (indemnification assets to long-term assets; negative goodwill on fixed assets to property, plant and equipment; brands, non-contractual relationships with customers, non-competition agreements and goodwill to intangible assets; contingent liabilities to non-current liabilities).

**4. Basis of preparation of the financial statements**

The interim financial information has been prepared in accordance with CPC 21 - Interim Financial Reporting and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and reflects all material information related to the interim financial information and that alone, which corresponds to that used by it in its management.

The authorization to issue these interim financial information was given by Board of Directors at its meeting held on May 08, 2020.

**(a) Basis for measurement**

The individual and consolidated interim financial information were prepared based on historic cost, except when stated otherwise.

**(b) Functional currency**

The individual and consolidated interim financial information are presented in Brazilian reais, which is the Company's functional currency. All the amounts reported in Reais in the financial statements have been rounded to the nearest thousand, except when stated otherwise.

**(c) Significant accounting judgments, estimates and assumptions**

The preparation of individual and consolidated financial information in accordance with CPCs and IFRS requires the Company management to make judgments, estimates and assumptions that affect the application of accounting policies. The actual results could differ from these estimates.

Estimates and assumptions are continually reviewed. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment, the losses on impairment of trade accounts receivables and inventories and intangible assets with indefinite life cycle, deferred income tax, provision for legal actions, fair value of assets and liabilities in a business combination and the valuation of financial instruments.

**5. Significant accounting policies**

The significant accounting policies adopted by the Company and its subsidiaries are described in specific notes. Those which apply, in general, to different aspects of the interim financial information are described in detail below.



**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****a) Consolidation****i. Subsidiaries**

For purposes of preparing the individual and consolidated financial information, the financial information of the subsidiaries was used that ends on the same reporting date and has accounting policies consistent with those of the Company.

**Equity interest in subsidiaries**

Description	Investment interest (%)			
	03/31/2020		12/31/2019	
	Direct	Indirect	Direct	Indirect
M.Dias Branco International Trading LLC (a)	100.00	-	100.00	-
M.Dias Branco International Trading Uruguay S.A (a)	-	100.00	-	100.00
M.Dias Branco Argentina S.A. (a)	100.00	-	100.00	-
Indústria de Produtos Alimentícios Piraquê S.A (b)	-	-	100.00	-

**Notes:** (a) Foreign Investments;

(b) Company incorporated on December 27, 2019.

**Characteristics of the main subsidiaries****M. Dias Branco International Trading LLC**

This direct subsidiary is located in the United States of America, and its core activity is intermediating in the purchase of raw materials, mainly wheat, for milling and vegetable oil that the Company uses in its production process. The company is not operational and is therefore beginning to initiate the procedure of closing down this subsidiary.

**M. Dias Branco International Trading Uruguay S.A.**

This indirect subsidiary is located in Uruguay, and its core activity is intermediating in the purchase of raw materials, mainly wheat, for milling that the Company uses in its production process. The company is not operational and initiated the procedures to close the entity.

**M. Dias Branco Argentina S.A.**

The Company incorporated a publicly traded corporation, with its head office in Buenos Aires, in order to purchase, import and export wheat grain, wheat flour and derivatives. However, this company did not undertake any activities and the Company decided to discontinue the process, initiating the procedures to close the entity.

**ii. Jointly controlled entities**

Joint operations are those in which the Company has contractually agreed joint control, and which require the unanimous consent of the parties sharing control for strategic and operational decisions.

**Joint Operation****Terminal de Grãos de Fortaleza Ltda ("Tergran")**

The Company shares control of Tergran with Moinho Cearense S.A and J. Macêdo S.A, which each have an interest of 33.33% in the capital of, and jointly appoint the managing director of, Tergran. The Company considers that its investment in Tergran should be classified as a joint operation, or joint arrangement, and the assets, liabilities,

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

income and expenses are recognized in relation to its investment only in the consolidated statements, considering that Tergran was constituted as a separate legal entity. Consequently, the investment is recognized in the individual financial information using the equity method.

Tergran operates port facilities and provides wheat unloading and storage services at the port in Fortaleza, with the primary objective being to increase productivity and reduce the costs of unloading ships carrying wheat for its three partners.

**Jointly controlled enterprise*****Terminal de Trigo do Rio de Janeiro - Logística S.A.***

The Company has an interest in a joint venture with Companhia Bunge Alimentos S.A (Bunge), in which each party has an interest of 50%. The Terminal de Trigo do Rio de Janeiro - Logística S.A. is the lessee in the contract entered on September 21, 2017 with the government, in the form of the Ministry of Transportation, Ports and Civil Aviation, which addresses the leasing of public infrastructure and land to handle and store solid vegetable bulk, especially wheat, located in the port of Rio de Janeiro/RJ.

The Company recognizes its investment in relation to its participation in the operation under the equity method, both in the individual and consolidated financial statements.

The Company's participation in this business is part of its strategy of improving logistics to supply inputs intended for the manufacturing plants in the southeast.

Terminal de Trigo do Rio de Janeiro - Logística S.A. initiated operations on January 8, 2020.

**b) Conversion of foreign currency balances*****i. Foreign currency transactions and balances***

Foreign currency transactions are initially recorded at the exchange rates of the functional currency prevailing at the respective transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted into the functional currency at the exchange rate at that date. All differences are recorded in the statement of income.

***ii. Foreign operations***

The values of assets and liabilities of the foreign subsidiaries are translated to Reais using the exchange rate at the reporting date, and the related statements of income are translated at the exchange rates on the dates of the transactions. Exchange differences resulting from the translations are recognized separately in shareholders' equity. In the event of a foreign subsidiary being sold, the accumulated deferred amount recognized in shareholders' equity relating to this subsidiary is recognized in the statement of income.

**c) Impairment losses*****i. Financial assets***

Upon the initial recognition of a financial asset, the Company classifies its assets as: at amortized cost or fair value through profit or loss. Financial assets are not reclassified subsequently to initial recognition, unless the Company changes its business model to financial asset management.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****Financial assets at amortized cost**

These assets are measured subsequently to the amortized cost using the effective interest rate method. The amortized cost is reduced for impairment. Revenue from interest, exchange variance gains and losses and impairment are recognized directly in profit or loss.

The Company should look for any objective evidence that a financial asset or group of financial assets has been subject to impairment and consequently record the estimated asset impairment. To record the estimated allowance for doubtful accounts, the Company adopted a hybrid expected and incurred impairment model with a simplified approach, recording expected losses throughout the life-cycle of trade accounts receivable.

**Financial assets stated at fair value through profit or loss**

These assets are subsequently stated at fair value. The net income including interest is recognized directly in profit or loss.

**ii. Non-financial assets**

Assets that have undefined useful lives, such as goodwill and brands, are not amortized, and are tested for impairment. The impairment tests of goodwill and the brands are realized at least annually, or more frequently if events or changes in circumstances indicate possible impairment.

At each reporting date, management revises the net carrying values of its assets and other non-financial assets, subject to depreciation and amortization in order to assess any events or changes in economic, operational or technological circumstances that could indicate a deterioration or impairment. When such evidence is identified, and the net carrying value exceeds the recoverable value, a loss for impairment is recorded, and the net carrying value is adjusted to the recoverable value.

**d) Employee benefits**

The Company provides short-term benefits to its employees, which are measured on a non-discounted basis and incurred as expenses as the related service is provided. The liability is recognized for the amount expected to be paid in respect of short-term cash bonus or profit sharing plans. Profit sharing is recognized in profit or loss as operational costs and expenses.

For the non-statutory board there is also a share-based remuneration plan, as explained in Note 25.

**e) Revenue recognition**

The Company recognizes revenue from the sale of goods in the course of ordinary activities at the moment when the control over the products is transferred and at the fair value of the consideration received or receivable, recognized when: (i) there was convincing evidence that the control of a product or service has been transferred to the customer, which generally occurs upon delivery; (ii) the amount the entity expected to be entitled to in exchange for transferring the product or service and (iii) the associated costs and possible return of goods could be reliably estimated. If it was probable that discounts would be granted and the amount can be measured reliably, then the discount was recognized as a reduction against revenue over the period the sales were recognized.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Note that delivery occurs when the products have been sent to the specified location, the client has accepted the products pursuant to the sale contract and the acceptance terms have been agreed, or the Company has objective evidence that all acceptance criteria have been met.

**f) Segment reporting**

The Company operates in the food segment with the following product lines: biscuits, crackers, pasta, flour, margarine and vegetable fats, cakes, cake mix, packaged toast and snacks. The production and sale of the food products by the Company does not involve measuring operational profits or losses on an individual basis that is regularly reviewed by management, either to support investment decisions or to assess performance separately.

Consequently, considering that all decisions are taken based on consolidated reports and that decisions related to strategic planning, financing, purchases, investments and the application of funds are taken on a consolidated basis, the Company concluded that it has only one segment to report.

**g) Business combination and goodwill**

Business combinations are stated on the acquisition date – i.e. when control is transferred to the Company. Assets acquired and liabilities assumed in a business combination are recognized at their respective fair values on the acquisition date.

The Company measures goodwill on the acquisition date as:

- the fair value of the amount transferred that includes the contingent consideration of the price; plus
- the recognized amount of any NCI interest acquired; plus
- if the acquisition is conducted in stages, fair value of any interest held in the acquired party prior to acquisition; less
- indemnity assets; less
- the net amount (at fair value) of identifiable assets acquired and liabilities undertaken.

After initial recognition, goodwill is measured at cost less any accrued impairment losses.

When the surplus is negative, a gain deriving from the advantageous purchase is immediately recognized in profit or loss for the year.

Transaction costs other than those associated with securities or equity debt issues that the Company incurs under business combinations, are expensed as/when incurred.

**6. Cash and cash equivalents**

Description	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Cash and banks	3,114	3,202	3,122	3,267
Fixed-income marketable securities	791,502	345,110	791,651	345,110
<b>Total</b>	<b>794,616</b>	<b>348,312</b>	<b>794,773</b>	<b>348,377</b>

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

The balance of fixed-income marketable securities, at March 31, 2020, consists exclusively of floating Bank Deposit Certificates (CDB), remunerated by the variation in the CDI - Interbank Deposit Rate at the average rate of 102.62% of the CDI (101.52% at December 31, 2019). These marketable securities are held for immediate trading and used in Company operations.

**7. Trade accounts receivable**

Trade accounts receivable are recognized at the original selling price less discounts awarded, customer credits and estimated losses and are presented as follows:

Breakdown of balances	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Domestic	986,560	1,012,360	986,737	1,012,568
Foreign	31,520	27,112	31,520	27,112
(-) Estimated losses for doubtful accounts	(86,651)	(81,884)	(86,651)	(81,884)
<b>Total</b>	<b>931,429</b>	<b>957,588</b>	<b>931,606</b>	<b>957,796</b>
Current	931,252	957,325	931,429	957,533
Non-current	177	263	177	263

Aging list Description	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Not yet due	876,724	877,762	876,901	877,970
Overdue	141,356	161,710	141,356	161,710
1 to 30 days	47,589	60,135	47,589	60,135
31 to 60 days	4,707	6,223	4,707	6,223
61 to 90 days	6,734	8,040	6,734	8,040
91 to 180 days	9,762	13,529	9,762	13,529
181 to 360 days	19,332	24,665	19,332	24,665
Over 360 days	53,232	49,118	53,232	49,118
<b>Subtotal</b>	<b>1,018,080</b>	<b>1,039,472</b>	<b>1,018,257</b>	<b>1,039,680</b>
(-) Estimated losses for doubtful accounts	(86,651)	(81,884)	(86,651)	(81,884)
<b>Trade accounts receivable</b>	<b>931,429</b>	<b>957,588</b>	<b>931,606</b>	<b>957,796</b>

The Company adopts a hybrid expected and incurred loss model, recording expected losses throughout the life-cycle of trade accounts receivable. The model assesses sales made in a 12-month period and the amount considered uncollectible during this period. From the calculated result, the default rates by receivable range which are applied to the accounts receivables balance.

The changes in the estimated losses for doubtful accounts were as follows:

Change details	Parent	Consolidated
<b>Balance at December 31, 2018</b>	<b>57,885</b>	<b>74,714</b>
Acquisition assets	7,520	-
Estimated losses for the year	27,103	30,658
Write-off	(10,624)	(23,488)
<b>Balance at December 31, 2019</b>	<b>81,884</b>	<b>81,884</b>
Estimated losses for the year	9,282	9,282
Write-off	(4,515)	(4,515)
<b>Balance at March 31, 2020</b>	<b>86,651</b>	<b>86,651</b>

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****8. Inventories**

The cost of inventories is based on average weighted cost and includes all expenses incurred for transportation, storage, non-recoverable taxes and other costs incurred to bring the inventories to their existing locations and conditions. In the case of manufactured, in progress and finished products, the costs include the general factory overhead expenses based on normal operating capacity.

The balances of inventories are presented as follows:

Description	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Finished products	279,525	213,134	279,525	213,134
Work in progress	36,328	25,231	36,328	25,231
Raw materials	427,119	308,026	427,119	308,026
Warehouse and packaging materials	167,664	154,154	167,664	154,154
Auxiliary and maintenance materials	47,047	31,910	47,070	31,934
Imports in transit <sup>(1)</sup>	27,513	61,172	27,513	61,172
Advances to suppliers	1,850	5,417	1,850	5,417
<b>Total</b>	<b>987,046</b>	<b>799,044</b>	<b>987,069</b>	<b>799,068</b>

**Note:** <sup>(1)</sup> These refer to imported wheat and oil.

The Company adopts the policy of evaluating inventory obsolescence, based on the expiry dates of inventory items and the analysis of those items that have not moved for more than 180 days. At March 31, 2020, the Company recorded an impairment loss for inventories of R\$ 9,632 (R\$ 8,533 at December 31, 2019).

The changes in the impairment loss for inventories were as follows:

Change details	Parent and Consolidated
<b>Balance at December 31, 2018</b>	<b>4,885</b>
Estimated losses for the year	3,902
Write-off	(254)
<b>Balance at December 31, 2019</b>	<b>8,533</b>
Estimated losses for the year	1,099
<b>Balance at March 31, 2020</b>	<b>9,632</b>

**9. Taxes recoverable**

Description	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
ICMS (i)	97,108	107,480	97,108	107,480
Income tax and social contribution (ii)	34,341	32,060	34,341	32,060
PIS and Cofins (iii)	192,100	194,606	192,100	194,606
Withholding tax	34,845	4,371	34,846	4,373
IRPJ credit from the PAT incentive (iv)	7,782	7,713	7,782	7,713
Extemporaneous IOF Credits	3,976	3,967	3,976	3,967
IPI on Packaging (v)	44,943	44,836	44,943	44,836
INSS (vi)	37,219	36,136	37,219	36,136
Tax losses	20,290	-	20,290	-
Others	4,693	5,246	4,694	5,246
<b>Total</b>	<b>477,297</b>	<b>436,415</b>	<b>477,299</b>	<b>436,417</b>
Current	203,993	162,535	203,995	162,537
Non-current	273,304	273,880	273,304	273,880

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

The main origins of recoverable taxes are highlighted:

- (i) ICMS: these are substantially of credits from the acquisition of property, plant and equipment, and ICMS reimbursement paid in the form of tax substitution of operations with wheat, net of estimated losses for impairment, in the amount of R\$ 37,851;
- (ii) Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), resulting from the annual adjustment of the corporate income tax return and CSLL 92 - Unappealable decision;
- (iii) Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) credits from overpayment, credits on acquisitions of inputs and extemporaneous credits arising from lawsuits or administrative proceedings, especially for the exclusion of ICMS in the PIS/COFINS calculation basis, in the amount of R\$ 174,351;
- (iv) IRPJ credit from the Workers' Meal Program (PAT);
- (v) IPI credit paid on packaging in the period 1993 to 1998; and
- (vi) INSS credit arising from a partially *res judicata* decision in proceedings (prior notice indemnities and 1/3 vacation payments), in the amount of R\$ 36,136.

**Recognition of tax credits arising from a *res judicata* decision in proceedings seeking the exclusion of ICMS tax from the PIS and COFINS tax base**

In relation to this matter, the Company has nine suits in which *res judicata* decisions were issued between December 2018 and November 2019, three of which were brought by M. Dias Branco S.A. Indústria e Comércio de Alimentos and the remainder by acquired companies.

In 2019, the Company adopted procedures for measuring and recognizing these credits. For the period prior to financial year 2004, the Company has identified no physical or digital documents supporting those credits, as no dedicated digital systems are in place. The Company is therefore seeking alternative methods of measuring credits for those periods.

For the period 2008 to 2013, the Company has identified a number of Merger and Acquisition transactions (the acquisitions of Adria, Vitarella, Pelágio, Santa Lúcia) and significant changes in the regulations applying to those transactions (COTEPE Acts 28/11 and 53/11, ICMS Protocols 184/09, 81/10 and 86/10, etc.), which has required more complex analysis to comprehensively determine the amounts of credits.

Therefore, in the financial year ended December 31, 2019 M. Dias Branco recognized R\$ 174,351 (indexed by the SELIC rate) in credits in connection with Company transactions, based solely on the methodology outlined in COSIT Response to Inquiry No. 13/2018 (issued by the Brazilian Federal Revenue Service), as these amounts are deemed to be incontestably recoverable.

The Company will continue to recognize credits as they are measured for the other periods involved, including by the method established by the Supreme Federal Court, and estimates that the entire process of identifying and recognizing these credits will be completed year of 2020.

The realization of taxes recoverable, recorded in non-current assets, is anticipated as follows:



**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Maturity	Parent and Consolidated
	03/31/2020
2021	170,921
2022	86,334
2023	5,547
2024	2,720
2025 on	7,782
<b>Total</b>	<b>273,304</b>

**10. Investments**

In the parent company's financial statements, the investments in subsidiaries and jointly controlled are valued using the equity method.

Other permanent investments are valued at acquisition cost less any impairment losses, when applicable.

**a. Breakdown of balances**

Description	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Investments in subsidiaries and jointly controlled entities	53,716	54,519	51,177	51,984
Advance for capital subscription	1,816	1,716	-	-
Others	889	889	889	889
<b>Total</b>	<b>56,421</b>	<b>57,124</b>	<b>52,066</b>	<b>52,873</b>

**b. Changes in investments in direct subsidiaries**

Change details	Parent							Consolidated		
	Tergran – Terminal de Grãos de Fortaleza Ltda.	M. Dias Branco Argentina S. A.	M. Dias Branco International Trading LLC	Terminal de Trigo do Rio de Janeiro – Logística S. A	Indústria de Produtos Alimentícios Piraquê S.A.(2)	Others	Total	Terminal de Trigo do Rio de Janeiro – Logística S. A	Others	Total
<b>Balances at December 31, 2018</b>	<b>2,694</b>	<b>2</b>	<b>126</b>	<b>14,873</b>	<b>1,531,350</b>	<b>140</b>	<b>1,549,185</b>	<b>14,873</b>	<b>889</b>	<b>15,762</b>
Equity income <sup>(1)</sup>	(291)	-	-	(889)	15,904	-	14,724	(889)	-	(889)
Unrealized profits on operations with subsidiaries <sup>(1)</sup>	-	-	-	-	(2,810)	-	(2,810)	-	-	-
Depreciation, amortization and write-down of net assets <sup>(1)</sup>	-	-	-	-	(22,625)	-	(22,625)	-	-	-
Acquisition of company share	-	-	-	-	696	-	696	-	-	-
Capital increase	-	-	-	38,000	-	-	38,000	38,000	-	38,000
Advance for capital subscription	1,716	-	-	-	-	-	1,716	-	-	-
Foreign exchange variations	-	(1)	5	-	-	-	4	-	-	-
Acquisition assets	-	-	-	-	(436,651)	749	(435,902)	-	-	-
Transfer of goodwill, negative goodwill on net assets and unrealized profits	-	-	-	-	(1,085,864)	-	(1,085,864)	-	-	-
<b>Balances at December 31, 2019</b>	<b>4,119</b>	<b>1</b>	<b>131</b>	<b>51,984</b>	<b>-</b>	<b>889</b>	<b>57,124</b>	<b>51,984</b>	<b>889</b>	<b>52,873</b>



## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in thousands of Reais, except if stated otherwise)



Change details	Parent							Consolidated		
	Tergran – Terminal de Grãos de Fortaleza Ltda.	M. Dias Branco Argentina S. A.	M. Dias Branco International Trading LLC	Terminal de Trigo do Rio de Janeiro – Logística S. A	Indústria de Produtos Alimentícios Piraquê S.A. <sup>(2)</sup>	Others	Total	Terminal de Trigo do Rio de Janeiro – Logística S. A	Others	Total
Acquisition of company share	(34)	-	-	(807)	-	-	(841)	(807)	-	(807)
Foreign exchange variations	-	-	38	-	-	-	38	-	-	-
Advance for capital subscription	100	-	-	-	-	-	100	-	-	-
<b>Balances at March 31, 2020</b>	<b>4,185</b>	<b>1</b>	<b>169</b>	<b>51,177</b>	<b>-</b>	<b>889</b>	<b>56,421</b>	<b>51,177</b>	<b>889</b>	<b>52,066</b>

**Notes:** <sup>(1)</sup>The equity income recorded in FY 2019 amounted to (R\$ 10,711), where R\$ 14,724 denotes the equity income in subsidiaries, (R\$ 22,625) the amortization of asset goodwill and (R\$ 2,810) the reversal of unrealized profits on subsidiary operations. Equity income recorded in the first quarter of 2020 totaled R\$ (841). <sup>(2)</sup> Indústria de Alimentos Piraquê was merged into the Company on December 27, 2019.

## 11. Investment properties

Investment properties are stated at their historical acquisition costs, less accumulated depreciation and impairment, when applicable. Depreciation is calculated on the depreciable amount of an asset using the straight-line method at established rates, and takes account of the estimated useful life of the assets, thus reflecting the expected pattern of consumption of the future economic benefits embodied in the assets.

The weighted depreciation rate expressing the useful life of assets classified as investment property was 4.61% at March 31, 2020 (1.90% at December 31, 2019).

## a. Changes in investment properties

Change details	Parent and Consolidated		
	Buildings	Land	Total
<b>Balance at December 31, 2018</b>	<b>11,181</b>	<b>11,163</b>	<b>22,344</b>
Addition <sup>(1)</sup>	12,502	27,677	40,179
Disposals <sup>(2)</sup>	-	(1,875)	(1,875)
Depreciation	(5,423)	-	(5,423)
<b>Balance at December 31, 2019</b>	<b>18,260</b>	<b>36,965</b>	<b>55,225</b>
Reclassification	(453)	453	-
Depreciation	(250)	-	(250)
<b>Balance at March 31, 2020</b>	<b>17,557</b>	<b>37,418</b>	<b>54,975</b>

**Notes:** <sup>(1)</sup> Reclassification of property, plant and equipment to investment property;

<sup>(2)</sup> Partial sale of land in Moinho Santa Lúcia.

In 2019, following the decision not to build the proposed manufacturing plant in Juiz de Fora, the land purchased for the plant was transferred to investment property, as well as a property in Recife previously hosting distribution operations that have now been transferred to a new distribution center in Paulista/PE. Our investment properties now comprise six properties in Bahia, Ceará, Pernambuco, Piauí and Minas Gerais.

As of March 31, 2020 and December 31, 2019, while the fair value of these properties was R\$ 112,782, based on appraisal reports issued by independent appraisers.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****12. Property, plant and equipment**

Items of property, plant and equipment are stated at historic purchase or construction cost, less accumulated depreciation and impairment losses, when applicable. Depreciation is calculated on the depreciable values, using the straight-line method at the rates stated which take into consideration the estimated useful lives of the assets, since this method best reflects the standard usage of the future economic benefits of the asset.

The depreciation methods, useful lives and residual values are revised at the end of each financial period, and any adjustments are recognized prospectively.

The weighted depreciation and amortization rates that express the useful lives of property, plant and equipment and the right-of-use assets, respectively, are presented below:

Description	Depreciation rate % (p.a)			
	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Buildings	1.80	1.67	1.80	1.61
Machinery and equipment	6.09	5.94	6.09	5.92
Fixtures and fittings	9.61	9.48	9.61	8.19
Vehicles	6.91	6.88	6.91	6.91
Facilities	5.49	5.72	5.49	5.33
Right-of-use <sup>(1)</sup>	14.33	11.93	14.33	14.73
Others	5.08	4.95	5.08	4.95

**Note:** <sup>(1)</sup> See Note 14.

**a) Changes in property, plant and equipment****Parent**

Cost	Buildings	Machinery and equipment	Fixtures and fittings	Vehicles	Facilities	Assets in progress	Others <sup>(3)</sup>	Total
<b>Balances at December 31, 2018</b>	<b>768,984</b>	<b>2,128,744</b>	<b>82,605</b>	<b>62,941</b>	<b>339,279</b>	<b>524,091</b>	<b>215,423</b>	<b>4,122,067</b>
Additions	2,317	7,830	2,245	565	1,580	271,051	4,298	289,886
Recognition of tax credits	(16,232)	(6,343)	-	-	-	-	-	(22,575)
Acquisition assets	184,440	417,729	10,583	31,191	21,158	39,092	15,451	719,644
Goodwill on assets	91,271	78,397	1,050	(87)	-	-	76,865	247,496
Right-of-use <sup>(1)</sup>	78,219	-	-	7,609	-	-	1,185	87,013
Disposals	(794)	(5,966)	(294)	(2,944)	(32)	(82)	(164)	(10,276)
Transfers	249,518	198,783	6,948	460	29,181	(493,265)	8,375	-
Reclassification <sup>(2)</sup>	(12,432)	-	-	-	(888)	134	(26,860)	(40,046)
<b>Balances at December 31, 2019</b>	<b>1,345,291</b>	<b>2,819,174</b>	<b>103,137</b>	<b>99,735</b>	<b>390,278</b>	<b>341,021</b>	<b>294,573</b>	<b>5,393,209</b>
Additions	424	3,574	959	255	273	48,375	1,038	54,898
Recognition of tax credits	-	(3,007)	-	-	-	-	-	(3,007)
Right-of-use <sup>(1)</sup>	-	-	-	-	-	-	4,699	4,699
Disposals	-	(902)	(213)	(2,202)	2	-	(231)	(3,546)
Transfers	(508)	29,148	633	-	8,433	(39,421)	1,715	-
Reclassification <sup>(2)</sup>	-	(209)	-	-	(287)	-	-	(496)
<b>Balances at March 31, 2020</b>	<b>1,345,207</b>	<b>2,847,778</b>	<b>104,516</b>	<b>97,788</b>	<b>398,699</b>	<b>349,975</b>	<b>301,794</b>	<b>5,445,757</b>

**Notes:** <sup>(1)</sup> See Note 14; <sup>(2)</sup> Reclassification mainly of property, plant and equipment to investment properties R\$ 40,179 in 2019 and to intangible assets R\$ 496 in the first quarter of 2020; <sup>(3)</sup> Refers mainly to land, improvements, computers and peripheral equipment.

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in thousands of Reais, except if stated otherwise)



Depreciation	Buildings	Machinery and equipment	Fixtures and fittings	Vehicles	Facilities	Assets in progress	Others	Total
<b>Balances at December 31, 2018</b>	<b>(204,753)</b>	<b>(1,005,478)</b>	<b>(55,545)</b>	<b>(43,186)</b>	<b>(134,001)</b>	-	<b>(78,719)</b>	<b>(1,521,682)</b>
Depreciation	(13,992)	(107,305)	(5,221)	(2,676)	(18,609)	-	(7,133)	(154,936)
Acquisition assets	(30,139)	(286,311)	(7,195)	(8,861)	(9,129)	-	(8,518)	(350,153)
Goodwill on assets	(4,334)	(13,900)	(202)	73	-	-	(366)	(18,729)
Amortization of the right-of-use <sup>(1)</sup>	(5,833)	-	-	(3,158)	-	-	(1,094)	(10,085)
Disposals	24	3,259	230	2,838	14	-	155	6,520
Transfers	56	12	(33)	-	(7)	-	(28)	-
Reclassification <sup>(2)</sup>	5,106	-	-	-	757	-	(817)	5,046
<b>Balances at December 31, 2019</b>	<b>(253,865)</b>	<b>(1,409,723)</b>	<b>(67,966)</b>	<b>(54,970)</b>	<b>(160,975)</b>	-	<b>(96,520)</b>	<b>(2,044,019)</b>
Depreciation	(5,641)	(38,565)	(2,033)	(774)	(5,117)	-	(2,264)	(54,394)
Amortization of the right-of-use <sup>(1)</sup>	(2,941)	-	-	(2,684)	-	-	(317)	(5,942)
Disposals	-	4	3	2,119	-	-	-	2,126
Transfers	3,100	(3,033)	(123)	(116)	(56)	-	228	-
Reclassification <sup>(2)</sup>	-	17	-	-	287	-	-	304
<b>Balances at December 31, 2019</b>	<b>(259,347)</b>	<b>(1,451,300)</b>	<b>(70,119)</b>	<b>(56,425)</b>	<b>(165,861)</b>	-	<b>(98,873)</b>	<b>(2,101,925)</b>
Net balances								
Balances at December 31, 2019	1,091,426	1,409,451	35,171	44,765	229,303	341,021	198,053	3,349,190
<b>Balances at March 31, 2020</b>	<b>1,085,860</b>	<b>1,396,478</b>	<b>34,397</b>	<b>41,363</b>	<b>232,838</b>	<b>349,975</b>	<b>202,921</b>	<b>3,343,832</b>

Notes: <sup>(1)</sup> See Note 14; <sup>(2)</sup> Reclassification to investment properties R\$ 5,046 in 2019 and to intangible assets R\$ 304 in the first quarter of 2020.

At March 31, 2019, the balance of R\$ 202,921, recorded in "other", refers mainly to land (R\$ 146,785), improvements (R\$ 37,067), computers and peripheral equipment (R\$ 11,877) and other fixed assets (R\$ 7,192).

## Consolidated

Cost	Buildings	Machinery and equipment	Fixtures and fittings	Vehicles	Facilities	Assets in progress	Others <sup>(3)</sup>	Total
<b>Balances at December 31, 2018</b>	<b>1,046,175</b>	<b>2,626,505</b>	<b>93,391</b>	<b>64,284</b>	<b>360,786</b>	<b>531,423</b>	<b>310,371</b>	<b>5,032,935</b>
Additions	3,434	11,802	2,842	565	1,993	303,759	3,557	327,952
Recognition of tax credits	(16,232)	(6,343)	-	-	-	-	-	(22,575)
Right-of-use <sup>(1)</sup>	79,561	-	-	37,408	-	-	2,016	118,985
Disposals	(795)	(6,823)	(2,641)	(2,982)	(33)	(785)	(2,165)	(16,224)
Transfers	249,518	199,028	6,948	460	29,181	(493,510)	8,375	-
Reclassification <sup>(2)</sup>	(12,311)	(2,254)	2,673	-	(890)	134	(27,338)	(39,986)
<b>Balances at December 31, 2019</b>	<b>1,349,350</b>	<b>2,821,915</b>	<b>103,213</b>	<b>99,735</b>	<b>391,037</b>	<b>341,021</b>	<b>294,816</b>	<b>5,401,087</b>
Additions	467	3,789	959	255	449	48,375	1,039	55,333
Recognition of tax credits	-	(3,007)	-	-	-	-	-	(3,007)
Right-of-use <sup>(1)</sup>	-	-	-	-	-	-	4,699	4,699
Disposals	-	(902)	(213)	(2,202)	2	-	(231)	(3,546)
Transfers	(508)	29,147	633	-	8,434	(39,421)	1,715	-
Reclassification <sup>(2)</sup>	-	(209)	-	-	(287)	-	-	(496)
<b>Balances at March 31, 2020</b>	<b>1,349,309</b>	<b>2,850,733</b>	<b>104,592</b>	<b>97,788</b>	<b>399,635</b>	<b>349,975</b>	<b>302,038</b>	<b>5,454,070</b>

Notes: <sup>(1)</sup> See Note 14; <sup>(2)</sup> Reclassification mainly of property, plant and equipment to investment properties R\$ 40,179 and from intangible assets to property, plant and equipment R\$ 134 in 2019 and reclassification to intangible assets R\$ 496 in the first quarter of 2020; <sup>(3)</sup> Refers mainly to land, improvements, computers and peripheral equipment.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Depreciation	Buildings	Machinery and equipment	Fixtures and fittings	Vehicles	Facilities	Assets in progress	Others	Total
<b>Balances at December 31, 2018</b>	<b>(230,145)</b>	<b>(1,274,636)</b>	<b>(62,859)</b>	<b>(44,241)</b>	<b>(142,505)</b>	-	<b>(88,061)</b>	<b>(1,842,447)</b>
Goodwill	(2,600)	(8,389)	(74)	44	-	-	(218)	(11,237)
Depreciation	(22,006)	(137,358)	(4,636)	(1,490)	(19,557)	-	(7,664)	(192,711)
Amortization of the right-of-use <sup>(1)</sup>	(6,893)	-	-	(10,895)	-	-	(1,104)	(18,892)
Disposals	24	6,922	1,257	1,613	14	-	934	10,764
Transfers	56	12	(33)	-	(7)	-	(28)	-
Reclassification <sup>(2)</sup>	5,106	1,368	(1,671)	-	756	-	(513)	5,046
<b>Balances at December 31, 2019</b>	<b>(256,458)</b>	<b>(1,412,081)</b>	<b>(68,016)</b>	<b>(54,969)</b>	<b>(161,299)</b>	-	<b>(96,654)</b>	<b>(2,049,477)</b>
Depreciation	(5,692)	(38,584)	(2,033)	(774)	(5,132)	-	(2,271)	(54,486)
Amortization of the right-of-use <sup>(1)</sup>	(2,941)	-	-	(2,684)	-	-	(317)	(5,942)
Disposals	-	4	3	2,119	-	-	-	2,126
Transfers	3,100	(3,003)	(123)	(116)	(56)	-	228	-
Reclassification <sup>(2)</sup>	-	17	-	-	287	-	-	304
<b>Balances at March 31, 2020</b>	<b>(261,991)</b>	<b>(1,453,677)</b>	<b>(70,169)</b>	<b>(56,424)</b>	<b>(166,200)</b>	-	<b>(99,014)</b>	<b>(2,107,475)</b>
Net balances								
Balances at December 31, 2019	1,092,892	1,409,834	35,197	44,766	229,738	341,021	198,162	3,351,610
<b>Balances at March 31, 2020</b>	<b>1,087,318</b>	<b>1,397,056</b>	<b>34,423</b>	<b>41,364</b>	<b>233,435</b>	<b>349,975</b>	<b>203,024</b>	<b>3,346,595</b>

**Notes:** <sup>(1)</sup> See Note 14; <sup>(2)</sup> Reclassification to investment properties of R\$ 5,046 in 2019 and reclassification to intangible assets R\$ 304 in the first quarter of 2020.

As of March 31, 2020, the balance of R\$ 203,024, recorded in "other", refers mainly to land (R\$ 146,785), improvements (R\$ 37,067) and computers and peripheral equipment (R\$ 11,984) and other fixed assets (R\$ 7,188).

Depreciation recognized in the consolidated statement of income at March 31, 2020 amounted to R\$ 56,021 (R\$ 48,541 at March 31, 2019).

**b) Improvements to leased properties**

The Company has lease contracts for port areas where three manufacturing plants are installed, located in the cities of Cabedelo (PB), Fortaleza (CE) and Natal (RN). Improvements are made to the real estate, and the costs are amortized over the shorter of the lease contract period and the useful life of the asset. The balance as of March 31, 2020 totaled R\$ 37,344.

A detailed description of assets classified as improvements to third-party property is provided below:

Description	Parent and Consolidated	
	03/31/2020	12/31/2019
Improvements to buildings	73,796	73,218
Accumulated depreciation	(36,452)	(35,588)
<b>Total</b>	<b>37,344</b>	<b>37,630</b>

**c) Guarantees**

At March 31, 2020, the value of assets securing various operations amounted to R\$ 686,856 (R\$ 939,135 at December 31, 2019), excluding accumulated depreciation.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****d) Costs of borrowings**

The costs of borrowings capitalized at March 31, 2020 amounted to R\$ 139 (R\$ 139 at March 31, 2019). The average rate used for capitalization was 5.44% (5.44% at March 31, 2019).

**e) Impairment testing of assets**

The Company's property, plant and equipment are subject to impairment tests to ensure that the carrying amounts do not exceed the recoverable values. Based on an analysis of external and internal information, it was concluded that the assets do not present any indications of impairment, devaluation or physical damage that could affect the Company's future cash flows.

**13. Intangible assets**

Intangible assets are valued at acquisition cost, less accumulated amortization and impairment losses, when applicable. If the intangible assets are acquired in a business combination, they are stated at fair value on the acquisition date.

The Company's intangible assets comprise:

Description	Parent and Consolidated	
	03/31/2020	12/31/2019
<b>Assets with defined useful life</b>		
Software	89,148	88,730
Software in progress <sup>(1)</sup>	28,012	26,841
(-) Accumulated amortization	(51,093)	(48,321)
	66,067	67,250
<b>Other Intangible assets</b>		
Non-contractual relationship with customers	163,245	166,214
Non-competition agreements	638	690
	163,883	166,904
<b>Assets with indefinite useful life</b>		
<b>Brands</b>		
Vitarella	107,011	107,011
Pilar	33,815	33,815
Estrela, Pelágio and Salsito	75,559	75,559
Predilieto and Bonsabor	11,530	11,530
Piraquê and Aldente	318,510	318,510
(-) Estimated losses for impairment of assets <sup>(2)</sup>	(7,699)	(7,699)
Others	5,121	5,121
	543,847	543,847
<b>Goodwill</b>		
Adria Alimentos do Brasil Ltda.	34,037	34,037
Vitarella	400,710	400,710
Pilar	27,941	27,941
Pelágio and J. Brandão	67,661	67,661
Moinho Santa Lúcia	42,363	42,363
Piraquê	362,316	362,316
Others <sup>(3)</sup>	9,384	9,384
	944,412	944,412
	1,718,209	1,722,413

**Notes:** <sup>(1)</sup> The software implementation projects in progress have an estimated time for completion by 2020; <sup>(2)</sup> Provision for impairment of the Predilieto brand; <sup>(3)</sup> Goodwill arising from the net worth of the company Craiova Participações Ltda., incorporated in Adria Alimentos do Brasil Ltda. on August 27, 2002.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Software is amortized over a period of five years, with the exception of the ERP system, which is amortized over ten years, which is the period defined as the estimated useful life of the asset and which reflects the economic benefit of the intangible asset. The non-contractual relationship with customers and non-competition agreements, assets identified in the process of allocating the acquisition price of Piraquê, have a defined useful life of 15.6 years and 5 years, respectively. Assets are amortized using the straight-line method over their estimated useful life.

The goodwill paid for future profitability is not amortized and its recoverable value, at minimum, is tested annually.

**a) Changes in intangible assets****Parent**

Change details	Software	Brands	Non-contractual customers relationship	Non-competition agreement	Goodwill	Total
<b>Balances at December 31, 2018</b>	<b>63,324</b>	<b>225,288</b>	<b>-</b>	<b>-</b>	<b>582,096</b>	<b>870,708</b>
Additions <sup>(1)</sup>	13,715	49	-	-	-	13,764
Acquisition assets	471	-	-	-	-	471
Goodwill	-	318,510	166,214	690	362,316	847,730
Disposals	(58)	-	-	-	-	(58)
Reclassification <sup>(2)</sup>	(134)	-	-	-	-	(134)
Amortizations	(10,068)	-	-	-	-	(10,068)
<b>Balances at December 31, 2019</b>	<b>67,250</b>	<b>543,847</b>	<b>166,214</b>	<b>690</b>	<b>944,412</b>	<b>1,722,413</b>
Additions <sup>(1)</sup>	1,379	-	-	-	-	1,379
Reclassification <sup>(2)</sup>	193	-	-	-	-	193
Amortizations	(2,755)	-	(2,969)	(52)	-	(5,776)
<b>Balances at March 31, 2020</b>	<b>66,067</b>	<b>543,847</b>	<b>163,245</b>	<b>638</b>	<b>944,412</b>	<b>1,718,209</b>

**Notes:** <sup>(1)</sup> This primarily involves ADP projects - payroll R\$ 5,293, HCM - human capital management R\$ 4,833 and other projects R\$ 2,606 in 2019 and HCM - human capital management R\$ 579; ADP - payroll R\$ 159 and Automation of incoming invoices R\$ 292 in the first quarter of 2020;

<sup>(2)</sup> Reclassification to property, plant and equipment R\$ 134 in 2019 and reclassification from property, plant and equipment to intangible assets R\$ 193 in the first quarter of 2020.

**Consolidated**

Change details	Software	Brands	Non-contractual customers relationship	Non-competition agreement	Goodwill	Total
<b>Balances at December 31, 2018</b>	<b>63,625</b>	<b>543,798</b>	<b>178,038</b>	<b>897</b>	<b>943,716</b>	<b>1,730,074</b>
Business Combination-Piraquê	-	-	-	-	696	696
Goodwill amortizations	-	-	(11,824)	(207)	-	(12,031)
Additions	14,164	49	-	-	-	14,213
Disposals	(57)	-	-	-	-	(57)
Reclassification	(134)	-	-	-	-	(134)
Amortizations	(10,348)	-	-	-	-	(10,348)
<b>Balances at December 31, 2019</b>	<b>67,250</b>	<b>543,847</b>	<b>166,214</b>	<b>690</b>	<b>944,412</b>	<b>1,722,413</b>
Additions	1,379	-	-	-	-	1,379
Reclassification	193	-	-	-	-	193
Amortizations	(2,755)	-	(2,969)	(52)	-	(5,776)
<b>Balances at March 31, 2020</b>	<b>66,067</b>	<b>543,847</b>	<b>163,245</b>	<b>638</b>	<b>944,412</b>	<b>1,718,209</b>

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

The Company expensed research and development costs of R\$ 2,832 for the period ended on March 31, 2020 (R\$ 2,601 at March 31, 2019).

**b) Impairment testing of goodwill and brands**

The Company carries out impairment testing on its indefinite-lived intangible assets every year, or when it identifies evidence of impairment. At December 31, 2019, the Company realized impairment testing of the carrying values of goodwill and brands registered as intangible assets, based on value-in-use, and it did not result in the need to recognize impairment, because the carrying value of these assets did not exceed their estimated value-in-use.

The Company believes there are no signs of asset impairment for the period ended March 31, 2020.

**14. Leases**

The Company recognizes the right of use of the leased asset and the liability for future payments for lease contracts and for contracts of a leasing nature, i.e. those that convey the right to control the use of an identified asset and obtain the benefits for a period of time in exchange for consideration.

The recognized assets and liabilities are initially measured at present value. Lease assets are measured at the net present value of the remaining payments, discounted at the incremental rate on loans, grouped by general nature of asset and contractual term. Right-of-use assets are measured at cost according to the value of the initial measurement of the lease liability and depreciated over the lease term by the straight-line method.

The Company maintains assets and liabilities arising from lease agreements for port areas where three plants are installed, as specified in Note 12, letter b, property rental agreements, printers and vehicle rental.

See below the initial measurement of the assets and liabilities and changes in the period ended March 31, 2020:

**a) Right-of-use**

Parent	Properties <sup>(1)</sup>	Vehicles	Computers and Peripherals	Total
<b>Initial recognition on January 1, 2019</b>	<b>33,324</b>	<b>7,119</b>	<b>2,027</b>	<b>42,470</b>
Additions	45,090	-	-	45,090
Acquisition assets	282	22,062	822	23,166
Agreements adjustment	(195)	489	(842)	(548)
Amortization	(5,833)	(3,158)	(1,094)	(10,085)
<b>Balances as of December 31, 2019</b>	<b>72,668</b>	<b>26,512</b>	<b>913</b>	<b>100,093</b>
Additions	-	-	4,699	4,699
Amortization	(2,941)	(2,684)	(317)	(5,942)
<b>Balances as of March 31, 2020</b>	<b>69,727</b>	<b>23,828</b>	<b>5,295</b>	<b>98,850</b>

**Note:** <sup>(1)</sup> Initial recognition considers the balance of deferred expenses at December 31, 2018 for prepayment of the lease contract in the amount of R\$ 2,667.



**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Consolidated	Properties <sup>(1)</sup>	Vehicles	Computers and Peripherals	Total
<b>Initial recognition on January 1, 2019</b>	<b>34,617</b>	<b>36,550</b>	<b>2,829</b>	<b>73,996</b>
Additions	45,090	369	-	45,459
Agreements adjustment	(146)	488	(813)	(471)
Amortization	(6,893)	(10,895)	(1,103)	(18,891)
<b>Balances as of December 31, 2019</b>	<b>72,668</b>	<b>26,512</b>	<b>913</b>	<b>100,093</b>
Additions	-	-	4,699	4,699
Amortization	(2,941)	(2,684)	(317)	(5,942)
<b>Balances as of March 31, 2020</b>	<b>69,727</b>	<b>23,828</b>	<b>5,295</b>	<b>98,850</b>

**Note <sup>(1)</sup>:** Initial recognition considers the balance of deferred expenses at December 31, 2018 for prepayment of the lease contract in the amount of R\$ 2,667.

The average discount rates used in initial measurement, based on quotes provided by financial institutions, the contract expiration dates and the relevant weighted amortization rates expressing the timing of the realization of rights-of-use, are as follows:

Nature of contracts	Average discount rate	Maturity <sup>(1)</sup>	Amortization rate
			Parent and Consolidated
Port properties	<b>12.27%</b>	May/32	<b>8.02%</b>
Properties	<b>11.53%</b>	Aug/29	<b>14.89%</b>
Vehicles	<b>10.15%</b>	May/23	<b>26.42%</b>
Printer	<b>7.57%</b>	Feb/25	<b>21.29%</b>

**Note:** <sup>(1)</sup> Considered the last maturity of the group of contracts.

**b) Lease liability**

Change details	Parent	Consolidated
<b>Initial recognition on January 1, 2019</b>	<b>39,803</b>	<b>71,329</b>
Additions	45,090	45,459
Acquisition assets	24,221	-
Disposals	(547)	(409)
Interest	5,640	8,307
Payments	(12,228)	(22,707)
<b>Balances as of December 31, 2019</b>	<b>101,979</b>	<b>101,979</b>
Additions	4,699	4,699
Interest	2,734	2,734
Payments	(6,604)	(6,604)
<b>Balances as of March 31, 2020</b>	<b>102,808</b>	<b>102,808</b>
<b>Current</b>	<b>16,221</b>	<b>16,221</b>
<b>Non-current</b>	<b>86,587</b>	<b>86,587</b>

The amounts recorded as non-current liabilities at March 31, 2020 mature as follows:



**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Maturity	Parent and Consolidated
2021	<b>14,655</b>
2022	<b>19,417</b>
2023	<b>13,215</b>
2024	<b>11,436</b>
2025 to 2032	<b>27,864</b>
<b>Total</b>	<b>86,587</b>

**c) Amounts recognized in profit or loss**

Change details	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Amortization of rights-of-use	<b>5,942</b>	10,085	<b>5,942</b>	18,891
Interest on lease liabilities	<b>2,734</b>	5,640	<b>2,734</b>	8,307
Payments not included in the measurement of lease liabilities	<b>574</b>	1,435	<b>574</b>	1,510

**14.1 CVM/SNC/SEP/Official Circular No. 02/2019**

On December 18, 2019 the Brazilian Securities Commission (CVM) issued CVM/SNC/SEP/Official Circular No. 02/2019 containing guidance on requirements contained in CPC 06 (R2) – IFRS 16 that are applicable to the preparation of the financial statements of lessees for the financial year ended December 31, 2019.

In compliance with the above Circular, the Company is presenting comparative balances of lease liabilities, rights-of-use, finance expense and depreciation expense taking account of the effect of projected future inflation on cash flows under the lease contracts, discounted at the nominal rate:

March 31, 2020														
Consolidated														
	03/31/2020	Apr to Dec 2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Liability</b>														
IFRS 16	102,808	90,865	71,615	52,193	38,972	27,530	23,428	19,031	14,121	9,537	5,920	3,669	1,142	-
CVM Official	117,113	106,122	86,105	65,006	50,317	37,127	32,322	26,867	20,448	14,210	9,094	5,741	1,819	-
	13.9%	16.8%	20.2%	24.5%	29.1%	34.9%	38.0%	41.2%	44.8%	49.0%	53.6%	56.4%	59.2%	-
<b>Right-of-use</b>														
IFRS 16	98,851	82,216	61,717	43,090	31,567	22,428	18,222	14,151	10,085	6,556	3,912	2,287	661	-
CVM Official	111,959	93,649	70,958	50,192	37,128	26,753	21,779	16,955	12,136	7,937	4,770	2,787	805	-
	13.3%	13.9%	15.0%	16.5%	17.6%	19.3%	19.5%	19.8%	20.3%	21.1%	21.9%	21.9%	21.8%	-
<b>Financial expense</b>														
IFRS 16	2,734	7,699	8,833	6,793	5,126	3,682	2,911	2,439	1,918	1,373	884	571	295	33
CVM Official	3,142	8,937	10,476	8,315	6,495	4,859	3,970	3,402	2,739	2,014	1,336	884	464	53
	14.9%	16.1%	18.6%	22.4%	26.7%	32.0%	36.4%	39.5%	42.8%	46.6%	51.1%	54.8%	57.5%	59.5%

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

	March 31, 2020													
	Consolidated													
<b>Amortization</b>														
IFRS 16	5,942	16,635	20,499	18,627	11,522	9,139	4,206	4,071	4,066	3,529	2,644	1,626	1,626	661
CVM	6,506	18,309	22,691	20,710	13,063	10,432	4,974	4,825	4,819	4,198	3,168	1,982	1,982	805
Official														
	9.5%	10.1%	10.7%	11.2%	13.4%	14.1%	18.2%	18.5%	18.5%	19.0%	19.8%	21.9%	21.9%	21.8%

A statement of potentially recoverable PIS/COFINS tax credits embedded in the lease consideration over the relevant payment periods is presented below:

Cash flow	03/31/2020		12/31/2019	
	Par value	Adjusted to present value	Par value	Adjusted to present value
Consideration for the lease	145,765	102,808	146,743	101,979
Potential PIS/ COFINS (9.25%)	13,483	9,510	13,574	9,433

**15. Related-party transactions**

Related-party transactions principally originate from transactions between the Company and its subsidiaries, key management professionals and other parties related directly or indirectly to the controlling shareholder. These operations were carried out under market conditions that were satisfactory for the Company's interests, taking into consideration management's analysis of each operation.

The Company's controlling shareholder is DIBRA Fundo de Investimentos em Participações.

Presented below is a list of related companies with which the Company carries out transactions:

Related parties	Nature of the transactions
<b>Subsidiaries <sup>(1)</sup></b>	
M. Dias Branco International Trading LLC	Purchase of raw materials, but no transactions during the period
M. Dias Branco International Trading Uruguay S. A.	Purchase of raw materials, but no transactions during the period
M. Dias Branco Argentina S. A.	Not operating and in the process of being liquidated
Indústria de Produtos Alimentícios Piraquê S.A	Purchase and sale of industrialized products, however the Company was taken over on December 27, 2019.
<b>Jointly controlled</b>	
Tergran – Terminal de Grãos de Fortaleza Ltda.	Services related to unloading wheat
Terminal de Trigo do Rio de Janeiro - Logística S.A.	Provision of raw material unloading services and other services.
<b>Companies whose controller is the Company's chairman of the board of directors</b>	
Dias Branco Administração e Participação Ltda. <sup>(2)</sup>	Rent of property
Idibra Participações S. A.	Civil constructions
Praia Centro Hotel Viagens e Turismo Ltda.	Services related to accommodation for employees and other professionals
Terminal Portuário Cotegipe S. A.	Services related to unloading wheat and other services
Companhia Industrial de Cimento Apodi	Purchase of materials used in civil works

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Related parties	Nature of the transactions
<b>Companies in which the Company's president or vice presidents are registered as the partners</b>	
LDB Transporte de Cargas Ltda.	Cargo transport
LDB Logística e Transporte Ltda.	Cargo transport
AET – Engenharia e Soluções Tecnológicas Avançadas Ltda.	Equipment installation and maintenance services rendered
<b>Companies in which the Company's vice presidents are registered as shareholders</b>	
Coemdiبرا – Cooperativa de Empregados do M. Dias Branco	Purchase of consumer materials

**Notes:** <sup>(1)</sup> The percentage equity interest is disclosed in Note 5; <sup>(2)</sup> Cancellation made in August 2019 with Dias Branco Administração e Participação Ltda.

The following companies are related to the controlling shareholder or to the vice presidents and meet the criteria of CPC 05, and are also considered related parties. However, the Company does not carry out any transactions with them: IWS Construções Ltda., IMC Intermediação e Administração de Negócios Ltda., Apodi Transporte e Locação Ltda., Apodi Distribuição e Logística Ltda., Hotel Praia Mar Ltda., Aquiraz Investimentos Turísticos S. A., Colemont Seg Consultoria, Gerência de Riscos e Corretagem de Seguros S. A., CDB Participações Ltda-EPP, Praia do Futuro Empreendimentos Imobiliários Ltda., Equatorial Participações e Negócios S. A., Dias Branco Incorporadora SPE 001 Ltda., Dias Branco Incorporadora SPE 002 Ltda., Dias Branco Incorporadora SPE 003 Ltda., Dias Branco Incorporadora SPE 004 Ltda., Dias Branco Incorporadora SPE 005 Ltda., Dias Branco Incorporadora SPE 006 Ltda., Dias Branco Empreendimentos Imobiliários Ltda SPE 006 S/A., Ponta da Praia Empreendimentos Imobiliários SPE 001 Ltda.; Rio Douro Consultoria Empresarial Ltda., Aquiraz Golf Clubs Administração e Comércio Ltda., Lago das Praias Belas Empreendimentos Imobiliários Ltda, Aveiro Multimercado FD Invest Credito Privado Investimento Exterior, Águas Claras Participações Ltda., Bronze Administração e Participações S/A., Ouro Administração e Participações S/A., Prata Administração e Participações S/A., Platina Administração e Participações S/A., Titânio Administração, Participações S/A, Apodi Concreto Ltda and IDB Condominium Incorporações SPE Ltda.

**a) Terms of the transactions with the main related parties**

Related-party transactions are realized under conditions satisfactory for the Company, and the prices charged vary depending on the type of service provided and the products sold.

In the case of transactions with Piraquê until incorporation, the purchase and sale were made with a DSO of 30 days. Tergran is paid upon submission of the invoice, as is the case with all other related-party transactions.

**b) Assets and liabilities with the related parties are presented below:**

Description	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
<b>Assets</b>				
<b>Current</b>				
<b>Accounts receivable</b>				
Coemdiبرا – Cooperativa de Empregados do M. Dias Branco	50	31	50	31
LDB Logística e Transporte Ltda.	23	3	23	3
LDB Transporte de Cargas Ltda.	2	23	2	23
Praia Centro Hotéis, Viagens e Turismo Ltda.	-	1	-	1
	<b>75</b>	<b>58</b>	<b>75</b>	<b>58</b>

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Description	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
<b>Liabilities</b>				
<b>Current</b>				
<b>Suppliers</b>				
LDB Transporte de Cargas Ltda.	581	203	581	203
LDB Logística e Transporte Ltda.	525	142	525	142
AET – Engenharia e Soluções Tecnológicas Avançadas Ltda.	51	91	51	91
Terminal Portuário Cotegipe S. A.	-	1,018	-	1,018
Idibra Participações S. A.	11	513	11	513
Coemdíbra – Cooperativa de Empregados do M. Dias Branco	1	1	1	1
Tergran – Terminal de Grãos de Fortaleza Ltda.	359	769	-	-
	<b>1,528</b>	<b>2,737</b>	<b>1,169</b>	<b>1,968</b>
<b>Other accounts payable</b>				
Tergran – Terminal de Grãos de Fortaleza Ltda.	1,188	1,188	-	-
	<b>1,188</b>	<b>1,188</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>				
<b>Accounts payable</b>				
M.Dias Branco Trading LLC	3	3	-	-
Terminal Portuário Cotegipe S. A.	1,238	1,238	1,238	1,238
	<b>1,241</b>	<b>1,241</b>	<b>1,238</b>	<b>1,238</b>

**c) Transactions carried out with related parties are presented below:**

Description	Parent		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
<b>Sale of products</b>				
AET – Engenharia e Soluções Tecnológicas Avançadas Ltda.	-	1	-	1
Terminal Portuário Cotegipe S. A.	3	2	3	2
Coemdíbra – Cooperativa de Empregados do M. Dias Branco	145	134	145	134
LDB Transporte de Cargas Ltda.	3	3	3	3
LDB Logística e Transporte Ltda.	9	4	9	4
Praia Centro Hotéis, Viagens e Turismo Ltda.	5	5	5	5
Indústria de Produtos Alimentícios Piraquê S.A	-	1,049	-	-
	<b>165</b>	<b>1,198</b>	<b>165</b>	<b>149</b>
<b>Purchase of products</b>				
Indústria de Produtos Alimentícios Piraquê S.A	-	5,354	-	-
	<b>-</b>	<b>5,354</b>	<b>-</b>	<b>-</b>
<b>Sale of fixed assets / other</b>				
Coemdíbra – Cooperativa de Empregados do M. Dias Branco	1	1	1	1
Terminal Portuário Cotegipe S. A.	-	1	-	1
Dias Branco Administração e Participações Ltda.	13	-	13	-
LDB Transporte de Cargas Ltda.	1	-	1	-
Indústria de Produtos Alimentícios Piraquê S.A	-	124	-	-
	<b>15</b>	<b>126</b>	<b>15</b>	<b>2</b>
<b>Purchase of fixed assets / others</b>				
Coemdíbra – Cooperativa de Empregados do M. Dias Branco	35	34	35	34
AET – Engenharia e Soluções Tecnológicas Avançadas Ltda.	414	-	414	-
Dias Branco Administração e Participações Ltda.	-	3	-	3
	<b>449</b>	<b>37</b>	<b>449</b>	<b>37</b>

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Description	Parent		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
<b>Hiring of services</b>				
LDB Transporte de Cargas Ltda.	<b>3,478</b>	3,823	<b>3,478</b>	3,823
LDB Logística e Transporte Ltda.	<b>3,313</b>	2,575	<b>3,313</b>	2,575
Terminal Portuário Cotegipe S. A.	<b>2,608</b>	1,357	<b>2,608</b>	1,357
Tergran – Terminal de Grãos de Fortaleza Ltda.	<b>1,688</b>	1,535	<b>1,688</b>	-
Praia Centro Hotéis, Viagens e Turismo Ltda.	<b>735</b>	749	<b>735</b>	749
Idibra Participações S. A.	<b>224</b>	121	<b>224</b>	121
AET – Engenharia e Soluções Tecnológicas Avançadas Ltda.	<b>857</b>	595	<b>857</b>	595
Indústria de Produtos Alimentícios Piraquê S.A	-	4	-	-
	<b>12,903</b>	10,759	<b>12,903</b>	9,220

**Other matters**

The Company is a lender in loan agreements for a property with Dias Branco Administração e Participações Ltda. and movable assets with Idibra Participações S.A., and tenant of movable assets with Idibra Participações S.A.

As regards the submission of security for the Company's loan agreements in force, Mrs. Maria Consuelo Saraiva Leão Dias Branco, the Chairperson of the Board of Directors, is the guarantor for most loans. A number of statutory officers also appear as guarantors in some of these loans in conjunction with Mrs. Maria Consuelo.

As at March 31, 2020, the guaranteed balance for consolidated financing was R\$ 368,417 (R\$ 414,914 at December 31, 2019).

**Remuneration paid to key management personnel**

Key management personnel are considered to be members of the statutory board of directors and the independent members of the Company's Board of Directors and advisory committees to the board of directors.

On March 31, 2019 the Company recognized R\$ 4,515 (R\$ 3,742 at March 31, 2019) in compensation for key management personnel, including salaries, management fees, bonuses, short-term benefits and, in particular, profit sharing, where applicable. It should be noted that the amount of management fees evidenced in Note 27 refers only to direct remuneration, comprising items such as salaries, fees and bonuses. Thus, variable remuneration and benefits granted to key management personnel have not been included in the management fees.

Following the amendment of the Company's share-based payment plan, as approved at an Extraordinary General Meeting held on December 27, 2019, all statutory directors hired under the Consolidated Labor Regulations as from 2019 are deemed potential plan beneficiaries. For further information see Note 25.

The Company's bylaws do not provide for Management to receive profit shares, and, no amount has therefore been recorded for profit sharing for the periods ended March 31, 2020 and 2019.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****16. Financing and borrowings**

The financing and borrowings of the Company are monetarily restated, when applicable, for the related contractual charges, and any financing subject to foreign exchange variation is restated using the respective selling exchange rate in force on the last business day of the period.

Financing and borrowings recorded at March 31, 2020 in the amount of R\$ 1,567,367 (R\$ 979,677 at December 31, 2019) are distributed between three categories, as follows: financing and borrowings with financial institutions, financing for taxes and direct financing.

**16.1 Financing and borrowings with financial institutions**

Description	Index	Interest (p.a.)	Parent and Consolidated		
			Due date <sup>(1)</sup>	03/31/2020	12/31/2019
Domestic currency					
BNDES-FINAME	TJLP	2.17	08/15/24	17,265	18,281
BNDES-PSI <sup>(2)</sup>	R\$	2.98	01/15/24	97,182	105,607
BNDES-FINEM	IPCA	8.65	08/15/24	51,228	49,456
BNDES-PROGEREN	IPCA	6.28	10/15/22	59,396	57,653
FINIMP	CDI	3.80	03/22/21	37,099	-
				262,170	230,997
Foreign currency					
Financing for imported supplies (FINIMP and Working capital (Law 4,131))	USD	1.90	03/31/21	885,601	365,248
Working capital (Law 4,131)	EUR	0.18	05/07/20	169,402	133,943
				1,055,003	499,191
Total				1,317,173	730,188
Current liabilities				1,163,147	568,677
Non-current liabilities				154,026	161,511

**Notes:** <sup>(1)</sup> Final maturity for the group of contracts; <sup>(2)</sup> Contracts signed for the purchase of fixed assets.

The grace period for the contracts signed involving resources from the National Bank for Economic and Social Development (BNDES) and Bank of the Northeast - Program for Support of the Development of Agriculture in the Northeast (BNB - FNE) is between 12 and 36 months. In most of the contracts, the interest is paid quarterly during the grace period and after this period has lapsed, the payments are made monthly, except in some direct operations with BNDES in which the principal sum and interest are paid annually. The financing for importing supplies falls due semi-annually and/or annually for the principal and interest.

See below the changes in loans and financing:

Change details	Parent	Consolidated
<b>Balance at December 31, 2018</b>	<b>783,394</b>	<b>1,002,239</b>
Release	392,104	392,104
Acquisition assets	163,421	-
Provision for interest, commission and tax	28,061	40,471
Exchange and monetary variation	29,155	33,947
Amortizations	(602,205)	(656,974)
Interest payment	(63,742)	(81,599)
<b>Balance at December 31, 2019</b>	<b>730,188</b>	<b>730,188</b>

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Change details	Parent	Consolidated
Release	641,249	641,249
Provision for interest, commission and tax	7,181	7,181
Exchange and monetary variation	147,815	147,815
Amortizations	(167,065)	(167,065)
Interest payment	(42,195)	(42,195)
<b>Balance at March 31, 2020</b>	<b>1,317,173</b>	<b>1,317,173</b>

The amounts recorded in non-current liabilities at March 31, 2020 mature as follows:

Maturity	Parent and Consolidated
2021	56,621
2022	61,441
2023	25,333
2024	10,631
<b>Total</b>	<b>154,026</b>

The consolidated financing and borrowings are secured by real estate mortgage, bank guarantee, promissory notes (see Note 15) and/or chattel mortgages over the assets financed, in the amount of R\$ 1,317,173 (R\$ 730,188 at December 31, 2019).

The credit contracts for importing supplies, external financing, financing through credit facilities from BNDES and FNE are subject to covenants, common for these types of operations. Non-compliance with these covenants could result in the early maturity of these operations.

These covenants, amongst other conditions, restrict the Company's autonomy in the case of any alterations to its corporate structure. It is not possible to alter the capital structure or implement the takeover, spin-off or merger of the Company, directly or indirectly transfer or assign its controlling interest, without the prior express consent of the creditor financial institutions. The contracts determine that the Company does not have: (i) legal protests, (ii) pending actions, demands or processes, or any that are in the process of being filed, which, if decided against the Company, would have an adverse effect on its financial position, or which could affect its ability to fulfill the contractual terms; and also require that any transfer or assignment of rights or obligations arising from the contract be approved by the financial institution and by the Government Agency for Machinery and Equipment Financing (FINAME). In addition to the above-mentioned clauses (i) certain ratio percentages should be preserved during the contract's lifetime: Net Indebtedness / Ebitda and Shareholders' Equity / Total Liabilities and (ii) maintenance of staff members as shown in a financing project. As of March 31, 2020, the Company was in compliance with all covenants in its contracts.

**16.2 Tax financing - PROVIN**

The Company is the beneficiary of investment subsidies from the government, as explained in Note 21. The financing classified here denotes the non-incentive portion of the taxes and is based on monthly ICMS due.

Tax financing payments (Provin) are restated monthly by the TJPL rate and can mature every two or three years. The tax financing balances as of March 31, 2020 amounted to R\$ 9,598 (R\$ 10,661 as of December 31, 2019).

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

The amounts recorded in non-current liabilities at March 31, 2020 mature as follows:

<b>Maturity</b>	<b>Parent and Consolidated</b>
2021	<b>2,903</b>
2022	<b>2,490</b>
2023	<b>127</b>
<b>Total</b>	<b>5,520</b>

The Provin financing are guaranteed by promissory notes.

**16.3 Direct financing - Acquisition of Companies**

<b>Description</b>	<b>Parent and Consolidated</b>	
	<b>03/31/2020</b>	<b>12/31/2019</b>
<b>Current liabilities</b>		
Shares in Pelágio	<b>2,483</b>	2,609
Shares in Pilar	<b>2,196</b>	2,206
Quotas in Moinho Santa Lúcia	<b>7</b>	7
Quotas in Piraquê	<b>29,247</b>	29,358
	<b>33,933</b>	34,180
<b>Non-current liabilities</b>		
Shares in Pelágio	<b>2,473</b>	2,462
Shares in Piraquê	<b>204,190</b>	202,186
	<b>206,663</b>	204,648
<b>Total</b>	<b>240,596</b>	238,828
Current	<b>33,933</b>	34,180
Non-current	<b>206,663</b>	204,648

The direct financing is composed of retained portions of the acquisition price to guarantee any contingencies that may arise, at the rate equivalent to 100% of the CDI variation, and for the quota of the contingent price in the acquisition of Piraquê.

The amount of R\$ 233,437 related to the acquisition of Piraquê is composed of:

- i) retained quota of the price in the amount of R\$ 167,398, which will be settled in 5 installments, maturing on 05/16/2020, 05/16/2021, 05/16/2022, 05/16/2023 and 12/31/2023, discounted from the paid contingencies of the seller responsibilities;
- ii) a contingent portion of the acquisition price, in the amount of R\$ 66,039, arising from the expected realization of tax credits payable to sellers, which will be paid as they are converted into income in favor of Piraquê or set off, as stated in Note 3. During 2018 and 2019, R\$ 9,098 was settled of the total recognized contingent price (R\$ 75,137).

**17. Financial instruments and risk management**

The Company classifies its non-derivative financial assets in the following categories, depending on the purpose for which they were acquired or contracted: (i) measured at amortized cost and (ii) at fair value through profit or loss. The Company does not maintain



**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

financial instruments classified at fair value through other comprehensive income. Non-derivative financial liabilities are measured at amortized cost using the effective interest rate method, when applicable.

The Company has derivative financial instruments to hedge its exposure to foreign currency risk and interest rate variations in financing contracts for inputs (wheat and oil) and working capital. Derivative financial instruments are stated at fair value and are presented as financial assets when the instrument's fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives during the period are recorded directly in profit or loss.

All financial instruments are recognized in the accounting records and are restricted to cash and cash equivalents, short-term investments, trade accounts receivable, other receivables, borrowings, leases, financing, trade payables, accounts payable and swap contracts.

These instruments are managed by means of operational strategies, aimed at ensuring liquidity, profitability and security. The control policy consists of permanently accompanying the rates contracted compared to the market rates.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****a) Financial instruments by category and disclosure of fair value**

Description	Index	Parent				Consolidated			
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
		03/31/2020	03/31/2020	12/31/2019	12/31/2019	03/31/2020	03/31/2020	12/31/2019	12/31/2019
Financial assets									
Financial assets measured at amortized cost									
Cash and cash equivalents		794,616	794,616	348,312	348,312	794,773	794,773	348,377	348,377
Trade accounts receivable		931,429	931,429	957,588	957,588	931,606	931,606	957,796	957,796
Other receivables		21,595	21,595	21,526	21,526	22,142	22,142	22,121	22,121
Financial investments		20,141	20,136	20,174	20,179	20,141	20,136	20,174	20,179
Financial assets measured at fair value									
Derivative financial instruments (swap contracts)		91,727	91,727	7,963	7,963	91,727	91,727	7,963	7,963
Financial liabilities									
Financial liabilities stated at amortized cost									
Trade payables		122,968	122,968	149,219	149,219	123,052	123,052	149,044	149,044
Financing with financial institutions		1,317,173	1,310,921	730,188	746,651	1,317,173	1,310,921	730,188	746,651
Transfer operations – BNDES	TJLP	17,265	17,265	18,281	18,281	17,265	17,265	18,281	18,281
BNDES PSI-Pré	Fixed-rate	97,182	93,202	105,607	101,658	97,182	93,202	105,607	101,658
BNDES – FINEM (Working capital)	IPCA	51,228	52,372	49,456	53,069	51,228	52,372	49,456	53,069
BNDES PROGEREN (Working capital)	IPCA	59,396	58,474	57,653	58,948	59,396	58,474	57,653	58,948
Financing inputs (FINIMP)	CDI	37,099	37,336	-	-	37,099	37,336	-	-
External financing (FINIMP and Working capital)	USD	885,601	883,598	365,248	380,752	885,601	883,598	365,248	380,752
Working capital	EUR	169,402	168,674	133,943	133,943	169,402	168,674	133,943	133,943
Direct financing		240,596	240,596	238,828	238,828	240,596	240,596	238,828	238,828
Leases		102,808	102,808	101,979	101,979	102,808	102,808	101,979	101,979
Accounts payable		139,372	139,372	111,590	111,590	138,459	138,459	110,625	110,625
Financial liabilities stated at fair value									
Derivative financial instruments (swap contracts)		-	-	1,887	1,887	-	-	1,887	1,887

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****b) Measuring fair value**

The estimated fair values of the Company's assets and liabilities were determined based on information available in the market and appropriate valuation methodologies. However, considerable judgment was required to interpret the market data to determine the most appropriate estimated realizable values. Consequently, the above estimates do not necessarily indicate the amounts that could be realized in a current active market. The use of different market methodologies could have a material effect on the estimated realizable values.

The Company has swap contracts recorded at fair value, for which the measurement process used is classified as Level 2, as established in CPC 40 - Financial Instruments: Disclosure.

**c) Criteria, assumptions and limitations used in the calculation of market values***Marketable securities (cash equivalents)*

The values of the marketable securities recorded in the financial information as cash equivalents approximate their realizable values, considering that the operations are based on floating interest rates and are immediately available for realization.

*Short-term investments (amortized cost)*

The fair value was determined based on the present value of the principal and future cash flows, discounted by the variation of 100% of future DI determined at the reporting date.

*Financing and borrowings*

The fair value of working capital financing denominated in TJLP and IPCA was determined by the future cash flows, discounted by the average borrowing rates in the current operations, with spreads of between 2.17% p.a. and 7.38% p.a. (2.17% p.a. and 7.38% p.a. at December 31, 2019), respectively.

The fair value of pre-fixed financing was determined based on the present value of the principal sum and future cash flows, discounted at the market interest rate determined at the reporting date of the individual and consolidated financial information. The rate used was 5.73% p.a. of the Finame-PSI operations (5.32% p.a. at December 31, 2019).

The fair value of consumables indexed to the CDI rate was determined by the future cash flows, discounted by the average borrowing rates in the latest operations. The rates used was 3.12% p.a.

The fair value of consumables and for working capital financing with USD and Euro exchange variance was determined by the future cash flows, discounted by the average borrowing rates in the latest operations. Rates were used of 1.90% p.a. and 0.18% p.a. (2.50% p.a. and 0.18% p.a. at December 31, 2019), respectively.

The fair value of the debts in respect of the acquisition of Pilar, Pelágio, Moinho Santa Lúcia and Piraquê, which, according to the contract, are restated by the CDI, was determined considering the same percentage of CDI, in order to reflect market conditions.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)***Swap contracts*

The fair value of derivative financial instruments is determined based on future rates at the reporting dates, with the resulting amount discounted to its present value.

This information is also checked against that provided by the institutions involved.

*The accounts receivable, other receivables, trade payables and short-term accounts payable*

It is estimated that the carrying amounts reasonably approximate their fair values, considering the short-term nature of the operations realized.

**d) Financial risk management**

The Company analyzes its major financial risks, defines risk mitigation actions, and monitors any economic impact on its performance. The Company's approach to these risks is discussed and defined at the Board of Directors' meetings.

During the normal course of business, the Company is exposed to the following financial risks: credit risk, liquidity risk and market risk (including currency, interest rate and commodities price risks).

*i. Credit risk*

Credit risk arises from the possibility of the Company not recovering amounts from sales or credits held with institutions, such as deposits and marketable securities. To minimize this risk, the sales policies adopted by the Company are subordinated to the credit policies determined by Management and seek to minimize any problems arising from customer default. Management achieves this objective through the careful selection of the customer portfolio, which considers the ability to make payments (credit analysis) and the diversity of sales (risk spread). In addition, the Company has credit insurance to protect against defaults by specific customers, which ensures an indemnity of 90% of any net losses on receivables due from these customers. The maximum compensation is R\$ 26,880, effective for the period from July 1, 2019 to June 30, 2020. Currently, credit insurance coverage is provided against approximately 172 clients, totaling R\$ 195,084 (R\$ 203,056 at December 31, 2019). In addition, there is approximately R\$ 45,603 in guarantees contracted through mortgages and bank sureties.

Furthermore, the Company recorded estimated losses for doubtful accounts, in the consolidation, in the amount of R\$ 86,651 (R\$ 81,884 at December 31, 2019) representing 8.51% (7.88% at December 31, 2019) of the balance of trade accounts receivable to cover the credit risk.

With respect to marketable securities, the Company only invests in financial institutions that have been classified by rating agencies as representing a low credit risk. In addition, there is a maximum limit for the investments at each institution.

*ii. Liquidity risk*

The main sources of financial resources used by the Company are its own funds derived from selling its products - characterized as a strong source for generating cash

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

and low defaults - in addition to the amounts received as State and Federal subsidies for investments (related to the implantation/expansion of manufacturing plants). In addition to these amounts, the Company earns income from investing its available cash.

The Company's funds are required for investments to expand and modernize its production and logistics facilities, to acquire other companies and to amortize its indebtedness, pay taxes, distribute dividends and for other operational expenditure.

In general, the Company does not need additional working capital, because when financing conditions are favorable it opts for payment terms of up to a year for its main raw materials (wheat and vegetable oil), which is longer than the terms granted to its customers for the products acquired. Therefore, management believes that the Company presents the solid financial and equity conditions required to implement its business plan and to fulfill its short- and medium-term obligations.

The schedule for settling the long-term installments on borrowings and financing is presented in Note 16.

It should be noted that the Company has limits approved by tier-one banks. However, these approved limits are not used to cover the Company's liquidity shortfall, since they are not suitable for this purpose. If required, the Company can use working capital financing from private financial institutions.

*iii. Market risk: Commodities prices*

The prices of raw materials and supplies used in the production process are volatile. If there are significant changes in the prices, the Company may not be able to fully pass through these increases to the prices of its products, which could affect its profit margin. Furthermore, the Company's practice is to maintain stocks of wheat (including contracts negotiated for future delivery), its main raw material, which can fluctuate between 2 and 4 months of usage, depending on the time of year and the seasonal nature of the crop. This procedure could result in variations between the average price of inventory and the market value on a specific date.

In addition, the Company monitors the international commodities market, monitoring the factors that have an impact on prices, such as harvest periods, climatic events, and political decisions regarding the economy, among others, with support from specialized consultants and online information systems with the main international commodities exchanges. Based on these factors, the Company evaluates the most opportune moment to purchase these commodities, and may agree purchase contracts for the future delivery of raw materials, with fixed or variable commodity prices, but subject to the risk of commodity and/or exchange variations.

As at March 31, 2020, the Company had contracts for the purchase of wheat and oil for future payment and delivery, at fixed prices, for a volume of 359,132 tons (437,506 tons as at December 31, 2019), 9,000 tonnes of oil and 33,000 tonnes of wheat were priced. Thus, considering the market value for these cases and the price established for the contracts, they represented an amount equivalent to US\$ 38,035 of oil and US\$ 64,849 of wheat (US\$ 39,445 of oil and US\$ 76,149 of wheat on December 31, 2019).

Due to the risk of fluctuations in oil prices, the Company has prepared a sensitivity

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

analysis for the portion of oil without fixed pricing of oil (9,000 tons) and wheat (33,000 tons), assuming three possible price fluctuation scenarios and the consequent future impacts. The probable scenario used wheat and oil prices of USD 233 and USD 615, respectively, at the same level of the market value at March 31, 2020. The other scenarios, remote and possible, factor in a price increase for the commodities of 25% and 50% respectively pursuant to CVM Resolution 475/2008.

Description	Exposure (tonnes)	Risk	Probable scenario	Possible scenario (US\$) <sup>(1)</sup>	Remote scenario (US\$) <sup>(1)</sup>
<b>Future wheat contracts</b>	33,000	Increase in the commodity	-	(1,922)	(3,844)
<b>Future oil contracts</b>	9,000	Increase in the commodity	-	(1,384)	(2,768)

**Note:** <sup>(1)</sup> Value in US\$ thousand.

#### iv. Exchange rate risk

##### *Risks related to foreign-currency-denominated financing*

The results reported by the Company are susceptible to significant variations due to the volatility of foreign exchange rates on liabilities tied to foreign currency (US dollars and Euro), arising mainly from the import of wheat grain and soya and palm vegetable oils, its main raw materials, in addition to working capital.

As a strategy to prevent and reduce the effects on results of variations in exchange rates, Management seeks to avoid or minimize mismatches between assets and liabilities indexed in foreign currencies, by assessing the contracting of hedge operations, normally swap operations.

Accordingly, on March 31, 2020, the Company had twenty-seven current swap contracts to protect the financing of wheat import financing (FINIMP) and working capital, with different maturities, until March 31, 2021, where, on the active side, it receives, on average, the dollar plus 2.26% and on the passive side, it pays, on average, 134.41% of the CDI plus one working capital contract, in euro, with maturity on May 7, 2020, in which on the active end it receives, Euro plus 0.24% and on the passive end 102.60% CDI. The reference values (notional) totaled R\$ 925,542 and the gross fair value receivable from these derivative instruments on March 31, 2020 totaled R\$ 115,418.

Swap contracts	Reference value		Curve value		Fair value	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019	03/31/2020	12/31/2019
<b>Asset position</b>						
Foreign currency (USD)	<b>795,542</b>	339,803	<b>885,596</b>	365,232	<b>896,576</b>	364,794
Foreign currency (EUR)	<b>130,000</b>	130,000	<b>169,403</b>	133,943	<b>169,050</b>	133,165
<b>Liability position</b>						
CDI	<b>925,542</b>	469,803	<b>940,529</b>	489,710	<b>950,208</b>	489,779
<b>Result</b>	-	-	<b>114,470</b>	9,465	<b>115,418</b>	8,180

Accordingly, as of March 31, 2020, the Company did not present significant mismatches in the position of assets and liabilities sensitive to exchange variation, as shown below:

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Description	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Foreign currency loans/financing (a)	1,055,003	499,191	1,055,003	499,191
Swap contracts (b)	(1,054,999)	(499,175)	(1,054,999)	(499,175)
Foreign-currency assets (b)	-	-	(8)	(6)
Surplus (a-b)	4	16	(4)	10

*Risks related to foreign-currency-denominated contracts for future delivery*

As described in "Market risk: Commodities prices", the Company signed contracts for the purchase of wheat and oil for future delivery in return for the payment of oil at US\$ 38,035 and wheat US\$ 64,489, subject to foreign exchange risk (US\$ 115,594 as at December 31, 2019).

*Sensitivity analysis of the variation in the US dollar for contracts to purchase wheat for future delivery*

The sensitivity analysis considered the possibility of three U.S. dollar exchange scenarios and the future results that would be generated. The probable scenario considered the dollar exchange rate of R\$ 5.1987, the same closing rate as March 31, 2020. The remaining scenarios, possible and remote, consider increases in the dollar exchange rate of 25% (R\$ 6.4984) and 50% (R\$ 7.7981), respectively, according to the terms of CVM 475/2008.

Description	Exposure (USD)	Risk	Probable scenario	Possible scenario (R\$)	Remote scenario (R\$)
<b>Future contracts</b>	102.884	Rise in USD	-	(133,716)	(267,432)

*v. Interest rate risk*

The Company is exposed mainly to variations in CDI and TJLP interest rates on its financial investments and borrowings and financings.

Description	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
<b>Financial assets</b>				
Financial investments indexed to the CDI	811,643	365,284	811,792	365,284
<b>Financial liabilities</b>				
Foreign currency derivative operations tied to CDI <sup>(1)</sup>	(1,055,003)	(499,192)	(1,055,003)	(499,192)
Financing indexed to the CDI and TJLP	(304,558)	(267,769)	(304,558)	(267,769)
<b>Assets – Liabilities</b>	<b>(547,918)</b>	<b>(401,677)</b>	<b>(547,769)</b>	<b>(401,677)</b>

**Note:** <sup>(1)</sup> See item iv - Exchange rate risk.

*Analysis of sensitivity to variations in the CDI*

The following table demonstrates the projected loss that would be recognized for the



**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

next 12 months, if the Company were to maintain the same position for assets indexed to the CDI, net of liabilities linked to CDI and TJLP, of R\$ 547,769.

Description	Risk position	Risk	Probable scenario	Possible scenario	Remote scenario
<b>Net liabilities</b>	(547,769)	CDI increase	-	(4,998)	(9,997)

The probable scenario considered the CDI quotation at March 30, 2020 of 3.65% p.a. The other scenarios, possible and remote, considered an increase in the quotation of 25% (4.56% p.a.) and 50% (5.48% p.a.), respectively.

Company management believes that there is a low risk of significant changes in the CDI during 2020, taking into consideration the history of the base interest rate in the Brazilian economy and the market forecast.

**e) Capital management**

The Company's objectives for managing its capital are to safeguard its future as a going concern, in order to offer a return to its shareholders and benefits to other stakeholders, and to maintain an ideal capital structure to reduce this cost.

The Company monitors its capital by analyzing its financial and indebtedness position, based on a financial leverage index (net debt / total capital), since it understands that this index most adequately reflects its indebtedness and ability to pay. Net debt consists of financing and borrowings, less the balances of cash and cash equivalents and long-term marketable securities and derivative financial instruments.

The indexes for financial leverage at March 31, 2020 and December 31, 2019 were as follows:

Consolidated	03/31/2020	12/31/2019
<b>Debt from financing and borrowings</b>	<b>1,567,367</b>	<b>979,677</b>
(-) Cash and cash equivalents	(794,773)	(348,377)
(-) Short-term financial investments	(16,413)	(16,392)
(-) Long-term financial investments	(3,728)	(3,782)
(-) Derivative financial instruments	(91,727)	(6,076)
<b>Net debt (net cash) (A)</b>	<b>660,726</b>	<b>605,050</b>
Shareholders' equity	6,129,094	6,034,953
<b>Total capital (B)</b>	<b>6,789,820</b>	<b>6,640,003</b>
<b>Financial leverage index (C = A / B x 100)</b>	<b>9.73%</b>	<b>9.11%</b>

The change in the Company's financial leverage ratio is represented by the ratio of net debt to equity. The figure in the period ended March 31, 2020 was 9.73% compared with 9.11% at December 31, 2019. The increase is due to the higher level of indebtedness of the company, mainly for the acquisition of raw materials (wheat and oil) and funding for working capital.

The amounts recorded in current and non-current liabilities at March 31, 2020 and December 31, 2019 mature as follows:



**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Consolidated	Less than a year	Between one and three years	Between three and five years	Greater than five years
<b>At March 31, 2020</b>	<b>1,768,100</b>	<b>541.143</b>	<b>139.574</b>	<b>280.806</b>
Financing and borrowings	1,201,158	304,529	61,680	-
Payables and other obligations	566,942	236,614	77,894	280,806
<b>At December 31, 2019</b>	<b>1,153,607</b>	<b>570,426</b>	<b>141,171</b>	<b>200,874</b>
Financing and borrowings	608,190	310,429	61,058	-
Derivative financial instruments	1,887	-	-	-
Payables and other obligations	543,530	259,997	80,113	200,874

**18. Net financial results**

Description	Parent		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
<b>Financial income</b>				
Income from marketable securities	5,509	7,947	5,510	9,643
SELIC interest on tax credits	1,980	6,700	1,980	6,694
Restatement of judicial deposits	1,849	1,225	1,849	2,222
Foreign exchange variations - assets	7,595	33,634	7,595	33,649
Others	1,539	1,304	1,539	1,726
	<b>18,472</b>	<b>50,810</b>	<b>18,473</b>	<b>53,934</b>
<b>Financial expenses</b>				
Interest on financing	(6,169)	(7,291)	(6,169)	(12,283)
Interest on debt from equity investments	(1,530)	(2,416)	(1,530)	(2,416)
Interest on leases	(2,733)	(1,095)	(2,733)	(1,818)
Foreign exchange variations - liabilities	(148,463)	(39,005)	(148,463)	(39,017)
Gains (loss) from derivative transactions	146,057	4,123	146,057	4,123
Commission and bank expenses	(1,912)	(1,580)	(1,912)	(1,676)
Update on contingencies provisions	(5,431)	(249)	(5,431)	(249)
Others	(2,240)	(3,912)	(2,240)	(4,290)
	<b>(22,421)</b>	<b>(51,425)</b>	<b>(22,421)</b>	<b>(57,626)</b>
<b>Net financial results</b>	<b>(3,949)</b>	<b>(615)</b>	<b>(3,948)</b>	<b>(3,692)</b>

Financial income comprises interest income from funds invested, gains on the disposal of financial assets, monetary restatement of tax credits, judicial deposits and fair value gains on financial assets stated at fair value through profit or loss. Interest income is recognized in profit or loss, using the effective interest rate method.

Financial expenses comprise interest expenses on borrowings, net of the discounting to present value of provisions, interest on leasing, and fair value losses on financial assets stated at fair value through profit or loss, impairment losses recognized on financial assets, other than losses from credit risks which are recognized as selling expenses and updating of tax, civil and labor contingencies.

Borrowing costs are recognized as expenses when incurred, with the exception of costs capitalized as part of the cost of the asset. Borrowing costs include interest expenses and other borrowing costs incurred.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****19. Social security and labor liabilities**

The balances comprise the following provisions and charges:

Description	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
<b>Labor provisions</b>				
Provision for profit sharing	23,541	55,193	23,541	55,193
Provision for vacation pay	58,078	55,787	58,100	55,806
13th salary provision	12,071	-	12,082	-
Others	2,864	3,126	2,864	3,126
	96,554	114,106	96,587	114,125
<b>Social and labor charges</b>				
INSS	43,312	40,860	43,384	40,908
FGTS	9,690	10,809	9,702	10,826
Others	1,567	1,569	1,568	1,569
	54,569	53,238	54,654	53,303
<b>Total</b>	<b>151,123</b>	<b>167,344</b>	<b>151,241</b>	<b>167,428</b>

**20. Tax liabilities**

The balances comprise the following tax obligations:

Description	Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
PLS/Cofins	19,594	7,220	19,636	7,293
Income tax	10,032	11,093	10,044	11,114
Other federal tax liabilities	1,189	2,104	1,195	2,180
ICMS	79,114	62,829	79,114	62,829
ISS	1,417	1,368	1,419	1,371
<b>Total</b>	<b>111,346</b>	<b>84,614</b>	<b>111,408</b>	<b>84,787</b>
Current	111,346	83,646	111,408	83,819
Non-current	-	968	-	968

**21. Government subsidies**

Government subsidies received by the Company are for investments, divided between state and federal, and all are monetary subsidies, recorded at their nominal values.

The funds received are for the purpose of replacing the capital invested in the economic enterprises resulting from the investment projects implemented by the Company which qualify for the respective public programs to encourage development. All of the subsidies for investments are onerous (because of certain conditions) and granted for a specific period.

To determine the value of subsidies for investments that should be recorded in profit or loss, the Company adopts the accrual basis, recognizing the subsidies irrespective of

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

when they are realized in financial terms, considering the following factors: (i) the history of complying with the legal and contractual requirements in order to receive these subsidies; and (ii) its ability to guarantee compliance with the requirements necessary to receive the subsidies from the respective public entities.

At the close of the financial year, the portion of the profit corresponding to the investment subsidies is allocated to constitute the tax incentive reserve, included in shareholders' equity, and is excluded from the dividend calculation base, considering that the nature of the subsidies is the allocation of capital for investment purposes, and has therefore to be reinvested in the Company.

**21.1 State tax incentives**

The value of the subsidies for investments received from the States is determined based on the ICMS due and charged on the commercial activities realized by the manufacturing plants receiving the incentives. The units are those that have been constructed and implanted according to the terms of the investment projects for new economic enterprises presented to and approved by the respective States, within the ambit of their public policies to foment industrial development.

In the majority of cases, the state government subsidies are calculated based on the ICMS value attributed to the cost of production, and are allocated to profit or loss, in a line in the statement of income immediately below the cost of goods sold.

At March 31, 2020, the Company received R\$ 76,747 (R\$ 61,970 at March 31, 2019), as a result of the following state incentives:

State tax incentives / Unit receiving the incentive	Percentage reduction of ICMS	Valid until
<b>DESENVOLVE - State of Bahia: Discount on part of the ICMS payment due on the purchase of wheat grain for the wheat mill.</b>		
Wheat mill and biscuits and pasta factory (Salvador-BA)	Up to 81%	Jun 2025
<b>PROVIN - State of Ceará: deferment of part of the ICMS payment due on the purchase of wheat for the wheat mill and the ICMS due on the operations involving special fats and margarines, settled using funds from FDI - Industrial Development Fund for both units</b>		
Wheat mill (Fortaleza-CE)	74.25%	Nov 2024
Wheat mill integrated with the biscuits and pasta factory (Eusébio-CE)	74.25%	Jul 2025
Vegetable fats and margarines industrial factory (Fortaleza-CE)	56.25%	Nov 2024
<b>PROADI - State of Rio Grande do Norte: deferment of payment of part of ICMS due on the purchase of wheat grains and settlement of this ICMS using funds from the Proadi</b>		
Wheat mill and pasta factory (Natal-RN)	74.25%	Jul 2019
<b>PROEDI - Rio Grande do Norte: presumed credit on monthly ICMS debit balance</b>		
Wheat mill and pasta factory (Natal-RN)	76.60%	Jun 2032
<b>FAIN - State of Paraíba: discount of part of the ICMS on purchases of wheat grain</b>		
Wheat mill and pasta factory (Cabedelo-PB)	81%	Dec 2032
<b>PRODEPE - State of Pernambuco: calculated at the rate of 75% of the ICMS charged on wheat grain consumed in the equivalent of flour, in addition to 5% of the freight due on sales outside of the Northeastern Region, provided that the total value of the subsidy does not exceed the equivalent of 85% of the ICMS on the wheat grain included in the wheat flour consumed.</b>		
Biscuits and pasta factory (Jaboatão dos Guararapes-PE)	75% or 85%	Mar 2024
<b>Special Tax Treatment - Rio de Janeiro (Piraquê Unit) - Reduction of tax so that the tax burden results in a percentage equal to 3% of the value of own production dispatches in internal and interstate operations, by sale and transfer.</b>		
Biscuits and pasta factory (Queimados-RJ)	75% or 85%	Sep 2038

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In relation to the incentive awarded to Indústria de Produtos Alimentícios Piraquê S.A., which is stated as being valid to September 2038, based on ICMS Agreement No. 190, dated December 15, 2017, the validity of the relevant tax incentives is limited to December 2032, and therefore the benefit will only be valid until that date.

The Rio Grande do Norte Development Program (PROADI) was discontinued on July 31, 2019, but was replaced on August 1, 2019 by the Rio Grande do Norte Industrial Development Program (PROEDI) created by Decree No. 29030/2019, which provides presumed credits of 75% to 80% of the amount of ICMS tax payable. The program is governed by Act 10640 (December 26, 2019) and regulated by Decree 29420 (December 27, 2019).

**Treatment of presumed credit as investment subsidies**

Based on Complementary Act 160 (August 7, 2017), in 2019 the Company began treating as investment subsidies the tax incentives awarded in the form of presumed/awarded tax credits under the ICMS Regulations of the states of Rio de Janeiro, Paraná, São Paulo and Rio Grande do Sul, on the transactions of industrial and commercial operations involving food products. As of March 31, 2020 the Company was entitled to recognize R\$ 20,511 in presumed tax credits.

**State Fund for Tax Equalization**

ICMS Arrangement 42/2016 was published on May 6, 2016, which authorizes the states and the Federal District to award tax incentives conditional on the deposit of at least 10%, calculated on the value of the respective tax incentives received by taxpayers, into a tax equilibrium fund. This arrangement applies to all taxpayers that have qualified for financial tax incentives and benefits, including those arising from special arrangements.

This arrangement normally requires that at least 10% of awarded incentives be deposited in a tax equilibrium fund. However, certain states, such as Ceará, Pernambuco, Paraíba and Rio Grande do Norte, established rules waiving this deposit when tax revenue during the month increased in comparison with the same period of the previous year, as well as permitting tax payers to only make a deposit to complement the minimum limit when the increase in tax revenue is lower than 10%. Based on the specific rules of each state during the term of the Funds, the Company could therefore be released from the deposit or make deposits of less than 10% of the incentives.

The Company's operations in the states of Bahia, Ceará, Paraíba, Pernambuco, Rio Grande do Norte and Rio de Janeiro are currently subject to this standard and the term of the contribution to this fund has been extended, except in the state of Rio Grande do Norte.

State	Validity		Extension	
	Beginning	End	Beginning	End
Pernambuco	Aug/2016	Jul/2018	Aug/2018	Dec/2022
Ceará	Sep/2016	Aug/2018	Jan/2019	Aug/2020
Bahia	Sep/2016	Dec/2018	Jan/2019	Dec/2022
Paraíba	Oct/2016	Mar/2019	Apr/2019	Sep/2021
Rio de Janeiro	Dec/2016	Sep/2020	-	-
Rio Grande do Norte	Jan/2018	Dec/2019	-	-

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By way of Law 8,645/2019, Rio de Janeiro state replaced the State Fund for Fiscal Balance - FEEF - with the Temporary Budgetary Fund - FOT, effective from 3/10/2020, and will produce effects while the Fiscal Recovery Arrangement - RRF is in force in Rio de Janeiro state, which has a term of 36 months commencing 09/2017, and can be extended for an equal period. Only after this law has been regulated will the new fund began to be collected.

At March 31, 2020, the expenses incurred by the Company related to this obligation amounted to R\$ 4,576 (R\$ 4,124 at March 31, 2019).

**21.2 Federal tax incentive**

The Company benefits from federal subsidies received as a result of making investments for the new manufacturing plants located in the area where SUDENE - Northeast Development Agency - operates.

The tax incentive is granted for a period of 10 (ten) years, for the industrial enterprises that provide evidence to SUDENE of having made investments in the Northeast of Brazil, through the installation, modernization, extension or diversification of manufacturing plants in this region, provided that they comply with all of the conditions and requirements determined in the legislation pertinent to the obtaining of the incentive from the Federal Government, within the public policies for the utilization of federal funds to encourage the development of the Northeast of Brazil.

The amount received from the government, over the concession period, consists of an amount equivalent to the results from investing up to 75% of the calculation base legally denominated as exploitation profit. The amount is settled by deducting the benefit from the income tax due, based on the taxable profit calculated.

The federal grant is presented in the income statement as a deduction from corporate income tax.

The periods for receiving the federal subsidies granted are detailed below:

Manufacturing plants	Percentage reduction of IRPJ (%)	Valid period
Wheat mill, biscuits and pasta factory (Eusébio - CE)	75.00	Jan 2016 to Dec 2025
Toast factory (Eusébio - CE)	75.00	Jan 2016 to Dec 2025
Wheat mill (Fortaleza - CE)	75.00	Jan 2018 to Dec 2027
Special margarines and fats factory (Fortaleza - CE)	75.00	Jan 2018 to Dec 2027
Wheat mill (Natal - RN)	75.00	Jan 2018 to Dec 2027
Pasta factory (Natal - RN)	75.00	Jan 2014 to Dec 2023
Biscuits and pasta factory (Salvador - BA)	75.00	Jan 2016 to Dec 2025
Wheat and ready cake mix mill (Salvador - BA)	75.00	Jan 2015 to Dec 2024
Biscuits and pasta factory (Jaboatão dos Guararapes - PE)	75.00	Jan 2018 to Dec 2027
Biscuits, cakes and snacks factory (Maracanaú - CE)	75.00	Jan 2016 to Dec 2025
Pasta factory (Maracanaú - CE)	75.00	Jan 2014 to Dec 2023

Company Management fulfilled all of the requirements to obtain these subsidies, particularly in relation to providing supporting evidence for the investments, the creation of jobs, production volumes and did not distribute subsidy funds in the form of dividends either.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Up to date, the Company has not defaulted on any of the conditions which would prevent it from continuing to be entitled to the benefits from the government subsidies awarded.

**22. Provisions for civil, labor and tax risks, and contingent assets**

The Company is party to judicial and administrative proceedings in courts and government agencies involving tax, civil, labor and other issues arising in the normal course of business.

Periodically, Management evaluates the civil, labor and tax risks, based on legal, economic and tax bases, with the purpose of classifying them as probable, possible or remote chances of defeat. The analysis is done in conjunction with the law firms handling the Company's lawsuits.

There are ongoing disputes in the administrative and judicial courts. At March 31, 2020, 4.75% of the total labor and civil processes are being tried at the administrative level and 95.25% at the judicial level. 50.36% of tax processes are being tried at the administrative level and 49.64% are being discussed in court.

As regards these processes, provisions were recorded only for the risks rated as probable losses, at amounts considered sufficient to cover estimated losses. However, as a result of the business combination (acquisition of Piraquê), provisions were also recognized for proceedings rated as a possible and remote loss existing at the acquisition date. In these cases, if the losses materialize, the relevant amounts are reimbursed by the former shareholders as described in Note 3, and therefore are classified as an indemnifiable contingency.

The provisions for civil, labor and tax risks recorded represent Management's best estimates of the probable losses involved.

There are circumstances in which the Company is questioning the legitimacy of certain liabilities or claims filed against it. As a result of these questionings, because of a judicial order or based on the strategy adopted by management, the amounts in question can be deposited in court, without this being characterized as settlement of the liability.

At March 31, 2020 and December 31, 2019, the Company reported the following provisions and judicial deposits, related to civil, labor and tax risks:

Description	Provision		Judicial deposits			
	Parent and Consolidated		Parent		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Civil and labor	<b>119,135</b>	110,721	<b>58,012</b>	52,147	<b>58,017</b>	<b>52,152</b>
Tax	<b>102,140</b>	102,824	<b>223,897</b>	205,287	<b>223,897</b>	<b>205,287</b>
Total	<b>221,275</b>	213,545	<b>281,909</b>	257,434	<b>281,914</b>	<b>257,439</b>

On March 31, 2020, the judicial deposits for cases rated as probable loss amounted to R\$ 70,887 (R\$ 76,435 at December 31, 2019).

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****a) Changes in the processes during the year**

Parent	Civil and labor	Tax	Total
<b>Balances at December 31, 2018</b>	<b>50,860</b>	<b>51,427</b>	<b>102,287</b>
Additions	32,784	4,358	37,142
Acquisition assets	9,715	32,640	42,355
Indemnifiable contingencies	23,985	19,667	43,652
Restatements/reversals	16,691	(138)	16,553
Write-off/reversals	(23,314)	(5,130)	(28,444)
<b>Balances at December 31, 2019</b>	<b>110,721</b>	<b>102,824</b>	<b>213,545</b>
Additions	9,075	528	9,603
Restatements/reversals	3,504	1,082	4,586
Write-off/reversals	(4,165)	(2,294)	(6,459)
<b>Balances at March 31, 2020</b>	<b>119,135</b>	<b>102,140</b>	<b>221,275</b>

Consolidated	Civil and labor	Tax	Total
<b>Balances at December 31, 2018</b>	<b>85,545</b>	<b>102,792</b>	<b>188,337</b>
Additions	33,876	4,358	38,234
Restatements/reversals	16,691	804	17,495
Write-off/reversals	(25,391)	(5,130)	(30,521)
<b>Balances at December 31, 2019</b>	<b>110,721</b>	<b>102,824</b>	<b>213,545</b>
Additions	9,075	528	9,603
Restatements/reversals	3,504	1,082	4,586
Write-off/reversals	(4,165)	(2,294)	(6,459)
<b>Balances at March 31, 2020</b>	<b>119,135</b>	<b>102,140</b>	<b>221,275</b>

**b) Changes in judicial deposits during the year**

Parent	Civil and labor	Tax	Total
<b>Balances at December 31, 2018</b>	<b>38,386</b>	<b>91,318</b>	<b>129,704</b>
Additions	30,980	679	31,659
Acquisition assets	9,762	112,152	121,914
Restatements/reversals	832	3,540	4,372
Write-off	(27,813)	(2,402)	(30,215)
<b>Balances at December 31, 2019</b>	<b>52,147</b>	<b>205,287</b>	<b>257,434</b>
Additions	12,059	17,384	29,443
Restatements/reversals	297	1,552	1,849
Write-off	(6,491)	(326)	(6,817)
<b>Balances at March 31, 2020</b>	<b>58,012</b>	<b>223,897</b>	<b>281,909</b>



**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Consolidated	Civil and labor	Tax	Others	Total
<b>Balances at December 31, 2018</b>	<b>40,876</b>	<b>197,135</b>	<b>5,021</b>	<b>243,032</b>
Additions	35,730	756	-	36,486
Restatements	1,029	7,214	101	8,344
Write-off	(27,889)	(2,534)	-	(30,423)
Reclassification	2,406	2,716	(5,122)	-
<b>Balances at December 31, 2019</b>	<b>52,152</b>	<b>205,287</b>	<b>-</b>	<b>257,439</b>
Additions	12,059	17,384	-	29,443
Restatements	297	1,552	-	1,849
Write-off	(6,491)	(326)	-	(6,817)
<b>Balances at March 31, 2020</b>	<b>58,017</b>	<b>223,897</b>	<b>-</b>	<b>281,914</b>

The expected realization timing as of March 31, 2020 is as follows:

Maturity	Parent and Consolidated 03/31/2020
2021	230
2022	11,018
2023	32,477
2024	14,070
2025 on	44,345
<b>Total</b>	<b>102,140</b>

**c) Nature of processes****Civil and labor**

The Company is the defendant in approximately 1,031 cases (949 at December 31, 2019) involving labor and civil matters, for which the likelihood of loss has been rated as probable, in the amounts of R\$ 94,540 and R\$ 8,234, respectively (R\$ 78,303 and R\$ 8,433 at December 31, 2019), and by virtue of the business combination, also for cases rated as possible and remote risks, of R\$ 16,360. The labor claims for which the Company is party primarily concern: recognition of employment relationships, overtime and related charges, occupational injury compensation, joint liability, moral and property damages, and other matters. Most civil actions involve problems that are normal and specific to the business, consisting of claims for indemnity due to incorrect referral to the credit protection agencies, actions for rescission of clauses in distribution contracts, actions for compensation for damages, among others.

**Tax**

At March 31, 2020 and of December 31, 2019 the provision for tax risks comprised the following:



**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Description	Parent and Consolidated			
	03/31/2020		12/31/2019	
	Contingencies	Judicial deposits	Contingencies	Judicial deposits
IPI – judicial deposit (a)	6,351	6,351	6,325	6,294
IRPJ – judicial deposit (b)	32,243	32,243	32,082	31,885
IPTU – judicial deposit (c)	2,925	4,614	2,895	4,549
ICMS (d)	18,011	-	17,932	-
Legal fees (e)	19,053	-	20,995	-
Indemnifiable contingencies (f)	19,667	-	19,667	-
Others	3,890	1,986	2,928	2,289
	<b>102,140</b>	<b>45,194</b>	<b>102,824</b>	<b>45,017</b>

(a) The Company has filed for an injunction against the requirement to pay IPI tax on leased aircraft imported on a temporary basis. The Company made a deposit for the full amount of the tax, and was defeated in the proceedings. The case is currently pending a decision by the 1st Region Federal Court in relation to overpaid tax amount, as the aircraft was in Brazil for less than the time stipulated in the contract.

(b) The incorporated Company Piraquê filed an ordinary lawsuit seeking the cancellation of the administrative collection of IRPJ, due to the limitation of 30% (thirty percent) of the tax loss carryforward (article 42 of Law 8981/1995). It is claimed the occurrence of a limitation, under the terms of article 156 (V) and 174 of the National Tax Code, and proceeded with the court deposit in its entirety to stay the enforceability of the tax credit. The lawsuit was deemed partly to have grounds by the lower court, and 85.64% of the tax assessment notice was canceled. The Federal Government filed an appeal, which is awaiting judgment by the 2nd Region's Federal Regional Court. The Federal Government successfully appealed. Piraquê filed a Special Appeal that was rejected, and an interlocutory appeal has been brought that is currently pending a decision by the High Court of Justice.

Piraquê filed writs of mandamus against having to add to net profit the portions of amortization, depletion or cost of assets written down for any reason, in order to define the IRPJ calculation base for the monthly base periods ended on 01.31.1992 and 02.28.1992, equal to the monetary restatement difference according to the IPC and Fiscal BTN rates for 1990, pursuant to articles 39 and 41 of decree no. 332/91. Piraquê made the court deposit covering the liability's full amount. The lawsuit is awaiting judgment of the appeal by the Supreme Federal Court.

(c) The Company filed a declaratory action with claim for refund of overpayment, questioning the tax assessment relating to the property tax for 2014, for Grande Moinho Aratu, based on the argument that the increase in such tax did not have any legal grounds. The Company made a judicial deposit for the value of the debt. The process is pending judgment at the lower courts of the State of Bahia Court of Appeal.

(d) Amounts demanded by the State of Ceará related to the alleged recording of a larger ICMS credit deferred by the Fiscal Management Unit for Tax Replacement and Foreign Trade (CESUT) originated from the refund of overpayment of wheat grain operations that occurred between the validity of Protocol 46/00 and the date protocol 50/06 was published.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

(e) Refers to legal fees that will be due if there is a positive outcome of the claims. These fees are calculated based on the related amounts involved with risk of loss considered to be possible or remote, and take into consideration the progress of the cases.

(f) Denotes the compensatory tax proceedings of the taken over company Piraquê, due to the sellers' obligation to return or deduct from the retained portion of the price any contingencies that materialize.

**Contingent liabilities – probability of loss rated as possible**

In addition to the provisions made, the Company has several labor, civil and tax contingencies in progress, in which they are the defendants, and the likelihood of loss, based on the opinions of the internal and external legal advisors, is considered possible. The contingencies amount to approximately R\$ 1,057,389 (R\$ 1,081,918 at December 31, 2019).

The most significant tax processes involve the following matters: i) Investment grants amounting to R\$ 365,531; ii) ICMS credits incorrectly granted, totaling R\$ 332,459; iii) Undue ICMS credit - Value Added Margin - ICMS Protocol 46, totaling R\$ 34,619 and (iv) IPI rate zero, in the amount of R\$ 141,995.

With respect to the tax claims disputing the issue of "investment subsidies", the Brazilian Tax Authorities filed assessments against the Company, demanding payment of IRPJ, CSLL, PIS and Cofins, because of the reduction in calculation bases for these taxes, as the calculations did not include the incentives received from the States.

We point out that the Attorney General of the National Treasury, after partial judgment proceeding from the administrative proceedings 10380.009928/2004-18 in the Administrative Council for Tax Appeals - CARF, extinguished part of the tax credit, leaving the judicial dispute remaining.

In addition, the amount payable under case no. 10380.723251/2012-34 in relation to investment subsidies has been excluded by the CARF, with the proceedings now limited to a dispute over IRPJ tax on non-necessary expenses (leased aircraft).

"ICMS credit incorrectly awarded" refers to tax assessments issued based on the argument that the Company was not entitled to the credit granted by the State, since it already benefited from other credits on receiving the products.

The topic "ICMS-Added Value Margin – ICMS Protocol 46" deals with tax enforcements by the State of Piauí in connection with ICMS tax credits covered by five deficiency notices for an alleged ICMS tax underpayment for the period from May to December 2001 and financial years 2002, 2003, 2004 and 2005 due to non-compliance with Added Value Margin.

The "IPI Zero Rate" disputes refer to tax foreclosures filed because the Company offset credits resulting from the lawsuit. This lawsuit questioned the use of the IPI - Excise Tax credit balance prior to January 1999 on the acquisition of inputs (raw materials, intermediary goods and packaging materials) applied in processing tax-exempt goods or those taxed at a zero rate, against IPI due on other outgoing goods pursuant to Law no. 9779/99, without the limitations found in IN/SRFB no. 33/99, as this is an effect of the Non-

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Cascade Principle.

**Contingent assets**

The Company has filed proceedings they expect to prevail in, according to the opinion of their legal advisers. As the proceedings are not final and unappealable, these potential assets are considered contingent, and for that reason, are not recognized until their materialization is considered to be a foregone conclusion.

Of these proceedings, the most significant is case no. 0014056-09.1987.4.03.6100, brought by Zabet S/A Indústria, a company acquired by M. Dias Branco, which is seeking the exclusion of Value Added Tax on Sales and Services ("ICMS") from the tax base for Social Integration Program Tax ("PIS") and Social Security Tax ("COFINS").

Considering the procedures used to recognize tax credits under *res judicata* decisions regarding the same matters, as described in Note 9, it is likely that the appraisal of the relevant credit amounts will involve a number of variables, including whether supporting documentation is available, interpretation of the rules and regulations applicable in each appraisal period, and other factors with varying levels of complexity.

**23. Current and deferred income tax and social contribution**

Current and deferred income tax and social contribution are calculated based on rates of 15%, plus a surtax of 10% on taxable profit in excess of R\$ 240, for income tax and 9% on taxable profit for social contribution.

The current income tax and social contribution expense is calculated based on tax laws and norms enacted by the reporting date, in accordance with Brazilian taxation regulations. Management periodically assesses the positions assumed in the tax declarations with respect to situations the applicable tax legislation is subject to interpretation that could possibly differ and makes provisions, when appropriate, based on amounts it anticipates will have to be paid to the tax authorities.

The deferred income tax and social contribution assets are recorded to reflect the future tax effects attributable to temporary differences between the tax basis of assets and liabilities and their respective net carrying amounts.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****23.1 Reconciliation of the tax and social contribution calculated by applying the combined tax rates**

Description	Parent		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
<b>Accounting profit before Income tax and social contribution [A]</b>	<b>162,775</b>	57,501	<b>162,775</b>	57,767
<b>Combined tax rate [B]</b>	<b>34%</b>	34%	<b>34%</b>	34%
[A X B] Income tax and social contribution at the combined tax rate	<b>55,344</b>	19,550	<b>55,344</b>	18,621
<b>Permanent additions [C]</b>	<b>1,954</b>	6,594	<b>1,954</b>	2,216
Non-deductible expenses	<b>1,636</b>	1,883	<b>1,636</b>	2,125
Equity income from subsidiaries	<b>318</b>	4,711	<b>318</b>	91
<b>Permanent exclusions [D]</b>	<b>(31,478)</b>	(25,572)	<b>(31,478)</b>	(22,999)
Equity income from subsidiaries	<b>(32)</b>	(3,040)	<b>(32)</b>	-
State tax incentives <sup>(1)</sup>	<b>(33,207)</b>	(20,507)	<b>(33,207)</b>	(21,070)
Other items	<b>1,761</b>	(2,025)	<b>1,761</b>	(1,929)
<b>[A X B+C-D] Income tax and social contribution recorded in profit or loss before exemption</b>	<b>25,820</b>	572	<b>25,820</b>	(2,162)
Income exempt from income tax (Government subsidy) <sup>(1)</sup>	<b>(45)</b>	-	<b>(45)</b>	-
Income tax and social contribution recorded in profit or loss after exemption [F]	<b>25,775</b>	572	<b>25,775</b>	(2,162)
Current income tax and social contribution	<b>(22,079)</b>	(9,865)	<b>(22,079)</b>	(9,830)
Deferred income tax and social contribution	<b>47,854</b>	10,437	<b>47,854</b>	7,668
[F/A] Effective rate	<b>15.83%</b>	<b>0.99%</b>	<b>15.83%</b>	<b>(3.95%)</b>

**Note:** <sup>(1)</sup> Incentive supplement for the 2019 period.

The Company assessed the probability of accepting the tax authorities' tax treatment of income taxes considered uncertain and concluded there are no impacts from IFRIC 23/ ICPC 22, providing the procedures adopted to determine and recognize income taxes follow the tax regulations and suitable interpretations based on administrative and judicial precedent and decisions.

**23.2 Breakdown of deferred income tax and social contribution assets and liabilities**

Description	Parent and Consolidated	
	03/31/2020	12/31/2019
<b>Deferred tax assets</b>		
Estimated losses for doubtful accounts	<b>12,578</b>	11,413
Provision for litigation and lawsuits	<b>51,940</b>	64,366
Provision for logistics expenses and contractual costs	<b>15,462</b>	11,160
Estimated losses on tax credits	<b>12,869</b>	17,119
Provision for legal fees	<b>13,934</b>	14,715
PLR provisions and other events	<b>9,080</b>	19,568
Provision for impairment losses on assets	<b>2,840</b>	2,840
Provision for inventory impairment	<b>3,275</b>	2,901
Amortization of the balance sheet at fair value	<b>15,698</b>	1,338
Other provisions	<b>18,151</b>	15,340
	<b>155,827</b>	160,760

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Description	Parent and Consolidated	
	03/31/2020	12/31/2019
<b>Deferred tax liabilities</b>		
Differences in depreciation (useful lives and tax rates)	170,733	167,088
Tax amortization of goodwill paid for future profitability	188,392	185,922
Restatement of judicial deposits	11,835	11,294
Losses (gains) on swap contracts	39,524	3,063
Other provisions (reversals)	(1,590)	(1,393)
	408,894	365,974
<b>Net deferred tax liabilities</b>	<b>253,067</b>	<b>205,214</b>

The Company expects to recover the tax credits arising from the temporary differences within a maximum of ten years, based on the expected realization of the provisions that generated them.

The estimates for recovering the tax credits were based mainly on the expected outcomes for the processes that generated the provisions for contingencies and also the tax legislation criteria for the deductibility of losses on doubtful receivables.

Based on the past realization of liabilities representing tax, labor and civil risks, among others, and allowances for impairment losses, the expected realization of deferred income tax and social contribution in the financial information is as follows:

Maturity	Parent and Consolidated
2021	37,046
2022	20,609
2023	27,279
2024	17,914
2025 to 2027	52,979
<b>Total</b>	<b>155,827</b>

**24. Shareholders' equity****a) Capital - Parent**

On December 31, 2019, the Company made a capital increase of R\$ 2,508,400 represented by 339,000,000 common shares.

On March 06, 2020, the members of the Board of Directors approved a capital increase of R\$ 59,541, without altering the number of shares, through the capitalization of fiscal incentive reserves for the reduction of income tax and reinvestment, related to the calendar year 2018, increasing the capital to R\$ 2,567,941.

At March 31, 2020, the Company had a free float of 84,609,141 common shares, which represented 24.66% (25.00% at December 31, 2019).

Authorized capital comprises 459,200,000 common, nominative shares, with no par value, which can be increased, without altering the bylaws, after a decision by Board of Directors, through the capitalization of reserves, with or without altering the number of shares.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****b) Reserves***Legal reserve*

In compliance with article 193 of Law 6,404/76, the reserve is recorded at a rate of 5% of net income for the year, less the portion relating to investment subsidies, up to a limit of 20% of the Company's share capital.

At March 31, 2020 and of December 31, 2019 the Company's legal reserve amounted to R\$ 308,459.

*Tax incentive reserve*

This reserve is established annually based on the portion of profit arising from the subsidies for investments received by the Company, as detailed in Note 21. At March 31, 2020, the tax incentive reserves totaled R\$ 1,155,094 (R\$ 1,214,635 at December 31, 2019).

*Reserve for investment plan*

This reserve is contemplated in the Company's bylaws, and is constituted based on the remaining profit, i.e. profit for the year, net of the tax incentive reserve, the legal reserve and proposed dividends, except if decided otherwise at the General Shareholders Meeting. The purpose of this reserve is to bolster the Company's working capital and to reinvest funds generated internally. This reserve can, after a decision by the Board of Directors, be capitalized, used to absorb losses or distributed as dividends to shareholders. At March 31, 2020 and of December 31, 2019 the investment plan reserve totaled R\$ 1,928,920. This reserve is limited to 95% of Capital.

According to the Company's bylaws, the balance of revenue reserves, with the exception of the tax incentive reserve, cannot exceed capital. If it exceeds this limit, the General Meeting of Shareholders will determine how the excess amount should be used, either for a capital increase or a dividend distribution.

*Special reserve - Law 8,200/1991*

Prior to 1995, the Company recorded special monetary restatement on permanent assets, in accordance with article 2 of Law 8,200/1991. At March 31, 2020 and December 31, 2019, the special reserve amounted to R\$ 16,529.

*Treasury shares*

At the Board of Directors' meeting held January 20, 2020 the Company approved the share buyback plan in order to meet the long-term incentive program with restricted shares, as detailed in Note 25, and to maximize the creation of value for shareholders, in the maximum amount of 8,472,614 common shares. The share buyback operations will be supported by the overall capital and profit reserves available, except the legal reserve, unrealized profits reserve, special undistributed dividend reserve and the tax incentives reserve, as applicable.

The share buyback operations will be settled within a maximum of 18 (eighteen) months, terminating July 21, 2021.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

On March 31, 2020 the Company had acquired Treasury stock of 1,105,000 shares at an average price of R\$ 39.70 per share, for the minimum and maximum prices of R\$ 37.28 and R\$ 42.13 respectively, amounting to a total of R\$ 43,836.

**c) Shareholders' Remuneration**

The Company's bylaws provide for the distribution of a minimum dividend of 25% of the net profit for the year, adjusted in accordance with art. 202 of Law 6,404/1976, and also permits payments to shareholders, in the form of interest on own capital, within the limits provided by Law. The amount calculated for interest on own capital should always be considered as part of the compulsory dividend.

The Board of Directors meeting held on December 23, 2019 approved a credit in the amount of R\$ 85,000, for the shareholders, as interest on own capital. The credit was made on December 31, 2019, based on the shareholding positions at the close of trading at B3 on December 30, 2019 and payment to shareholders occurred on April 30, 2020.

The proposal was submitted for approval at the General Shareholders Meeting on April 09, 2020.

**d) Accumulated conversion adjustments**

The accumulated conversion adjustments refer to exchange variations on foreign investments.

**25. Share-based remuneration plan**

The Company has a share-based remuneration plan, approved on April 13, 2017, with the aim of permitting eligible participants to acquire shares in order to: (a) create a sense of ownership, fostering the feeling of being an "owner of the business", thereby intensifying and strengthening the bond between the Company and its executives (non-statutory board of directors); (b) foster the attainment of high levels of sustainable performance in the short and long term; (c) nurture the development of senior leadership; (d) make possible the existence of a "win-win" rewards model based on the return created for shareholders; and (e) ensure the competitiveness of the total compensation package and the retention of key leaders.

This is a long-term incentive program in which participants are awarded restricted shares. The program was initially limited to non-statutory directors but has since been modified to include statutory directors hired under the Consolidated Labor Regulations as from 2019, under a resolution passed by the Extraordinary General Meeting held on December 27, 2019.

The shares are awarded annually, for a 4-year plan term, vested annually in May, documented in an accession to the plan between the Company and the beneficiaries. For potential beneficiaries hired in or after 2019, shares are awarded in proportion to their length of service at the Company, and the amount used as a basis for determining the price of the shares is the same as for other beneficiaries in the relevant year. The shares awarded cannot exceed 0.25% of the Company's total shares over the plan period.



**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

For each annual concession there will be a three-year grace period and at the end of the vesting period, the shares will be transferred to the executive if performance criteria have been met. Under this model, no financial disbursements are required by the executive.

In May 2017, the first plan accessions were signed under which 132,535 restricted shares were distributed among 17 executives, who will acquire ownership rights in April 2020.

In May 2018, new terms of adherence to the plan were signed, in which 154,836 restricted shares were distributed among 18 executives, with the right to ownership of the shares in April 2021.

In May 2019, new plan accessions were signed under which 170,872 restricted shares were distributed among 17 executives, who will acquire ownership rights in April 2022. On December 27, 2019, six executives hired in 2019 joined the plan and were awarded 59,883 restricted shares.

The changes in the number of restricted shares are presented below:

Description	Number of restricted shares	
	03/31/2020	12/31/2019
Balance at beginning of the year	<b>453,645</b>	<b>287,371</b>
Granted shares	-	<b>230,755</b>
Awards canceled	-	<b>(64,481)</b>
Balance at end of the year	<b>453,645</b>	<b>453,645</b>

The restricted shares are measured at fair value at the concession date and are recognized as expenses over the period in which the right is vested and charged to shareholders' equity, as granted shares.

The expense denoting the fair value of the restricted shares, including payroll charges, recognized in the period ended March 31, 2020 in accordance with the term lapsed for acquiring the right to the restricted shares was R\$ 1,709 (R\$ 1,020 at March 31, 2019).

**26. Net revenue**

Description	Parent		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
<b>Gross revenue</b>	<b>1,995,333</b>	1,472,175	<b>1,995,333</b>	1,651,827
Domestic market	<b>1,970,238</b>	1,459,842	<b>1,970,238</b>	1,639,477
Foreign market	<b>25,095</b>	12,333	<b>25,095</b>	12,350
Returns, discounts and cancellations	<b>(124,222)</b>	(133,682)	<b>(124,222)</b>	(142,126)
Taxes on sales	<b>(234,365)</b>	(165,827)	<b>(234,365)</b>	(192,778)
<b>Net revenue</b>	<b>1,636,746</b>	1,172,666	<b>1,636,746</b>	1,316,923

The net revenue by product line of the Company and its subsidiaries as of March 31, 2020 and 2019 is as follows:



**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)**

Description	Parent		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Cookies and Crackers	866,941	591,450	866,941	702,756
Pasta	374,603	259,896	374,603	290,649
Wheat flour and bran	276,036	225,911	276,036	225,265
Margarine and vegetable shortening	84,421	65,666	84,421	66,506
Other products <sup>(1)</sup>	34,745	29,743	34,745	31,747
<b>Net revenue</b>	<b>1,636,746</b>	<b>1,172,666</b>	<b>1,636,746</b>	<b>1,316,923</b>

**Note:** <sup>(1)</sup> Refers to the other product lines: cakes, snacks, cake mix, juice powder and packaged toast.

**27. Results by nature**

The Company opted to present the statement of income by function. The composition of the cost of goods sold and significant expenses by nature are presented below:

Cost of goods sold	Parent		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Raw materials	(688,260)	(549,993)	(688,297)	(584,935)
- Wheat	(448,739)	(370,485)	(448,775)	(370,512)
- Oil	(107,830)	(78,974)	(107,830)	(83,593)
- Sugar	(41,672)	(29,032)	(41,673)	(31,088)
- Sourced flour	(8,501)	(16,519)	(8,501)	(38,081)
- Sourced vegetable shortening	(2,417)	(560)	(2,417)	(560)
- Others	(79,101)	(54,423)	(79,101)	(61,101)
Packaging	(108,106)	(82,550)	(108,106)	(89,053)
Labor	(147,690)	(110,139)	(147,690)	(124,209)
General factory costs <sup>(1)</sup>	(101,868)	(71,401)	(101,868)	(89,628)
Depreciation and amortization	(42,783)	(28,123)	(42,783)	(37,946)
Cost of goods resold	(42)	-	(42)	(345)
<b>Total</b>	<b>(1,088,749)</b>	<b>(842,206)</b>	<b>(1,088,786)</b>	<b>(926,116)</b>

Expenses	Parent		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
<b>Selling expenses</b>				
Marketing and sales	(136,737)	(83,087)	(136,737)	(91,650)
Salaries and employee benefits	(120,800)	(96,407)	(120,800)	(126,639)
Freight	(100,866)	(74,792)	(100,866)	(79,630)
Depreciation and amortization	(9,541)	(4,238)	(9,541)	(7,100)
<b>Total</b>	<b>(367,944)</b>	<b>(258,524)</b>	<b>(367,944)</b>	<b>(305,019)</b>
<b>Administrative and general expenses</b>				
Salaries and employee benefits	(35,932)	(29,546)	(35,971)	(33,686)
Others administrative expenses	(24,754)	(20,226)	(24,858)	(24,852)
Management fees	(3,110)	(3,025)	(3,110)	(3,025)
Depreciation and amortization	(8,585)	(4,287)	(8,585)	(4,907)
<b>Total</b>	<b>(72,381)</b>	<b>(57,084)</b>	<b>(72,524)</b>	<b>(66,470)</b>
<b>Other income (expenses) net <sup>(2)</sup></b>				
Tax expenses	(5,891)	(7,905)	(5,901)	(8,319)
Depreciation and amortization	(888)	(422)	(888)	(3,712)
Other income (expenses)	(10,075)	2,010	(9,920)	(10,531)
<b>Total</b>	<b>(16,854)</b>	<b>(6,317)</b>	<b>(16,709)</b>	<b>(22,562)</b>

**Notes:** <sup>(1)</sup> Refers to the powerhouse, maintenance and other costs; <sup>(2)</sup> See Note 28.

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****28. Other operational income (expenses), net**

See below the other operational (income) expenses:

Description	Parent		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
<b>Other operating income</b>				
Sale of damaged goods and scrap	1,942	1,002	1,942	1,050
Sale of property, plant and equipment	1,111	1,613	1,111	1,615
Reversal of operating provisions	4,870	-	5,024	-
Extemporaneous credit - PIS/COFINS <sup>(1)</sup>	1,281	19,084	1,281	19,084
Extemporaneous credit – ICMS	3,266	-	3,266	-
Claim merchandise refund	116	1,148	116	1,148
Others	1,679	1,879	1,679	1,974
	<b>14,265</b>	<b>24,726</b>	<b>14,419</b>	<b>24,871</b>
<b>Other operating expenses</b>				
Provisions for civil, labor and tax contingencies and success fees	(8,807)	(8,623)	(8,807)	(9,074)
Cost of sales of property, plant and equipment	(1,419)	(977)	(1,419)	(978)
Inmetro tax	(777)	(959)	(777)	(959)
Provisions (reversals) estimated or realized in inventories	(2,602)	(3,277)	(2,602)	(4,248)
State fund for tax equalization	(4,576)	(4,124)	(4,576)	(4,124)
Cost of selling sweeps, scrap and inputs	(5,735)	(3,005)	(5,735)	(3,005)
Tax assessment	(5,891)	(7,905)	(5,901)	(8,319)
Depreciation and amortization expenses	(888)	(422)	(888)	(3,712)
Others	(424)	(1,751)	(423)	(13,014)
	<b>(31,119)</b>	<b>(31,043)</b>	<b>(31,128)</b>	<b>(47,433)</b>
<b>Total</b>	<b>(16,854)</b>	<b>(6,317)</b>	<b>(16,709)</b>	<b>(22,562)</b>

**Notes:** <sup>(1)</sup> See note 9.**29. Earnings per share**

Basic earnings per share are calculated based on net income attributable to shareholders and the proportional weighted average number of shares outstanding in the year.

Diluted earnings per share for share options are calculated based on net income attributable to shareholders and the adjusted weighted average number of shares that would have been outstanding assuming the conversion of all dilutive potential shares, as follows:

Description	Parent and Consolidated	
	03/31/2020	03/31/2019
Net profit for the period	137,000	56,929
Weighted average number of common shares (a)	339,000	339,000
<b>Basic earnings per share (R\$)</b>	<b>0.40413</b>	<b>0.16793</b>
Adjustments for restricted shares (b)	394	287
Actions in Treasury (c)	(1,105)	-
Weighted average shares (thousand) (a + b)	338,289	339,287
<b>Diluted earnings per share (R\$)</b>	<b>0.40498</b>	<b>0.16779</b>

**NOTES TO THE FINANCIAL STATEMENTS****(All amounts in thousands of Reais, except if stated otherwise)****30. Insurance coverage (unreviewed)**

The Company adopts the policy of contracting insurance coverage for the main items subject to risks, at amounts considered sufficient to cover possible claims. The assets covered by insurance are determined based on an analysis of the nature of the activity involved, the efficiency of the protection and security measures adopted for the construction and operation of the Company's plants and facilities, the logistical distribution of its industrial plants and distribution centers, as well as the relationship between potential damage from a possible accident and the insurance cost.

As part of its policy for managing risks and permanently evaluating the sufficiency of the existing insurance, the Company has a policy of contracting services to analyze the operational risks to which it is subject, in order to verify the quality of the assumptions adopted in determining which assets to insure and the sufficiency of the amounts insured by the insurance policies contracted.

The Company maintains insurance policies for buildings, products, raw materials, products in process, packing materials, machinery, tools, furniture, fixtures and facilities. The policies in force contain the following coverage:

Description	Indemnity ceiling	Period of policy
Fire (including due to disturbances), lightning at the location and explosion of any nature	300,000	12/04/2019 to 12/04/2020
Crashes of airplanes or any aircraft	300,000	12/04/2019 to 12/04/2020
Storms, hurricane, cyclone, tornado, hailstorm, impact of land vehicles and smoke damage	20,000	12/04/2019 to 12/04/2020
Collapse (landslides)	10,000	12/04/2019 to 12/04/2020
Riots, strikes and lock-out	5,000	12/04/2019 to 12/04/2020
Machinery breakdown - Material damage	4,500	12/04/2019 to 12/04/2020
Sprinkler spillage or leakage and hydrants network	2,000	12/04/2019 to 12/04/2020
Own fermentation and spontaneous combustion	2,000	12/04/2019 to 12/04/2020

**31. Subsequent events**

On April 15, 2020 the Board of Directors approved the first issuance of commercial promissory notes for public distribution with restricted distribution efforts. The Company accordingly issued 20 commercial promissory notes in a single series on April 23, 2020, amounting to R\$ 200,000,000.00 (two hundred million reais).

The Commercial Notes mature 183 (one hundred and eighty-three) days after the issuance date, i.e. October 23, 2020, and are entitled to compensatory interest on the respective nominal unit value, equal to 100% of the CDI rate, plus 3.13% p.a.

The net funds obtained through the Issuance will be fully used to shore up the Company's cash.

**NOTES TO THE FINANCIAL STATEMENTS**

**(All amounts in thousands of Reais, except if stated otherwise)**

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Francisco Ivens de Sá Dias Branco Júnior  
President and Industrial Vice-President - Biscuits, Pasta and Margarines

Maria das Graças Dias Branco da Escóssia  
Vice-President - Finance

Maria Regina Saraiva Leão Dias Branco Ximenes  
Vice-President - Administration and Development

Francisco Cláudio Saraiva Leão Dias Branco  
Industrial Vice-President - Milling

Gustavo Lopes Theodozio  
Vice-President - Investments and Controllershship

Rômulo Ruberti Calmon Dantas  
Vice-President - Sales

Magali Carvalho Façanha  
Accountant CRC - CE 12410/O-6

## Other Information Deemed as Relevant by the Company

### Share Ownership

Our capital stock on March 31, 2020, is R\$ 2,567.9 million, fully subscribed, paid-up and divided into 339,000,000 shares, all non-par, common, registered, book-entry shares.

The table below shows the number of shares directly or indirectly held on this date by the Controlling Shareholder and members of our Board of Directors and Board of Executive Officers:

CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGERS AND OUTSTANDING SHARES Shareholding on 03/31/2019				
Shareholder	Number of Common Shares (In units)	%	Total Number of Shares (In units)	%
<b>Controlling Shareholder</b>	<b>214,650,000</b>	<b>63.32</b>	<b>214,650,000</b>	<b>63.32</b>
<b>Managers</b>	<b>39,598,148</b>	<b>11.68</b>	<b>39,598,148</b>	<b>11.68</b>
Board of Directors	13,896,006	4.10	13,896,006	4.10
Board of Executive Officers	25,702,142	7.58	25,702,142	7.58
<b>Treasury Shares</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Shareholders</b>	<b>84,751,852</b>	<b>25.00</b>	<b>84,751,852</b>	<b>25.00</b>
<b>Total</b>	<b>339,000,000</b>	<b>100.00</b>	<b>339,000,000</b>	<b>100.00</b>
<b>Outstanding Shares</b>	<b>84,751,852</b>	<b>25.00</b>	<b>84,751,852</b>	<b>25.00</b>

CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGERS AND OUTSTANDING SHARES Shareholding on 03/31/2020				
Shareholder	Number of Common Shares (In units)	%	Total Number of Shares (In units)	%
<b>Controlling Shareholder</b>	<b>214,650,000</b>	<b>63.32</b>	<b>214,650,000</b>	<b>63.32</b>
<b>Managers</b>	<b>39,635,859</b>	<b>11.69</b>	<b>39,635,859</b>	<b>11.69</b>
Board of Directors	13,901,715	4.10	13,901,715	4.10
Board of Executive Officers	25,734,144	7.59	25,734,144	7.59
<b>Treasury Shares</b>	<b>1,105,000</b>	<b>0.33</b>	<b>1,105,000</b>	<b>0.33</b>
<b>Other Shareholders</b>	<b>83,609,141</b>	<b>24.66</b>	<b>83,609,141</b>	<b>24.66</b>
<b>Total</b>	<b>339,000,000</b>	<b>100.00</b>	<b>339,000,000</b>	<b>100.00</b>
<b>Outstanding Shares</b>	<b>83,609,141</b>	<b>24.66</b>	<b>83,609,141</b>	<b>24.66</b>

**Note:** There are no Members of the Board of Directors and Board of Executive Officers holding more than 5% of the shares.

In accordance with Article 20 of our social status, the Fiscal Concil has not found permanent and is installed on March 31, 2020 and 2019.

**Other Information Deemed as Relevant by the Company**

CAPITAL STOCK DISTRIBUTION OF CORPORATE ENTITY (COMPANY SHAREHOLDER), UP TO THE INDIVIDUAL LEVEL				
Company: <b>DIBRA Fundo de Investimentos em Participações</b>		Shareholding on 03/31/2020 (In units of quotas)		
Unitholders	Quotas		Total	
	Number	%	Number	%
Maria Consuelo Saraiva Leão Dias Branco	270.30	50.00	270.30	50.00
Francisco Ivens de Sá Dias Branco Júnior	54.06	10.00	54.06	10.00
Maria das Graças Dias Branco da Escóssia	54.06	10.00	54.06	10.00
Maria Regina Saraiva Leão Dias Branco Ximenes	54.06	10.00	54.06	10.00
Francisco Marcos Saraiva Leão Dias Branco	54.06	10.00	54.06	10.00
Francisco Cláudio Saraiva Leão Dias Branco	54.06	10.00	54.06	10.00
<b>Total</b>	<b>540.61</b>	<b>100.00</b>	<b>540.61</b>	<b>100.00</b>

SHAREHOLDING OF THOSE HOLDING MORE THAN 5% OF THE SHARES OF EACH TYPE AND CLASS OF THE COMPANY'S CAPITAL STOCK, UP TO THE INDIVIDUAL LEVEL				
Company: <b>M DIAS BRANCO S.A IND E COM DE ALIMENTOS</b>				
Shareholding on 03/31/2019 (In units of shares)				
Shareholder	Common Shares		Total	
	Number	%	Number	%
DIBRA Fundo de Investimentos em Participações	214,650,000	63.32	214,650,000	63.32
Board of Directors and Executive Officers	39,598,148	11.68	39,598,148	11.68
Treasure Shares	-	-	-	-
Other Shareholders	84,751,852	25.00	84,751,852	25.00
<b>Total</b>	<b>339,000,000</b>	<b>100.00</b>	<b>339,000,000</b>	<b>100.00</b>

SHAREHOLDING OF THOSE HOLDING MORE THAN 5% OF THE SHARES OF EACH TYPE AND CLASS OF THE COMPANY'S CAPITAL STOCK, UP TO THE INDIVIDUAL LEVEL				
Company: <b>M DIAS BRANCO S.A IND E COM DE ALIMENTOS</b>				
Shareholding on 03/31/2020 (In units of shares)				
Shareholder	Common Shares		Total	
	Number	%	Number	%
DIBRA Fundo de Investimentos em Participações	214,650,000	63.32	214,650,000	63.32
Broad of Directors and Executive Officers	39,635,859	11.69	39,635,859	11.69
Treasure Shares	1,105,000	0.33	1,105,000	0.33
Other Shareholders	83,609,141	24.66	83,609,141	24.66
<b>Total</b>	<b>339,000,000</b>	<b>100.00</b>	<b>339,000,000</b>	<b>100.00</b>

**Opinions and Declarations / Special Review Report – unqualified**

(A free translation of the original in Portuguese)

**Report on Review of Quarterly Information**

To the Board of Directors and Shareholders  
M. Dias Branco S.A. Indústria e Comércio de Alimentos

**Introduction**

We have reviewed the accompanying parent company and consolidated interim accounting information of M. Dias Branco S.A. Indústria e Comércio de Alimentos (“Company”), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2020, comprising the balance sheet as 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 parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21 - Interim Financial Reporting 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 CVM.

**Opinions and Declarations / Special Review Report – unqualified**

(A free translation of the original in Portuguese)

**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.

Recife, May 8, 2020

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Vinícius Ferreira Britto Rêgo  
Accountant CRC 1BA024501/O-9



**Reports and Statements/Statement from Directors on the financial statements**

We declare, as the directors of M. Dias Branco S.A. Indústria e Comércio de Alimentos, a publicly traded corporation with its registered office in the Municipality of Eusébio, State of Ceará, at Rodovia BR 116 KM 18, s/n, Jabuti, CEP 61760-000, registered with CNPJ under number 07.206.816/0001-15, that we have revised, discussed and approved the financial statements for the period ended March 31, 2020.

Eusébio, May 8, 2020.

Francisco Ivens de Sá Dias Branco Júnior  
President and Industrial Vice-President - Biscuits, Pasta and Margarines

Maria das Graças Dias Branco da Escóssia  
Vice-President – Finance

Maria Regina Saraiva Leão Dias Branco Ximenes  
Vice-President - Administration and Development

Francisco Cláudio Saraiva Leão Dias Branco  
Industrial Vice-President - Milling

Gustavo Lopes Theodozio  
Vice-President - Investments and Controllershship

Rômulo Ruberti Calmon Dantas  
Vice-President - Sales

## **Reports and Statements/Statement from Directors on the Report of Independent Auditors**

We declare, as the directors of M. Dias Branco S.A. Indústria e Comércio de Alimentos, a publicly traded corporation with its registered office in the Municipality of Eusébio, State of Ceará, at Rodovia BR 116 KM 18, s/n, Jabuti, CEP 61760-000, registered with CNPJ under number 07.206.816/0001-15, that we have revised, discussed and approved the financial statements for the period ended March 31, 2020.

Eusébio, May 8, 2020.

Francisco Ivens de Sá Dias Branco Júnior  
President and Industrial Vice-President - Biscuits, Pasta and Margarines

Maria das Graças Dias Branco da Escóssia  
Vice-President – Finance

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Gustavo Lopes Theodozio  
Vice-President - Investments and Controllershship

Rômulo Ruberti Calmon Dantas  
Vice-President - Sales