

(A free translation of the original in Portuguese)

Raia Drogasil S.A.

**Quarterly Information (ITR) at
September 30, 2020**

**and report on review of quarterly
information**

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

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Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Company information/capital composition

Number of shares (units)	Current quarter 9/30/2020
Paid-up share capital	
Common shares	1,651,930,000
Preferred shares	0
Total	1,651,930,000
Treasury shares	
Common shares	2,542,945
Preferred shares	0
Total	2,542,945

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Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Company information/dividends

Event	Date approved	Description	Initial date of payment	Type of share	Class of share	Amount per share (Reais/share)
Board of Directors' Meeting	3/23/2020	Interest on capital	12/03/2020	Common		0.14248
Board of Directors' Meeting	6/22/2020	Interest on capital	12/03/2020	Common		0.14854
Board of Directors' Meeting	9/17/2020	Interest on capital	5/31/2020	Common		0.03031

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Quarterly information (ITR) - 9/30/2020 - RAIÁ Drogasil S.A.

Parent company financial information/balance sheet - assets

(R\$ thousand)

Code	Description	Current quarter 9/30/2020	Prior year 12/31/2019
1	Total assets	12,791,325	12,075,866
1.01	Current assets	6,053,728	5,518,934
1.01.01	Cash and cash equivalents	599,340	294,863
1.01.03	Trade receivables	1,514,971	1,291,174
1.01.03.01	Customers	1,296,579	1,049,906
1.01.03.01.01	Checks receivable	1,367	2,383
1.01.03.01.02	Credit and debit cards	1,236,333	996,163
1.01.03.01.03	PBM - Medicine benefit program	43,765	31,003
1.01.03.01.04	Agreements with companies	18,381	21,607
1.01.03.01.05	(-) Provision for impairment of trade receivables	-3,267	-1,250
1.01.03.02	Other receivables	218,392	241,268
1.01.03.02.01	Advances to employees	13,973	10,158
1.01.03.02.02	Returns to suppliers	8,225	5,206
1.01.03.02.03	Commercial agreements	165,012	177,835
1.01.03.02.04	Receivables from subsidiaries	190	86
1.01.03.02.05	Other	30,992	47,983
1.01.04	Inventory	3,808,601	3,771,335
1.01.04.01	Goods for resale	3,837,830	3,783,236
1.01.04.02	Materials	7,209	1,215
1.01.04.03	(-) Allowance for losses on goods	-36,438	-13,116
1.01.06	Taxes recoverable	83,221	135,771
1.01.06.01	Current taxes recoverable	83,221	135,771
1.01.06.01.01	Taxes on profit	3,956	33,501
1.01.06.01.02	Other taxes recoverable	79,265	102,270
1.01.07	Prepaid expenses	47,595	25,791
1.02	Non-current assets	6,737,597	6,556,932
1.02.01	Long term receivables	525,094	478,815
1.02.01.04	Trade receivables	59,708	56,996
1.02.01.04.02	Other receivables	550	893
1.02.01.04.03	Receivables from subsidiaries	59,158	56,103
1.02.01.08	Prepaid expenses	2,418	587
1.02.01.10	Other non-current assets	462,968	421,232
1.02.01.10.03	Judicial deposits	29,331	30,001
1.02.01.10.04	Taxes recoverable	93,320	58,304
1.02.01.10.05	Credits of subsidiaries	340,317	332,927
1.02.02	Investments	63,326	60,263
1.02.02.01	Equity interests	63,326	60,263
1.02.02.01.02	Interests in subsidiaries	63,326	60,263
1.02.03	Property and equipment	4,927,033	4,805,939
1.02.03.01	Property and equipment in use	1,813,088	1,773,335
1.02.03.02	Right-of-use lease	3,113,945	3,032,604
1.02.04	Intangible assets	1,222,144	1,211,915

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Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Parent company financial information/balance sheet - liabilities and equity

(R\$ thousand)

Code	Description	Current quarter 9/30/2020	Prior year 12/31/2019
2	Total liabilities and equity	12,791,325	12,075,866
2.01	Current liabilities	3,992,717	3,941,458
2.01.01	Social security and labor obligations	401,297	291,073
2.01.01.01	Social security obligations	105,496	58,918
2.01.01.02	Labor obligations	295,801	232,155
2.01.02	Trade payables	2,186,993	2,532,293
2.01.02.01	Domestic suppliers	2,186,993	2,532,293
2.01.03	Tax obligations	115,297	96,435
2.01.03.01	Federal tax obligations	41,574	31,952
2.01.03.01.01	Income tax and social contribution payable	5,510	8,309
2.01.03.01.02	Other federal tax obligations	36,064	23,643
2.01.03.02	State tax obligations	67,172	61,361
2.01.03.03	Municipal tax obligations	6,551	3,122
2.01.04	Borrowing	511,707	228,661
2.01.04.01	Borrowing	352,818	69,083
2.01.04.01.01	In local currency	352,818	69,083
2.01.04.02	Debentures	158,889	159,578
2.01.04.02.01	Debentures	158,889	159,578
2.01.05	Other obligations	701,834	735,681
2.01.05.02	Other	701,834	735,681
2.01.05.02.01	Dividends and interest on capital	128,528	68,255
2.01.05.02.04	Rentals	64,701	60,814
2.01.05.02.05	Other payables	40,798	41,408
2.01.05.02.06	Lease liabilities	467,807	565,204
2.01.06	Provision	75,589	57,315
2.01.06.01	Provision for tax, social security, labor and civil contingencies	32,327	26,008
2.01.06.01.05	Provision for legal claims	32,327	26,008
2.01.06.02	Other provisions	43,262	31,307
2.01.06.02.04	Provisions for sundry obligations	43,262	31,307
2.02	Non-current liabilities	4,625,120	4,109,395
2.02.01	Borrowing	1,195,516	897,815
2.02.01.01	Borrowing	100,229	27,564
2.02.01.01.01	In local currency	100,229	27,564
2.02.01.02	Debentures	1,095,287	870,251
2.02.01.02.01	Debentures	1,095,287	870,251
2.02.02	Other obligations	3,268,108	3,001,656
2.02.02.02	Other	3,268,108	3,001,656
2.02.02.02.03	Tax recovery program (REFIS)	6,329	11,192
2.02.02.02.04	Payables to Subsidiary's shareholders	45,791	42,113
2.02.02.02.05	Lease liabilities	2,875,852	2,615,451
2.02.02.02.06	Payables of subsidiaries	340,136	332,900
2.02.03	Deferred taxes	90,371	142,810
2.02.03.01	Deferred income tax and social contribution	90,371	142,810
2.02.04	Provision	71,125	67,114
2.02.04.01	Provision for tax, social security, labor and civil contingencies	70,098	67,114
2.02.04.01.05	Provision for legal claims	70,098	67,114
2.02.04.02	Other provisions	1,027	0
2.02.04.02.04	Provision for losses on Investments	1,027	0
2.03	Equity	4,173,488	4,025,013
2.03.01	Paid-up share capital	2,500,000	2,500,000
2.03.02	Capital reserves	142,880	129,768
2.03.04	Revenue reserves	1,371,984	1,413,627
2.03.04.01	Legal reserve	154,131	154,131
2.03.04.02	Statutory reserve	1,080,637	1,080,637
2.03.04.08	Proposed additional dividends	0	41,643
2.03.04.10	Tax incentive reserve	137,216	137,216
2.03.05	Retained earnings (accumulated deficit)	177,135	0
2.03.06	Carrying value adjustments	-18,511	-18,382

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Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Parent company financial information/statement of income

(R\$ thousand)

Code	Description	SCE*-	SCE*-	SCE*-	SCE*-
		4/1/2020 to 9/30/2020	1/1/2020 to 9/30/2020	4/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019
3.01	Net sales revenue	4,851,451	13,782,509	4,343,239	12,133,457
3.01.01	Gross sales revenue	5,113,039	14,495,518	4,554,626	12,712,695
3.01.02	Taxes on sales	-226,604	-609,333	-174,188	-479,525
3.01.03	Rebates	-34,984	-103,676	-37,199	-99,713
3.02	Cost of sales and/or services	-3,376,586	-9,586,059	-3,036,923	-8,412,417
3.03	Gross profit	1,474,865	4,196,450	1,306,316	3,721,040
3.04	Operating income/expenses	-1,196,749	-3,557,037	-816,391	-2,841,410
3.04.01	Selling expenses	-1,042,474	-3,082,025	-946,601	-2,731,878
3.04.02	General and administrative expenses	-153,441	-463,488	-129,013	-352,758
3.04.04	Other operating expenses	4,016	37,522	357,670	357,670
3.04.05	Other operating expenses	-886	-47,841	-67,818	-89,043
3.04.05.01	Extraordinary expenses	-886	-47,841	-67,818	-89,043
3.04.06	Equity in the results of investees	-3,964	-1,205	-30,629	-25,401
3.05	Profit before finance results and taxes	278,116	639,413	489,925	879,630
3.06	Finance results	-76,163	-222,019	-67,527	-180,408
3.06.01	Finance income	9,184	38,073	20,277	51,461
3.06.02	Finance costs	-85,347	-260,092	-87,804	-231,869
3.07	Profit before income tax and social contribution	201,953	417,394	422,398	699,222
3.08	Income tax and social contribution	-47,228	-94,672	36,943	-12,937
3.08.01	Current	-59,077	-147,044	-23,236	-78,719
3.08.02	Deferred	11,849	52,372	60,179	65,782
3.09	Profit from continuing operations	154,725	322,722	459,341	686,285
3.11	Profit for the period	154,725	322,722	459,341	686,285
3.99	Earnings per share - (Reais/share)				
3.99.01	Basic earnings per share - R\$				
3.99.01.01	Common shares	0.46940	0.97906	1.39374	2.08338
3.99.02	Basic earnings per share - R\$				
3.99.02.01	Common shares	0.46732	0.97472	1.39482	2.07784

*SCE – Statement of Changes in Equity

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Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Parent company financial information/statement of comprehensive income

(R\$ thousand)

Code	Description	SCE*- 4/1/2020 to 9/30/2020	SCE*- 1/1/2020 to 9/30/2020	SCE*- 4/1/2019 to 9/30/2019	SCE*- 1/1/2019 to 9/30/2019
4.01	Profit for the period	154,725	322,722	459,341	686,285
4.03	Comprehensive income for the period	154,725	322,722	459,341	686,285

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Quarterly information (ITR) - 9/30/2020 - RAI A Drogasil S.A.

Parent company financial information/statement of cash flow - indirect method

(R\$ thousand)

Code	Description	SCE - 1/1/2020 to 9/30/2020	SCE - 1/1/2019 to 9/30/2019
6.01	Net cash provided by operating activities	687,212	657,778
6.01.01	Cash from operations	1,521,056	1,305,473
6.01.01.01	Profit before income tax and social contribution	417,394	699,222
6.01.01.02	Depreciation and amortization	835,783	796,566
6.01.01.03	Share-based compensation plan, net	13,031	10,171
6.01.01.04	Interest on additional stock option	3,678	9,830
6.01.01.05	Result on disposal of property and equipment and intangible assets	2,887	11,535
6.01.01.06	Provision (reversal) for legal claims	9,303	-10,399
6.01.01.07	Provision (reversal) for inventory losses	23,322	-230
6.01.01.08	Provision (reversal) for impairment of trade receivables	2,017	-282
6.01.01.09	Provision (reversal) for store closures	-1,913	-12,403
6.01.01.10	Interest expenses	45,174	50,156
6.01.01.11	Amortization of transaction costs of debentures	3,280	1,989
6.01.01.12	Equity in results of investees	1,205	25,401
6.01.01.13	Interest expenses – leases	165,895	81,587
6.01.01.15	Gain on business combination	0	-357,670
6.01.02	Changes in assets and liabilities	-543,237	-421,212
6.01.02.01	Trade receivables and other receivables	-248,690	-247,291
6.01.02.02	Inventory	-60,588	-273,818
6.01.02.03	Other current assets	53,726	81,635
6.01.02.04	Long term receivables	-36,504	-141,802
6.01.02.05	Trade payables	-338,996	69,001
6.01.02.06	Salaries and social charges	110,224	95,711
6.01.02.07	Taxes and contributions	-38,311	11,657
6.01.02.08	Other liabilities	12,015	5,582
6.01.02.09	Rentals payable	3,887	-21,887
6.01.03	Other	-290,607	-226,483
6.01.03.01	Interest paid	-30,040	-33,810
6.01.03.02	Income tax and social contribution paid	-94,672	-111,087
6.01.03.03	Interest paid – leases	-165,895	-81,586
6.02	Net cash used in investing activities	-477,653	-410,175
6.02.01	Purchases of property and equipment and intangible assets	-472,351	-478,361
6.02.02	Proceeds from sale of property and equipment	1,300	456
6.02.03	Loans granted to subsidiaries	-3,313	-2,126
6.02.04	Investments in associated companies	-3,289	0
6.02.05	Cash from merged company	0	69,856
6.03	Net cash used in financing activities	94,918	-80,747
6.03.01	Borrowing	695,353	543,141
6.03.02	Repayments of borrowing	-133,020	-153,312
6.03.03	Interest on capital and dividends paid	-127,086	-93,646
6.03.04	Leases paid	-340,329	-376,930
6.05	Increase (decrease) in cash and cash equivalents	304,477	166,856
6.05.01	Cash and cash equivalents at the beginning of the period	294,863	238,153
6.05.02	Cash and cash equivalents at the end of the period	599,340	405,009

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Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Parent company financial information/statement of changes in equity - 1/1/2020 to 9/30/2020

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity
5.01	Opening balance	2,500,000	129,768	1,413,627	0	-18,382	4,025,013
5.03	Adjusted opening balance	2,500,000	129,768	1,413,627	0	-18,382	4,025,013
5.04	Equity transactions with owners	0	13,112	-41,643	-145,716	0	-174,247
5.04.07	Interest on capital	0	0	0	-146,000	0	-146,000
5.04.08	Interest on capital of 2019 approved at the AGM of March 23, 2020	0	0	-41,643	0	0	-41,643
5.04.09	Interest on capital expired	0	0	0	284	0	284
5.04.10	Restricted share plan - Vesting period	0	13,058	0	0	0	13,058
5.04.11	Restricted share plan – Delivery	0	-11,958	0	0	0	-11,958
5.04.12	Goodwill on sales of shares	0	817	0	0	0	817
5.04.13	Treasury shares – Delivery – RD	0	11,141	0	0	0	11,141
5.04.14	Restricted shares - 4Bio	0	8	0	0	0	8
5.04.15	Treasury shares - Delivery - 4Bio	0	46	0	0	0	46
5.05	Total comprehensive income	0	0	0	322,722	0	322,722
5.05.01	Profit for the period	0	0	0	322,722	0	322,722
5.06	Internal changes in equity	0	0	0	129	-129	0
5.06.02	Realization of revaluation reserve	0	0	0	195	-195	0
5.06.03	Taxes on realization of revaluation reserve	0	0	0	-66	66	0
5.07	Closing balance	2,500,000	142,880	1,371,984	177,135	-18,511	4,173,488

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Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Parent company financial information/statement of changes in equity - 1/1/2019 to 9/30/2019

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity
5.01	Opening balance	1,808,639	116,363	1,593,064	0	-18,208	3,499,858
5.03	Adjusted opening balance	1,808,639	116,363	1,593,064	0	-18,208	3,499,858
5.04	Equity transactions with owners	691,361	10,209	-762,351	-162,248	0	-223,029
5.04.01	Capital increases	691,361	0	-691,361	0	0	0
5.04.07	Interest on capital	0	0	0	-162,501	0	-162,501
5.04.08	Interest on capital of 2018 approved at the AGM of April 10, 2019	0	0	-70,990	0	0	-70,990
5.04.09	Interest on capital expired	0	0	0	253	0	253
5.04.10	Restricted share plan – Vesting period	0	10,171	0	0	0	10,171
5.04.11	Restricted share plan - Delivery	0	-14,729	0	0	0	-14,729
5.04.12	Goodwill on sales of shares	0	-2,043	0	0	0	-2,043
5.04.13	Treasury shares – Delivery - RD	0	16,772	0	0	0	16,772
5.04.14	Restricted shares - 4Bio	0	3	0	0	0	3
5.04.15	Treasury shares - Delivery - 4Bio	0	35	0	0	0	35
5.05	Total comprehensive income	0	0	0	686,285	0	686,285
5.05.01	Profit for the period	0	0	0	686,285	0	686,285
5.06	Internal changes in equity	0	0	0	131	-131	0
5.06.02	Realization of revaluation reserve	0	0	0	198	-198	0
5.06.03	Taxes on realization of revaluation reserve	0	0	0	-67	67	0
5.07	Closing balance	2,500,000	126,572	830,713	524,168	-18,339	3,963,114

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Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Parent company financial information/statement of value added

(R\$ thousand)

Code	Description	SCE -	
		1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
7.01	Revenue	14,392,848	12,614,051
7.01.01	Sales of products and services	14,391,841	12,612,982
7.01.02	Other income	3,024	787
7.01.04	Provision for/reversal of impairment of trade receivables	-2,017	282
7.02	Inputs acquired from third parties	-9,625,815	-8,017,359
7.02.01	Cost of sales and services	-8,669,998	-7,588,084
7.02.02	Materials, energy, outsourced services and other	-952,564	-429,481
7.02.03	Impairment/recovery of assets	-3,253	206
7.03	Gross value added	4,767,033	4,596,692
7.04	Retentions	-835,783	-796,566
7.04.01	Depreciation, amortization and depletion	-835,783	-796,566
7.05	Net value added generated by the entity	3,931,250	3,800,126
7.06	Value added received through transfer	40,969	29,482
7.06.01	Equity in the results of investees	-1,205	-25,401
7.06.02	Finance income	43,128	51,928
7.06.03	Other	-954	2,955
7.07	Total value added to distribute	3,972,219	3,829,608
7.08	Distribution of value added	3,972,219	3,829,608
7.08.01	Personnel	1,455,616	1,299,528
7.08.01.01	Direct remuneration	1,134,233	993,441
7.08.01.02	Benefits	224,586	210,346
7.08.01.03	Unemployment compensation fund	96,797	95,741
7.08.02	Taxes and contributions	1,871,952	1,535,691
7.08.02.01	Federal	455,512	321,600
7.08.02.02	State	1,391,523	1,192,796
7.08.02.03	Municipal	24,917	21,295
7.08.03	Providers of capital	321,929	308,103
7.08.03.01	Interest	259,301	230,786
7.08.03.02	Rentals	62,628	77,317
7.08.04	Stockholders and the Company	322,722	686,286
7.08.04.01	Interest on capital	146,000	162,501
7.08.04.03	Profits reinvested/loss for the period	176,722	523,785

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Consolidated financial information/balance sheet - assets

(R\$ thousand)

Code	Description	Current quarter 9/30/2020	Prior year 12/31/2019
1	Total assets	13,044,951	12,248,255
1.01	Current assets	6,358,683	5,756,046
1.01.01	Cash and cash equivalents	600,206	299,226
1.01.03	Trade receivables	1,692,760	1,433,446
1.01.03.01	Customers	1,470,418	1,189,019
1.01.03.01.01	Checks receivable	159,642	134,644
1.01.03.01.02	Credit and debit cards	1,253,895	1,005,195
1.01.03.01.03	PBM - Medicine benefit program	43,765	31,003
1.01.03.01.04	Agreements with companies	18,381	21,607
1.01.03.01.05	(-) Provision for impairment of receivables	-5,265	-3,430
1.01.03.02	Other receivables	222,342	244,427
1.01.03.02.01	Advances to employees	14,028	10,302
1.01.03.02.02	Returns to suppliers	8,225	5,206
1.01.03.02.03	Commercial agreements	168,531	180,319
1.01.03.02.04	Other	31,558	48,600
1.01.04	Inventory	3,926,676	3,851,388
1.01.04.01	Goods for resale	3,955,905	3,863,289
1.01.04.02	Materials	7,209	1,215
1.01.04.03	(-) Allowance for losses on goods	-36,438	-13,116
1.01.06	Taxes recoverable	91,307	145,617
1.01.06.01	Current taxes recoverable	91,307	145,617
1.01.06.01.01	Taxes on profit	3,956	33,501
1.01.06.01.02	Other taxes recoverable	87,351	112,116
1.01.07	Prepaid expenses	47,734	26,369
1.02	Non-current assets	6,686,268	6,492,209
1.02.01	Long term receivables	496,111	432,508
1.02.01.04	Trade receivables	2,199	894
1.02.01.04.02	Other receivables	550	894
1.02.01.04.03	Receivables from subsidiaries and associated companies	1,649	0
1.02.01.07	Deferred taxes	19,656	0
1.02.01.07.01	Deferred income tax and social contribution	19,656	0
1.02.01.08	Prepaid expenses	2,418	587
1.02.01.10	Other non-current assets	471,838	431,027
1.02.01.10.03	Judicial deposits	29,331	30,001
1.02.01.10.04	Taxes recoverable	102,190	68,099
1.02.01.10.05	Credits of subsidiaries	340,317	332,927
1.02.03	Property and equipment	4,934,938	4,814,260
1.02.03.01	Property and equipment in use	1,817,793	1,777,735
1.02.03.02	Right-of-use lease	3,117,145	3,036,525
1.02.04	Intangible assets	1,255,219	1,245,441

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Consolidated financial information/balance sheet - liabilities and equity

(R\$ thousand)

Code	Description	Current quarter 9/30/2020	Prior year 12/31/2019
2	Total liabilities and equity	13,044,951	12,248,255
2.01	Current liabilities	4,190,201	4,078,485
2.01.01	Social security and labor obligations	409,272	296,674
2.01.01.01	Social security obligations	106,950	59,686
2.01.01.02	Labor obligations	302,322	236,988
2.01.02	Trade payables	2,339,320	2,653,236
2.01.02.01	Domestic suppliers	2,339,320	2,653,236
2.01.03	Tax obligations	123,285	102,671
2.01.03.01	Federal tax obligations	41,924	32,419
2.01.03.01.01	Income tax and social contribution payable	5,510	8,309
2.01.03.01.02	Other federal tax obligations	36,414	24,110
2.01.03.02	State tax obligations	74,802	67,122
2.01.03.03	Municipal tax obligations	6,559	3,130
2.01.04	Borrowing	536,490	228,661
2.01.04.01	Borrowing	377,601	69,083
2.01.04.01.01	In local currency	377,601	69,083
2.01.04.02	Debentures	158,889	159,578
2.01.04.02.01	Debentures	158,889	159,578
2.01.05	Other obligations	706,245	739,928
2.01.05.02	Other	706,245	739,928
2.01.05.02.01	Dividends and interest on capital	128,528	68,255
2.01.05.02.04	Rentals	64,701	60,814
2.01.05.02.05	Other payables	43,794	44,213
2.01.05.02.06	Lease liabilities	469,222	566,646
2.01.06	Provision	75,589	57,315
2.01.06.01	Provision for tax, social security, labor and civil contingencies	32,327	26,008
2.01.06.01.05	Provision for legal claims	32,327	26,008
2.01.06.02	Other provisions	43,262	31,307
2.01.06.02.04	Provisions for sundry obligations	43,262	31,307
2.02	Non-current liabilities	4,627,311	4,093,351
2.02.01	Borrowing	1,195,516	897,815
2.02.01.01	Borrowing	100,229	27,564
2.02.01.01.01	In local currency	100,229	27,564
2.02.01.02	Debentures	1,095,287	870,251
2.02.01.02.01	Debentures	1,095,287	870,251
2.02.02	Other obligations	3,270,299	3,004,436
2.02.02.02	Other	3,270,299	3,004,436
2.02.02.02.03	Tax recovery program (REFIS)	6,619	11,436
2.02.02.02.04	Payables to Subsidiary's stockholder	45,791	42,113
2.02.02.02.05	Lease liabilities	2,877,753	2,617,987
2.02.02.02.06	Payables of subsidiaries	340,136	332,900
2.02.03	Deferred taxes	90,371	123,986
2.02.03.01	Deferred income tax and social contribution	90,371	123,986
2.02.04	Provision	71,125	67,114
2.02.04.01	Provision for tax, social security, labor and civil contingencies	70,098	67,114
2.02.04.01.05	Provision for legal claims	70,098	67,114
2.02.04.02	Other provisions	1,027	0
2.02.04.02.04	Provision for losses on investments	1,027	0
2.03	Consolidated equity	4,227,439	4,076,419
2.03.01	Paid-up share capital	2,500,000	2,500,000
2.03.02	Capital reserves	142,880	129,768
2.03.04	Revenue reserves	1,371,984	1,413,627
2.03.04.01	Legal reserve	154,131	154,131
2.03.04.02	Statutory reserve	1,080,637	1,080,637
2.03.04.08	Proposed additional dividends	0	41,643
2.03.04.10	Tax incentive reserve	137,216	137,216
2.03.05	Retained earnings (accumulated deficit)	177,135	0
2.03.06	Carrying value adjustments	-18,511	-18,382
2.03.09	Noncontrolling interests	53,951	51,406

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIÁ Drogasil S.A.

Consolidated financial information/statement of income

(R\$ thousand)

Code	Description	SCE*-	SCE*-	SCE*-	SCE*-
		4/1/2020 to 9/30/2020	1/1/2020 to 9/30/2020	4/1/2019 to 9/30/2019	1/1/2019 to 9/30/2019
3.01	Net sales revenue	5,093,453	14,513,099	4,601,641	12,780,486
3.01.01	Gross sales revenue	5,384,231	15,312,424	4,843,418	13,438,024
3.01.02	Taxes on sales	-249,184	-677,140	-198,803	-542,089
3.01.03	Rebates	-41,594	-122,185	-42,974	-115,449
3.02	Cost of sales and/or services	-3,598,455	-10,256,128	-3,265,229	-8,993,127
3.03	Gross profit	1,494,998	4,256,971	1,336,412	3,787,359
3.04	Operating income/expenses	-1,216,027	-3,614,048	-844,482	-2,903,009
3.04.01	Selling expenses	-1,056,709	-3,122,484	-968,318	-2,777,441
3.04.02	General and administrative expenses	-158,053	-476,792	-140,577	-371,660
3.04.04	Other operating income	4,016	37,522	357,670	357,670
3.04.05	Other operating expenses	-965	-47,978	-93,257	-111,578
3.04.05.01	Extraordinary expenses	-965	-47,978	-93,257	-111,578
3.04.06	Equity in the results of investees	-4,316	-4,316	0	0
3.05	Profit before finance results and taxes	278,971	642,923	491,930	884,350
3.06	Finance results	-76,705	-223,816	-68,251	-183,158
3.06.01	Finance income	9,786	40,581	22,097	55,654
3.06.02	Finance costs	-86,491	-264,397	-90,348	-238,812
3.07	Profit before income tax and social contribution	202,266	419,107	423,679	701,192
3.08	Income tax and social contribution	-47,249	-93,839	38,906	-7,383
3.08.01	Current	-59,077	-147,044	-23,236	-78,718
3.08.02	Deferred	11,828	53,205	62,142	71,335
3.09	Profit from continuing operations	155,017	325,268	462,585	693,809
3.11	Consolidated profit for the period	155,017	325,268	462,585	693,809
3.11.01	Attributable to owners of the Company	154,725	322,722	459,341	686,285
3.11.02	Attributable to noncontrolling interests	292	2,546	3,244	7,524
3.99	Earnings per share - (Reais/share)				
3.99.01	Basic earnings per share - R\$				
3.99.01.01	Common shares	0.46940	0.97906	1.39374	2.08338
3.99.02	Basic earnings per share - R\$				
3.99.02.01	Common shares	0.46732	0.97472	1.39482	2.07784

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Consolidated financial information/statement of comprehensive income

(R\$ thousand)

Code	Description	SCE*- 4/1/2020 to 9/30/2020	SCE*- 1/1/2020 to 9/30/2020	SCE*- 4/1/2019 to 9/30/2019	SCE*- 1/1/2019 to 9/30/2019
4.01	Consolidated profit for the period	155,017	325,268	462,585	693,809
4.03	Consolidated comprehensive income for the period	155,017	325,268	462,585	693,809
4.03.01	Attributable to owners of the Company	154,725	322,722	459,341	686,285
4.03.02	Attributable to noncontrolling interests	292	2,546	3,244	7,524

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIÁ Drogasil S.A.

Consolidated financial information/statement of cash flow - indirect method

(R\$ thousand)

Code	Description	SCE - 1/1/2020 to 9/30/2020	SCE - 1/1/2019 to 9/30/2019
6.01	Net cash provided by operating activities	657,898	474,468
6.01.01	Cash from operations	1,526,556	1,331,117
6.01.01.01	Profit before income tax and social contribution	419,107	701,192
6.01.01.02	Depreciation and amortization	839,418	803,215
6.01.01.03	Share-based compensation plan	12,983	10,216
6.01.01.04	Interest on additional stock option	3,678	9,830
6.01.01.05	Result on disposal of property and equipment and intangible assets	2,887	39,237
6.01.01.06	Provision (reversal) for legal claims	9,303	-10,399
6.01.01.07	Provision (reversal) for inventory losses	23,322	-153
6.01.01.08	Provision (reversal) for impairment of trade receivables	1,835	-115
6.01.01.09	Provision (reversal) for store closures	-1,915	-6,504
6.01.01.10	Interest expenses	45,511	51,073
6.01.01.11	Amortization of transaction costs of dividends	3,280	1,989
6.01.01.12	Interest expenses – leases	166,120	81,933
6.01.01.14	Gains acquired in business combination	0	-350,397
6.01.01.15	Equity in results of investees	1,027	0
6.01.02	Changes in assets and liabilities	-578,659	-628,480
6.01.02.01	Trade receivables and other receivables	-283,234	-263,074
6.01.02.02	Inventory	-98,610	-286,261
6.01.02.03	Other current assets	55,030	78,516
6.01.02.04	Long term receivables	-54,564	-339,613
6.01.02.05	Trade payables	-307,612	93,995
6.01.02.06	Salaries and social charges	112,596	94,974
6.01.02.07	Taxes and contributions	-17,690	10,318
6.01.02.08	Other liabilities	11,538	4,587
6.01.02.09	Rentals payable	3,887	-21,922
6.01.03	Other	-289,999	-228,169
6.01.03.01	Interest paid	-30,040	-35,149
6.01.03.02	Income tax and social contribution paid	-93,839	-111,087
6.01.03.03	Interest paid – leases	-166,120	-81,933
6.02	Net cash used in investing activities	-475,191	-196,138
6.02.01	Purchases of property and equipment and intangible assets	-474,688	-480,261
6.02.02	Proceeds from sale of property and equipment	1,300	439
6.02.04	Loans granted to subsidiaries	-1,803	-1
6.02.05	Cash acquired in business combination	0	283,685
6.03	Net cash used in financing activities	118,273	-113,217
6.03.01	Borrowing	719,799	716,781
6.03.02	Repayments of borrowing	-133,020	-340,431
6.03.03	Interest on capital and dividends paid	-127,086	-93,646
6.03.04	Leases paid	-341,420	-395,921
6.05	Increase (decrease) in cash and cash equivalents	300,980	165,113
6.05.01	Cash and cash equivalents at the beginning of the period	299,226	241,568
6.05.02	Cash and cash equivalents at the end of the period	600,206	406,681

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Consolidated financial information/statement of changes in equity - 1/1/2020 to 9/30/2020

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening balance	2,500,000	129,768	1,413,627	0	-18,382	4,025,013	51,405	4,076,418
5.03	Adjusted opening balance	2,500,000	129,768	1,413,627	0	-18,382	4,025,013	51,405	4,076,418
5.04	Equity transactions with owners	0	13,112	-41,643	-145,716	0	-174,247	0	-174,247
5.04.07	Interest on capital	0	0	0	-146,000	0	-146,000	0	-146,000
5.04.08	Interest on capital of 2019 approved at the AGM of March 23, 2020	0	0	-41,643	0	0	-41,643	0	-41,643
5.04.09	Interest on capital expired	0	0	0	284	0	284	0	284
5.04.10	Restricted share plan - Vesting period	0	13,058	0	0	0	13,058	0	13,058
5.04.11	Restricted share plan - Delivery	0	-11,958	0	0	0	-11,958	0	-11,958
5.04.12	Goodwill on sales of shares	0	817	0	0	0	817	0	817
5.04.13	Treasury shares - Delivery - RD	0	11,141	0	0	0	11,141	0	11,141
5.04.14	Restricted shares - 4Bio	0	8	0	0	0	8	0	8
5.04.15	Treasury shares - Delivery - 4Bio	0	46	0	0	0	46	0	46
5.05	Total comprehensive income	0	0	0	322,722	0	322,722	2,546	325,268
5.05.01	Profit for the period	0	0	0	322,722	0	322,722	2,546	325,268
5.06	Internal changes in equity	0	0	0	129	-129	0	0	0
5.06.02	Realization of revaluation reserve	0	0	0	195	-195	0	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	0	-66	66	0	0	0
5.07	Closing balance	2,500,000	142,880	1,371,984	177,135	-18,511	4,173,488	53,951	4,227,439

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Consolidated financial information/statement of changes in equity - 1/1/2019 to 9/30/2019

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening balance	1,808,639	116,363	1,593,064	0	-18,208	3,499,858	34,911	3,534,769
5.03	Adjusted opening balance	1,808,639	116,363	1,593,064	0	-18,208	3,499,858	34,911	3,534,769
5.04	Equity transactions with owners	691,361	10,209	-762,351	-162,248	0	-223,029	0	-223,029
5.04.01	Capital increases	691,361	0	-691,361	0	0	0	0	0
5.04.07	Interest on capital	0	0	0	-162,501	0	-162,501	0	-162,501
5.04.08	Interest on capital of 2018 approved at the AGM of April 10, 2019	0	0	-70,990	0	0	-70,990	0	-70,990
5.04.09	Interest on capital expired	0	0	0	253	0	253	0	253
5.04.10	Restricted share plan – Vesting period	0	10,171	0	0	0	10,171	0	10,171
5.04.11	Restricted share plan - Delivery	0	-14,729	0	0	0	-14,729	0	-14,729
5.04.12	Goodwill on sales of shares	0	-2,043	0	0	0	-2,043	0	-2,043
5.04.13	Treasury shares - Delivery - RD	0	16,772	0	0	0	16,772	0	16,772
5.04.14	Restricted shares - 4Bio	0	3	0	0	0	3	0	3
5.04.15	Treasury shares - Delivery - 4Bio	0	35	0	0	0	35	0	35
5.05	Total comprehensive income	0	0	0	686,285	0	686,285	7,524	693,809
5.05.01	Profit for the period	0	0	0	686,285	0	686,285	7,524	693,809
5.06	Internal changes in equity	0	0	0	131	-131	0	0	0
5.06.02	Realization of revaluation reserve	0	0	0	198	-198	0	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	0	-67	67	0	0	0
5.07	Closing balance	2,500,000	126,572	830,713	524,168	-18,339	3,963,114	42,435	4,005,549

Comments on company performance

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Consolidated financial information/statement of value added

(R\$ thousand)

Code	Description	SCE - 1/1/2020 to 9/30/2020	SCE - 1/1/2019 to 9/30/2019
7.01	Revenue	15,191,426	13,323,471
7.01.01	Sales of products and services	15,190,237	13,322,562
7.01.02	Other income	3,024	794
7.01.04	Provision for/reversal of impairment of trade receivables	-1,835	115
7.02	Inputs acquired from third parties	-10,316,007	-8,636,504
7.02.01	Cost of sales and services	-9,339,288	-8,168,329
7.02.02	Materials, energy, outsourced services and other	-973,466	-468,381
7.02.03	Impairment/recovery of assets	-3,253	206
7.03	Gross value added	4,875,419	4,686,967
7.04	Retentions	-839,418	-803,215
7.04.01	Depreciation, amortization and depletion	-839,418	-803,215
7.05	Net value added generated by the entity	4,036,001	3,883,752
7.06	Value added received through transfer	40,382	59,201
7.06.01	Equity in the results of investees	-4,316	0
7.06.02	Finance income	45,652	56,140
7.06.03	Other	-954	3,061
7.07	Total value added to distribute	4,076,383	3,942,953
7.08	Distribution of value added	4,076,383	3,942,953
7.08.01	Personnel	1,479,250	1,326,756
7.08.01.01	Direct remuneration	1,148,212	1,009,635
7.08.01.02	Benefits	233,029	219,704
7.08.01.03	Unemployment compensation fund	98,009	97,417
7.08.02	Taxes and contributions	1,944,790	1,598,589
7.08.02.01	Federal	460,160	323,082
7.08.02.02	State	1,459,390	1,253,866
7.08.02.03	Municipal	25,240	21,641
7.08.03	Providers of capital	327,076	316,016
7.08.03.01	Interest	263,311	237,521
7.08.03.02	Rentals	63,765	78,495
7.08.04	Stockholders and the Company	325,267	701,592
7.08.04.01	Interest on capital	146,000	162,501
7.08.04.03	Profits reinvested/loss for the period	176,722	497,267
7.08.04.04	Noncontrolling interests in retained earnings	2,545	41,824

Comments on company performance

São Paulo, October 27, 2020. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 3rd quarter of 2020 (3Q20). The parent company and consolidated quarterly financial statements for the periods ended September 30, 2020 have been prepared and are being presented in accordance with technical pronouncement NBC TG 21 (R4) – “Interim Financial Reporting”, the requirements in Official Letter/CVM/SNC/SEP 003/2011 of April 28, 2011, and the International Financial Reporting Standards (IFRS) – IAS 34, and discloses all material information specific to the individual and consolidated quarterly information, which is consistent with the information used by management. The financial statements were prepared in Reais and all growth rates, unless otherwise stated, relate to the same period of 2019.

Since 2019, our financial statements have been prepared in accordance with IFRS 16. In order to better represent the economics of the business, the figures in this report are presented under IAS 17 / CPC 06, the previous reporting standard. Reconciliation with IFRS 16 can be found on pages 11 and 12.

QUARTERLY HIGHLIGHTS:

- › **DRUGSTORES:** 2,223 stores in operation (64 openings and 3 closures)
- › **MARKET SHARE:** 13.2% national market share, with 25.1% in São Paulo
- › **GROSS REVENUE:** R\$ 5.4 billion, 12.8% growth (1.4% retail mature-store sales growth)
- › **GROSS MARGIN:** 27.8% of gross revenues, a 0.1 percentage point increase
- › **EBITDA:** R\$ 397.2 million, a 7.4% EBITDA margin and an increase of 10.5%
- › **NET INCOME:** R\$ 172.9 million, 3.2% of net margin and an increase of 13.4%
- › **CASH FLOW:** R\$ 351.8 million positive free cash flow, R\$ 331.3 million of cash generation

RADL3

R\$ 25.57/share

NUMBER OF SHARES

1,651,930,000

MARKET CAP

R\$ 42,240 (million)

CLOSING

October 26th, 2020

IR CONTACTS:

Eugênio De Zagottis

Fernando Spinelli

André Stolfi

Igor Spricigo

E-MAIL: ri@rd.com.br

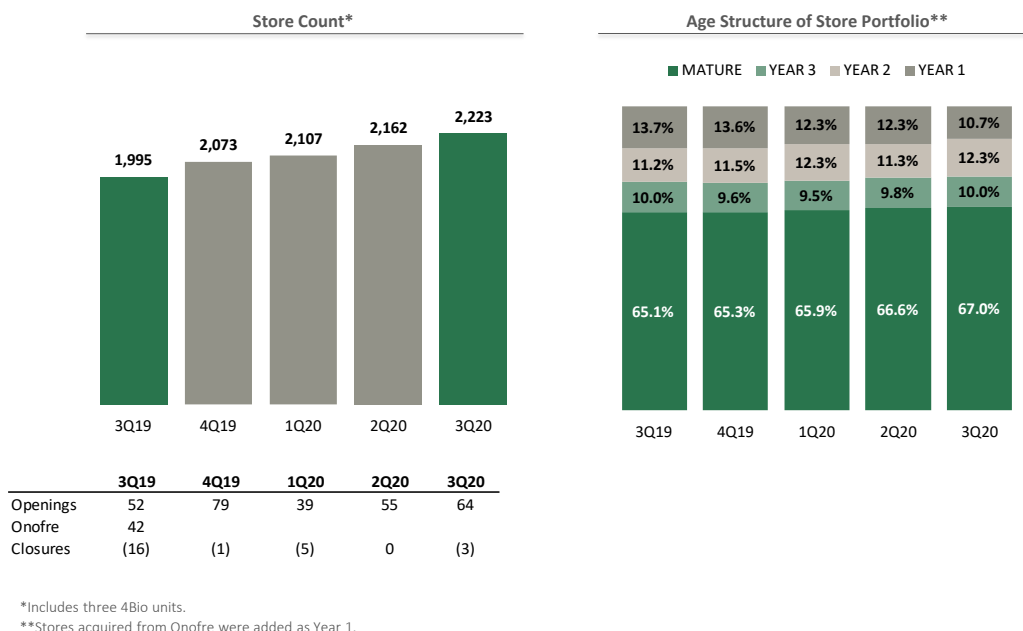
SITE: ir.rd.com.br

Summary	3Q19	4Q19	1Q20	2Q20	3Q20
<i>(R\$ thousand)</i>					
# of Stores - Retail + 4Bio	1,995	2,073	2,107	2,162	2,223
Organic Openings	52	79	39	55	64
Onofre Stores	42				
Store Closures	(16)	(1)	(5)	0	(3)
# of Stores (average)	1,960	2,044	2,094	2,132	2,195
Headcount (EoP)	39,029	41,450	42,250	42,115	43,223
Pharmacist Count (EoP)	7,663	7,840	8,125	8,414	8,658
# of Tickets (000)	66,270	68,156	67,173	52,308	60,298
Gross Revenue	4,771,280	5,030,160	5,206,320	4,721,872	5,384,230
Gross Profit	1,321,350	1,411,003	1,441,851	1,320,122	1,494,996
% of Gross Revenues	27.7%	28.1%	27.7%	28.0%	27.8%
Adjusted EBITDA	359,420	350,431	369,356	231,811	397,159
% of Gross Revenues	7.5%	7.0%	7.1%	4.9%	7.4%
Adjusted Net Income	152,476	168,692	152,753	61,688	172,871
% of Gross Revenues	3.2%	3.4%	2.9%	1.3%	3.2%
Net Income	146,247	143,275	145,840	60,210	174,717
% of Gross Revenues	3.1%	2.8%	2.8%	1.3%	3.2%
Free Cash Flow	120,717	48,400	(48,150)	(437,520)	351,785

Comments on company performance

STORE DEVELOPMENT

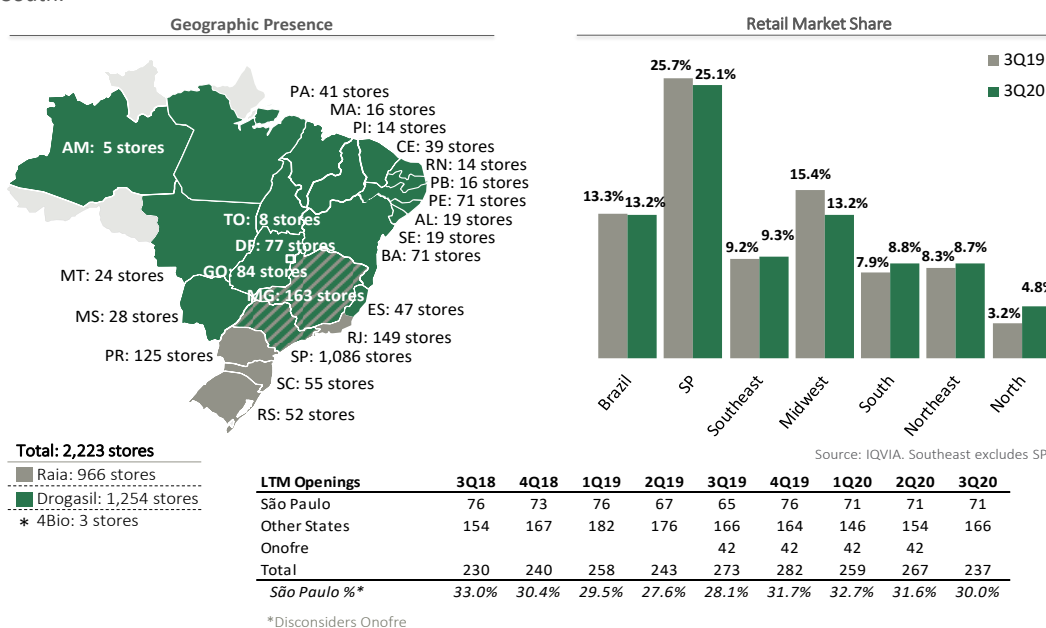
We opened 64 stores in the 3Q20, 12 more than in the same period of 2019, with 3 store closures, ending the quarter with a total of 2,223 locations. This brings our total gross openings in 2020 to 158 stores, and we reiterate our guidance of 240 for the year. Also, on September 29th, we announced the new guidance of 240 gross store openings per year for both 2021 and 2022.



At the end of the period, 33.0% of our stores were still in the process of maturation and had not yet reached their full potential both in terms of revenue and profitability.

We continue to diversify our store network, both geographically and demographically, with 70% of our openings in the last twelve months outside of the state of São Paulo, our native market. Also, while 65% of our stores have popular or hybrid formats, 86% of the openings in the period were of these clusters, increasing our reach into the extended middle class.

We opened our 11th distribution center (DC) in Gravataí, in the metropolitan region of Porto Alegre (RS), which will allow us to accelerate our expansion in the South.



Comments on company performance

Our national retail market share totaled 13.2%, a 0.1 percentage point contraction when compared to the 3Q19. Our market share in the state of São Paulo was of 25.1%, a 0.6 percentage point contraction. We recorded strong gains in the North, reaching a market share of 4.8%, with a 1.6 percentage point gain. We recorded a market share of 8.8% in the South, a 0.9 percentage point gain, 8.7% in the Northeast, a 0.4 percentage point gain and 9.3% in the Southeast, a 0.1 percentage point gain. Finally, we recorded 13.2% in the Midwest, a 2.2 percentage point loss.

This abnormally high market share loss in the Midwest region (2.2 percentage points), was concentrated in the state of Goiás, where IQVIA reported a market share decrease of 6.4 percentage points in the quarter. This reported share loss is a distortion caused by a sell-in increase by wholesalers who sell to small players outside of Goiás due to the tax benefits granted by the state. If we consider only the demand directly reported to IQVIA by the drugstore chains (sell-out), which better reflects the actual demand within Goiás, our 3Q20 market share in the state was in line with the 3Q19.

Social distancing measures continued to have uneven impacts on demand across different income segments and regions. According to IQVIA, high income regions, where RD concentrates a disproportionate share of its store base, saw a significant decrease in market representativeness when compared to low income regions, due to a higher level of compliance. Considering a constant demand by income segment, our market share would have been an estimated 13.9%, with 25.9% in São Paulo, highlighting a continued high level of competitiveness in markets where RD operates.

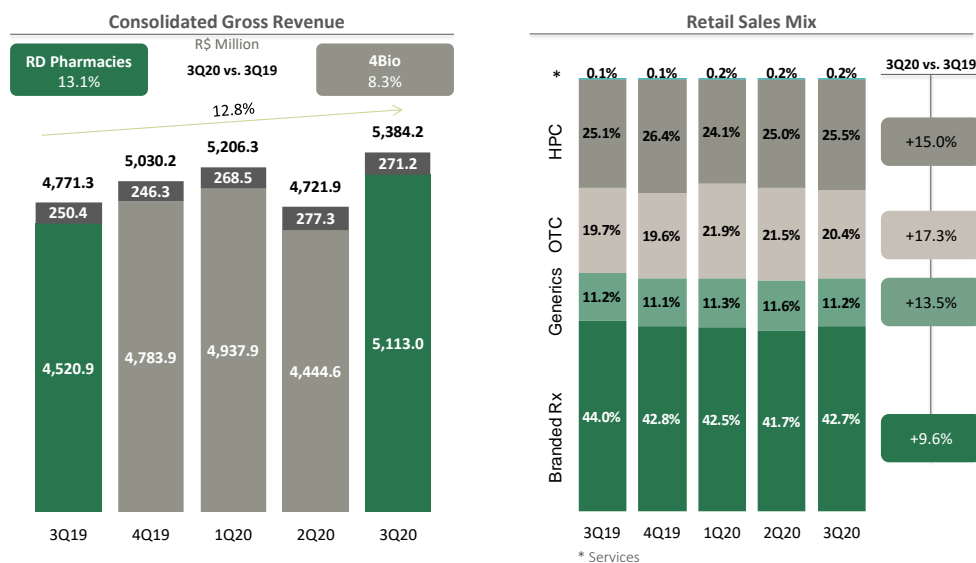
The table below illustrates the performance gap between premium stores in relation to hybrid and popular ones in the quarter, which continued to negatively distort our overall market share due a higher proportion of premium stores in comparison to the average of the Brazilian market. It's important to mention that the bulk of our shopping mall stores, which were temporarily affected by shorter working hours and diminished customer traffic, are located in premium regions and amplified these effects:

Retail Sales 3Q20	All Stores	Premium Stores	Hybrid Stores	Popular Stores
Total	+13.1%	+3.9%	+18.0%	+26.0%
Same Stores	+6.8%	+1.4%	+8.7%	+16.5%
Mature Stores	+1.4%	-2.8%	+3.3%	+9.1%

As customer traffic returns to normal levels, we expect this distortion to end and our market share to increase accordingly as we can already see within the 3Q20 itself. Our total retail market share in the month of September was 13.4%, 0.2 percentage points above the quarter's value, and in the state of São Paulo it was 25.2%, 0.1 percentage point above.

GROSS REVENUES

We ended the 3Q20 with consolidated gross revenues of R\$ 5.4 billion, a 12.8% increase over the same period of the previous year. Our drugstore revenues increased by 13.1%, while 4Bio grew 8.3% in the period.



Comments on company performance

OTC was the highlight of the quarter growing 17.3% and gaining 0.7 percentage point in the mix. HPC grew 15.0% and gained 0.4 percentage point in the mix, whereas Generics grew 13.5% with its participation in the sales mix in line with the previous year. On the other hand, Branded Rx grew 9.6% with a loss of 1.3 percentage points in the mix. The underperformance of Branded Rx in the mix is the result of a reduction in prescriptions and overall medical activity of non-urgent acute treatment due to social distancing.

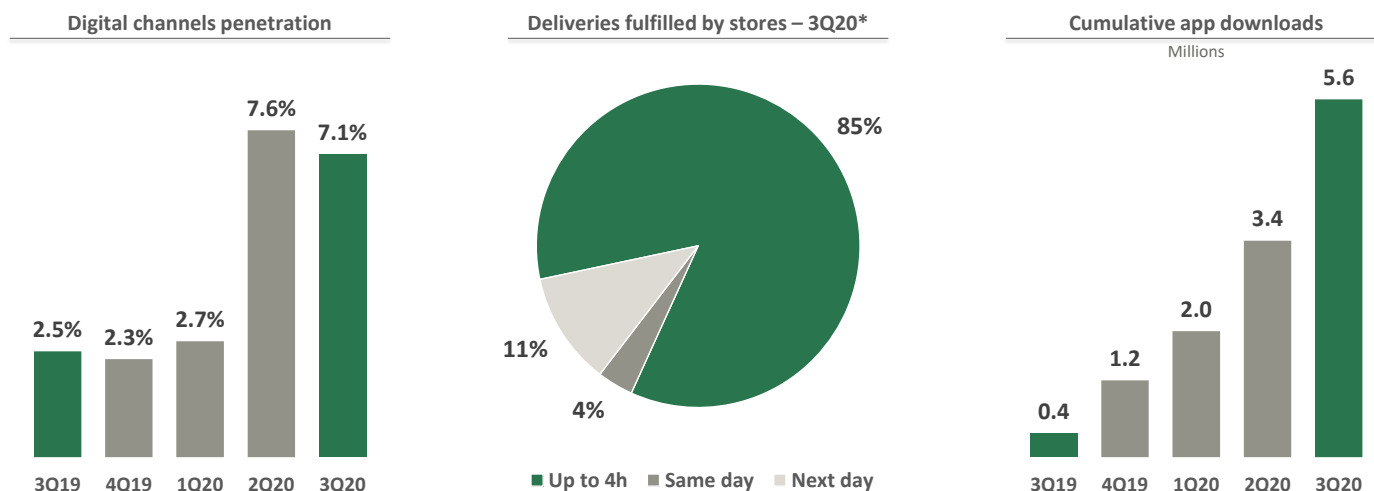
As social isolation restrictions implemented to fight the COVID-19 pandemic were softened during the quarter, we achieved a significant improvement versus the 2Q20 as our top line growth reached 12.8%, up from the 6.3% recorded in the 2Q20. Our same store sales growth reached 6.7%, while our mature store sales grew 1.4%, with a negative calendar effect of 0.1% (negative effect of 0.4% in the 2Q20).

Although shopping mall stores were fully reopened during the quarter, they operated with limited shopping hours and diminished customer traffic, continuing to negatively impact our sales. Excluding shopping malls, our consolidated growth was of 16.8%, with a mature store growth of 5.3%, 2.2 percentage points above the inflation of 3.1% in the last twelve months, underscoring the robustness of our structural momentum.



* Excludes 125 shopping mall stores which had to cope with shorter working hours and severely diminished customer traffic in the quarter.

DIGITAL



* Considers click and collect, neighborhood deliveries and super apps as 4h deliveries.

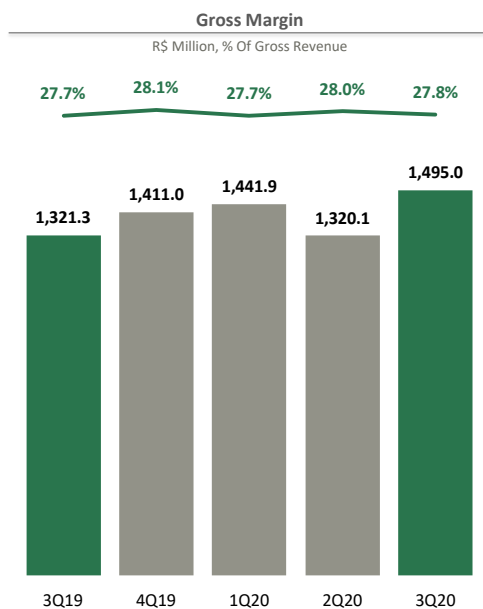
Digital channels represented 7.1% of retail sales, in line with the 2Q20 despite the progressive normalization of customer traffic in our stores. The relevance of digital has increased not only due to the new customer habits emerging from the COVID-19 pandemic, but also because of our enhanced execution, including a significant improvement in our apps and digital platforms, the deployment of several agile teams dedicated to improving customer experience and the upgrade in our IT and logistics infrastructures.

Our digital strategy has leveraged the unique capillarity of our nationwide 2,223-store network, which services 89% of the Brazilian A-class population within a 1.5 km radius. In the 3Q20, 74% of our digital revenues were serviced by the stores. This includes both Click and Collect and pedestrian neighborhood deliveries, which are available for free at 100% of our locations, as well motorized deliveries from our stores. Our ship-from-store network reached 431 stores in 204 different cities at the end of the quarter, which concentrate 91% of RD's retail revenues. We

Comments on company performance

now offer 1-hour to 4-hour deliveries in 138 different cities, 66 more than in the previous quarter, and 85% of deliveries fulfilled by stores were completed in up to 4 hours thanks to our proximity to the customer. Finally, we reached 5.6 million cumulative app downloads since the beginning of 2019.

GROSS PROFIT



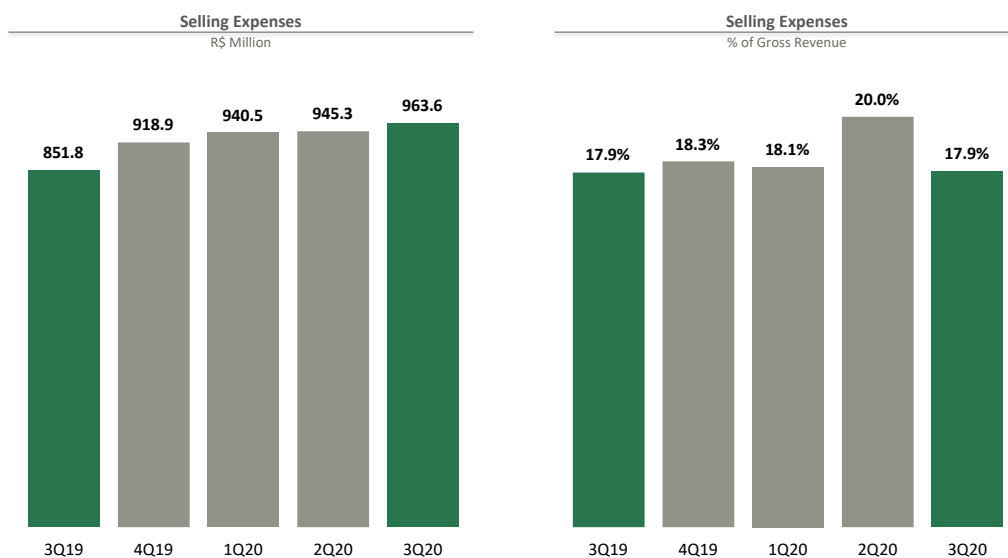
Our gross profit totaled R\$ 1.5 billion, an increase of 13.1%. Our gross margin was 27.8% in the period, a 0.1 percentage point increase versus the 3Q19.

We booked an inflationary gain of 0.6 percentage point on inventories in the quarter due to the postponement of the price cap increase from March to May. This gain was partially offset by a 0.3 percentage point pressure from the Net Present Value (NPV) adjustment, which is a non-cash effect and stems from an exceptionally higher cash cycle and lower interest rates, by a greater investment in promotions, especially in digital exclusive offers to accelerate customer digitalization, and by a transitory increase in inventory losses, mostly driven by liquid alcohol that carries a short expiration date and was purchased at the peak of the pandemic.

Comments on company performance

SELLING EXPENSES

Selling expenses totaled R\$ 963.6 million in the 3Q20, equivalent to 17.9% of gross revenues, in line with the same period of last year.



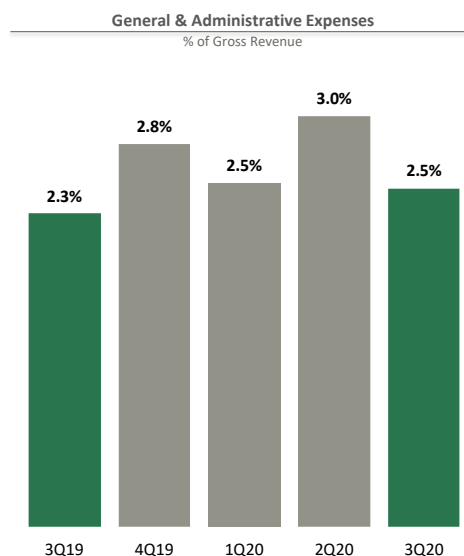
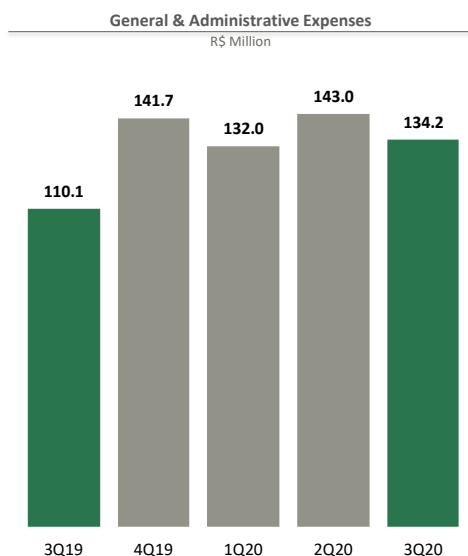
In spite of the pandemic, mature store sales increased by 1.4% versus an inflation of 3.1%, resulting in a loss of operating leverage from a real decline in sales of 1.7%. However, we recorded savings in rentals of 0.2 percentage points, mostly from shopping mall stores, and reduced payroll expenses of 0.1 percentage point due to temporary leaves granted to employees diagnosed with COVID-19 or in risk groups and whose salaries are being partly paid by the government. These savings more than offset incremental expenses generated by the pandemic, including personal protection equipment, additional store cleaning expenses, increased delivery costs and others, thus allowing us to maintain overall selling expenses in-line with the 3Q19.

GENERAL & ADMINISTRATIVE EXPENSES

General and Administrative expenses amounted to R\$ 134.2 million in the 3Q20, equivalent to 2.5% of gross revenues and a 0.2 percentage point pressure over the same period of 2019.

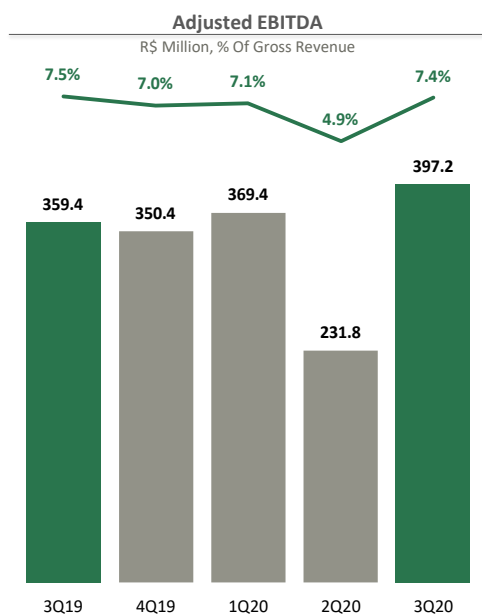
We recorded a pressure of 0.2 percentage point from investments into our digital strategy, including agile teams and IT efforts, 0.1 percentage point in labor contingencies and another 0.1 percentage point from home-office adaptations. These pressures were partly offset by 0.2 percentage point in lower provisions for variable compensation.

Comments on company performance



EBITDA

Our adjusted EBITDA totaled R\$ 397.2 million in the quarter, an increase of 10.5% when compared to the 3Q19. Our adjusted EBITDA margin totaled 7.4%, a 0.1 percentage point contraction.



2,062* stores operating since 2019:
(performance in the 3Q20)

- > R\$ 4,959.6 million in Gross Revenues
- > EBITDA of R\$ 395.7 million
- > EBITDA margin of 8.0%

RD Pharmacies

- > EBITDA of R\$ 395.1 million
- > EBITDA margin of 7.7%

4Bio

- > EBITDA of R\$ 2.1 million
- > EBITDA margin of 0.8%

* 2,070 Retail stores by the end of the 4Q19 less 8 closures.

RD Pharmacies reached an EBITDA of R\$ 395.1 million and a margin of 7.7% in the 3Q20, a contraction of 0.1 percentage point over the same period of the last year. New stores opened in the year, as well as those in the opening process, reduced the EBITDA by R\$ 0.7 million in the 3Q20. Therefore, considering only the 2,062 stores in operation since the end of 2019 and full logistics, general and administrative expenses, RD Pharmacies EBITDA would have totaled R\$ 395.7 million, equivalent to 8.0% of gross revenue.

Finally, 4Bio reached an EBITDA of R\$ 2.1 million and a margin of 0.8%, a 1.9 percentage point contraction driven by demand normalization as it had recorded a revenue peak in the previous months by shipping medication to its patients ahead of time in order to prevent logistic disruptions at the peak of the pandemic.

Comments on company performance

EBITDA RECONCILIATION AND NON-RECURRING EXPENSES

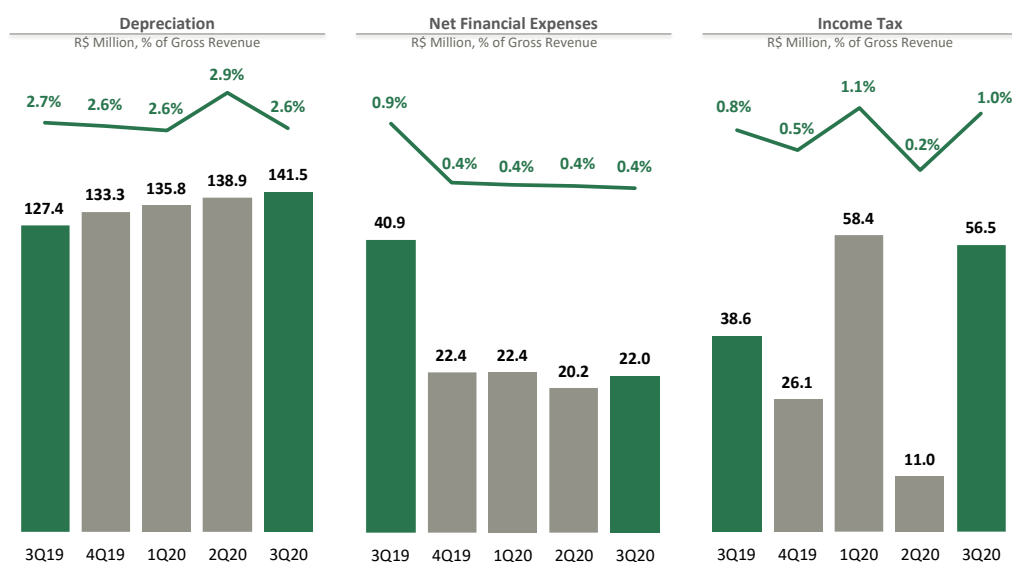
EBITDA Reconciliation	3Q20	3Q19
<i>(R\$ million)</i>		
Net Income	174,7	465,2
(+) Income Tax	57,4	(17,0)
(+) Equity equivalence	4,3	-
(+) Financial Result	22,0	32,9
EBIT	258,4	481,1
(+) Depreciation and Amortization	141,5	131,8
EBITDA	400,0	612,9
(+) Donations	2,0	-
(+) Asset Write-off	1,7	6,3
(+) Distribution Center Closure	0,7	3,3
(-) Restructuring Expenses	(2,4)	4,5
(-) INSS, PIS and Cofins Credits from Previous Years	(3,9)	(4,6)
(-) Other non-recurring / non-operating net gains	(0,8)	-
Non-recurring / non-operating Expenses - RD	(2,8)	9,4
Non-recurring / non-operating Expenses - Onofre Acquisition	-	(262,9)
Total non-recurring / non-operating Gains	(2,8)	(253,4)
Adjusted EBITDA	397,2	359,4

In the 3Q20 we registered R\$ 2.8 million in net non-recurring/non-operating gains.

We recorded R\$ 2.0 million in expenses related to donations, mostly hand sanitizers near expiration given to hospitals and local institutions, R\$ 1.7 million in asset write-offs related to store closures and R\$ 0.7 million in residual expenses from the DC we deactivated in the 2Q20 in the city of São Paulo as part of a planned capacity rebalancing.

Finally, we recorded gains of R\$ 3.9 million in INSS, PIS and Cofins credits from previous years, R\$ 2.4 million in provision reversals due to lower than expected restructuring expenses and R\$ 0.8 million in other non-recurring/non-operating net gains.

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES



Depreciation expenses amounted to R\$ 141.5 million in the 3Q20, equivalent to 2.6% of gross revenues, a 0.1 percentage point dilution when compared to the previous year.

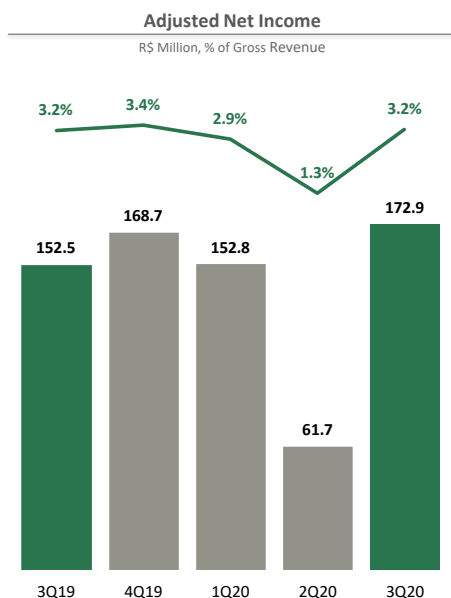
Net financial expenses represented 0.4% of gross revenue, a 0.5 percentage point dilution over the 3Q19. Of the R\$ 22.0 million recorded in the quarter, R\$ 4.8 million refers to the NPV adjustment while R\$ 1.3 million refers to interests on the options to acquire the remaining 45% of 4Bio. Excluding these, the interest accrued on net debt amounted to R\$ 15.9 million in the 3Q20, equivalent to 0.3% of gross revenue and a 0.1 percentage point dilution when compared to the 3Q19.

Comments on company performance

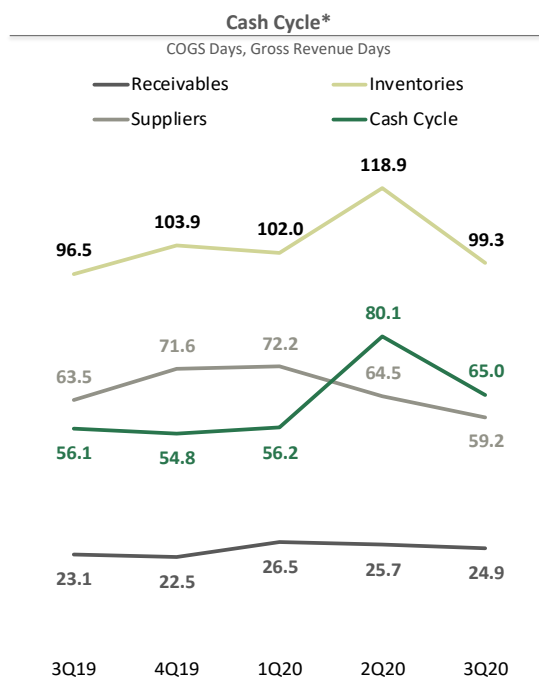
Lastly, we booked R\$ 56.5 million in income taxes, equivalent to 1.0% of gross revenue, a 0.2 percentage point increase.

NET INCOME

Our adjusted net income totaled R\$ 172.9 million in the quarter, an increase of 13.4%. We recorded a net margin of 3.2%, in line with the same period of last year.



CASH CYCLE



* Adjusted for discounted receivables.

Comments on company performance

Our cash cycle in the 3Q20 was 8.9 days higher when compared to the same period of the previous year. Our inventories were higher by 2.8 days, while receivables by 1.8 day. Finally, accounts payable were 4.3 days below the level of the 3Q19.

Our cash cycle in the 3Q20 is gradually returning to normal levels, which should be concluded between the 4Q20 and the 1Q21. Since the 2Q20, our cash cycle was highly pressured by transitory effects, including a loss in operating leverage stemming from temporarily lower mature store sales as well as higher inventory levels, both as a protective measure against possible supply chain shortages and in order to take advantage of the inflationary gains on inventories, since the annual price cap increase was extraordinarily postponed to the end of May.

CASH FLOW

We recorded a positive free cash flow of R\$ 351.8 million and a total cash generation of R\$ 331.3 million in the 3Q20.

Resources from operations totaled R\$ 321.3 million, equivalent to 6.0% of gross revenue, while we recorded a working capital reduction of R\$ 214.9 million.

Of the R\$ 184.4 million invested in the quarter, R\$ 87.3 million corresponded to new store openings, R\$ 37.6 million to the renovation or expansion of existing stores and R\$ 59.5 million to investments in infrastructure.

Net financial expenses totaled R\$ 17.2 million in the 3Q20, excluding the NPV adjustments. These were more than fully offset by the R\$ 22.8 million in tax shield related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid in the following quarters. In the 3Q20 we accrued R\$ 50.0 million in interest on equity versus R\$ 52.0 million in the 3Q19, reflecting a payout of 28.6% over the Net Income, through the full usage of the legal interest on equity limit.

Cash Flow	3Q20	3Q19	YTD '20	YTD '19
<i>(R\$ million)</i>				
Adjusted EBIT	255.6	217.6	582.1	609.1
NPV Adjustment	(5.6)	(17.4)	(16.5)	(38.3)
Non-Recurring Expenses	2.8	263.5	(9.9)	244.4
Income Tax (34%)	(86.0)	(157.7)	(188.9)	(277.2)
Depreciation	141.5	131.8	416.3	374.0
Others	12.9	1.9	47.7	2.3
Resources from Operations	321.3	439.7	830.7	914.4
Cash Cycle*	144.9	(38.9)	(635.4)	(358.4)
Other Assets (Liabilities)**	70.0	(138.5)	146.1	(100.2)
Operating Cash Flow	536.2	262.2	341.3	455.7
Investments	(184.4)	(141.5)	(475.2)	(502.7)
Free Cash Flow	351.8	120.7	(133.9)	(46.9)
Interest on Equity	(19.5)	(0.0)	(127.1)	(93.6)
Income Tax Paid over Interest on Equity	(6.6)	(7.9)	(12.0)	(16.3)
Net Financial Expenses***	(17.2)	(25.2)	(46.8)	(61.1)
Income Tax (Tax benefit over financial expenses and interest on equity)	22.8	26.3	65.5	76.0
Total Cash Flow	331.3	113.8	(254.2)	(142.0)

*Includes adjustments to discounted receivables.

**Includes NPV adjustments.

***Excludes NPV adjustments.

INDEBTEDNESS

At the end of the quarter, we recorded an adjusted net financial debt position of R\$ 1,177.6 million, versus R\$ 876.9 million recorded in the same period of 2019. The Adjusted Net Debt to EBITDA ratio equaled 0.9x, 0.2x higher than the same period of last year. This represents a 0.3x decrease in comparison with the 2Q20, when our cash cycle was at a peak due to the pandemic. We expect our leverage to fully normalize over the next two quarters.

This net debt includes R\$ 45.8 million in liabilities related to the exercise of the put option granted and/or call option obtained for the acquisition of the remaining 45% minority stake of 4Bio. This liability reflects the estimated valuation of 4Bio considering the amendment to 4Bio's purchase and sale agreement, as announced to the market in September 24, 2019, which will now occur in two different stages: the 1st call/put option on

Comments on company performance

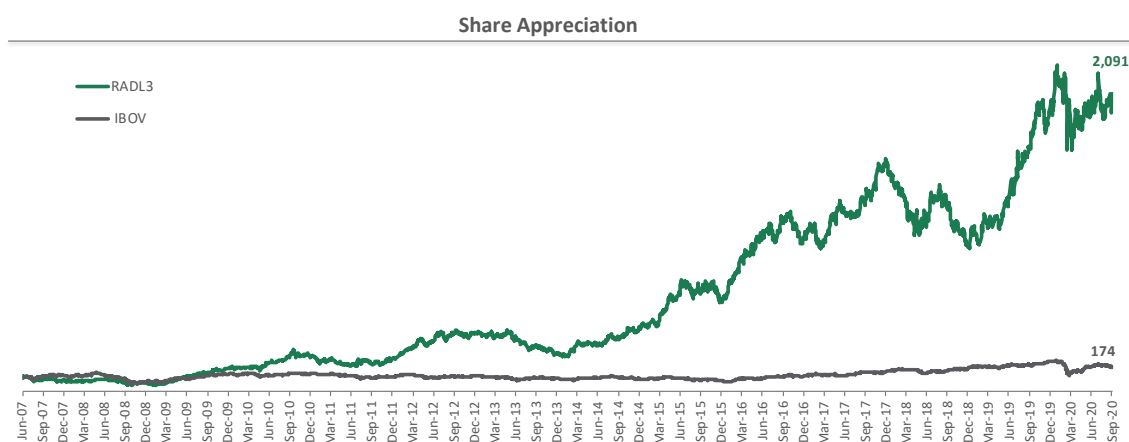
2/3 of the remaining shares (30% of total 4Bio shares) exercisable in 2021; and the 2nd call/put option on 1/3 of the remaining shares (15% of total 4Bio shares) exercisable in 2024. Other conditions of the agreement remain unchanged. The estimated valuation of 4Bio will be revisited every year-end to reflect changes in the financial outlook of the Company.

Net Debt	3Q20	2Q20	1Q20	4Q19	3Q19
<i>(R\$ million)</i>					
Short-term Debt	536.5	537.4	533.5	228.7	247.5
Long-term Debt	1,195.5	1,191.1	879.7	897.8	989.9
Total Gross Debt	1,732.0	1,728.4	1,413.2	1,126.5	1,237.4
(-) Cash and Equivalents	600.2	266.4	533.7	299.2	406.7
Net Debt	1,131.8	1,462.0	879.5	827.3	830.7
Discounted Receivables	-	2.4	41.4	54.1	-
Put/Call options to acquire 4Bio (estimated)	45.8	44.5	43.3	42.1	46.2
Adjusted Net Debt	1,177.6	1,508.9	964.2	923.4	876.9
Adjusted Net Debt / EBITDA	0.9x	1.2x	0.7x	0.7x	0.7x

Our gross debt totaled R\$ 1,732.0 million, of which 54.9% corresponds to the debentures issued in 2017, 2018 and 2019, as well as a Certificate of Real Estate Receivables, 2.5% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines and the remaining 42.6% corresponds to other credit lines. Of our total debt, 69.0% is long-term, while 31.0% relates to its short-term parcels. We ended the quarter with a total cash position (cash and marketable securities) of R\$ 600.2 million.

TOTAL SHAREHOLDER RETURNS

Our share price increased by 5.9% during the quarter, 6.3 percentage points above the IBOVESPA, which decreased by 0.5%. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,991.1% versus a return of only 73.9% for the IBOVESPA. Including the payment of interest on equity, we generated an average annual total return to shareholders of 26.1%.



Considering the IPO of Raia in December of 2010, the cumulative return amounted to 703.9% versus an increase of only 39.2% of the IBOVESPA. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 24.2%. Lastly, our shares recorded an average daily trading volume of R\$ 160.6 million in the quarter.

SUSTAINABILITY

In September, we presented our strategic vision and Sustainability Aspiration, in which RD seeks to become the leading company to provide access to a life with healthy habits in Brazil. Defined in three dimensions, the Sustainability Aspiration brings in the Healthier People dimension a focus on the integral health of our employees, customers and community; in the Healthier Planet a focus on the management of impacts from carbon emissions, energy and waste by RD and its value chain; and the Healthier Business dimension a focus on economic empowerment of employees, suppliers and community through education & employment, diversity and inclusion. Details on commitments and goals for 2030 will be defined throughout 2021.

In addition, RD's reverse logistics program began in 2010 and is present in over 1.2 thousand stores distributed in 150 cities. The project's expansion continues and is expected to reach over 1.7 thousand stores by the end of 2020, offering the communities we serve a structured program for the environmentally-friendly disposal of drugs and their packages.

Comments on company performance

Finally, through the **Fundo RD #TodoCuidadoConta** grant, we concluded in October the donation of R\$ 25 million to 51 philanthropic hospitals in 50 cities of 23 states and the Federal District. The grant was created to assist in the struggle against the pandemic's advance in small and medium cities that combine socioeconomic vulnerabilities and a high probability of sustained transmission of the COVID-19 virus.

IFRS 16

Since 2019, our financial statements have been prepared in accordance with IFRS 16. In order to preserve historic comparability, the figures in this report are presented under IAS 17 / CPC 06, the previous reporting standard, which we believe best represents the economic performance of our operations.

Financial statements in both IAS 17 and IFRS 16 are also available at our website ir.rd.com.br, under Interactive Spreadsheets.

Income Statement (R\$ million)	3Q20		Change
	IAS 17	IFRS 16	Δ 3Q20
Gross Revenue	5,384.2	5,384.2	0.0
Gross Profit	1,495.0	1,495.0	0.0
Gross Margin	27.8%	27.8%	0.0%
Selling Expenses	(963.6)	(794.6)	169.0
G&A	(134.2)	(133.8)	0.4
Total Expenses	(1,097.8)	(928.4)	169.4
as % of Gross Revenue	20.4%	17.2%	-3.1%
Adjusted EBITDA	397.2	566.6	169.4
as % of Gross Revenue	7.4%	10.5%	3.1%
Non-Recurring Expenses / Revenues	2.8	3.1	0.3
Depreciation and Amortization	(141.5)	(286.4)	(144.8)
Financial Results	(22.0)	(76.7)	(54.7)
Equity Equivalence	(4.3)	(4.3)	0.0
Income Tax	(57.4)	(47.2)	10.2
Net Income	174.7	155.0	(19.7)
as % of Gross Revenue	3.2%	2.9%	-0.4%

Balance Sheet (R\$ million)	3Q20		Change
	IAS 17	IFRS 16	Δ 3Q20
Assets	9,928.3	13,045.0	3,116.7
Current Assets	6,358.7	6,358.7	0.0
Taxes Receivable	91.3	91.3	0.0
Other Accounts Receivable	222.4	222.3	(0.0)
Non-Current Assets	3,569.6	6,686.3	3,116.7
Other Credits	345.4	344.9	(0.5)
Investments	0.0	0.0	(0.0)
Property, Plant and Equipment	1,817.8	4,934.9	3,117.1
Liabilities and Shareholder's Equity	9,928.3	13,045.0	3,116.7
Current Liabilities	3,767.3	4,190.2	422.9
Financial Leases	0.0	469.2	469.2
Dividend and Interest on Equity	153.2	128.5	(24.7)
Other Accounts Payable	173.4	151.8	(21.7)
Non-Current Liabilities	1,820.4	4,627.3	2,806.9
Financial Leases	0.0	2,877.8	2,877.8
Income Tax and Social Charges Deferred	161.2	90.4	(70.8)
Shareholder's Equity	4,340.6	4,227.4	(113.1)
Income Reserves	1,429.6	1,372.0	(57.6)
Accrued Income	232.6	177.1	(55.5)
Non Controller Interest	54.0	54.0	(0.0)

Comments on company performance

Cash Flow (R\$ million)	3Q20		Change
	IAS 17	IFRS 16	Δ 3Q20
Adjusted EBIT	255.6	280.2	24.6
NPV Adjustment	(5.6)	(5.6)	0.0
Non-Recurring Expenses	2.8	3.1	0.3
Income Tax (34%)	(86.0)	(94.4)	(8.5)
Depreciation	141.5	286.4	144.8
Rental Expenses	0.0	(169.7)	(169.7)
Others	12.9	21.4	8.5
Resources from Operations	321.3	321.3	0.0
Cash Cycle*	144.9	144.9	0.0
Other Assets (Liabilities)**	70.0	70.0	0.0
Operating Cash Flow	536.2	536.2	0.0
Investments	(184.4)	(184.4)	0.0
Free Cash Flow	351.8	351.8	0.0
Interest on Equity	(19.5)	(19.5)	0.0
Income Tax Paid over Interest on Equity	(6.6)	(6.6)	0.0
Net Financial Expenses***	(17.2)	(17.2)	0.0
Income Tax (Tax benefit over financial expenses and interest on equity)	22.8	22.8	0.0
Total Cash Flow	331.3	331.3	0.0

*Includes adjustments to discounted receivables.

**Includes NPV adjustments

***Excludes NPV adjustments

3Q20 Results Conference Calls – October 28th, 2020

Portuguese

at 10:00 am (Brasília)

Dial in access:
+55 (11) 2188-0155

Conference ID: RD

Replay (available for 7 days):
+55 (11) 2188-0400

English

at 12:00 pm (Brasília)

Dial in access:
+1 (646) 843-6054
+55 (11) 2188-0155

Conference ID: RD

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Comments on company performance

Consolidated Adjusted Income Statement <i>(R\$ thousand)</i>	3Q19	3Q20
Gross Revenue	4,771,280	5,384,230
Taxes, Discounts and Returns	(232,344)	(290,779)
Net Revenue	4,538,936	5,093,452
Cost of Goods Sold	(3,217,586)	(3,598,455)
Gross Profit	1,321,350	1,494,996
Operational (Expenses) Revenues		
Sales	(851,825)	(963,626)
General and Administrative	(110,118)	(134,211)
Operational Expenses	(961,943)	(1,097,837)
EBITDA	359,407	397,159
Depreciation and Amortization	(127,447)	(141,531)
Operational Earnings before Financial Results	231,959	255,628
Financial Expenses	(62,146)	(31,777)
Financial Revenue	21,222	9,787
Financial Expenses/Revenue	(40,924)	(21,990)
Equity Equivalence	0	(4,316)
Earnings before Income Tax and Social Charges	191,035	229,322
Income Tax and Social Charges	(38,559)	(56,451)
Net Income	152,476	172,871

Comments on company performance

Consolidated Income Statement <i>(R\$ thousand)</i>	3Q19	3Q20
Gross Revenue	4,771,280	5,384,230
Taxes, Discounts and Returns	(232,344)	(290,779)
Net Revenue	4,538,936	5,093,452
Cost of Goods Sold	(3,217,586)	(3,598,455)
Gross Profit	1,321,350	1,494,996
Operational (Expenses) Revenues		
Sales	(851,825)	(963,626)
General and Administrative	(110,118)	(134,211)
Other Operational Expenses, Net	(9,439)	2,797
Operational Expenses	(971,382)	(1,095,040)
EBITDA	349,968	399,956
Depreciation and Amortization	(127,447)	(141,531)
Operational Earnings before Financial Results	222,521	258,425
Financial Expenses	(62,146)	(31,777)
Financial Revenue	21,222	9,787
Financial Expenses/Revenue	(40,924)	(21,990)
Equity Equivalence	0	(4,316)
Earnings before Income Tax and Social Charges	181,597	232,119
Income Tax and Social Charges	(35,350)	(57,402)
Net Income	146,247	174,717

Comments on company performance

Assets <i>(R\$ thousand)</i>	<u>3Q19</u>	<u>3Q20</u>
Current Assets		
Cash and Cash Equivalents	406,681	600,206
Accounts Receivable	1,231,392	1,470,419
Inventories	3,462,288	3,926,676
Taxes Receivable	188,519	91,269
Other Accounts Receivable	202,427	222,376
Anticipated Expenses	<u>37,133</u>	<u>47,733</u>
	<u>5,528,440</u>	<u>6,358,679</u>
Non-Current Assets		
Deposit in Court	28,318	29,331
Taxes Receivable	55,532	102,189
Income Tax and Social Charges deferred	0	19,657
Other Credits	329,432	345,424
Investments	0	0
Property, Plant and Equipment	1,761,702	1,817,792
Intangible	<u>1,246,910</u>	<u>1,255,218</u>
	<u>3,421,893</u>	<u>3,569,611</u>
ASSETS	<u>8,950,332</u>	<u>9,928,290</u>

Comments on company performance

Liabilities and Shareholder's Equity <i>(R\$ thousand)</i>	3Q19	3Q20
Current Liabilities		
Suppliers	2,279,946	2,339,320
Loans and Financing	247,469	536,490
Salaries and Social Charges Payable	346,202	409,271
Taxes Payable	146,494	123,286
Dividend and Interest on Equity	140,601	153,220
Provision for Lawsuits	22,522	32,327
Other Accounts Payable	160,043	173,421
	<u>3,343,278</u>	<u>3,767,336</u>
Non-Current Liabilities		
Loans and Financing	989,945	1,195,516
Provision for Lawsuits	60,843	70,098
Income Tax and Social Charges deferred	183,696	161,201
Other Accounts Payable	333,050	393,573
	<u>1,567,534</u>	<u>1,820,387</u>
Shareholder's Equity		
Common Stock	2,500,000	2,500,000
Capital Reserves	126,572	142,880
Revaluation Reserve	11,892	11,719
Income Reserves	830,713	1,429,597
Accrued Income	558,128	232,616
Equity Adjustments	(30,230)	(30,230)
Non Controller Interest	42,446	53,984
	<u>4,039,521</u>	<u>4,340,567</u>
LIABILITIES AND SHAREHOLDERS' EQUITY	<u>8,950,332</u>	<u>9,928,290</u>

Comments on company performance

Cash Flow	3Q19	3Q20
<i>(R\$ thousand)</i>		
Earnings before Income Tax and Social Charges	441,066	234,682
Adjustments		
Depreciation and Amortization	131,753	141,531
Compensation plan with restricted shares, net	3,766	4,974
Interest over additional stock option	8,043	1,260
P,P&E and Intangible Assets residual value	13,680	1,662
Provisioned Lawsuits	(4,201)	3,243
Provisioned Inventory Loss	68	2,732
Provision for Doubtful Accounts	(1,079)	1,739
Provisioned Store Closures	(2,964)	(715)
Interest Expenses	20,019	15,205
Debt Issuance Costs Amortization	646	1,575
Equity Equivalence Result	0	1,027
Gains from business combination	(359,035)	0
Provision for Estimated Losses on other Assets	0	29
	251,762	408,944
Assets and Liabilities variation		
Clients and Other Accounts Receivable	(72,680)	(154,168)
Inventories	(357,370)	185,228
Other Short Term Assets	117,511	80,699
Long Term Assets	(328,619)	(45,889)
Suppliers	272,866	111,442
Salaries and Social Charges	33,535	(6,153)
Taxes Payable	(13,147)	7,933
Other Liabilities	21,637	(1,867)
Rents Payable	716	2,687
Cash from Operations	(73,789)	588,856
Interest Paid	(9,776)	(11,157)
Income Tax and Social Charges Paid	(64,708)	(37,940)
Net Cash from (invested) Operational Activities	(148,273)	539,759
Investment Activities Cash Flow		
Cash acquired from business combination	283,685	0
P,P&E and Intangible Acquisitions	(141,953)	(187,226)
P,P&E Sale Payments	423	1,292
Investments in Associates	0	3,289
Loans granted to subsidiaries	0	(1,804)
Net Cash from Investment Activities	142,155	(184,449)
Financing Activities Cash Flow		
Funding	362,644	8,380
Payments	(95,182)	(10,420)
Interest on Equity and Dividends Paid	(49)	(19,480)
Net Cash from Funding Activities	267,413	(21,520)
Cash and Cash Equivalents net increase	261,295	333,790
Cash and Cash Equivalents in the beggining of the period	145,387	266,416
Cash and Cash Equivalents in the end of the period	406,683	600,206

Comments on company performance

Relationship with Independent Auditors

In compliance with CVM Instruction 381/03, we represent hereby that ERNST & YOUNG has been engaged to provide the following services: audit of the financial statements prepared in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards ("IFRS"); and review of the quarterly interim financial information in accordance with Brazilian and International Standards on Review of Interim Financial Information (NBC TR 2410 and ISRE 2410 – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", respectively). The Company has not engaged the independent auditors for services other than the audit of the financial statements.

The engagement of the independent auditors is based on the principles that safeguard auditors' independence, namely: (a) auditors cannot audit their own work; (b) cannot carry out Management's duties; and (c) cannot provide any services that may be considered prohibited by the rules in force. In addition, Management has obtained a declaration from the independent auditors stating that the special services provided do not impair their professional independence.

The information in the Report on Performance that is not clearly identified as being a copy of the information contained in the financial statements has not been audited or reviewed.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

1. Operations

Raia Drogasil S.A. ("Company" or "Raia Drogasil" or "Parent Company") is a publicly-held company listed on the Novo Mercado ("New Market") listing segment of B3 S.A. - Brasil, Bolsa, Balcão, under ticker RADL3, with its headquarters in the capital of the state of São Paulo.

Raia Drogasil S.A. and its subsidiary 4Bio Medicamentos S.A. (together "Consolidated" or "Group") are mainly engaged in the retail sale of medicines, perfumery, personal care and beauty products, cosmetics and dermocosmetics and specialty medicines.

The Group conducts its sales through 2,223 stores (2,073 stores - 2019), distributed in 23 Brazilian states (23 states - 2019), as presented below:

State	Consolidated	
	Sep/2020	Dec/2019
São Paulo	1,086	1,049
Minas Gerais	163	143
Rio de Janeiro	149	142
Paraná	125	112
Goiás	84	73
Distrito Federal	77	72
Pernambuco	71	67
Bahia	71	68
Santa Catarina	55	49
Rio Grande do Sul	52	42
Espírito Santo	47	46
Pará	41	35
Ceará	39	31
Mato Grosso do Sul	28	25
Mato Grosso	24	22
Alagoas	19	18
Sergipe	19	18
Paraíba	16	15
Maranhão	16	13
Rio Grande do Norte	14	14
Piauí	14	9
Tocantins	8	7
Amazonas	5	3
Total	2,223	2,073

Raia Drogasil's stores are supplied by eleven distribution centers located in nine States: São Paulo, Rio de Janeiro, Minas Gerais, Paraná, Goiás, Pernambuco, Bahia, Ceará and Rio Grande do Sul. The Company ended the operations of the distribution center in Butantã (SP) and started operations in the distribution center in Rio Grande do Sul. The Group's e-commerce demand is met by the Distribution Centers located in Garulhos (São Paulo State), Embu (São Paulo State), as well as in the Paraná, Bahia, Minas Gerais, Rio de Janeiro, Ceará and Pernambuco States.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

The subsidiary 4Bio Medicamentos S.A. ("4Bio" or "Subsidiary") markets its goods through telesales and the delivery is made directly to the customer's location or through its three call centers in the states of São Paulo and Tocantins.

2. Presentation of quarterly information

The quarterly information was approved by the Executive Board on October 27, 2020.

The parent company and consolidated quarterly information is presented in thousands of Brazilian Reais (R\$), which is the Group's functional and presentation currency.

The Company's parent company and consolidated quarterly information for the periods ended September 30, 2020 and 2019 has been prepared in accordance with NBC TG 21 (R4) - "Interim Financial Reporting", the requirements in Official Letter/CVM/SNC/SEP 003/2011 of April 28, 2011, and the International Financial Reporting Standards (IFRS) - IAS 34 and discloses all material information specific to the parent company and consolidated quarterly information, and only such information, which is consistent with the information used by Management in managing the activities.

The Company's parent company and consolidated financial statements for the year ended December 31, 2019 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the Brazilian Securities Commission (CVM) and Brazilian General Technical Accounting Standards (NBC TG) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The parent company and consolidated quarterly information should be read in conjunction with the Company's financial statements for the year ended December 31, 2019.

The consolidated quarterly information includes the Company's quarterly information and the quarterly information of its subsidiary 4Bio. The consolidated quarterly information has been prepared in accordance with consolidation practices and applicable legal provisions.

The accounting practices adopted by the Subsidiary were applied uniformly and consistently with those adopted by the Company. Where applicable, all transactions, balances, income and expenses between the Subsidiary and the Company are fully eliminated in the consolidated quarterly information.

The quarterly information includes accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies regarding provision for inventory losses, provision for impairment of trade receivables, appreciation of financial instruments, taxes recoverable, the amortization and depreciation periods for property and equipment and intangible assets, estimate of impairment of intangible assets with indefinite useful life, provision for legal claims, fair value measurement of financial liabilities, determination of provision for taxes, recognition of revenues from commercial agreements, among others. The significant estimates and judgments are disclosed in Note 4(w) to the financial statements for the year ended December 31, 2019.

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, while it is not required by IFRS. Therefore, under the IFRS, the presentation of such statements is considered supplementary information, and not part of the set of financial statements.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

The Group adopted all standards, revised standards and interpretations issued by the IFRS and the Brazilian accounting standards that were effective as at September 30, 2020.

In the financial statements for the year ended December 31, 2019, Management made changes, between lines, in the classification of property and equipment in the balance sheet, which was segregated as follows: i) property and equipment in use; and ii) right-of-use lease. The changes are being presented in the interim financial information for the quarter ended September 30, 2020.. Management performed the same reclassifications in the financial information for the year ended December 31, 2019 and for the third quarter of 2019, for the purpose of adequate comparison. These changes did not impact total property and equipment or the balances in the balance sheet, profit for the period or profit before income tax and social contribution, and the balances of the Company's balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows for the third quarter of 2020.

Impacts of COVID-19

In compliance with CVM Circular Letter-SNC /SEP No. 03/2020, in view of the current scenario in Brazil due to the COVID-19 pandemic, the Company assessed the provision for impairment, taking into consideration all facts and circumstances, in order to verify whether in fact there was a significant increase in credit risk or any temporary liquidity restriction.

The Company adopted the assessment of trade receivables at September 30, 2020 as the calculation basis. On this date, the Company's receivables with respect to total accumulated sales were represented by: (i) Cards (81,8%), (ii) Cash (15%) and others (3,2%).

Trade receivables at September 30, 2020 are presented below:

Trade receivables	Sep-2020	%
Credit / debit cards	1,236,432	95.4%
Popular Pharmacy	31,560	2.4%
Agreements with companies – Univers	18,357	1.5%
Medicine Benefit Program – PBM	12,132	0.9%
Trade receivables – Checks (cash/post-dated)	1,365	0.1%
Provision for impairment of trade receivables	(3,267)	(0.3%)
Total	1,296,579	100.0%

It is worth emphasizing that, regarding trade receivables items with greater representation: (i) Credit / debit cards (95.4%) are concentrated on card administrators (Getnet, Cielo and Rede), where, of this amount, the Company received 34.4% and should receive 35.0% in October 2020, and the remaining amount is substantially scheduled to be received in November and December 2020; and (ii) for the Popular Pharmacy Program (2.4%), there are no indicators that would justify any impact on the provision in Management's understanding.

Accordingly, Management assessed and concluded that there was no significant increase in credit risk regarding Trade Receivables that could justify any impact on the provision for impairment of trade receivables, as well as the need for any additional disclosure, at this time, regarding the impact of the COVID-19 pandemic on the Company's receivables.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

In Management's assessment, the social distancing measures imposed by the governments of virtually all Brazilian states had no significant impact on sales indicating structural problems that could impact the accounting estimates with respect to: recoverability of financial assets (cash and cash equivalents, financial investments), realization of inventories, realization of deferred taxes, provisions for employee benefits, recoverability of indirect taxes, covenants, renegotiation of lease agreements, revaluation of assets, e-commerce revenue and taxes on profit.

A total of 158 stores were opened and 7 stores were closed up to September 2020. All store closures were carried out for the optimization of our store portfolio, with positive return expectations associated to them, COVID-19 had no significant impact on the company's expansion plan.

In accordance with CVM Ruling 859/2020, which addresses amendments to Technical Pronouncement NBC TG 06 (R3) – Leases due to Benefits Related to Covid-19 granted to Lessees under Lease Agreements – the Company has assessed that the benefits arising from lease discounts obtained on some properties are specific events and have not resulted in changes in the terms of lease agreements (see further information in note 21).

3. New accounting standards, amendments to and interpretations of standards

The following accounting pronouncements became effective for the first time to financial reporting periods beginning on January 1, 2019:

(a) NBC TG 26 (R5) / IAS 1 – Presentation of Financial Statements and NBC TG 23 (R2) / IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

The amendments to NBC TG 26 (R5) / IAS 1 and NBC TG 23 (R2) / IAS 8 clarify the definition of materiality and align the definition used in the conceptual structure and in other accounting standards. Management believes that these amendments had no significant impact on the Company's financial statements, as it applies technical instruction OCPC 7 and, thus, only discloses relevant information.

(b) CVM Ruling 854/2020

CVM Ruling 854/2020 became effective as of January 1, 2020. This ruling addresses the amendments to Technical Pronouncements NBC TG 38 (R3), NBC TG 40 (R3) and NBC TG 48, issued by the Accounting Pronouncements Committee (CPC), as a result of the reform of the benchmark interest rate, in respect of the expected discontinuance of the use of the London Interbank Offered Rate (LIBOR) as the benchmark interest rate after 2021.

Management understands that there will not be an impact from the reform of the reference interest rate, given that, to date, it has no financial assets or liabilities linked to that index.

4. Significant accounting practices

The accounting practices adopted for preparing this ITR are consistent with those disclosed in Note 4 to the financial statements for the year ended December 31, 2019.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

5. Cash and cash equivalents

Cash and cash equivalents items	Parent Company		Consolidated	
	Sept-2020	Dec-2019	Sep-2020	Dec-2019
Cash and banks	86,479	121,382	87,292	123,597
Automatic investments ⁽ⁱ⁾	7,211	45,766	7,264	47,156
Bank Deposit Certificates - CDB ⁽ⁱⁱ⁾	201,991	2,892	201,991	2,892
Debentures held under repurchase agreements ⁽ⁱⁱⁱ⁾	303,659	124,823	303,659	125,581
Total	599,340	294,863	600,206	299,226

(i) Refers to a short-term fixed income fund with short-term investments and automatic redemptions.

(ii) Investments in bank deposit certificate have daily liquidity and grace period of 30 days.

(iii) Refers to a fixed income investment with income linked to the variation of the Interbank Deposit Certificate - CDI, backed by publicly offered debentures issued by companies, with commitment of repurchase by the Bank and resale by the Group, according to the conditions previously established where financial institutions which negotiated these securities guarantee credit risk, of low risk to the Group, and immediate liquidity without loss of income.

The financial investments are distributed at the banks Bradesco, Santander, Itaú, Banco do Brasil, Caixa Econômica and Banrisul.

The Group's exposure to interest rate risks on financial investments is disclosed in Note 25(a).

6. Trade receivables

Trade receivables items	Parent Company		Consolidated	
	Sept-2020	Dec-2019	Sep-2020	Dec-2019
Trade receivables	1,301,725	1,055,053	1,477,879	1,196,895
Provision for impairment of trade receivables	(3,267)	(1,250)	(5,265)	(3,430)
(-) Adjustment to present value	(1,879)	(3,897)	(2,196)	(4,446)
Total	1,296,579	1,049,906	1,470,418	1,189,019

The aging of trade receivables is presented below:

Maturities	Parent Company		Consolidated	
	Sept-2020	Dec-2019	Sep-2020	Dec-2019
Not yet due	1,283,124	1,050,277	1,436,057	1,178,374
Overdue				
Between 1 and 30 days	17,610	1,745	27,825	8,612
Between 31 and 60 days	416	2,077	9,729	4,469
Between 61 and 90 days	207	178	738	1,041
Between 91 and 180 days	366	776	1,900	2,774
Between 181 and 360 days	2	-	1,630	1,625
Provision for impairment of trade receivables	(3,267)	(1,250)	(5,265)	(3,430)
(-) Adjustment to present value	(1,879)	(3,897)	(2,196)	(4,446)
Total	1,296,579	1,049,906	1,470,418	1,189,019

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

Days sales outstanding, represented by credit and debit cards and partnerships with companies and the Government, are approximately 42 days (36 days in Dec/2019), term that is considered part of the normal conditions inherent in Group's operations. A substantial portion of the amounts overdue for more than 31 days are represented by collection through special plans and PBMs.

The changes in the Company's provision for impairment of trade receivables are presented below:

Changes in the provision for impairment of trade receivables	Parent Company		Consolidated	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019
Opening balance	(1,250)	(892)	(3,430)	(1,355)
Additions	(7,070)	(8,196)	(10,645)	(12,607)
Reversals	1,974	3,097	4,842	5,261
Losses	3,079	4,741	3,968	5,271
Closing balance	(3,267)	(1,250)	(5,265)	(3,430)

Trade receivables are classified as financial assets at amortized cost and are therefore measured as described in Note 4(d) – Impairment to the financial statements for the year ended December 31, 2019.

7. Inventory

Inventory items	Parent Company		Consolidated	
	Sept-2020	Dec-2019	Sep-2020	Dec-2019
Goods for resale	3,841,170	3,792,148	3,959,361	3,872,374
Consumables	7,209	1,215	7,209	1,215
(-) Provision for inventory losses ⁽ⁱ⁾	(36,438)	(13,116)	(36,438)	(13,116)
(-) Adjustment to present value	(3,340)	(8,912)	(3,456)	(9,085)
Total inventory	3,808,601	3,771,335	3,926,676	3,851,388

(i) The changes in amounts of provision for inventory losses are due to changes in estimates, as from January 1, 2020, for the provision for inventory losses of stores and DCs, the effect of which on the current period is R\$ 14,026.

Changes in the provision for impairment of trade receivables are presented below:

Changes in the provision for inventory losses	Parent Company		Consolidated	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019
Opening balance	(13,116)	(11,140)	(13,116)	(11,140)
Additions	(30,393)	(8,737)	(30,393)	(8,737)
Write-offs	7,071	6,761	7,071	6,761
Closing balance	(36,438)	(13,116)	(36,438)	(13,116)

For the quarter ended September 30, 2020, cost of sales recognized in the statement of income was R\$ 3,376,806 (R\$ 3,036,923 – 3rd Quarter-2019) for the Parent Company and R\$ 3,598,676 (R\$ 3,265,230 - 3rd Quarter-2019) for the consolidated accounts, including the amount of the write-offs of goods inventories recognized as losses for the quarter amounting to R\$ 38,039 (R\$ 29,695 - 3rd Quarter-2019) for the Parent Company and R\$ 38,386 (R\$ 30,748 - 3rd Quarter-2019) for the consolidated accounts.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

The effect of the recognition, reversal or write-off of the provision for inventory losses is included in cost of sales in the statement of income.

8. Taxes recoverable

Taxes recoverable items	Parent Company		Consolidated	
	Sept-2020	Dec-2019	Sep-2020	Dec-2019
Taxes on profit recoverable				
Withholding Income Tax (IRRF)	739	2,022	1,337	2,022
Corporate Income Tax (IRPJ)	216	1,557	6,765	8,763
Social Contribution on Net Profit (CSLL)	13	-	2,479	2,974
Subtotal	968	3,579	10,581	13,759
Other taxes recoverable				
Value Added Tax on Sales and Services (ICMS) – credit balance	45,846	78,044	49,498	83,812
ICMS – Refund of ICMS withheld in advance	8,172	25,519	8,172	25,519
ICMS on acquisitions of fixed assets	88,962	77,023	88,962	77,023
Social Integration Program (PIS)	1,277	1,535	1,970	2,219
Social Contribution on Revenue (COFINS)	6,621	7,814	9,620	10,823
Social Investment Fund - 1982 - securities issued to cover court-ordered debts	561	561	561	561
National Institute of Social Security (INSS)	24,132	-	24,132	-
Subtotal	175,571	190,496	182,915	199,957
Total	176,539	194,075	193,496	213,716
Current assets	83,221	135,771	91,307	145,617
Non-current assets	93,320	58,304	102,190	68,099

The ICMS credits amounting to R\$ 45,846 and R\$ 8,172 (R\$ 78,044 and R\$ 25,519 - Dec/2019) for the Parent Company and R\$ 49,498 and R\$ 8,172 (R\$ 83,812 and R\$ 25,519 - Dec/2019) for the consolidated accounts are the result of applying different ICMS rates and of refunds of ICMS-ST (the substitute taxpayer regime) on goods receiving and shipping operations carried out by the Company's distribution centers in the states of Pernambuco and Rio de Janeiro, in order to supply their branches located in other Brazilian states. The respective tax credits have been progressively consumed in the last months, mainly due to goods that are not under the substitute taxpayer regime.

Final and unappealable – Exclusion of ICMS from the PIS and COFINS tax bases – Ordinary proceeding distributed by Drogasil S.A. in April 1986

On March 15, 2017, the Federal Supreme Court (STF) concluded the judgment on the merits of Appeal to Supreme Court No. 574,706, with general repercussion effects, thereby entitling taxpayers to the right of excluding ICMS from the PIS and COFINS tax bases.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

The Company filed a legal proceeding in 1986 claiming the right to exclude ICMS from the PIS and FINSOCIAL tax bases, on which a final unappealable ruling has already been rendered. As such, this proceeding was returned to the court of origin in May 2019.

It should be highlighted that the effects of this ruling also apply to COFINS since the proceeding acknowledges FINSOCIAL succession by COFINS. It is worth remembering that the criteria for calculating the credits and the modulation of the effects of the decision of the aforementioned Appeal are still awaiting the judgment of the Appeal for Clarification filed by the General Prosecution Unit of the National Treasury in RE 574,706.

Therefore, in order to assure greater legal certainty for the purpose of recovering credits from past periods, the Company opted to momentarily adopt the criterion determined by the Brazilian Federal Revenue under the terms of COSIT Private Letter Ruling 13/18 and Normative Instruction (IN) 1,911/19, having determined credits in the amount of R\$ 4,809.

If the ICMS amount specified as the calculation criterion is considered, the Company should record the approximate amount of R\$ 46,000 corresponding to the period from 2013 to 2017.

The Company awaits judgment of the Appeal for Clarification filed by the General Prosecution Unit of the National Treasury in RE 574.706, in order to evaluate the best strategy to be adopted, within the possibilities of settlement of decision and/or offset of calculated credits.

Undue payment of social security contributions on payroll discounts

A review of the payments made in the last 5 years related to social security contribution on the payroll was performed and it was identified an undue payment of the contributions on amounts discounted from the payroll that would qualify as not subject to tax levy or as exemption. Accordingly, based on the analyses and opinions prepared by our lawyers and advisors, we determined an amount of tax credit of R\$ 32,728, of which the amount of R\$ 8,596 was used, the balance of R \$ 24,132 remaining on September 30, 2020, which is expected to be offset by July 2021.

9. Investments

(a) Business combination – 4Bio

In 2015, the Company acquired a 55% equity interest in 4Bio Medicamentos S.A. and obtained its control on October 1, 2015.

The agreement establishes the granting to the Company of call and put options for all the remaining shares, corresponding to 45% of the total currently held by the founding stockholder, to be exercised after January 2021 and the fair value of which will be calculated based on the average of the adjusted EBITDA of 4Bio for the years ended December 31, 2018 and 2019 and year ending December 31, 2020.

On September 24, 2019, the Company and the Equity Investment Fund Kona ("Kona"), holder of the shares of the founding stockholder, as agreed, signed an amendment to the original purchase and sale agreement changing the period of exercise of the call options held by the Company and of the put options held by Kona, related to the remaining 45% of 4Bio, adopting the following criterion:

From:

- Call and put options of the shares, equivalent to 45% of the capital, will be exercisable after January 1, 2021, having as reference the average of adjusted EBITDA of 4Bio for the years ended December 31, 2018 and 2019 and year ending December 31, 2020;

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To:

- 1st Call and put options of the shares, equivalent to 30% of the capital, will be exercisable between January 1, 2021 and June 30, 2021, having as reference the average of adjusted EBITDA of 4Bio for the years ended December 31, 2018 and 2019 and year ending December 31, 2020;

- 2nd call and put options of the shares, equivalent to 15% of the capital, will be exercisable after January 1st, 2024, having as reference the average of adjusted EBITDAs of 4Bio for the years ending December 31, 2021, 2022 and 2023.

It was also established that Mr. André Kina will continue as CEO of 4Bio at least until the end of 2023.

The fair value of the financial liability at September 30, 2020 was remeasured to R\$ 45,791 (R\$ 42,113 - Dec/2019).

The fair value of the additional stock options recorded in Parent Company and consolidated accounts, of R\$ 45,791 (R\$ 42,113 - Dec/2019), is classified as Level 3 in the fair value hierarchy. The main fair value measurements have as reference: (i) a discount rate of 11.81% in December 2019 (10.07% - Dec/2018), (ii) an average growth rate of EBITDA of 39.01% in December 2019 (38.38% - Dec/2018), considering the average of the EBITDAs projected for 2018 to 2020 and the multiple provided for in contract.

The goodwill arising on acquisition of R\$ 12,907 (R\$ 12,907 - Dec/2019) for the Parent Company and R\$ 25,563 (R\$ 25,563 - Dec/2019) for the consolidated accounts represents the future economic benefits expected from the business combination.

(b) Incorporation of company – Stix Fidelidade e Inteligência S.A.

The Company together with Grupo Pão de Açúcar ("GPA") announced the first Brazilian coalition of retailers with national companies through the creation of the company Stix Fidelidade ("Stix"). Stix was born with a platform of products and services for the accumulation and redemption of points, in order to offer discounts and advantages to the loyal customers of the two Companies, in addition to having the support of more than 3 thousand establishments across the country through the Drogasil, Droga Raia, Extra and Pão de Açúcar brands.

The Stix Fidelidade program will focus on offering valuable and affordable benefits to participants in a wide range of segments, building customer loyalty and generating value for the companies that will integrate its platform.

Stix Fidelidade has its shareholding structure represented by 66.7% of GPA and 33.3% of the Company, it will be an autonomous company, with a Board of Directors formed by members appointed by the shareholders.

In February 2020, the Company made a capital contribution in the amount of R\$ 3,289.

(c) Business combination – Onofre

Acquisition of 100% of Drogaria Onofre's share units on July 1st, 2019 and its incorporation by Raia Drogasil on August 1st, 2019.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

Changes in investments in Subsidiaries and Associated Companies

At September 30, 2020 and December 31, 2019, the Company's investment balance is presented below:

<u>Company name</u>	<u>Main activity</u>	<u>Interest (%)</u>	<u>Sep-2020</u>	<u>Dec-2019</u>
4Bio Medicamentos S.A.	Retail of special medicines	55%	63,326	60,263
Stix Fidelidade e Inteligência S.A. ⁽ⁱ⁾	Platform of products and services for the accumulation and redemption of points	33%	(1,027)	-
Total			62,299	60,263

(i) The provision for losses on investments is recorded in "Other Provisions".

Changes in the investment balance in the subsidiary 4Bio and associated company Stix, presented in the parent company financial statements, are shown below:

<u>Changes in investments</u>	<u>Parent Company</u>	
	<u>Sep-2020</u>	<u>Dec-2019</u>
Balance at January 1 st	60,263	40,108
Equity in the results of subsidiary – Stix ⁽ⁱ⁾	(4,316)	-
Capital contribution Stix ⁽ⁱ⁾	3,289	-
Equity in the results of subsidiary – 4Bio	3,111	20,160
Restricted share compensation plan – 4Bio	(48)	(5)
Closing balance	62,299	60,263

(i) The provision for losses on investments is recorded in "Other Provisions".

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All amounts in thousands of reais unless otherwise stated

For the purpose of calculating the equity in subsidiaries and affiliates, the Company adjusts the assets, liabilities and the respective changes in the result. At 4Bio and Onofre they are adjusted based on the allocation of the purchase price determined on the acquisition date. The table below shows the effects on net income for the period of subsidiaries 4Bio and Onofre, and affiliate Stix for purposes of determining the equity in earnings for the periods ended September 30, 2020 and 2019:

	Parent Company		Equity in the results	Parent Company		Equity in the results
	4Bio	Stix	Total	4Bio	Onofre	Total
	Jan-01-20 to Sep-30-20	Jan-01-20 to Sep-30-20		Jan-01-19 to Sep-30-19	Jan-01-19 to Sep-30-19	
Changes in equity income						
Profit for the period	3,541	(4,316)	(775)	9,626	(26,519)	(16,893)
Amortization of surplus arising from the business combination	(430)	-	(430)	(430)	(8,078)	(8,508)
Total	3,111	(4,316)	(1,205)	9,196	(34,597)	(25,401)

	Parent Company		Total	Parent Company		Total
	4Bio	Stix		4Bio	Onofre	
	Jan-01-20 to Sep-30-20	Jan-01-20 to Sep-30-20		Jan-01-19 to Sep-30-19	Jan-01-19 to Sep-30-19	
Adjusted equity						
Investment at book value	48,623	(1,027)	47,596	45,081	(34,595)	10,486
Allocation of the purchase price (surplus of assets)	2,803	-	2,803	3,455	357,670	361,125
Deferred income tax liability on allocation adjustments	(953)	-	(953)	(1,175)	-	(1,175)
Restricted share compensation plan	(54)	-	(54)	(5)	-	(5)
Write-off of investment by incorporation	-	-	-	-	(323,075)	(323,075)
Total adjusted equity	50,419	(1,027)	49,392	47,356	-	47,356
Goodwill based on expected future profitability	12,907	-	12,907	12,907	-	12,907
Investment balance	63,326	(1,027)	62,299	60,263	-	60,263

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

10. Property, plant and equipment and intangible assets

a) Property and equipment

Changes in the parent company's property and equipment are presented below:

							2020	2019
Changes	Land	Buildings	Furniture, fittings and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Total	Total
Cost								
Opening balance at January 1	35,646	71,422	967,400	597,668	68,061	1,330,927	3,071,124	2,594,349
Additions	-	-	97,747	81,430	4,873	202,382	386,432	583,681
Disposals and write-offs	-	-	(7,899)	(6,952)	(2,218)	(121,660)	(138,729)	(170,389)
(Provision) / Reversal for store closures	-	-	1,681	-	-	2,316	3,997	(4,123)
Closing balance at September 30	35,646	71,422	1,058,929	672,146	70,716	1,413,965	3,322,824	3,003,518
Accumulated depreciation								
Average annual depreciation rates (%)		2.5 - 2.7	7.4 - 10	7.1 - 15.8	20 - 23.7	13 - 20		
Opening balance at January 1	-	(25,216)	(361,231)	(288,631)	(31,308)	(591,403)	(1,297,789)	(1,050,664)
Additions	-	(1,427)	(71,162)	(59,909)	(5,787)	(206,195)	(344,480)	(334,685)
Disposals and write-offs	-	-	7,048	6,583	708	120,430	134,769	140,137
Provision / (Reversal) for store closures	-	-	(639)	-	-	(1,597)	(2,236)	(278)
Closing balance at September 30	-	(26,643)	(425,984)	(341,957)	(36,387)	(678,765)	(1,509,736)	(1,245,490)
Net balance								
At January 1	35,646	46,206	606,169	309,037	36,753	739,524	1,773,335	1,543,685
At September 30	35,646	44,779	632,945	330,189	34,329	735,200	1,813,088	1,758,028

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All amounts in thousands of reais unless otherwise stated

Changes in the consolidated property and equipment are presented below:

							2020	2019
Changes	Land	Buildings	Furniture, fittings and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Total	Total
Cost								
Opening balance at January 1	35,646	71,422	969,119	600,255	68,408	1,333,498	3,078,348	2,599,651
Additions	-	-	97,893	81,866	4,873	202,959	387,591	584,669
Disposals and write-offs	-	-	(7,898)	(6,952)	(2,218)	(121,660)	(138,728)	(170,390)
(Provision) / Reversal for store closures	-	-	1,681	-	-	2,316	3,997	(4,123)
Closing balance at September 30	35,646	71,422	1,060,795	675,169	71,063	1,417,113	3,331,208	3,009,807
Accumulated depreciation								
Average annual depreciation rates (%)		2.5 - 2.7	7.4 - 10	7.1 - 15.8	20 - 23.7	13 - 20		
Opening balance at January 1	-	(25,216)	(361,850)	(289,592)	(31,460)	(592,495)	(1,300,613)	(1,052,691)
Additions	-	(1,427)	(71,282)	(60,231)	(5,818)	(206,577)	(345,335)	(335,273)
Disposals and write-offs	-	-	7,048	6,582	708	120,430	134,768	140,136
Provision / (Reversal) for store closures	-	-	(639)	-	-	(1,597)	(2,236)	(278)
Closing balance at September 30	-	(26,643)	(426,723)	(343,241)	(36,570)	(680,239)	(1,513,416)	(1,248,106)
Net balance								
At January 1	35,646	46,206	607,269	310,663	36,948	741,003	1,777,735	1,546,960
At September 30	35,646	44,779	634,072	331,928	34,493	736,874	1,817,793	1,761,701

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All amounts in thousands of reais unless otherwise stated

b) Intangible assets

Changes in the Company's intangible assets are presented below:

							2020	2019
Items	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Trademarks	Customers portfolio	Total	Total
Cost								
At January 1 st	288,139	205,506	22,275	780,084	176,553	41,700	1,514,257	1,422,829
Additions	21,587	57,156	-	-	872	-	79,615	140,748
Disposals and write-offs	(29,822)	(20,793)	-	-	(75)	-	(50,690)	(58,879)
(Provision) / Reversal for store closures	1,000	6	-	-	-	-	1,006	75
At September 30	280,904	241,875	22,275	780,084	177,350	41,700	1,544,188	1,504,773
Accumulated amortization								
Average annual amortization rates (%)	17 - 23.4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	6.7 - 25		
At January 1 st	(171,093)	(90,012)	(2,387)	-	(293)	(38,557)	(302,342)	(254,887)
Additions	(34,326)	(34,113)	-	-	(527)	(345)	(69,311)	(92,193)
Disposals and write-offs	29,672	20,791	-	-	-	-	50,463	55,584
Provision / (Reversal) for store closures	(850)	(4)	-	-	-	-	(854)	(96)
At September 30	(176,597)	(103,338)	(2,387)	-	(820)	(38,902)	(322,044)	(291,592)
Net balance								
At January 1	117,046	115,494	19,888	780,084	176,260	3,143	1,211,915	1,167,942
At September 30	104,307	138,537	19,888	780,084	176,530	2,798	1,222,144	1,213,181

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All amounts in thousands of reais unless otherwise stated

Changes in the consolidated intangible assets are presented below:

									2020	2019
Items	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Goodwill on business acquisition (4BIO)	Trademarks	Raia S.A. customers portfolio	4BIO customer relationship	Total	Total
Cost										
At January 1	288,139	208,238	22,275	780,084	25,563	181,622	41,700	7,928	1,555,549	1,463,056
Additions	21,587	58,334	-	-	-	872	-	-	80,793	141,502
Disposals and write-offs (Provision) / Reversal for store closures	(29,821)	(20,793)	-	-	-	(75)	-	-	(50,689)	(58,879)
	1,000	6	-	-	-	-	-	-	1,006	75
At September 30	280,905	245,785	22,275	780,084	25,563	182,419	41,700	7,928	1,586,659	1,545,754
Accumulated amortization										
Average annual amortization rates (%)	17 - 23.4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	Indefinite useful life	20	6.7 - 25		
At January 1	(171,092)	(91,064)	(2,387)	-	-	(4,602)	(38,557)	(2,406)	(310,108)	(260,668)
Additions	(34,326)	(34,558)	-	-	-	(1,287)	(345)	(425)	(70,941)	(93,663)
Disposals and write-offs Provision / (Reversal) for store closures	29,672	20,790	-	-	-	-	-	-	50,462	55,583
	(849)	(4)	-	-	-	-	-	-	(853)	(96)
At September 30	(176,595)	(104,836)	(2,387)	-	-	(5,889)	(38,902)	(2,831)	(331,440)	(298,844)
Net balance										
At January 1	117,047	117,174	19,888	780,084	25,563	177,020	3,143	5,522	1,245,441	1,202,388
At September 30	104,310	140,949	19,888	780,084	25,563	176,530	2,798	5,097	1,255,219	1,246,910

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Goodwill on the acquisition of companies

Goodwill on the acquisition of companies is subject to annual impairment testing.

Goodwill on the acquisition of Drogaria Vison Ltda.

Goodwill in the amount of R\$ 19,888 refers to the acquisition of Drogaria Vison Ltda. on February 13, 2008, which was included in the Company's operations as from June 30, 2008.

Goodwill is based on expected future profitability, pursuant to an appraisal prepared by an independent expert, and was amortized from April to December 2008. As provided for in Technical Communication CTG 02, since 2009, goodwill has no longer been amortized but has been subject to impairment testing ever since.

Goodwill on the acquisition of Raia S.A.

The Company computed goodwill of R\$ 780,084 in the business combination with Raia S.A., occurred on November 10, 2011, which is based on expected future profitability resulting from the positive difference between the balances of assets assigned and those received.

Goodwill on the acquisition of 4Bio Medicamentos S.A.

The Company computed goodwill of R\$ 25,563 in the business combination with 4Bio Medicamentos S.A. occurred on October 1, 2015, of which the balance was supplemented by the final price adjustment as of March 31, 2016 of R\$ 2,040, which is based on expected future profitability, resulting from the positive difference between the balances of assets assigned and those received.

11. Employees benefits

(a) Profit sharing program

The Group has a profit sharing program intended mainly to measure the performance of employees during the period. On a monthly basis, a liability and an expense for profit sharing are recognized in income statement based on estimates of achievement of operating targets and specific objectives established and approved by Management. The recognition as liabilities is made in the account of salaries and social charges and in the statement of income the recognition is made in the account of selling expenses and general and administrative expenses (Note 21).

(b) Other benefits

Other short-term benefits are also granted to employees, such as life insurance, health and dental care, housing allowance, maternity leave and scholarship, which are recognized on an accrual basis and whose right is extinguished at the end of the employment relationship with the Group.

The Group does not grant post-employment benefits, severance pay benefits or other long-term benefits.

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12. Trade payables

Trade payables items	Parent Company		Consolidated	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019
Goods suppliers	2,089,819	2,460,616	2,239,648	2,579,860
Materials suppliers	10,681	10,196	10,779	10,400
Assets suppliers	14,562	11,926	15,024	12,359
Service providers	77,164	63,817	79,351	65,267
(-) Adjustment to present value	(5,233)	(14,262)	(5,482)	(14,650)
Total	2,186,993	2,532,293	2,339,320	2,653,236

Certain suppliers have the option to assign Company notes, totaling R\$ 3,268,461 (R\$ 963,125 - Dec/2019), without right of subrogation, to financial institutions. In this operation, the supplier can have a reduction of its finance costs since the financial institution takes into consideration the credit risk of the buyer (in the Company's case). In these operations, there is no change in the average payment period, additionally, there is no obligation that results in expenses for the Company.

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13. Borrowing and debentures

(a) Breakdown

Borrowing items	Average annual long-term interest rate	Parent Company		Consolidated	
		Sep-2020	Dec-2019	Sep-2020	Dec-2019
BNDES – Subloan		43,053	96,646	43,053	96,646
Businesses	TJLP + 2.02% (+ 2.09% - Dec/2019) p.a.	17,208	38,915	17,208	38,915
Businesses	SELIC + 2.42% (+ 2.37% - Dec/2019) p.a.	21,607	48,406	21,607	48,406
Machinery, equipment and vehicles	TJLP + 2.02% (+ 2.02% - Dec/2019) p.a.	3,557	7,107	3,557	7,107
Machinery, equipment and vehicles	PSI + 9.54% (+9.54% - Dec/2019) p.a.	-	956	-	956
Machinery, equipment and vehicles	SELIC + 2.42% (2.42% - Dec/2019) p.a.	17	33	17	33
Other		664	1,229	664	1,229
Debentures		950,525	1,029,830	950,525	1,029,830
1 st issue of debentures	104.75% of CDI	134,431	167,696	134,431	167,696
2 nd issue of debentures	104.50% of CDI	269,848	314,709	269,848	314,709
3 rd issue of debentures – Certificate of Real Estate Receivables	98.50% of CDI	244,727	247,356	244,727	247,356
4 th issue of debentures	106.99% of CDI	301,519	300,069	301,519	300,069
Borrowing		409,375	-	434,158	-
Direct loans Law 4,131	100% of CDI + 3.50%	308,494	-	308,494	-
Direct loans Law 4,131	100% of CDI + 3.55%	100,881	-	100,881	-
Other	100% of CDI + 2.95%	-	-	24,783	-
Promissory Notes		304,270	-	304,270	-
1 st issue of promissory notes	100% of CDI + 3.00%	304,270	-	304,270	-
Total		1,707,223	1,126,476	1,732,006	1,126,476
Current liabilities		511,707	228,661	536,490	228,661
Non-current liabilities		1,195,516	897,815	1,195,516	897,815

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The long-term amounts have the following payment flow forecast:

Payment forecast	Parent Company		Consolidated	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019
Oct/20 to Sep/21	511,707	228,661	536,490	228,661
Oct/21 to Sep/22	559,892	154,458	559,892	154,458
Oct/22 to Sep/23	88,461	121,358	88,461	121,358
Oct/23 to Sep/24	-	71,578	-	71,578
Oct/24 and thereafter	547,163	550,421	547,163	550,421
Total	1,707,223	1,126,476	1,732,006	1,126,476

(b) Characteristics of BNDES borrowing

Borrowing from the BNDES is used for the expansion of stores, acquisition of machinery/equipment, vehicles and also to finance the Company's working capital.

The subloans for the Social Project, Development of Own Brand and Acquisition of National Software are grouped in the Other line. Part of the Company's borrowing from BNDES has been taken out in the form of subloans, totaling R\$ 43,053 (R\$ 96,646 - Dec/2019), subject to the following restrictive covenants:

- (i) Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) margin (EBITDA/Net operating revenue): equal to or higher than 3.6%; and
- (ii) Total net debt/Total assets: equal to or lower than 20%.

Covenants are measured annually and, at December 31, 2019, the Company was in compliance with these covenants.

If these requirements were not met, the Company would have to provide BNDES with bank guarantees to ensure the performance of its obligations under the agreement.

The Group is not a party to any agreements containing non-financial covenants before BNDES.

(c) Characteristics of the Debentures and Promissory notes

On April 24, 2020, the Company carried out the 1st issue of promissory notes in a single series for public distribution with restricted efforts (CVM 476), in the amount of R\$ 300,000, with remuneration of 100% (one hundred percent) of the cumulative variation of the average daily rates of the DI, plus a surcharge of 3.00% per year and payment term of 2 years. Interest payment and amortization of principal will be carried out on the maturity date. The funds will be used to improve the working capital.

Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
1 st issue – single series	R\$ 300,000	60	4/24/2020	2020-2022	CDI + 3.00%	R\$ 5,000

On June 17, 2019, the Company carried out the 4th issue of non-convertible, simple unsecured debentures in a single series in the total amount of R\$ 300,000 for public distribution with restricted efforts (CVM476), with settlement on July 12, 2019, with remuneration of 106.99% of CDI and payment term of 8 years. Interest payments will be semi-annual and principal will be amortized in two equal annual and consecutive installments, the last installment to be paid on June 17, 2027. The funds were used to improve the working capital.

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Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
4 th issue – single series	R\$ 300,000	300,000	6/17/2019	2019-2027	106.99%	R\$ 1

On February 1, 2019, the Company approved, through the Extraordinary Meeting of the Board of Directors, the 3rd issue of non-convertible, simple unsecured debentures in a single series, in the total amount of R\$ 250,000, with remuneration of 98.5% of CDI and payment term of 7 years. Interest payments will be semiannual and principal will be amortized in two equal annual and consecutive installments, the last installment to be paid on March 13, 2026. The funds raised are being used for the construction, expansion, development and renovation of certain properties indicated by the Company. This operation is linked to the real estate receivables certificates issued by Vert Companhia Securitizadora, which were issued with guarantee in the "CRI" Debentures, object of a public offering of distribution under CVM 400.

Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
3 rd issue – Single Series	R\$ 250,000	250,000	3/15/2019	2019-2026	98.5%	R\$ 1

The 2nd issue of debentures was carried out on April 2, 2018 and has maturity of 60 months (April/2023).

Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
2 nd issue - 9 series	R\$ 400,000	40,000	4/02/2018	2018-2023	104.5%(*)	R\$ 10

(*) Weighted average rate of series.

The amortization of the principal related to the 2nd issue of debentures will occur in 9 semiannual consecutive installments, the first being from the 12nd month after the issue. The payment of the remuneration will occur on a semiannual basis, and the first payment is due in April 2019, and other payments always in April and October of each year, until the due date.

The characteristics of the debentures issued in 2017 were not changed, as shown in the table below:

Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
1 st issue – single series	R\$ 300,000	30,000	4/19/2017	2017-2022	104.75%	R\$ 10

The costs incurred on the issues of the Company's debentures (2017 - 1st issue, 2018 - 2nd issue and 2019 - 3rd and 4th issues) and 1st issue of promissory notes, including fees, commissions and other costs, totaled R\$ 13,199 and are classified in line item of the respective debentures and promissory notes, and are being recognized over the total period of the debt. At September 30, 2020, the amount to be recognized was R\$ 9,287 (R\$ 7,626 - Dec/2019), and is presented net part in the debentures and promissory notes balance.

The Company's debentures and promissory notes are conditioned to the compliance with the following covenants:

(i) Net Debt / EBITDA: cannot exceed 3 times.

The calculation of net debt, the basis for determining the covenants calculation of the Company's debentures and promissory notes, considers the balances of borrowings. As described in Note 14, the lease obligations are being presented in a separate line item in the quarterly information, and therefore, are not included in the net debt calculation.

Covenants are measured quarterly and, at September 30, 2020, the Company is in compliance with such requirements.

The non-compliance with the covenants for two consecutive quarters can be considered as a default event and might consequently result in early maturity.

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The Group monitors clauses subject to compliance with non-financial covenants, in order to ensure that they are being complied with; the Company was in compliance with these covenants.

(d) Characteristics of borrowings

At April 8, 2020, the Company carried out loan operation – 4131, in the amount of R\$ 100,000, with remuneration of 100% (one hundred percent) of the cumulative variation of the average daily rates of the DI, plus a surcharge of 3.55% per year and payment term of 2 years. Interest payments will be quarterly and amortization of principal will be carried out on the maturity date. The funds were used to improve the working capital.

At March 31, 2020, the Company carried out loan operation – 4131, in the amount of R\$ 300,000, with remuneration of 100% (one hundred percent) of the cumulative variation of the average daily rates of the DI, plus a surcharge of 3.30% per year and payment term of 1 year. Interest payments and amortization of principal will be carried out on the maturity date. The funds were used to improve the working capital.

(e) Reconciliation of net debt

The analysis of and changes in net debt are presented below:

Composition of net debt	Parent Company		Consolidated	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019
Short-term borrowings	511,707	228,661	536,490	228,661
Long-term borrowings	1,195,516	897,815	1,195,516	897,815
Total debt	1,707,223	1,126,476	1,732,006	1,126,476
(-) Cash and cash equivalents	(599,340)	(294,863)	(600,206)	(299,226)
Net debt	1,107,883	831,613	1,131,800	827,250

Changes in net debt	Parent Company		
	Borrowing	Cash and cash equivalents	Net debt
Net debt at January 1, 2020	1,126,476	(294,863)	831,613
Funding	695,353	-	695,353
Accrued interest	45,174	-	45,174
Payment of interest	(30,040)	-	(30,040)
Amortization of principal	(133,020)	-	(133,020)
Transaction cost	3,280	-	3,280
(Increase) decrease in cash and cash equivalents	-	(304,477)	(304,477)
Net debt at September 30, 2020	1,707,223	(599,340)	1,107,883

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All amounts in thousands of reais unless otherwise stated

Changes in net debt	Consolidated		
	Borrowing	Cash and cash equivalents	Net debt
Net debt at January 1, 2020	1,126,476	(299,226)	827,250
Funding	719,799	-	719,799
Accrued interest	45,511	-	45,511
Payment of interest	(30,040)	-	(30,040)
Amortization of principal	(133,020)	-	(133,020)
Transaction cost	3,280	-	3,280
(Increase) decrease in cash and cash equivalents	-	(300,980)	(300,980)
Net debt at September 30, 2020	1,732,006	(600,206)	1,131,800

14. Leases

The Group leases physical stores, distribution centers, land and real estate properties for its office space, vehicles and equipment. Operating real estate and distribution/administrative centers leases have term of 5 to 20 years, residential real estate leases have term of 2 years, and lease agreements for vehicles and equipment have term of 3 years.

Since January 1, 2019, the Company has recognized lease agreements in its balance sheet as required by NBC TG 06 (R3) / IFRS 16 as right-of-use assets and lease liabilities.

In compliance with CVM guidelines established in CVM Circular Letter 2/2019, the Company adopted the use of the Nominal Discount Rate for lease agreements for the year ended December 31, 2019, disregarding the Real Rate applied at the beginning of effectiveness of that standard. The quarterly interim financial information disclosed in 2019 has not changed.

Information on the Group's leases are presented below:

As a lessee

Right-of-use asset

The changes in the Parent Company's right-of-use asset are presented below:

						2020	2019
	Operating real estate	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	Total	Total
At January 1 st	2,749,100	8,980	271,770	2,662	92	3,032,604	3,659,594
New agreements	266,299	5,761	12,266	31	-	284,357	383,446
Remeasurements	256,523	(1,038)	16,912	(1,521)	(25)	270,851	74,065
Termination of agreements	(29,592)	(1,284)	-	(190)	-	(31,066)	(37,585)
Depreciation	(401,406)	(1,311)	(39,682)	(389)	(13)	(442,801)	(423,016)
At September 30	2,840,924	11,108	261,266	593	54	3,113,945	3,656,504

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All amounts in thousands of reais unless otherwise stated

The changes in the consolidated right-of-use asset are presented below:

						<u>2020</u>	<u>2019</u>
	<u>Operating real estate</u>	<u>Residential real estate</u>	<u>Distribution/ administrative centers</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>	<u>Total</u>
At January 1 st	2,749,100	9,102	275,570	2,662	92	3,036,526	3,663,759
New agreements	266,299	5,763	12,963	31	-	285,056	385,639
Remeasurements	256,523	(1,069)	16,672	(1,521)	(25)	270,580	72,993
Termination of agreements	(29,592)	(1,284)	-	(190)	-	(31,066)	(37,585)
Depreciation	(401,406)	(1,346)	40,797	(389)	(13)	(443,951)	(424,004)
At September 30	2,840,924	11,166	264,408	593	54	3,117,145	3,660,802

Lease liabilities

The changes in the Parent Company's lease liabilities are presented below:

						<u>2020</u>	<u>2019</u>
	<u>Operating real estate</u>	<u>Residential real estate</u>	<u>Distribution/ administrative centers</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>	<u>Total</u>
At January 1 st	2,882,824	8,401	286,616	2,711	103	3,180,655	3,659,594
New agreements	266,299	5,761	12,266	31	-	284,357	383,446
Remeasurements	256,523	(1,038)	16,912	(1,521)	(25)	270,851	74,065
Interest	153,412	611	11,811	59	2	165,895	81,585
Payments / Compensations	(515,769)	(8,252)	(32,418)	(1,592)	(68)	(558,099)	(492,224)
At September 30	3,043,289	5,483	295,187	312	12	3,343,659	3,706,466

The changes in the consolidated lease liabilities are presented below:

						<u>2020</u>	<u>2019</u>
	<u>Operating real estate</u>	<u>Residential real estate</u>	<u>Distribution/ administrative centers</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>	<u>Total</u>
At January 1 st	2,882,824	8,537	290,458	2,711	103	3,184,633	3,663,759
New agreements	266,299	5,759	12,963	31	-	285,052	385,639
Remeasurements	256,523	(1,069)	16,672	(1,521)	(25)	270,580	72,993
Interest	153,412	655	11,993	59	2	166,121	81,673
Payments / Compensations	(515,769)	(8,292)	(33,690)	(1,592)	(68)	(559,411)	(493,254)
At September 30	3,043,289	5,590	298,396	312	12	3,346,975	3,710,810

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All amounts in thousands of reais unless otherwise stated

The maturities of lease liabilities is classified according to the following schedule:

Analysis of maturities - Lease liabilities	Parent Company		Consolidated	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019
Less than 1 year	467,807	565,204	469,222	566,645
1 – 5 years	2,437,236	2,255,718	2,438,847	2,258,255
Over 5 years	438,616	359,733	438,906	359,733
Total	3,343,659	3,180,655	3,346,975	3,184,633
Lease liabilities in the balance sheet				
At September 30				
Current	467,807	565,204	469,222	566,645
Non-current	2,875,852	2,615,451	2,877,753	2,617,988

Future payments to be made to the lessor may give the Group the right to be credited with PIS and COFINS. Therefore, the recorded amount of the right-of-use asset against the lease liability already includes potential future credit.

The potential right to PIS / COFINS recoverable embedded in future lease payments is presented below:

Future considerations	Parent Company/Consolidated	Potential PIS / COFINS (9.25%)
Less than 1 year	439,927	40,693
1 – 2 years	432,575	40,013
2 – 3 years	398,570	36,868
3 – 4 years	357,744	33,091
4 – 5 years	297,568	27,525
Over 5 years	629,126	58,194
Total	2,555,510	236,384

(i) The right to use PIS/COFINS credits comprises only contracts whose lessor is a legal entity. The company has lease contracts for both lessors, corporate and individual.

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All amounts in thousands of reais unless otherwise stated

In compliance with CVM Circular Letter 02/2019 and NBC TG 06 (R3) / IFRS 16, justified by the fact that the Group has not applied the methodology of nominal flows due to the prohibition imposed by NBC TG 06 (R3) / IFRS 16 of future inflation projection and in order to provide additional information to users, the analysis of contract maturities and installments not yet discounted at September 30, 2020 is presented below:

Year	Parent Company			Consolidated		
	Net present value	Estimated interest (future) ⁽ⁱ⁾	Amounts of installments not yet discounted	Net present value	Estimated interest (future) ⁽ⁱ⁾	Amounts of installments not yet discounted
Oct/20 to Sep/21	892,544	363,970	1,256,514	893,959	363,970	1,257,929
Oct/21 to Sep/22	475,805	158,810	634,615	475,805	158,810	634,615
Oct/22 to Sep/23	447,925	124,161	572,086	447,925	124,161	572,086
Oct/23 to Sep/24	408,376	91,693	500,069	408,376	91,693	500,069
Oct/24 to Sep/25	334,094	63,038	397,132	334,094	63,038	397,132
Oct/25 to Sep/26	245,442	39,765	285,207	247,343	39,765	287,108
Oct/26 and thereafter	539,473	56,763	596,236	539,473	56,763	596,236
Total	3,343,659	898,200	4.241.859	3,346,975	898,200	4,245,175

(i) The present value of the leases payable was calculated, through the projection of future fixed payments, discounted at the rate of 6.69% a.a. which was built from the basic interest rate released by the Central Bank of Brazil (BACEN).

Amount recognized in the statement of income

Amount recognized in the statement of income	Parent Company		Consolidated	
	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Depreciation of right-of-use asset	442,801	426,798	443,951	429,242
Interest on lease liabilities ⁽ⁱ⁾	165,895	81,585	166,119	81,675
Adjustment for lease write-off	539	-	539	-
Variable payments not included in the measurement of lease liabilities	18,625	12,677	19,344	13,816
Revenue on subleases of right-of-use assets	(2,239)	(1,939)	(2,239)	(2,045)
Expenses related to short-term and/or low-value leases	8,740	15,398	8,740	15,398

(i) The variation is reflected due to CVM Circular Letter No. 2/2019, see the beginning of the explanatory note.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

Cash and non-cash items in the statement of cash flow

Statement of Cash Flows	Parent Company		Consolidated	
	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Non-cash items	524,142	4,079,520	524,566	4,084,806
Initial recognition of lease agreements	-	3,659,594	-	3,663,759
New agreements	284,357	383,446	285,052	385,639
Remeasurement	270,851	74,065	270,580	72,993
Termination of agreements	(31,066)	(37,585)	(31,066)	(37,585)
In operating activities:	442,801	423,017	443,951	424,004
Interest on lease expenses	165,895	81,587	166,120	81,933
Interest paid on lease	(165,895)	(81,586)	(166,120)	(81,933)
Depreciations	442,801	423,016	443,951	424,004
In lease activities:	(340,329)	(376,930)	(341,420)	(395,921)
Payment of lease liabilities	(340,329)	(376,930)	(341,420)	(395,921)

(i) Payment of variable leases based on sales

Some operating real estate leases contain variable lease payments based on a percentage of 2% to 12% of the sales made during the period in the leased operating real estate. These payment conditions are common for stores in the country where the Group operates. Variable lease payments for the period ended September 30, 2020 amounted to R\$ 3,364 (R\$ 6,827 in Sep-2019) for Parent Company and consolidated accounts.

(ii) Leases fitting into exceptions and practical expedients

The lease agreements identified and that fall within the scope of exemption mainly refer to lease of printers, forklifts, cardiotech scales, power generators, electron aligners and photovoltaic plates.

The Group also leases equipment with contracts of up to one year. These leases are short-term and/or low-value leases. The Group opted not to recognize the right-of-use assets and the lease liabilities of such items.

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As a lessor

The Group subleases some of the properties to third parties. The Group has classified these leases as operating leases because they do not transfer substantially all the risks and rewards of ownership of the assets.

The table below presents an analysis of maturities of lease payments, showing the undiscounted lease payments to be received after the balance sheet date:

Undiscounted lease payments	Parent Company/Consolidated	
	Sep-2020	
Less than 1 year	1,855	
1 - 2 years	1,528	
2 - 3 years	1,147	
3 - 4 years	833	
4 - 5 years	599	
Total	5,962	

15. Provision for contingencies and judicial deposits

The Company and its subsidiary are subject to legal claims (tax, civil and labor) arising in the normal course of business. Management, supported by the opinion of its legal advisors and, where applicable, by specific opinions issued by experts, assesses the probable final outcomes of ongoing litigation and determines whether or not setting up of provision for contingencies is necessary. In the case of labor contingencies, the evolution of the lawsuits and the history of losses are determining factors to reflect the best estimate.

At September 30, 2020 and December 31, 2019, the Group had the following provision and corresponding judicial deposits relating to legal proceedings:

Judicial deposits items	Parent Company/Consolidated	
	Sep-2020	Dec-2019
Labor and social security	96,809	94,101
Tax	16,963	15,380
Civil	1,673	1,818
Subtotal	115,445	111,299
(-) Corresponding judicial deposits	(13,020)	(18,177)
Total	102,425	93,122
Current liabilities	32,327	26,008
Non-current liabilities	70,098	67,114

Labor contingencies

Labor claims in general relate to lawsuits filed by former employees questioning the payment of unpaid overtime and health hazard premium. The Group is also involved in proceedings arising from Raia S.A., as well as from Drogaria Onofre Ltda., which were filed by former employees of service providers claiming to have employment relationships directly with the Group, or in which the Group received a joint enforcement order for the payment of the labor rights claimed. There are also proceedings filed by professional unions for the payment of union dues, under the dispute regarding the legitimacy of the territorial base.

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Tax contingencies

These represent administrative fines, tax rate differences on interstate transfers and tax collection proceedings.

Civil contingencies

The Group is a defendant in lawsuits regarding usual and unique matters arising in the course of its business, most of which seek indemnification for property damage and pain and suffering from consumption relations.

Changes in the provision are as follows:

Changes in the provision	Parent Company/Consolidated	
	Sep-2020	Dec-2019
At January 1	111,299	74,488
Additions of new lawsuits and review of estimate ⁽ⁱ⁾	41,393	83,880
Write-offs for concluded lawsuits	(61,297)	(58,267)
Constitution/(Reversals) due to changes in lawsuits	(6,106)	(14,262)
Revaluation of amounts	18,790	18,527
Monetary restatement	11,366	6,933
Closing balance	115,445	111,299

The provision for legal claims took into consideration the best estimate of the amounts involved, for the cases in which the likelihood of loss is estimated as probable, and a portion of these proceedings is guaranteed by pledged assets (Note 24).

(i) Management adopts for labor contingencies the methodology for setting up a related provision based on the history of indemnities by groups of job positions and validity of claims for initial phase proceedings. The balance comprises contingencies arising from the merger with Drogaria Onofre in the following amounts: R\$ 26,274 Labor, R\$ 16,090 Tax and R\$ 1,381 Civil. In addition, labor contingencies were subject to adjustment of R\$ 2,410 due to change in the method for estimate of to estimate the probable loss.

Possible losses

As of September 30, 2020 and December 31, 2019, the Group has tax and civil lawsuits related to fines applied by the relevant administrative authorities, tax rate difference in interstate transfers and tax enforcements as well as of civil nature due to indemnity claims for losses and pain and suffering arising from consumer relations, involving possible loss as assessed by Management and its legal advisors in the amount of R\$ 49,797 (R\$ 33,138 - Dec/2019) for Parent Company and Consolidated, of which R\$ 3,845 (R\$ 551 - Dec/ 2019) corresponds to the civil contingencies and R\$ 45,953 (R\$ 32,587 - Dec/2019) to tax contingencies.

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Judicial deposits

At September 30, 2020 and December 31, 2019, the Group had the following judicial deposit amounts, for which no corresponding provision had been set up:

Analysis of judicial deposits	Parent Company/Consolidated	
	Sep-2020	Dec-2019
Labor and social security	15,458	14,353
Tax	10,584	12,572
Civil	3,289	3,076
Total	29,331	30,001

16. Arbitration restricted asset/liability

The Company recognizes in non-current liabilities the obligations arising from the agreement for acquisition of Drogaria Onofre Ltda.. These are obligations of the Seller with former shareholders of Onofre and settlement depends on an arbitral decision. In the agreement for acquisition of July 1, 2019, it was agreed that the financial investments and the letter of guarantee (indemnification asset) in the amounts of R\$ 197,061 and R\$ 127,037, respectively, shall remain linked to the arbitration liability as a guarantee of settlement. Accordingly, Raia Drogasil shall not be harmed by, or benefit from, this transaction as from the acquisition date until the date of its complete settlement. These guarantee amounts are recognized in the arbitration restricted asset under non-current assets.

The arbitration asset/liability is presented below:

Arbitration asset/liability items	Parent Company/Consolidated	
	Sep-2020	Dec-2019
Arbitration restricted asset	340,317	332,927
Financial investment	206,762	202,357
Letter of guarantee/indemnification asset	133,555	130,571
Arbitration restricted liability	(340,136)	(332,900)
Obligations with former shareholders	(340,921)	(333,294)
Exclusion of operation effects	785	394
Total	181	27

The net position of the arbitration asset/liability of R\$ 181 (R\$ 27 - Dec/2019) represents the amount in excess for the guarantee of settlement in order to comply with the existing obligation.

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17. Income tax and social contribution

(a) Income tax and social contribution paid

At September 30, 2020 and 2019, effective income tax and social contribution are as follows:

	Parent Company		Consolidated	
	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Income tax and social contribution paid items				
Profit before income tax and social contribution	417,394	699,222	419,107	701,192
Interest on capital	(146,000)	(162,501)	(146,000)	(162,501)
Taxable profit	271,394	536,721	273,107	538,691
Combined tax rate (25% for income tax and 9% for social contribution)	34	34	34	34
Theoretical tax expense	(92,274)	(182,485)	(92,856)	(183,155)
Permanent additions	(21,943)	(7,276)	(22,090)	7,166
Equity in the results of subsidiary	(61)	(8,636)	(1,119)	(17,272)
Reduction of taxes due to incentives (P.A.T)	2,642	1,415	2,642	1,415
Investment grant ⁽ⁱ⁾	16,880	27,221	30,560	36,655
Tax loss and negative CSLL basis	-	-	(11,060)	-
Gain advantageous purchase	-	113,902	-	113,902
Temporarily non-deductible provisions	-	42,855	-	42,855
Other (revaluation reserve + additional income tax exemption ceiling)	84	67	84	(8,949)
Result of current income tax and social contribution	(147,044)	(78,719)	(147,044)	(78,718)
Result of deferred income tax and social contribution	52,372	65,782	53,205	71,335
Income tax and social contribution expense	(94,672)	(12,937)	(93,839)	(7,383)
Effective tax rate ⁽ⁱⁱ⁾	22.7%	(1.9%)	22.4%	(1.1%)

(i) Beginning the third quarter of 2018, the Group considers as deductible, for income tax purposes the gains arising from the ICMS tax benefits in the States of Bahia, Goiás and Pernambuco, established by supplementary law 160/17, agreement ICMS CONFAP 190/17, and the amendment to Law 12,973/2014. The amount recognized in the quarter ended September 30, 2020 was R\$ 49,647 (R\$ 80,062 - September/2019).

(ii) Based on the best estimate made up to this moment, the average annual effective rate will be 26.25% and, therefore, we do not expect significant variations in relation to the real rate calculated for the quarter. In case of any event that may cause changes to the estimated annual percentage, the amounts recognized related to expense on tax on profit and social contribution for the interim period will be adjusted in subsequent periods.

(b) Deferred income tax and social contribution assets and liabilities

Deferred income tax and social contribution assets amounting to R\$ 301,305 at September 30, 2020 (R\$ 265,670 - Dec/2019) for the Parent Company and R\$ 320,961 at September 30, 2020 (R\$ 284,494 - Dec/2019) for the consolidated accounts arose from temporarily non-deductible expenses that may be carried forward indefinitely, with estimated realization as disclosed in item (c) below.

Deferred income tax and social contribution liabilities amounting to R\$ 391,676 at September 30, 2020 (R\$ 408,480 - Dec/2019) for the Parent Company and R\$ 391,676 at September 30, 2020 (R\$ 408,480 - Dec/2019) for the consolidated accounts relate to tax charges on the remaining balances of: (i) the revaluation reserve; (ii) surplus value PPA (Purchase Price Allocation) Raia; and (iii) gain on bargain purchase.

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Deferred income tax social contribution at September 30, 2020 and December 31, 2019 were as follows:

	Balance sheet				Statement of income			
	Parent Company		Consolidated		Parent Company		Consolidated	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Temporary differences								
Revaluation at fair value of land and buildings	(6,820)	(6,886)	(6,820)	(6,886)	-	-	-	-
Amortization of the goodwill on future profitability	(242,276)	(241,934)	(242,276)	(241,934)	342	122	342	122
Non-deductible intangible assets - merger of Raia S.A.	(53,998)	(54,115)	(53,998)	(54,115)	(117)	3,160	(117)	3,160
Non-deductible intangible assets - acquisition of 4Bio	-	-	(1,733)	(2,136)	-	-	(403)	403
Gain on bargain purchase – acquisition of Onofre	(88,582)	(105,545)	(88,582)	(105,545)	(16,963)	632	(16,963)	632
Tax losses to be offset against future taxable profits	-	-	19,607	19,607	-	4,202	-	9,484
Adjustments from merger – Neutralization of the effect of the bargain purchase	-	-	-	-	-	42,855	-	42,855
Adjustment to present value	(4)	(494)	58	(380)	(490)	2,735	(439)	2,735
Adjustment to fair value	5,291	4,040	5,291	4,040	(1,251)	694	(1,251)	694
Provision for inventory losses	12,389	4,459	12,389	4,459	(7,930)	635	(7,930)	589
Provision for sundry obligations	101,944	14,200	101,954	14,217	10,970	2,779	10,977	2,603
Provision for employee profit sharing	55,270	18,324	55,593	18,785	5,639	5,952	5,777	5,964
Provision for contingencies	36,144	34,747	36,144	34,747	(1,265)	(2,188)	(1,265)	(2,252)
Provision for impairment of trade receivables	1,922	1,014	3,289	1,755	(908)	5,245	(1,534)	5,337
Lease (depreciation x consideration)	73,025	38,536	73,045	38,556	(34,489)	(1,239)	(34,489)	(1,189)
Recording of deferred taxes – LALUR part B Onofre ⁽ⁱ⁾	-	141,213	-	141,213	-	-	-	-
Other adjustments	15,324	9,631	15,324	9,631	(5,910)	198	(5,910)	198
Deferred income tax and social contribution expense (benefit)	-	-	-	-	(52,372)	65,782	(53,205)	71,335
Deferred tax liabilities, net	(90,371)	(142,810)	(70,715)	(123,986)				
Reflected in the balance sheet as follows:								
Deferred tax assets	301,305	265,670	301,305	265,670				
Deferred tax liabilities	(391,676)	(408,480)	(391,676)	(408,480)				
Deferred tax liabilities, net	(90,371)	(142,810)	(90,371)	(142,810)				
Deferred tax assets – Parent Company	-	-	19,656	18,824				
Deferred tax assets, net	-	-	19,656	18,824				
Reconciliation of deferred tax assets (liabilities), net								
At the beginning of the period	(142,810)	(239,102)	(123,987)	(237,756)				
Expense recognized in the statement of income	52,372	96,202	53,205	113,680				
Realization of deferred tax recognized in equity	67	90	67	90				
Balance at the end of the period	(90,371)	(142,810)	(70,715)	(123,986)				

(i) In 2019, due to the incorporation of the temporary adjustment balances recorded in Part B of the Onofre Taxable Profit Control Register (LALUR), deferred IRPJ/CSLL tax assets were recorded. This occurred as the merged company did not record deferred income tax stemming from future taxable income. In 2020, the account balances were incorporated into the RD provision balances, which are stated as disclosed in item (c), below.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

(c) Estimated recovery of income tax and social contribution credits

The projections of future taxable profits are based on estimates relating to the Group's performance, the behavior of the market in which the Group operates and certain economic aspects, among other factors. Actual amounts may differ from these estimates. According to projections, the tax credit will be recovered according to the following schedule:

Forecast of usage	Parent Company	Consolidated
	Sep-2020	Sep-2020
Oct/20 to Sep/21	83,879	83,596
Oct/21 to Sep/22	60,207	60,539
Oct/22 to Sep/23	41,991	41,991
Oct/23 to Sep/24	24,953	30,835
Oct/24 and thereafter	90,275	104,000
Total	301,305	320,961

(d) Uncertainty over IRPJ and CSLL treatment

The Company has 4 discussions in the administrative stage with the Brazilian Federal Revenue referring to the disallowance for tax amortization of goodwill arising from acquisitions of companies in the amount of R\$ 29,602 which, according to internal and external assessment of legal advisors, will probably be accepted in decisions of higher courts (probability of acceptance higher than 50%); for this reason, the Company did not record any IRPJ/CSLL liabilities in connection with these proceedings.

18. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential common diluted shares. The number of shares and earnings per share values already consider the stock split that occurred on September 15, 2020.

The following table presents profit and stock information used for calculating basic and diluted earnings per share:

Earnings per share items	Parent Company/Consolidated	
	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Basic		
Profit for the period	322,722	686,285
Weighted average number of common shares	1,649,158	1,647,870
Basic earnings per share - R\$	0.19569	0.41647
Diluted		
Profit for the period	322,722	686,285
Weighted average number of common shares adjusted for dilution effect	1,654,369	1,646,600
Diluted earnings per share - R\$	0.19507	0.41679

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19. Equity

(a) Capital

At September 30, 2020, the fully paid-up capital amounted to R\$ 2,500,000 (R\$ 2,500,000 - Dec/2019), represented by 1,651,930,000 common registered book-entry shares with no par value, of which 1,074,231,360 shares were outstanding (214,036,654 - Dec/2019).

Pursuant to the Company's bylaws, it is authorized to increase its capital up to the limit of 2,000,000,000 common shares, subject to the approval of the Board of Directors.

At the Extraordinary General Meeting held on September 15, 2020, the Company approved a stock split in the proportion of 5 common shares to each share of the same type existing on September 18, 2020, with no change to its capital. Accordingly, the number of shares went from 330,386,000 to 1,651,930,000 common registered book-entry shares with no par value.

At September 30, 2020, taking into account the stock split, the Company's ownership interest is as follows:

Ownership interest	Number of shares		Interest (%)	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019
Controlling stockholders	575,155,695	115,619,912	34.82	35.00
Shares outstanding	1,074,231,360	214,036,654	65.03	64.78
Treasury shares	2,542,945	729,434	0.15	0.22
Total	1,651,930,000	330,386,000	100.00	100.00

The ownership interest of the controlling stockholders is represented by the families Pipponzi, Pires Oliveira Dias and Galvão and by the Holding Pragma.

The change in the number of outstanding shares of the Company is presented below:

Changes	Shares outstanding
At December 31, 2019	214,036,654
(Purchase)/sale of restricted shares, net	860,194,706
At September 30, 2020	1,074,231,360

At September 30, 2020, the Company's common shares were quoted at R\$ 23.42 (closing quote) (R\$ 22.33 at December 31, 2019).

(b) Tax incentive reserve

These refer to ICMS tax benefits obtained in the States of Bahia, Goiás and Pernambuco, as regulated by complementary law 160/17, ICMS CONFAP 190/17 agreement and amendment of Law 12,973/2014. Set up in accordance with the provisions of article 195-A of the Brazilian Corporate Law (as amended by Law 11,638/07), this reserve receives the portion of government subsidy recognized in profit for the period, as a deduction from sales taxes and allocated to it from the retained earnings account, accordingly, they are not included in the calculation basis of the minimum mandatory dividend.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

(c) Treasury shares

On August 6, 2019, the Board of Directors authorized the Company to repurchase, over a period of 365 days, its own registered common shares with no par value to be held in treasury and subsequently sold. The changes in treasury shares in the quarter ended September 30, 2020 are summarized below:

Changes in treasury shares	Parent Company	
	Number of shares	Amount of shares
At December 31, 2019	729,434	38,141
Shares delivered to executives related to the 3 rd tranche of the 2016 grant, 2 nd tranche of the 2017 grant and 1 st tranche of the 2018 grant	(219,992)	(11,141)
Shares delivered to executives related to the 2 nd tranche of 2017 and 1 st tranche of 2018 of 4Bio	(853)	(45)
Stock split	2,034,356	-
At September 30, 2020	2,542,945	26,955

At September 30, 2020, the market value of the treasury shares, having as reference the quotation of R\$ 23.42 per share at that date, corresponds to R\$ 59,556.

(d) Restricted share plan

Since March 2014, the Company offers its officers the Long-Term Incentive Program with Restricted Shares (the "Restricted Share Plan"), which aims to offer an opportunity to receive variable remuneration provided that the officer remains for a predetermined period in the Company.

As stated in the Restricted Share Plan, a portion of their annual variable remuneration (profit-sharing), will be paid to the officer in cash and the remaining balance shall be paid only in Company shares ("incentive stock").

If the officer decides to use a portion of the total amount of the variable remuneration paid in cash to buy Company shares ("own shares") on the stock exchange, the Company will offer the officer an equal number of shares purchased on the stock exchange.

At its discretion, the Company may grant to this officer more Company shares, using as reference the number of own shares acquired by the officer on the stock exchange.

The shares offered to the officer through the Restricted Share Plan may not be sold, assigned or transferred to third parties for a period of four years from the date of the grant. From the second, third and fourth anniversary of the grant date, the officers will acquire the right to receive a third of their restricted stock.

The changes of the restricted shares are summarized below:

Change in restricted shares	Sep-2020		Dec-2019	
	Shares	Amount	Shares	Amount
Opening balance	397,329	21,977	500,778	23,940
Granted shares for the period	99,642	11,815	213,689	13,367
Value of the shares at the delivery date	1,813,511	(11,950)	(317,138)	(15,330)
Closing balance	2,310,482	21,842	397,329	21,977

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

20. Net sales revenue

	Parent Company		Consolidated	
	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Net revenue items				
Gross sales revenue				
Sales revenue	14,469,049	12,702,785	15,285,747	13,427,907
Service revenue	26,469	9,910	26,675	10,118
Total gross sales revenue	14,495,518	12,712,695	15,312,422	13,438,025
Taxes on sales	(609,333)	(479,525)	(677,140)	(542,090)
Returns, rebates and other	(103,676)	(99,713)	(122,185)	(115,449)
Net sales revenue	13,782,509	12,133,457	14,513,097	12,780,486

Taxes on sales primarily comprise ICMS at rates predominantly between 17% and 18%, for goods not subject to the tax substitute (ST) regime, service tax at 5%, and PIS (1.65%) and COFINS (7.60%) for goods not subject to the one-time taxation regime (Law 10,147/00).

21. Information on the nature of expenses recognized in the statement of income

The Group presented its statement of income using a classification based on the function of expenses. Information on the nature of these expenses is recorded in the statement of income as presented below:

Nature of expenses	Parent Company		Consolidated	
	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Personnel expenses	(1,727,216)	(1,537,405)	(1,755,186)	(1,569,367)
Occupancy expenses ⁽ⁱ⁾	(178,111)	(171,796)	(179,377)	(173,538)
Depreciation and amortization ⁽ⁱⁱ⁾	(835,783)	(796,566)	(839,418)	(803,214)
Service provider expenses ⁽ⁱⁱⁱ⁾	(213,481)	(147,453)	(215,533)	(150,467)
Discount on property rental ^(iv)	(12,615)	-	(12,615)	-
Expenses on card operator fees	(180,173)	(153,866)	(181,632)	(155,876)
Other ^(v)	(398,134)	(277,550)	(415,515)	(296,639)
Total	(3,545,513)	(3,084,636)	(3,599,276)	(3,149,101)
Classified in the statement of income as:				
Function of expenses	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Selling expenses	(3,082,025)	(2,731,878)	(3,122,484)	(2,777,441)
General and administrative expenses	(463,488)	(352,758)	(476,792)	(371,660)
Total	(3,545,513)	(3,084,636)	(3,599,276)	(3,149,101)

(i) These refer to expenses on property rental, condominium fees, electricity, water, communication and municipal real estate tax (IPTU).

(ii) Depreciation and amortization totaled R\$ 835,783 in the period (R\$ 796,566 - Sep/2019) for the Parent Company, of which R\$ 769,459 (R\$ 746,153 - Sep/2019) refers to the sales area and R\$ 66,324 (R\$ 50,413 - Sep/2019) to the administrative area, and R\$ 839,417 (R\$ 803,213 - Sep/2019) for the consolidated accounts, of which R\$ 770,332 (R\$ 749,282 - Sep/2019) refers to the sales area and R\$ 69,085 (R\$ 53,930 - Sep/2019) to the administrative area. These amounts are net of PIS and COFINS credits on right-of-use leases, which generated a reduction in expenses in the amount of R\$ 7,319 in 2020.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

(iii) Due to the COVID-19 pandemic, the Company increased the hiring of service providers to intensify cleaning services in stores, meet the greater demand with goods delivery services, and the hiring of temporary staff to work in stores and CDs.

(iv) Due to the COVID-19 Pandemic, the Company obtained one-off discounts on payments related to expenses from the lease of some properties, classified as operating leases, pursuant to Accounting Pronouncement No. 16/2020, amending CPC 06 (R2). There were no changes in the term of the agreements, so there was no requirement to remeasure those lease agreements.

(v) These refer mostly to expenses on transportation, materials, other administrative expenses, maintenance of assets, advertising and publicity. There were also the merger of Onofre, the opening of new stores, and advertising and publicity expenses incurred with the Company's actions regarding COVID-19.

22. Other operating (income)/expenses - consolidated

Other operating income/(expenses) totaled (R\$ 10,456) (R\$ 246,092 Sep/2019) for the Consolidated accounts. These amounts comprise non-recurring expenses/ revenues, as presented below:

Nature of expenses / revenues	Consolidated	
	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Credits from prior years, mainly INSS ⁽ⁱ⁾	31,059	4,625
Credits from prior years, mainly PIS and COFINS	5,000	3,958
Main bonus	1,846	-
Reversal of provision for termination of agreements of Onofre	1,053	-
Onofre integration	-	(84,439)
Gain on bargain purchase of Onofre	-	357,670
Donations ⁽ⁱⁱ⁾	(27,937)	-
Losses on Popular Pharmacy Program	(11,979)	-
Consulting, advisory and restructuring expenses	(8,314)	(10,604)
Disposal of assets	(1,510)	-
Write-off of property and equipment and intangible assets due to the stores closure.	(715)	(9,262)
Other operating (income)/expenses distribution center	(695)	(11,517)
Other operating (income)/expenses	1,737	(4,339)
Total	(10,455)	246,092

(i) A review of the payments made in the last 5 years related to social security contribution on the payroll was performed and we identified undue payment of the contributions on amounts discounted from the payroll that would qualify as not subject to tax levy or as exemption (Note 8).

(ii) As per the Communication to the Market made on May 15, 2020, the Company donated R\$ 25,000 to help combat the COVID-19 pandemic, as part of the "Todo Cuidado Conta" ("all care counts") fund. This amount was transferred to the "Fundo Emergencial para Saúde – Coronavírus Brasil", which is managed by Sitawi Finanças do Bem (CNPJ/MF 09.607.915/0001-34), a non-profit public civil organization, which will allocate it and render accounts on its use together with the Company.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

23. Finance income and costs

(a) Finance income

Finance income items	Parent Company		Consolidated	
	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Discounts obtained	4,173	1,305	4,215	1,372
Short term investment yields	3,135	4,305	3,135	4,662
Interest on intercompany loans	1,406	2,126	-	-
Monetary gains	930	3,838	1,116	4,009
Other finance income	-	1	184	166
Present Value Adjustment (PVA) - finance income	28,429	39,886	31,931	45,445
Total finance income	38,073	51,461	40,581	55,654

(b) Finance costs

Finance cost items	Parent Company		Consolidated	
	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Monetary gains	5,729	(6,504)	4,891	(7,050)
Interest on leases ⁽ⁱ⁾	(165,895)	(81,586)	(166,081)	(81,674)
Charges on debentures	(30,439)	(40,721)	(30,439)	(40,721)
Charges on borrowings	(14,732)	(9,425)	(14,732)	(9,425)
Interest on payables to subsidiary's shareholder	(3,679)	(9,831)	(3,679)	(9,831)
Amortization of transaction costs	(2,770)	(1,223)	(2,770)	(1,223)
Interest, charges and bank fees	(1,385)	(690)	(1,573)	(2,231)
Discounts granted to customers	-	(25)	(263)	(219)
PVA - finance costs	(46,921)	(81,864)	(49,751)	(86,438)
Total finance costs	(260,092)	(231,869)	(264,397)	(238,812)
Finance income (costs), net	(222,019)	(180,408)	(223,816)	(183,158)

(i) Increase in Interest on leases, due to the application of the nominal rate as from January 2020 and accounting for the retrospective impacts caused by the adoption of CVM Circular Letter in that month. In the first quarter of 2019, the present value of the agreements was calculated based on the real rate.

Notes to the Quarterly Information

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24. Guarantees for lawsuits

The items of property and equipment were given as security for tax, social security and labor proceedings:

Guarantees for lawsuits	Parent Company/Consolidated	
	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Furniture and facilities	15	18
Machinery and equipment	85	85
Total guarantees for lawsuits	100	103

25. Financial instruments and risk management policy

Financial instruments by category

Financial instruments items	Parent Company		Consolidated	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019
Assets				
<u>At amortized cost</u>				
Cash and cash equivalents (Note 6)	599,340	294,863	600,206	299,226
Trade receivables (Note 7)	1,296,579	1,049,906	1,470,419	1,189,019
Other receivables	280,043	298,372	226,484	245,428
Judicial deposits (Note 16)	29,331	30,001	29,332	30,001
Arbitration restricted asset	340,317	332,927	340,317	332,927
Subtotal	2,545,610	2,006,069	2,666,758	2,096,601
Total assets	2,545,610	2,006,069	2,666,758	2,096,601
Liabilities				
<u>Liabilities at fair value through profit or loss</u>				
Payables to subsidiary's shareholder (Note 9)	45,791	42,113	45,791	42,113
Subtotal	45,791	42,113	45,791	42,113
Other liabilities				
Trade payables (Note 12)	2,186,993	2,532,293	2,339,319	2,653,236
Borrowing (Note 13)	1,707,223	1,126,476	1,732,007	1,126,477
Other payables	155,090	144,721	158,377	147,772
Leases payable	3,343,659	3,180,655	3,346,975	3,184,634
Arbitration liability	340,136	332,900	340,136	332,900
Subtotal	7,733,101	7,317,045	7,916,814	7,445,019
Total liabilities	7,778,892	7,359,158	7,962,605	7,487,132

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's risk management program focuses on the unpredictability of financial and operational markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Board of Directors provides principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of non-derivative financial instruments and investment of surplus cash.

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(a) Market risk

Foreign exchange risk

All of the asset and liability operations of the Group are denominated in Brazilian reais; therefore, the Company is not exposed to foreign exchange risk.

Interest rate risk

Most of the BNDES transactions are entered into based on the TLP + interest and on the SELIC rate. Financial investments are entered into based on the CDI variations, which does not result in higher interest rate risk since these variations are not significant. Management understands that there is a low risk of significant changes in profit or loss or in cash flows.

(b) Credit risk

Credit risk arises from financial assets, i.e. cash and cash equivalents, short-term investments and trade receivables.

Cash and cash equivalents and short-term investments are maintained with sound financial institutions.

The risk ratings of the cash equivalents are in accordance with the main risk rating agencies, according to the table below:

Risk rating	Parent Company		Consolidated	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019
Rating - National Scale				
brAAA	347,413	127,810	348,072	130,655
brAA+	158,749	16,454	158,894	16,578
brA	1,870	401	1,870	401
(*) n/a - Automatic investments	7,212	45,766	7,264	47,156
Total - National Scale	515,244	190,431	516,100	194,790

(*) Not applicable, since there is no risk rating for Automatic Investments and Funds.

The granting of credit on sales of goods follows a policy that aims at minimizing defaults. For the quarter ended September 30, 2020, credit sales represented 54% (53% - Dec/2019) for the Parent Company and 56% (55% - Dec/2019) for the consolidated accounts of which 93% (93% - Dec/2019) for the Parent Company and 86% (86% - Dec/2019) for the consolidated accounts related to credit card sales which, based on the history of losses, posed an extremely low risk. The remaining 7% (7% - Dec2019) for the Parent Company and 14% (14% - Dec2019) for the consolidated accounts are credits from PBMs, special plans with companies and post-dated checks and bills for payment that pose a low risk, due to customer selectivity and the adoption of individual limits.

(c) Liquidity risk

The Group's management continuously monitors forecasts of the Company's liquidity requirements, in order to ensure that it has sufficient cash to meet operational needs. The Group invests its surplus cash in financial assets with appropriate maturities to provide the liquidity necessary to honor its obligations.

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(d) Sensitivity analysis

The table below presents a sensitivity analysis of financial instruments that are exposed to losses. The most probable scenario (scenario I), according to the assessment made by management, is based on a three-month horizon. Two further scenarios are presented, pursuant to CVM Instruction 475/08, in order to show a 25% and 50% deterioration in the risk variables considered (scenarios II and III).

Parent Company					
Operation	Risk	Notional amount	Scenario I (probable)	Scenario II	Scenario III
Short term investments - CDI	0.5% increase	512,862	2,564	3,205	3,846
Revenue			2,564	3,205	3,846
REFIS (SELIC)	0.5% increase	1,156	6	7	9
Expense			6	7	9
Consolidated					
Operation	Risk	Notional amount	Scenario I (probable)	Scenario II	Scenario III
Short term investments - CDI	0.5% increase	512,914	2,564	3,205	3,846
Revenue			2,564	3,205	3,846
REFIS (SELIC)	0.5% increase	1,156	6	7	9
Expense			6	7	9

The risk of variations in the TLP on BNDES operations which could result in material losses for the Group is not considered as probable by management.

(e) Capital management

The Group's objective relating to capital management is to maintain the Group's investment capacity, thus allowing it to grow its business and provide proper returns for stockholders.

The Group has adopted a policy of not leveraging its capital structure with borrowing, except for long-term credit facilities from BNDES (FINEM) and debentures at interest rates that are commensurate with the Group's profit levels.

Accordingly, this ratio corresponds to the net debt expressed as a percentage of total capital. The net debt, in turn, corresponds to total borrowings less cash and cash equivalents. The total capital is calculated through the sum of the equity, as shown in the individual and consolidated balance sheet, and the net debt, as presented below:

Capital management items	Parent Company		Consolidated	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019
Short - and long-term borrowing	1,707,223	1,126,476	1,732,006	1,126,476
(-) Cash and cash equivalents	(599,340)	(294,863)	(600,206)	(299,226)
Net debt	1,107,883	831,613	1,131,800	827,250
Equity attributable to the stockholders of the parent company	4,173,488	4,025,013	4,173,488	4,025,013
Non-controlling interest	-	-	53,951	51,406
Total equity	4,173,488	4,025,013	4,227,439	4,076,419
Total capital	5,281,371	4,856,626	5,359,239	4,903,669
Gearing ratio	20.98	17.12	21.12	16.87

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	Parent Company		Consolidated	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019
Adjusted net debt with lease liabilities				
Net debt	1,107,883	831,613	1,131,800	827,250
Lease liabilities	3,343,659	3,180,655	3,346,974	3,184,633
Adjusted net debt	4,451,542	4,012,268	4,478,774	4,011,883
Total equity	4,173,488	4,025,013	4,227,438	4,076,419
Total adjusted capital	8,625,030	8,037,281	8,706,212	8,088,302
Adjusted gearing ratio (%)	51.61	49.92	51.44	49.60

As described in Note 14, as from January 1, 2019, the Group recognized in its balance sheet the obligations associated with lease agreements where it has control. At September 30, 2020, the balance of lease liabilities in the Parent Company and consolidated accounts, corresponded to R\$ 3,343,659 and R\$ 3,346,974, respectively. Considering the lease liability in the capital management calculation, the gearing ratio of the Company and the Group would be 51.61% for the Parent Company and 51.44% for consolidated accounts.

(f) Fair value estimation

The carrying values of financial investments in the balance sheet approximate their fair values since the remuneration rates are based on the CDI variation. The carrying values of trade receivables and payables are measured at amortized cost and are recorded at their original amount, less the provision for impairment and present value adjustment, when applicable. The carrying values are assumed to approximate their fair values, taking into consideration the realization of these balances and settlement terms not exceeding 60 days.

Borrowings are classified as financial liabilities not measured at fair value and are carried at amortized cost and according to contractual conditions. The fair values of the borrowings approximate their carrying values since they refer to financial instruments with rate that approximate market rates. The estimated fair values are:

Fair value estimation	Parent Company				Consolidated			
	Carrying amount		Fair value		Carrying amount		Fair value	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019	Sep-2020	Dec-2019	Sep-2020	Dec-2019
BNDES Debentures and promissory notes	43,053	96,647	43,043	96,342	43,053	96,647	43,043	96,342
Other	1,254,796	1,029,829	1,254,796	1,029,829	1,254,796	1,029,829	1,254,796	1,029,829
	409,374	-	409,374	-	434,158	-	434,158	-
Total	1,707,223	1,126,476	1,707,213	1,126,171	1,732,007	1,126,476	1,731,997	1,126,171

For disclosure purposes, the fair value of financial liabilities is estimated by discounting future contractual cash flow at the interest rates available in the market that are available to the Group for similar financial instruments. The effective interest rates at the balance sheet dates are usual market rates and their fair value does not significantly differ from the balances in the accounting records.

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At September 30, 2020, the Group had no material assets and liabilities measured at fair value at Level 1 and Level 2 in the fair value hierarchy. The following table presents the changes in Level 3 instruments for the quarter ended September 30, 2020:

Changes in payables to subsidiary's shareholder	Parent Company/Consolidated	
	Payables to subsidiary's shareholder	
	Sep-2020	Dec-2019
Opening balance	42,113	36,380
Expenses/(revenues) recognized in the statement of income:	3,678	8,831
Closing balance	45,791	45,211
Total expenses/(revenues) for the period recognized in the statement of income	3,678	9,831
Changes in unrealized expenses/(revenues) for the period included in the statement of income	3,678	9,831

26. Derivative financial instruments

The Group does not operate with derivative instruments, except in specific situations. At September 30, 2020 and December 31, 2019, the Group did not have any derivative transactions.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

27. Transactions with related parties

(a) Transactions with related parties consist of transactions with the Company's stockholders and persons connected to them:

Related parties	Relationship	Parent Company		Consolidated		Parent Company		Consolidated	
		Assets				Transacted amount			
		Sep-2020	Dec-2019	Sep-2020	Dec-2019	Sep-2020	Sep-2019	Sep-2020	Sep-2019
Receivables									
Special plans (i)									
Regimar Comercial S.A.	Stockholder/Family	12	22	12	22	62	71	62	71
Heliomar Ltda.	Stockholder/Board Member	-	1	-	1	15	10	15	10
Rodrigo Wright Pipponzi (Editora Mol Ltda.)	Stockholder/Family	-	-	-	-	-	4	-	4
Natura Cosméticos S.A. ⁽ⁱⁱⁱ⁾	Stockholder/Related party	103	138	103	138	1,005	754	1,005	754
4Bio Medicamentos S.A. ^(v)	Subsidiary	40	39	40	39	212	79	212	79
Subtotal		155	200	155	200	1,294	918	1,294	918
Other receivables from related parties									
Commercial agreements									
Natura Cosméticos S.A. ⁽ⁱⁱⁱ⁾	Stockholder/Related party	35	148	35	148	240	674	240	674
Advances to suppliers									
Cfly Consultoria e Gestão Empresarial Ltda. ⁽ⁱⁱⁱ⁾	Family	406	261	406	261	-	-	-	-
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire – Advogados ^(iv)	Stockholder/Family	65	90	65	90	-	-	-	-
Loan and other receivables									
4Bio Medicamentos S.A. ^(v)	Subsidiary	57,699	56,189	-	-	1,782	2,498	-	-
Subtotal		58,205	56,688	506	499	2,022	3,172	240	674
Total receivables from related parties		58,360	56,888	661	699	3,316	4,090	1,534	1,592

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

Related parties	Relationship	Parent Company		Consolidated		Parent Company		Consolidated	
		Liabilities				Transacted amount			
		Sep-2020	Dec-2019	Sep-2020	Dec-2019	Sep-2020	Sep-2019	Sep-2020	Sep-2019
Payables									
Rentals (ii)									
Heliomar Ltda.	Stockholder/Board Member	21	21	21	21	186	119	186	119
Antonio Carlos Pipponzi	Stockholder/Board Member	8	8	8	8	73	70	73	70
Rosalia Pipponzi Raia	Stockholder/Board Member	8	8	8	8	73	70	73	70
Estate of Franco Maria David Pietro Pipponzi Pipponzi	Stockholder/Board Member	-	-	-	-	-	70	-	70
Cristiana Almeida Pipponzi	Stockholder/Board Member	3	3	3	3	24	-	24	-
André Ameida Pipponzi	Stockholder/Board Member	3	2	3	2	24	-	24	-
Marta Almeida Pipponzi	Stockholder/Board Member	2	2	2	2	24	-	24	-
Subtotal		45	44	45	44	404	329	404	329
Service providers									
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire Advogados (iv)	Stockholder/Family	-	1	-	1	3,559	8,077	3,559	8,077
Rodrigo Wright Pipponzi (Editora Mol Ltda.) (vii)	Stockholder/Family	810	1,972	810	1,972	7,572	8,379	7,572	8,379
Cfly Consultoria e Gestão Empresarial Ltda. (iii)	Family	204	154	204	154	1,492	2,234	1,492	2,234
FMA Assessoria e Consultoria (viii)	Stockholder/Board Member	-	-	-	-	-	40	-	40
Cristina Ribeiro Sobral Sarian (Anthea Consultoria Empresarial) (ix)	Stockholder/Board Member	49	-	49	-	400	-	400	-
Subtotal		1,063	2,127	1,063	2,127	13,023	18,730	13,023	18,730
Goods suppliers									
Natura Cosméticos S.A. (ii)	Stockholder/Related party	-	-	-	-	-	3,517	-	3,517
Subtotal		-	-	-	-	-	3,517	-	3,517
Total payables to related parties		1,108	2,171	1,108	2,171	13,427	22,576	13,427	22,576

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

(i) Refer to sales made by agreements whose transactions are executed into under commercial conditions equivalent to those practiced with other companies.

(ii) Purchase and sale of Natura Cosméticos S.A.'s products, which will be sold across the national territory and Raia Drogasil will receive a percentage on the products sold. Some members of the controlling block of Natura Cosméticos S.A. indirectly own shares of Raia Drogasil.

(iii) Provision of services of aircraft operation to the owner Raia Drogasil, which will pay the operator a monthly remuneration for the services of Operational Advisory, Compliance, Finance, Maintenance Coordination and Maintenance Technical Control.

(iv) Transaction related to Legal Advisory.

(v) During 2016, 2017 and 2019 loan transactions between Raia Drogasil S.A. (Lender) and 4Bio Medicamentos S.A. (Borrower) were carried out in the amounts of R\$ 14,000, R\$ 20,100 and R\$ 12,000, respectively. All loan agreements are monetarily restated by 110% of the CDI, and mature in December 2020.

Other receivables comprises commissions on Raia Drogasil S.A. referrals (R\$ 190).

(vi) Transactions related to rental of commercial properties for the implementation of stores.

(vii) These balances and transactions relate to service agreements for the development, creation and production of marketing materials for the institutional sales area, and the design of the Company's internal magazine.

(viii) Transactions related to sales representation services with trade associations.

(ix) The balances and transactions refer to the agreement for provision of consulting services in the healthcare and sustainability sectors.

Moreover, we inform that there are no additional transactions other than the amounts presented above and that the category of the related parties corresponds to the entity's key management personnel.

(b) Key management compensation

Key management includes the Officers, Directors and members of the Supervisory Board. The compensation paid or payable for services rendered is presented below:

Compensation items	Parent Company		Consolidated	
	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19	Jan-01-20 to Sep-30-20	Jan-01-19 to Sep-30-19
Fees and social charges	15,376	13,533	17,460	14,979
Bonuses and social charges	15,439	17,674	15,719	17,867
Fringe benefits	290	315	290	315
Total	31,105	31,522	33,469	33,161

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

28. Insurance coverage

The Company has adopted a policy of taking out insurance coverage at amounts deemed sufficient to cover any losses on assets or civil liability attributed to it taking into consideration the nature of its activities and the guidance of its insurance consultants.

The Group had the following insurance:

Insurance items	Parent Company		Consolidated	
	Sep-2020	Dec-2019	Sep-2020	Dec-2019
Inventory loss risks	385,150	361,907	457,228	420,223
Permanent assets	441,378	417,859	451,983	427,766
Loss of profits	63,020	242,556	166,333	335,743
Civil liability risks	38,424	38,424	40,000	40,000

29. Non-cash transactions

At September 30, 2020, the main transactions that did not involve the Group's cash were:

- (i) the restatement of the financial liability arising from payables to subsidiary's shareholder (Note 9);
- (ii) part of the compensation of key management personnel associated with the restricted share plan (Note 27);
- (iii) the installment purchase of property and equipment items in the amount of R\$ 14,562 (R\$ 11,926 - Dec/ 2019);
- (iv) recognition of lease liability with a balancing item in right-of-use asset, which additions of new agreements in the amount of R\$ 285,076 (R\$ 357,247 – Dec/2019), remeasurements of R\$ 270,580 (R\$ 60,290 – Dec/2019) and termination of agreements in the amount of (R\$ 31,066) (R\$ 5,553 – Dec/2019).

30. Subsequent Events

On October 5, 2020, Stix Fidelidade started operations of the points program for customers who make their purchases at Droga Raia, Drogasil, Extra or Pão de Açúcar, and the information about the operation is described in Note 9.

At a meeting of the Board of Directors on October 22, 2020, the granting of restricted shares was approved under the terms of the Stock Option Plan - Performance Shares ("Plan"), approved at the Extraordinary General Meeting of the Company held on September 15, 2020, referring to the fiscal year 2020 ("Grant 2020").

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Comments on the Business Projection Performance

In this section, pursuant to CVM Instruction 480/09, we compare the store opening projections for the Company with the data on store openings actually conducted every year, until the end of the current year. The Company ended 2019 with 240 store openings, reiterates the projection of 240 openings for 2020 and projects 240 openings for 2021 and 240 for 2022.

YEAR	PRIOR PROJECTION	CURRENT PROJECTION	ACTUAL ACCUMULATED ¹
2016	165 openings	200 openings	212 openings
2017	195 openings	200 openings	210 openings
2018		240 openings	240 openings
2019		240 openings	240 openings
2020		240 openings	158 openings
2021		240 openings	
2022		240 openings	

¹ For 2020, accumulated until 9/30/2020.

On July 28, 2016, we revised the prior projection of 165 openings in 2016 and 195 openings in 2017 to 200 store openings for both years.

The projections for 2016 and 2017 were disclosed to the market on July 28, 2016, the projections for 2018 and 2019 were disclosed on November 9, 2017, the projections for 2020 were disclosed on October 3, 2019 and the projections for 2021 and 2022 were disclosed on September 29, 2020.

Quarterly information (ITR) - 9/30/2020 - RAIA DROGASIL S.A.

A free translation from Portuguese into English of Independent Auditor's Review Report on Individual and Consolidated Interim Financial Information prepared in Brazilian currency in accordance with the rules issued by Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information Form (ITR)

Independent auditor's report on review of interim financial statements

The Shareholders and Officers

Raia Drogasil S.A.

São Paulo – SP - Brazil

Introduction

We have reviewed the individual and consolidated interim financial information of Raia Drogasil S.A ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2020, which comprises the statement of financial position as of September 30, 2020 and the related statements of profit or loss, comprehensive income or loss, for the three and nine-month periods then ended, and changes in equity and cash flows for the nine-month period then ended, including explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting, issued by the Federal Accounting Counsel ("CFC") and International Accounting Standards Board (IASB), respectively, as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this individual and consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial 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 the 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 individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the Quarterly Information Form referred to above was not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIA DROGASIL S.A.

Other matters

Statements of value added

The Quarterly Information Form referred to above includes the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2020, prepared under the responsibility of the Company's management and presented as supplementary information for purposes of IAS 34. These statements have been subject to review procedures performed in conjunction with the review of quarterly information to conclude whether it is reconciled to interim financial information and accounting records, as applicable, and whether its form and content are in accordance with the criteria defined in NBC TG 09 - Statement of Added Value. Based on our review, we are not aware of any fact that leads us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria set out in this Standard and consistently with respect to the individual and consolidated interim financial information taken as a whole.

Figures corresponding to the individual and consolidated statement of financial position as of December 31, 2019 and to the individual and consolidated interim financial information as of September 30, 2019

The audit of the individual and consolidated statement of financial position as of December 31, 2019 and the review of the individual and consolidated interim financial information for the three and nine-month period ended September, 2019, presented for comparison purposes, were conducted under the responsibility of other independent auditors, who issued unmodified audit and review reports there on dated February 19, 2020 and October 29, 2019, respectively.

São Paulo, October 27, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Patricia Nakano Ferreira
Accountant CRC-1SP234620/O-4

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Opinions and Representations / Opinion of Supervisory Board or Equivalent Body

To the Board of Directors and Stockholders of Raia Drogasil S.A.

The Company's Supervisory Board, in exercising its duties and legal responsibilities, has examined the Quarterly Information (ITR) for the quarter ended September 30, 2020 and, based on the examinations performed and on clarifications provided by management, and also considering the favorable Report on Special Review without exceptions, issued by the independent auditor Ernst & Young Auditores Independentes, the Supervisory Board members concluded that the documents above are fairly presented, in all material respects.

São Paulo, October 27, 2020.

Gilberto Lério
Supervisory Board member

Fernando Carvalho Braga
Supervisory Board member

Mário Antonio Luiz Corrêa
Supervisory Board member

Robert Juenemann
Supervisory Board member

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAIA Drogasil S.A.

Opinions and Representations / Officers' Representation on Financial Statements

RAIA DROGASIL S.A.

In accordance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/09, the Company's officers represent that they have reviewed, discussed and agree with the quarterly information (ITR) for the quarter ended September 30, 2020.

São Paulo, October 27, 2020.

Marcilio D'Amico Pousada
Chief Executive Officer

Fernando Kozel Varela
Officer

Antonio Carlos Coelho
Officer

Renato Cepollina Raduan
Officer

Eugênio De Zagottis
Officer

Maria Susana de Souza
Officer

Marcello De Zagottis
Officer

Antonio Carlos Marques de Oliveira
Controller and Accountant in charge CRC-1SP215445/O-0

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2020 - RAI A Drogasil S.A.

Opinions and Representations / Officers' Representation on Independent Auditor's Report

RAIA DROGASIL S.A.

In accordance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/09, the Company's officers represent that they have reviewed, discussed and agree with the Quarterly Information (ITR) for the quarter ended September 30, 2020.

São Paulo, October 27, 2020.

Marcilio D'Amico Pousada
Chief Executive Officer

Fernando Kozel Varela
Officer

Antonio Carlos Coelho
Officer

Renato Cepollina Raduan
Officer

Eugênio De Zagottis
Officer

Maria Susana de Souza
Officer

Marcello De Zagottis
Officer

Antonio Carlos Marques de Oliveira
Controller and Accountant in charge CRC-1SP215445/O-0