

(A free translation of the original in Portuguese)

**Raia Drogasil S.A.**  
**Quarterly Information (ITR) at**  
**March 31, 2019**  
**and report on review of**  
**quarterly information**

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

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Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

## Company information/capital composition

| <b>Number of shares<br/>(units)</b> | <b>Current quarter<br/>3/31/2019</b> |
|-------------------------------------|--------------------------------------|
| <b>Paid-up share capital</b>        |                                      |
| <b>Common shares</b>                | 330,386,000                          |
| <b>Preferred shares</b>             | 0                                    |
| <b>Total</b>                        | 330,386,000                          |
| <b>Treasury shares</b>              |                                      |
| <b>Common shares</b>                | 761,354                              |
| <b>Preferred shares</b>             | 0                                    |
| <b>Total</b>                        | 761,354                              |

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Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

**Company information/dividends**

| <b>Event</b>                   | <b>Date approved</b> | <b>Description</b>  | <b>Initial date of payment</b> | <b>Type of share</b> | <b>Class of share</b> | <b>Amount per share<br/>(Reais/share)</b> |
|--------------------------------|----------------------|---------------------|--------------------------------|----------------------|-----------------------|---|
| Board of Directors'<br>Meeting | 3/21/2019            | Interest on capital | 12/3/2019                      | Common               |                       | 0.17292                                   |

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Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

**Parent company financial information/balance sheet - assets**

**(R\$ thousand)**

| <b>Code</b>   | <b>Description</b>                                | <b>Current quarter<br/>3/31/2019</b> | <b>Prior year<br/>12/31/2018</b> |
|---------------|---|--------------------------------------|----------------------------------|
| 1             | Total assets                                      | 10,973,602                           | 7,181,702                        |
| 1.01          | Current assets                                    | 4,425,191                            | 4,316,297                        |
| 1.01.01       | Cash and cash equivalents                         | 240,279                              | 238,153                          |
| 1.01.03       | Trade receivables                                 | 1,141,902                            | 960,440                          |
| 1.01.03.01    | Customers   | 965,832                              | 805,649                          |
| 1.01.03.01.01 | Checks receivable                                 | 2,202                                | 2,952                            |
| 1.01.03.01.02 | Credit and debit cards                            | 895,619                              | 751,560                          |
| 1.01.03.01.03 | PBM - Medicine benefit program                    | 45,344                               | 29,482                           |
| 1.01.03.01.04 | Agreements with companies                         | 23,908                               | 22,545                           |
| 1.01.03.01.05 | Bank slips/ Online transfer                       | 0                                    | 2                                |
| 1.01.03.01.06 | (-) Provision for impairment of trade receivables | -1,241                               | -892                             |
| 1.01.03.02    | Other receivables                                 | 176,070                              | 154,791                          |
| 1.01.03.02.01 | Advances to employees                             | 8,072                                | 6,694                            |
| 1.01.03.02.02 | Returns to suppliers                              | 3,098                                | 3,824                            |
| 1.01.03.02.03 | Commercial agreements                             | 133,353                              | 98,109                           |
| 1.01.03.02.04 | Loan receivable                                   | 81                                   | 39                               |
| 1.01.03.02.05 | Other   | 31,466                               | 46,125                           |
| 1.01.04       | Inventory   | 2,901,461                            | 3,019,527                        |
| 1.01.04.01    | Goods for resale                                  | 2,909,955                            | 3,029,399                        |
| 1.01.04.02    | Materials   | 1,204                                | 1,268                            |
| 1.01.04.03    | (-) Allowance for losses on goods                 | -9,698                               | -11,140                          |
| 1.01.06       | Taxes recoverable                                 | 95,276                               | 76,520                           |
| 1.01.06.01    | Current taxes recoverable                         | 95,276                               | 76,520                           |
| 1.01.06.01.01 | Taxes on profit                                   | 0                                    | 327                              |
| 1.01.06.01.02 | Other taxes recoverable                           | 95,276                               | 76,193                           |
| 1.01.07       | Prepaid expenses                                  | 46,273                               | 21,657                           |
| 1.02          | Non-current assets                                | 6,548,411                            | 2,865,405                        |
| 1.02.01       | Long term receivables                             | 120,654                              | 113,670                          |
| 1.02.01.03    | Trade receivables                                 | 43,006                               | 42,427                           |
| 1.02.01.03.02 | Other receivables                                 | 43,006                               | 42,427                           |
| 1.02.01.07    | Prepaid expenses                                  | 434                                  | 1,128                            |
| 1.02.01.09    | Other non-current assets                          | 77,214                               | 70,115                           |
| 1.02.01.09.04 | Judicial deposits                                 | 24,371                               | 25,770                           |
| 1.02.01.09.05 | Taxes recoverable                                 | 52,843                               | 44,345                           |
| 1.02.02       | Investments                                       | 42,519                               | 40,108                           |
| 1.02.02.01    | Equity interests                                  | 42,519                               | 40,108                           |
| 1.02.02.01.02 | Interests in subsidiaries                         | 42,519                               | 40,108                           |
| 1.02.03       | Property and equipment                            | 5,216,834                            | 1,543,685                        |
| 1.02.04       | Intangible assets                                 | 1,168,404                            | 1,167,942                        |

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Quarterly information (ITR) - 3/31/2019 - RAIÁ DROGASIL S.A.

**Parent company financial information/balance sheet - liabilities and equity**

**(R\$ thousand)**

| <b>Code</b>   | <b>Description</b>  | <b>Current quarter<br/>3/31/2019</b> | <b>Prior year<br/>12/31/2018</b> |
|---------------|---|--------------------------------------|----------------------------------|
| 2             | Total liabilities and equity                                      | 10,973,602                           | 7,181,702                        |
| 2.01          | Current liabilities   | 3,177,577                            | 2,776,886                        |
| 2.01.01       | Social security and labor obligations                             | 235,104                              | 232,300                          |
| 2.01.01.01    | Social security obligations                                       | 47,653                               | 52,105                           |
| 2.01.01.02    | Labor obligations   | 187,451                              | 180,195                          |
| 2.01.02       | Trade payables  | 1,880,162                            | 2,033,620                        |
| 2.01.02.01    | Domestic suppliers  | 1,880,162                            | 2,033,620                        |
| 2.01.03       | Tax obligations   | 112,084                              | 87,826                           |
| 2.01.03.01    | Federal tax obligations   | 36,367                               | 25,089                           |
| 2.01.03.01.01 | Income tax and social contribution payable                        | 0                                    | 3,147                            |
| 2.01.03.01.02 | Other federal tax obligations                                     | 36,367                               | 21,942                           |
| 2.01.03.02    | State tax obligations   | 68,739                               | 59,185                           |
| 2.01.03.03    | Municipal tax obligations   | 6,978                                | 3,552                            |
| 2.01.04       | Borrowing   | 257,822                              | 256,033                          |
| 2.01.04.01    | Borrowing   | 84,490                               | 92,715                           |
| 2.01.04.01.01 | In local currency   | 84,490                               | 92,715                           |
| 2.01.04.02    | Debentures  | 173,332                              | 163,318                          |
| 2.01.04.02.01 | Debentures  | 173,332                              | 163,318                          |
| 2.01.05       | Other obligations   | 660,492                              | 142,573                          |
| 2.01.05.02    | Other   | 660,492                              | 142,573                          |
| 2.01.05.02.01 | Dividends and interest on capital                                 | 72,148                               | 24,843                           |
| 2.01.05.02.04 | Rentals   | 50,939                               | 78,618                           |
| 2.01.05.02.06 | Other payables  | 33,132                               | 39,112                           |
| 2.01.05.02.07 | Lease liabilities   | 504,273                              | 0                                |
| 2.01.06       | Provision   | 31,913                               | 24,534                           |
| 2.01.06.01    | Provision for tax, social security, labor and civil contingencies | 3,486                                | 2,512                            |
| 2.01.06.01.05 | Provision for legal claims  | 3,486                                | 2,512                            |
| 2.01.06.02    | Other provisions  | 28,427                               | 22,022                           |
| 2.01.06.02.06 | Provisions for sundry obligations                                 | 28,427                               | 22,022                           |
| 2.02          | Non-current liabilities   | 4,261,476                            | 904,959                          |
| 2.02.01       | Borrowing   | 797,523                              | 570,211                          |
| 2.02.01.01    | Borrowing   | 75,558                               | 93,318                           |
| 2.02.01.01.01 | In local currency   | 75,558                               | 93,318                           |
| 2.02.01.02    | Debentures  | 721,965                              | 476,893                          |
| 2.02.01.02.01 | Debentures  | 721,965                              | 476,893                          |
| 2.02.02       | Other obligations   | 3,178,738                            | 46,769                           |
| 2.02.02.02    | Other   | 3,178,738                            | 46,769                           |
| 2.02.02.02.03 | Tax recovery program (REFIS)                                      | 5,698                                | 10,389                           |
| 2.02.02.02.04 | Payables to Subsidiary's shareholder                              | 37,263                               | 36,380                           |
| 2.02.02.02.05 | Lease liabilities   | 3,135,777                            | 0                                |
| 2.02.03       | Deferred taxes  | 240,920                              | 239,102                          |
| 2.02.03.01    | Deferred income tax and social contribution                       | 240,920                              | 239,102                          |
| 2.02.04       | Provision   | 44,295                               | 48,877                           |
| 2.02.04.01    | Provision for tax, social security, labor and civil contingencies | 44,295                               | 48,877                           |
| 2.02.04.01.05 | Provision for legal claims  | 44,295                               | 48,877                           |
| 2.03          | Equity  | 3,534,549                            | 3,499,857                        |
| 2.03.01       | Paid-up share capital   | 1,808,639                            | 1,808,639                        |
| 2.03.02       | Capital reserves  | 119,552                              | 116,363                          |
| 2.03.04       | Revenue reserves  | 1,593,063                            | 1,593,063                        |
| 2.03.04.01    | Legal reserve   | 115,519                              | 115,519                          |
| 2.03.04.02    | Statutory reserve   | 1,364,931                            | 1,364,931                        |
| 2.03.04.08    | Proposed additional dividends                                     | 70,990                               | 70,990                           |
| 2.03.04.10    | Tax incentive reserve   | 41,623                               | 41,623                           |
| 2.03.05       | Retained earnings (accumulated deficit)                           | 31,546                               | 0                                |
| 2.03.06       | Carrying value adjustments  | -18,251                              | -18,208                          |

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Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

**Parent company financial information/statement of income**

**(R\$ thousand)**

| Code       | Description                                      | Current quarter<br>1/1/2019 to<br>3/31/2019 | Accumulated -<br>prior year<br>1/1/2018 to<br>3/31/2018 |
|------------|--|---|---|
| 3.01       | Net sales revenue                                | 3,763,817                                   | 3,288,636   |
| 3.01.01    | Gross sales revenue                              | 3,941,342                                   | 3,445,235   |
| 3.01.02    | Taxes on sales                                   | -147,178                                    | -129,961  |
| 3.01.03    | Rebates  | -30,347                                     | -26,638   |
| 3.02       | Cost of sales and/or services                    | -2,617,663                                  | -2,276,387  |
| 3.03       | Gross profit                                     | 1,146,154                                   | 1,012,249   |
| 3.04       | Operating income/expenses                        | -990,797                                    | -837,413  |
| 3.04.01    | Selling expenses                                 | -876,248                                    | -748,978  |
| 3.04.02    | General and administrative expenses              | -108,798                                    | -88,843   |
| 3.04.02.01 | Administrative expenses                          | -108,798                                    | -88,843   |
| 3.04.05    | Other operating expenses                         | -8,167                                      | 0   |
| 3.04.05.01 | Extraordinary expenses                           | -8,167                                      | 0   |
| 3.04.06    | Equity in the results of investees               | 2,416                                       | 408   |
| 3.05       | Profit before finance results and taxes          | 155,357                                     | 174,836   |
| 3.06       | Finance results                                  | -54,495                                     | -15,508   |
| 3.06.01    | Finance income                                   | 16,406                                      | 15,803  |
| 3.06.02    | Finance costs                                    | -70,901                                     | -31,311   |
| 3.07       | Profit before income tax and social contribution | 100,862                                     | 159,328   |
| 3.08       | Income tax and social contribution               | -12,359                                     | -38,374   |
| 3.08.01    | Current  | -10,519                                     | -23,197   |
| 3.08.02    | Deferred   | -1,840                                      | -15,177   |
| 3.09       | Profit (loss) from continuing operations         | 88,503                                      | 120,954   |
| 3.11       | Profit/loss for the period                       | 88,503                                      | 120,954   |
| 3.99       | Earnings per share - (Reais/share)               |   |   |
| 3.99.01    | Basic earnings per share - R\$                   |   |   |
| 3.99.01.01 | Common shares                                    | 0.26192                                     | 0.36696   |
| 3.99.02    | Diluted earnings per share - R\$                 |   |   |
| 3.99.02.01 | Common shares                                    | 0.26795                                     | 0.36768   |

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Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

**Parent company financial information/statement of comprehensive income**

**(R\$ thousand)**

| <b>Code</b> | <b>Description</b>                  | <b>Current quarter<br/>1/1/2019 to<br/>3/31/2019</b> | <b>Accumulated -<br/>prior year<br/>1/1/2018 to<br/>3/31/2018</b> |
|-------------|-------------------------------------|--|---|
| 4.01        | Profit for the period               | 88,503   | 120,954   |
| 4.03        | Comprehensive income for the period | 88,503   | 120,954   |



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Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

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

**(R\$ thousand)**

| <b>Code</b> | <b>Description</b>   | <b>Accumulated -<br/>current year<br/>1/1/2019 to<br/>3/31/2019</b> | <b>Accumulated -<br/>prior year<br/>1/1/2018 to<br/>3/31/2018</b> |
|-------------|--|---|---|
| 6.01        | Net cash provided by operating activities                          | 81,152  | 56,261  |
| 6.01.01     | Cash from operations   | 396,585   | 264,528   |
| 6.01.01.01  | Profit before income tax and social contribution                   | 100,862   | 159,328   |
| 6.01.01.02  | Depreciation and amortization                                      | 252,971   | 95,471  |
| 6.01.01.03  | Share-based compensation plan, net                                 | 3,150   | 3,259   |
| 6.01.01.04  | Interest on payables to subsidiary                                 | 883   | 1,348   |
| 6.01.01.05  | Result on disposal of property and equipment and intangible assets | 5,949   | 1,787   |
| 6.01.01.06  | Provision for legal claims   | -2,172  | 598   |
| 6.01.01.07  | (Reversal) provision for inventory losses                          | -1,443  | -507  |
| 6.01.01.08  | Provision for impairment of trade receivables                      | 402   | -2,946  |
| 6.01.01.09  | (Reversal) provision for store closures                            | -3,540  | -592  |
| 6.01.01.10  | Interest expenses  | 14,483  | 11,128  |
| 6.01.01.11  | Amortization of transaction cost of debentures                     | 608   | -3,938  |
| 6.01.01.12  | Equity in results of investees                                     | -2,416  | -408  |
| 6.01.01.13  | Interest expense – Lease   | 26,848  | 0   |
| 6.01.02     | Changes in assets and liabilities                                  | -266,065  | -174,648  |
| 6.01.02.01  | Trade receivables and other receivables                            | -180,918  | -51,824   |
| 6.01.02.02  | Inventory  | 119,509   | -84,386   |
| 6.01.02.03  | Other current assets   | -43,371   | -3,890  |
| 6.01.02.04  | Long term receivables  | -6,983  | 1,008   |
| 6.01.02.05  | Trade payables   | -149,348  | 102   |
| 6.01.02.06  | Salaries and social charges  | 2,803   | 2,763   |
| 6.01.02.07  | Taxes and contributions  | 25,625  | -32,799   |
| 6.01.02.08  | Other liabilities  | -5,703  | -7,770  |
| 6.01.02.09  | Rentals payable  | -27,679   | 2,148   |
| 6.01.03     | Other  | -49,368   | -33,619   |
| 6.01.03.01  | Interest paid  | -2,138  | -3,292  |
| 6.01.03.02  | Income tax and social contribution paid                            | -20,382   | -30,327   |
| 6.01.03.03  | Juros Pagos – Arrendamento Mercantil                               | -26,848   | 0   |
| 6.02        | Net cash used in investing activities                              | -174,719  | -124,759  |
| 6.02.03     | Purchases of property and equipment and intangible assets          | -174,030  | -124,033  |
| 6.02.05     | Loans granted to subsidiaries                                      | -689  | -726  |
| 6.03        | Net cash used in financing activities                              | 95,693  | -88,338   |
| 6.03.01     | Borrowing  | 244,141   | 598   |
| 6.03.02     | Repayments of borrowing  | -27,993   | -41,950   |
| 6.03.03     | Repurchase of shares   | 0   | -46,925   |
| 6.03.04     | Interest on capital and dividends paid                             | -1,219  | -61   |
| 6.03.05     | Contracted lease   | -119,236  | 0   |
| 6.05        | Increase (decrease) in cash and cash equivalents                   | 2,126   | -156,836  |
| 6.05.01     | Cash and cash equivalents at the beginning of the period           | 238,153   | 255,911   |
| 6.05.02     | Cash and cash equivalents at the end of the period                 | 240,279   | 99,075  |

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Quarterly information (ITR) - 3/31/2019 - RAIÁ DROGASIL S.A.

**Parent company financial information/statement of changes in equity - 1/1/2019 to 3/31/2019**

**(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   | 1,593,063        | 0                                      | -18,208                    | 3,499,857 |
| 5.03    | Adjusted opening balance  | 1,808,639             | 116,363   | 1,593,063        | 0                                      | -18,208                    | 3,499,857 |
| 5.04    | Equity transactions with owners                                   | 0                     | 3,189   | 0                | -57,000                                | 0                          | -53,811   |
| 5.04.06 | Dividends   | 0                     | 0   | 70,990           | -70,990                                | 0                          | 0         |
| 5.04.07 | Interest on capital   | 0                     | 0   | 0                | 13,990                                 | 0                          | 13,990    |
| 5.04.08 | Interest on capital of 2017 approved at the AGM of March 28, 2018 | 0                     | 0   | -70,990          | 0                                      | 0                          | -70,990   |
| 5.04.10 | Restricted share plan - Delivery                                  | 0                     | 3,150   | 0                | 0                                      | 0                          | 3,150     |
| 5.04.11 | Goodwill on sale of shares  | 0                     | -12,794   | 0                | 0                                      | 0                          | -12,794   |
| 5.04.12 | Treasury shares - Delivery  | 0                     | -2,283  | 0                | 0                                      | 0                          | -2,283    |
| 5.04.13 | Repurchase of shares - RD   | 0                     | 15,081  | 0                | 0                                      | 0                          | 15,081    |
| 5.04.15 | Repurchase of shares – 4Bio                                       | 0                     | 35  | 0                | 0                                      | 0                          | 35        |
| 5.05    | Total comprehensive income  | 0                     | 0   | 0                | 88,503                                 | 0                          | 88,503    |
| 5.05.01 | Profit for the period   | 0                     | 0   | 0                | 88,503                                 | 0                          | 88,503    |
| 5.06    | Internal changes in equity  | 0                     | 0   | 0                | 43                                     | -43                        | 0         |
| 5.06.02 | Realization of revaluation reserve                                | 0                     | 0   | 0                | 65                                     | -65                        | 0         |
| 5.06.03 | Taxes on realization of revaluation reserve                       | 0                     | 0   | 0                | -22                                    | 22                         | 0         |
| 5.07    | Closing balance   | 1,808,639             | 119,552   | 1,593,063        | 31,546                                 | -18,251                    | 3,534,549 |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

**Parent company financial information/statement of changes in equity - 1/1/2018 to 3/31/2018**

**(R\$ thousand)**

| <b>Code</b> | <b>Description</b>  | <b>Paid-up<br/>share<br/>capital</b> | <b>Capital reserves,<br/>options granted and<br/>treasury shares</b> | <b>Revenue<br/>reserves</b> | <b>Retained<br/>earnings/<br/>accumulated<br/>deficit</b> | <b>Other<br/>comprehensive<br/>income</b> | <b>Equity</b> |
|-------------|---|--------------------------------------|--|-----------------------------|---|---|---------------|
| 5.01        | Opening balance   | 1,808,639                            | 150,829  | 1,281,077                   | 0   | -18,033                                   | 3,222,512     |
| 5.03        | Adjusted opening balance  | 1,808,639                            | 150,829  | 1,281,077                   | 0   | -18,033                                   | 3,222,512     |
| 5.04        | Equity transactions with owners                                   | 0                                    | -43,666  | -52,602                     | -51,000   | 0   | -147,268      |
| 5.04.07     | Interest on capital   | 0                                    | 0  | 0                           | -51,000   | 0   | -51,000       |
| 5.04.08     | Interest on capital of 2016 approved at the AGM of March 29, 2017 | 0                                    | 0  | -52,602                     | 0   | 0   | -52,602       |
| 5.04.10     | Restricted share plan - Vesting period                            | 0                                    | 3,259  | 0                           | 0   | 0   | 3,259         |
| 5.04.11     | Restricted share plan - Delivery                                  | 0                                    | -7,382   | 0                           | 0   | 0   | -7,382        |
| 5.04.12     | Goodwill on sale of shares  | 0                                    | 3,115  | 0                           | 0   | 0   | 3,115         |
| 5.04.13     | Treasury shares - Delivery  | 0                                    | 4,267  | 0                           | 0   | 0   | 4,267         |
| 5.04.14     | Repurchase of share   | 0                                    | -46,925  | 0                           | 0   | 0   | -46,925       |
| 5.05        | Total comprehensive income  | 0                                    | 0  | 0                           | 120,954   | 0   | 120,954       |
| 5.05.01     | Profit for the period   | 0                                    | 0  | 0                           | 120,954   | 0   | 120,954       |
| 5.06        | Internal changes in equity  | 0                                    | 0  | 0                           | 44  | -44                                       | 0             |
| 5.06.02     | Realization of revaluation reserve                                | 0                                    | 0  | 0                           | 67  | -67                                       | 0             |
| 5.06.03     | Taxes on realization of revaluation reserve                       | 0                                    | 0  | 0                           | -23   | 23  | 0             |
| 5.07        | Closing balance   | 1,808,639                            | 107,163  | 1,228,475                   | 69,998  | -18,077                                   | 3,196,198     |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

**Parent company financial information/statement of value added**

**(R\$ thousand)**

| <b>Code</b> | <b>Description</b>  | <b>Accumulated -<br/>current year<br/>1/1/2019 to 3/31/2019</b> | <b>Accumulated -<br/>prior year<br/>1/1/2018 to 3/31/2018</b> |
|-------------|---|---|---|
| 7.01        | Revenue   | 3,910,845   | 3,421,755   |
| 7.01.01     | Sales of products and services                            | 3,910,996   | 3,418,599   |
| 7.01.02     | Other income  | 251   | 210   |
| 7.01.04     | Provision for/reversal of impairment of trade receivables | -402  | 2,946   |
| 7.02        | Inputs acquired from third parties                        | -2,600,552  | -2,294,525  |
| 7.02.01     | Cost of sales and services                                | -2,363,551  | -2,101,646  |
| 7.02.02     | Materials, energy, outsourced services and other          | -237,030  | -191,715  |
| 7.02.03     | Impairment/recovery of assets                             | 29  | -1,164  |
| 7.03        | Gross value added   | 1,310,293   | 1,127,230   |
| 7.04        | Retentions  | -252,971  | -95,471   |
| 7.04.01     | Depreciation, amortization and depletion                  | -252,971  | -95,471   |
| 7.05        | Net value added generated by the entity                   | 1,057,322   | 1,031,759   |
| 7.06        | Value added received through transfer                     | 19,781  | 17,223  |
| 7.06.01     | Equity in the results of investees                        | 2,416   | 408   |
| 7.06.02     | Finance income  | 16,523  | 15,974  |
| 7.06.03     | Other   | 842   | 841   |
| 7.07        | Total value added to distribute                           | 1,077,103   | 1,048,982   |
| 7.08        | Distribution of value added                               | 1,077,103   | 1,048,982   |
| 7.08.01     | Personnel   | 412,409   | 352,590   |
| 7.08.01.01  | Direct remuneration                                       | 315,348   | 276,865   |
| 7.08.01.02  | Benefits  | 66,125  | 50,962  |
| 7.08.01.03  | Unemployment compensation fund                            | 30,936  | 24,763  |
| 7.08.02     | Taxes and contributions                                   | 484,724   | 405,876   |
| 7.08.02.01  | Federal   | 112,674   | 130,488   |
| 7.08.02.02  | State   | 365,009   | 270,056   |
| 7.08.02.03  | Municipal   | 7,041   | 5,332   |
| 7.08.03     | Providers of capital                                      | 91,467  | 169,562   |
| 7.08.03.01  | Interest  | 70,394  | 30,828  |
| 7.08.03.02  | Rentals   | 21,073  | 138,734   |
| 7.08.04     | Stockholders and the Company                              | 88,503  | 120,954   |
| 7.08.04.01  | Interest on capital                                       | 57,000  | 51,000  |
| 7.08.04.03  | Profits reinvested/loss for the period                    | 31,503  | 69,954  |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIÁ DROGASIL S.A.

**Consolidated financial information/balance sheet - assets**

**(R\$ thousand)**

| <b>Code</b>   | <b>Description</b>                          | <b>Current quarter<br/>3/31/2019</b> | <b>Prior year<br/>12/31/2018</b> |
|---------------|---|--------------------------------------|----------------------------------|
| 1             | Total assets                                | 11,187,695                           | 7,352,005                        |
| 1.01          | Current assets                              | 4,681,537                            | 4,529,825                        |
| 1.01.01       | Cash and cash equivalents                   | 243,596                              | 241,568                          |
| 1.01.03       | Trade receivables                           | 1,274,526                            | 1,094,236                        |
| 1.01.03.01    | Customers                                   | 1,096,151                            | 937,389                          |
| 1.01.03.01.01 | Checks receivable                           | 116,945                              | 120,058                          |
| 1.01.03.01.02 | Credit and debit cards                      | 912,049                              | 766,657                          |
| 1.01.03.01.03 | PBM - Medicine benefit program              | 45,344                               | 29,482                           |
| 1.01.03.01.04 | Agreements with companies                   | 23,908                               | 22,545                           |
| 1.01.03.01.05 | Bank slip/ Online transfer                  | 0                                    | 2                                |
| 1.01.03.01.06 | (-) Provision for impairment of receivables | -2,095                               | -1,355                           |
| 1.01.03.02    | Other receivables                           | 178,375                              | 156,847                          |
| 1.01.03.02.01 | Advances to employees                       | 8,118                                | 6,849                            |
| 1.01.03.02.02 | Returns to suppliers                        | 3,098                                | 3,824                            |
| 1.01.03.02.03 | Commercial agreements                       | 135,068                              | 99,376                           |
| 1.01.03.02.05 | Other                                       | 32,091                               | 46,798                           |
| 1.01.04       | Inventory                                   | 3,008,238                            | 3,087,275                        |
| 1.01.04.01    | Goods for resale                            | 3,016,732                            | 3,097,147                        |
| 1.01.04.02    | Materials                                   | 1,204                                | 1,268                            |
| 1.01.04.03    | (-) Provision for losses on goods           | -9,698                               | -11,140                          |
| 1.01.06       | Taxes recoverable                           | 108,734                              | 84,852                           |
| 1.01.06.01    | Current taxes recoverable                   | 108,734                              | 84,852                           |
| 1.01.06.01.01 | Other taxes recoverable                     | 0                                    | 4,868                            |
| 1.01.06.01.02 | Taxes on profit                             | 108,734                              | 79,984                           |
| 1.01.07       | Prepaid expenses                            | 46,443                               | 21,894                           |
| 1.02          | Non-current assets                          | 6,506,158                            | 2,822,180                        |
| 1.02.01       | Long term receivables                       | 78,995                               | 72,832                           |
| 1.02.01.03    | Trade receivables                           | 1,347                                | 1,589                            |
| 1.02.01.03.02 | Other receivables                           | 1,347                                | 1,589                            |
| 1.02.01.07    | Prepaid expenses                            | 434                                  | 1,128                            |
| 1.02.01.09    | Other non-current assets                    | 77,214                               | 70,115                           |
| 1.02.01.09.04 | Judicial deposits                           | 24,371                               | 25,770                           |
| 1.02.01.09.05 | Taxes recoverable                           | 52,843                               | 44,345                           |
| 1.02.03       | Property and equipment                      | 5,224,617                            | 1,546,960                        |
| 1.02.04       | Intangible assets                           | 1,202,546                            | 1,202,388                        |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

## Consolidated financial information/balance sheet - liabilities and equity

(R\$ thousand)

| Code          | Description   | Current quarter<br>3/31/2019 | Prior year<br>12/31/2018 |
|---------------|---|------------------------------|--------------------------|
| 2             | Total liabilities and equity                                      | 11,187,695                   | 7,352,005                |
| 2.01          | Current liabilities   | 3,354,458                    | 2,913,445                |
| 2.01.01       | Social security and labor obligations                             | 239,842                      | 237,541                  |
| 2.01.01.01    | Social security obligations                                       | 48,344                       | 52,862                   |
| 2.01.01.02    | Labor obligations   | 191,498                      | 184,679                  |
| 2.01.02       | Trade payables  | 2,019,929                    | 2,141,274                |
| 2.01.02.01    | Domestic suppliers  | 2,019,929                    | 2,141,274                |
| 2.01.03       | Tax obligations   | 118,993                      | 92,964                   |
| 2.01.03.01    | Federal tax obligations   | 36,737                       | 25,870                   |
| 2.01.03.01.01 | Income tax and social contribution payable                        | 61                           | 3,493                    |
| 2.01.03.01.02 | Other federal tax obligations                                     | 36,676                       | 22,377                   |
| 2.01.03.02    | State tax obligations   | 75,278                       | 63,541                   |
| 2.01.03.03    | Municipal tax obligations   | 6,978                        | 3,553                    |
| 2.01.04       | Borrowing   | 280,765                      | 272,939                  |
| 2.01.04.01    | Borrowing   | 107,433                      | 109,621                  |
| 2.01.04.01.01 | In local currency   | 107,433                      | 109,621                  |
| 2.01.04.02    | Debentures  | 173,332                      | 163,318                  |
| 2.01.04.02.01 | Debentures  | 173,332                      | 163,318                  |
| 2.01.05       | Other obligations   | 663,016                      | 144,193                  |
| 2.01.05.02    | Other   | 663,016                      | 144,193                  |
| 2.01.05.02.01 | Dividends and interest on capital                                 | 72,148                       | 24,843                   |
| 2.01.05.02.04 | Rentals   | 50,939                       | 78,653                   |
| 2.01.05.02.06 | Other payables  | 34,349                       | 40,697                   |
| 2.01.05.02.07 | Lease liabilities   | 505,580                      | 0                        |
| 2.01.06       | Provision   | 31,913                       | 24,534                   |
| 2.01.06.01    | Provision for tax, social security, labor and civil contingencies | 3,486                        | 2,512                    |
| 2.01.06.01.05 | Provision for legal claims  | 3,486                        | 2,512                    |
| 2.01.06.02    | Other provisions  | 28,427                       | 22,022                   |
| 2.01.06.02.06 | Provisions for sundry obligations                                 | 28,427                       | 22,022                   |
| 2.02          | Non-current liabilities   | 4,261,800                    | 903,793                  |
| 2.02.01       | Borrowing   | 797,523                      | 570,211                  |
| 2.02.01.01    | Borrowing   | 75,558                       | 93,318                   |
| 2.02.01.01.01 | In local currency   | 75,558                       | 93,318                   |
| 2.02.01.02    | Debentures  | 721,965                      | 476,893                  |
| 2.02.01.02.01 | Debentures  | 721,965                      | 476,893                  |
| 2.02.02       | Other obligations   | 3,182,115                    | 46,948                   |
| 2.02.02.02    | Payables to related parties                                       | 3,182,115                    | 46,948                   |
| 2.02.02.01.03 | Payables to other related parties                                 | 5,808                        | 10,568                   |
| 2.02.02.01.04 | Payables to Subsidiary's shareholder                              | 37,263                       | 36,380                   |
| 2.02.02.02.05 | Lease liabilities   | 3,139,044                    | 0                        |
| 2.02.03       | Deferred taxes  | 237,867                      | 237,757                  |
| 2.02.03.01    | Deferred income tax and social contribution                       | 237,867                      | 237,757                  |
| 2.02.04       | Provision   | 44,295                       | 48,877                   |
| 2.02.04.01    | Provision for tax, social security, labor and civil contingencies | 44,295                       | 48,877                   |
| 2.02.04.01.05 | Provision for legal claims  | 44,295                       | 48,877                   |
| 2.03          | Consolidated equity   | 3,571,437                    | 3,534,767                |
| 2.03.01       | Paid-up share capital   | 1,808,639                    | 1,808,639                |
| 2.03.02       | Capital reserves  | 119,552                      | 116,363                  |
| 2.03.04       | Revenue reserves  | 1,593,063                    | 1,593,063                |
| 2.03.04.01    | Legal reserve   | 115,519                      | 115,519                  |
| 2.03.04.02    | Statutory reserve   | 1,364,931                    | 1,364,931                |
| 2.03.04.08    | Proposed additional dividends                                     | 70,990                       | 70,990                   |
| 2.03.04.10    | Tax incentive reserve   | 41,623                       | 41,623                   |
| 2.03.05       | Retained earnings (accumulated deficit)                           | 31,546                       | 0                        |
| 2.03.06       | Carrying value adjustments  | -18,251                      | -18,208                  |
| 2.03.09       | Noncontrolling interests  | 36,888                       | 34,910                   |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIÁ DROGASIL S.A.

### Consolidated financial information/statement of income

(R\$ thousand)

| Code       | Description                                      | Current quarter<br>1/1/2019 to<br>3/31/2019 | Accumulated -<br>prior year<br>1/1/2018 to<br>3/31/2018 |
|------------|--|---|---|
| 3.01       | Net sales revenue                                | 3,953,351                                   | 3,433,578   |
| 3.01.01    | Gross sales revenue                              | 4,153,922                                   | 3,603,969   |
| 3.01.02    | Taxes on sales                                   | -165,788                                    | -140,547  |
| 3.01.03    | Rebates  | -34,783                                     | -29,844   |
| 3.02       | Cost of sales and/or services                    | -2,791,688                                  | -2,406,819  |
| 3.03       | Gross profit                                     | 1,161,663                                   | 1,026,759   |
| 3.04       | Operating income/expenses                        | -1,005,292                                  | -850,612  |
| 3.04.01    | Selling expenses                                 | -887,751                                    | -759,043  |
| 3.04.02    | General and administrative expenses              | -112,336                                    | -91,569   |
| 3.04.02.01 | Administrative expenses                          | -112,336                                    | -91,569   |
| 3.04.05    | Other operating expenses                         | -5,205                                      | 0   |
| 3.04.05.01 | Extraordinary expenses                           | -5,205                                      | 0   |
| 3.05       | Profit before finance results and taxes          | 156,371                                     | 176,147   |
| 3.06       | Finance results                                  | -55,241                                     | -16,138   |
| 3.06.01    | Finance income                                   | 17,654                                      | 16,467  |
| 3.06.02    | Finance costs                                    | -72,895                                     | -32,605   |
| 3.07       | Profit before income tax and social contribution | 101,130                                     | 160,009   |
| 3.08       | Income tax and social contribution               | -10,651                                     | -38,721   |
| 3.08.01    | Current  | -10,519                                     | -23,826   |
| 3.08.02    | Deferred   | -132  | -14,895   |
| 3.09       | Profit (loss) from continuing operations         | 90,479                                      | 121,288   |
| 3.11       | Consolidated profit/loss for the period          | 90,479                                      | 121,288   |
| 3.11.01    | Attributable to owners of the Company            | 88,503                                      | 120,954   |
| 3.11.02    | Attributable to noncontrolling interests         | 1,976                                       | 334   |
| 3.99       | Earnings per share - (Reais/share)               |   |   |
| 3.99.01    | Basic earnings per share                         |   |   |
| 3.99.01.01 | ON   | 0.26192                                     | 0.36696   |
| 3.99.02    | Diluted earnings per share                       |   |   |
| 3.99.02.01 | ON   | 0.26795                                     | 0.36768   |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

**Consolidated financial information/statement of comprehensive income**

**(R\$ thousand)**

| <b>Code</b> | <b>Description</b>                               | <b>Current quarter<br/>1/1/2019 to<br/>3/31/2019</b> | <b>Accumulated -<br/>prior year<br/>1/1/2018 to<br/>3/31/2018</b> |
|-------------|--|--|---|
| 4.01        | Consolidated profit for the period               | 90,479   | 121,288   |
| 4.03        | Consolidated comprehensive income for the period | 90,479   | 121,288   |
| 4.03.01     | Attributable to owners of the Company            | 88,503   | 120,954   |
| 4.03.02     | Attributable to noncontrolling interests         | 1,976  | 334   |



(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

### Consolidated financial information/statement of cash flow - indirect method

(R\$ thousand)

| Code       | Description  | Accumulated -<br>current year<br>1/1/2019 to<br>3/31/2019 | Accumulated -<br>prior year<br>1/1/2018 to<br>3/31/2018 |
|------------|--|---|---|
| 6.01       | Net cash provided by operating activities                          | 75,125  | 50,380  |
| 6.01.01    | Cash from operations   | 400,971   | 266,783   |
| 6.01.01.01 | Profit before income tax and social contribution                   | 101,130   | 160,009   |
| 6.01.01.02 | Depreciation and amortization                                      | 253,979   | 96,038  |
| 6.01.01.03 | Share-based compensation plan                                      | 3,130   | 3,271   |
| 6.01.01.04 | Interest on payables to subsidiary                                 | 883   | 1,348   |
| 6.01.01.05 | Result on disposal of property and equipment and intangible assets | 5,932   | 1,787   |
| 6.01.01.06 | Provision for legal claims   | -2,172  | 598   |
| 6.01.01.07 | (Reversal) provision for inventory losses                          | -1,443  | -507  |
| 6.01.01.08 | Provision for impairment of trade receivables                      | 794   | -2,359  |
| 6.01.01.09 | (Reversal) provision for store closures                            | -3,540  | -592  |
| 6.01.01.10 | Interest expenses  | 14,790  | 11,128  |
| 6.01.01.11 | Amortization of transaction cost of debentures                     | 608   | -3,938  |
| 6.01.01.13 | Interest expense- Lease  | 26,880  | 0   |
| 6.01.02    | Changes in assets and liabilities                                  | -276,314  | -182,536  |
| 6.01.02.01 | Trade receivables and other receivables                            | -180,140  | -49,554   |
| 6.01.02.02 | Inventory  | 80,480  | -108,973  |
| 6.01.02.03 | Other current assets   | -48,431   | -4,389  |
| 6.01.02.04 | Long term receivables  | -6,852  | 1,008   |
| 6.01.02.05 | Trade payables   | -117,235  | 14,334  |
| 6.01.02.06 | Salaries and social charges  | 2,300   | 2,458   |
| 6.01.02.07 | Taxes and contributions  | 27,395  | -31,794   |
| 6.01.02.08 | Other liabilities  | -6,117  | -7,808  |
| 6.01.02.09 | Rentals payable  | -27,714   | 2,182   |
| 6.01.03    | Other  | -49,532   | -33,867   |
| 6.01.03.01 | Interest paid  | -2,270  | -3,292  |
| 6.01.03.02 | Income tax and social contribution paid                            | -20,382   | -30,575   |
| 6.01.03.03 | Interest paid - Lease  | -26,880   | 0   |
| 6.02       | Net cash used in investing activities                              | -174,420  | -124,239  |
| 6.02.03    | Purchases of property and equipment and intangible assets          | -174,403  | -124,239  |
| 6.02.04    | Proceeds from sale of property and equipment                       | -17   | 0   |
| 6.03       | Net cash used in financing activities                              | 101,323   | -88,339   |
| 6.03.01    | Borrowing  | 265,244   | 585   |
| 6.03.02    | Repayments of borrowing  | -43,234   | -41,938   |
| 6.03.03    | Repurchase of shares   | 0   | -46,925   |
| 6.03.04    | Interest on capital and dividends paid                             | -1,219  | -61   |
| 6.03.05    | Lease payment  | -119,468  | 0   |
| 6.05       | Increase (decrease) in cash and cash equivalents                   | 2,028   | -162,198  |
| 6.05.01    | Cash and cash equivalents at the beginning of the period           | 241,568   | 264,873   |
| 6.05.02    | Cash and cash equivalents at the end of the period                 | 243,596   | 102,675   |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

**Consolidated financial information/statement of changes in equity - 1/1/2019 to 3/31/2019**

**(R\$ thousand)**

| Code    | Description   | Paid-up<br>share<br>capital | Capital reserves,<br>options granted<br>and treasury<br>shares | Revenue<br>reserves | Retained<br>earnings/<br>accumulated<br>deficit | Other<br>comprehensive<br>income | Equity    | Non controlling<br>interests | Consolidated<br>equity |
|---------|---|-----------------------------|--|---------------------|---|----------------------------------|-----------|------------------------------|------------------------|
| 5.01    | Opening balance   | 1,808,639                   | 116,363  | 1,593,063           | 0   | -18,208                          | 3,499,857 | 34,910                       | 3,534,767              |
| 5.03    | Adjusted opening balance  | 1,808,639                   | 116,363  | 1,593,063           | 0   | -18,208                          | 3,499,857 | 34,910                       | 3,534,767              |
| 5.04    | Equity transactions with owners   | 0                           | 3,189  | 0                   | -57,000   | 0                                | -53,811   | 0                            | -53,811                |
| 5.04.06 | Dividends   | 0                           | 0  | 70,990              | -70,990   | 0                                | 0         | 0                            | 0                      |
| 5.04.07 | Interest on capital   | 0                           | 0  | 0                   | 13,990  | 0                                | 13,990    | 0                            | 13,990                 |
| 5.04.08 | Interest on capital of 2017<br>approved at the AGM of March 29,<br>2018 | 0                           | 0  | -70,990             | 0   | 0                                | -70,990   | 0                            | -70,990                |
| 5.04.10 | Restricted share plan - Vesting<br>period                               | 0                           | 3,150  | 0                   | 0   | 0                                | 3,150     | 0                            | 3,150                  |
| 5.04.11 | Restricted share plan - Delivery  | 0                           | -12,794  | 0                   | 0   | 0                                | -12,794   | 0                            | -12,794                |
| 5.04.12 | Goodwill on sale of shares  | 0                           | -2,283   | 0                   | 0   | 0                                | -2,283    | 0                            | -2,283                 |
| 5.04.13 | Treasury shares - Delivery - RD   | 0                           | 15,081   | 0                   | 0   | 0                                | 15,081    | 0                            | 15,081                 |
| 5.04.15 | Treasury shares - Delivery – 4Bio                                       | 0                           | 35   | 0                   | 0   | 0                                | 35        | 0                            | 35                     |
| 5.05    | Total comprehensive income  | 0                           | 0  | 0                   | 88,503  | 0                                | 88,503    | 1,978                        | 90,481                 |
| 5.05.01 | Profit for the period   | 0                           | 0  | 0                   | 88,503  | 0                                | 88,503    | 1,978                        | 90,481                 |
| 5.06    | Internal changes in equity  | 0                           | 0  | 0                   | 43  | -43                              | 0         | 0                            | 0                      |
| 5.06.02 | Realization of revaluation reserve                                      | 0                           | 0  | 0                   | 65  | -65                              | 0         | 0                            | 0                      |
| 5.06.03 | Taxes on realization of revaluation<br>reserve                          | 0                           | 0  | 0                   | -22   | 22                               | 0         | 0                            | 0                      |
| 5.07    | Closing balance   | 1,808,639                   | 119,552  | 1,593,063           | 31,546  | -18,251                          | 3,534,549 | 36,888                       | 3,571,437              |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

**Consolidated financial information/statement of changes in equity - 1/1/2018 to 3/31/2018**

**(R\$ thousand)**

| Code    | Description   | Paid-up<br>share<br>capital | Capital reserves,<br>options granted<br>and treasury<br>shares | Revenue<br>reserves | Retained<br>earnings/<br>accumulated<br>deficit | Other<br>comprehensive<br>income | Equity    | Non controlling<br>interests | Consolidated<br>equity |
|---------|---|-----------------------------|--|---------------------|---|----------------------------------|-----------|------------------------------|------------------------|
| 5.01    | Opening balance   | 1,808,639                   | 150,829  | 1,281,077           | 0   | -18,033                          | 3,222,512 | 27,859                       | 3,250,371              |
| 5.03    | Adjusted opening balance  | 1,808,639                   | 150,829  | 1,281,077           | 0   | -18,033                          | 3,222,512 | 27,859                       | 3,250,371              |
| 5.04    | Equity transactions with owners   | 0                           | -43,666  | -52,602             | -51,000   | 0                                | -147,268  | 0                            | -147,268               |
| 5.04.07 | Interest on capital   | 0                           | 0  | 0                   | -51,000   | 0                                | -51,000   | 0                            | -51,000                |
| 5.04.08 | Interest on capital of 2016<br>approved at the AGM of March 29,<br>2017 | 0                           | 0  | -52,602             | 0   | 0                                | -52,602   | 0                            | -52,602                |
| 5.04.10 | Restricted share plan - Vesting<br>period                               | 0                           | 3,259  | 0                   | 0   | 0                                | 3,259     | 0                            | 3,259                  |
| 5.04.11 | Restricted shares - Delivery  | 0                           | -7,382   | 0                   | 0   | 0                                | -7,382    | 0                            | -7,382                 |
| 5.04.12 | Goodwill on sale of shares  | 0                           | 3,115  | 0                   | 0   | 0                                | 3,115     | 0                            | 3,115                  |
| 5.04.13 | Treasury shares - Delivery  | 0                           | 4,267  | 0                   | 0   | 0                                | 4,267     | 0                            | 4,267                  |
| 5.04.14 | Repurchase of shares  | 0                           | -46,925  | 0                   | 0   | 0                                | -46,925   | 0                            | -46,925                |
| 5.05    | Total comprehensive income  | 0                           | 0  | 0                   | 120,954   | 0                                | 120,954   | 334                          | 121,288                |
| 5.05.01 | Profit for the period   | 0                           | 0  | 0                   | 120,954   | 0                                | 120,954   | 334                          | 121,288                |
| 5.06    | Internal changes in equity  | 0                           | 0  | 0                   | 44  | -44                              | 0         | 0                            | 0                      |
| 5.06.02 | Realization of revaluation reserve                                      | 0                           | 0  | 0                   | 67  | -67                              | 0         | 0                            | 0                      |
| 5.06.03 | Taxes on realization of revaluation<br>reserve                          | 0                           | 0  | 0                   | -23   | 23                               | 0         | 0                            | 0                      |
| 5.07    | Closing balance   | 1,808,639                   | 107,163  | 1,228,475           | 69,998  | -18,077                          | 3,196,198 | 28,193                       | 3,224,391              |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

**Consolidated financial information/statement of value added**

**(R\$ thousand)**

| <b>Code</b> | <b>Description</b>  | <b>Accumulated -<br/>current year<br/>1/1/2019 to<br/>3/31/2019</b> | <b>Accumulated -<br/>prior year<br/>1/1/2018 to<br/>3/31/2018</b> |
|-------------|---|---|---|
| 7.01        | Revenue   | 4,118,600   | 3,576,695   |
| 7.01.01     | Sales of products and services                            | 4,119,143   | 3,574,126   |
| 7.01.02     | Other income  | 251   | 210   |
| 7.01.04     | Provision for/reversal of impairment of trade receivables | -794  | 2,359   |
| 7.02        | Inputs acquired from third parties                        | -2,777,391  | -2,430,003  |
| 7.02.01     | Cost of sales and services                                | -2,537,406  | -2,231,983  |
| 7.02.02     | Materials, energy, outsourced services and other          | -240,014  | -196,856  |
| 7.02.03     | Impairment/recovery of assets                             | 29  | -1,164  |
| 7.03        | Gross value added   | 1,341,209   | 1,146,692   |
| 7.04        | Retentions  | -253,979  | -96,038   |
| 7.04.01     | Depreciation, amortization and depletion                  | -253,979  | -96,038   |
| 7.05        | Net value added generated by the entity                   | 1,087,230   | 1,050,654   |
| 7.06        | Value added received through transfer                     | 18,613  | 17,479  |
| 7.06.02     | Finance income  | 17,771  | 16,638  |
| 7.06.03     | Other   | 842   | 841   |
| 7.07        | Total value added to distribute                           | 1,105,843   | 1,068,133   |
| 7.08        | Distribution of value added                               | 1,105,843   | 1,068,133   |
| 7.08.01     | Personnel   | 418,674   | 357,591   |
| 7.08.01.01  | Direct remuneration                                       | 318,746   | 279,677   |
| 7.08.01.02  | Benefits  | 68,697  | 52,914  |
| 7.08.01.03  | Unemployment compensation fund                            | 31,231  | 25,000  |
| 7.08.02     | Taxes and contributions                                   | 503,095   | 417,976   |
| 7.08.02.01  | Federal   | 112,338   | 131,958   |
| 7.08.02.02  | State   | 383,644   | 280,655   |
| 7.08.02.03  | Municipal   | 7,113   | 5,363   |
| 7.08.03     | Providers of capital                                      | 93,595  | 171,278   |
| 7.08.03.01  | Interest  | 72,274  | 32,017  |
| 7.08.03.02  | Rentals   | 21,321  | 139,261   |
| 7.08.04     | Stockholders and the Company                              | 90,479  | 121,288   |
| 7.08.04.01  | Interest on capital                                       | 57,000  | 51,000  |
| 7.08.04.03  | Profits reinvested/loss for the period                    | 31,503  | 69,954  |
| 7.08.04.04  | Noncontrolling interests in retained earnings             | 1,976   | 334   |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

## Comments on company performance

São Paulo, April 29, 2019. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 1<sup>st</sup> quarter of 2019 (1Q19). The Company's quarterly financial statements for the periods ended in March 31, 2019 and 2018 have been prepared in accordance with technical pronouncement CPC 21 (R1) – “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. The financial statements were prepared in Reais and all growth rates unless otherwise stated relate to the same period of 2018.

*Starting in 2019, our financial statements are prepared in accordance with IFRS 16. In order to preserve the historic comparability, the 1Q19 figures in this report are also presented under IAS 17 / CPC 06, the previous reporting standard. The effects of this accounting change are detailed on pages 2 and 3.*

### QUARTERLY HIGHLIGHTS:

- › **DRUGSTORES:** 1,873 stores in operation (62 openings and 14 closures)
- › **RETAIL MARKET SHARE:** 1.1 percentage point national increase, with 1.0 gain in São Paulo
- › **GROSS REVENUE:** R\$ 4.2 billion, 15.3% growth (1.9% retail mature-store sales growth)
- › **GROSS MARGIN:** 28.0% of gross revenue, a 0.5 percentage point decrease
- › **EBITDA:** R\$ 270.1 million, a margin of 6.5%, a 1.1 percentage point decrease  
R\$ 415.6 million, a margin of 10.0%, a 0.9 percentage point decrease (IFRS16)
- › **NET INCOME:** R\$ 105.5 million, 2.5% of net margin  
R\$ 93.9 million, 2.3% of net margin (IFRS 16)
- › **CASH FLOW:** R\$ 210.5 million negative free cash flow, R\$ 202.9 million of cash consumption

| Summary                     | Previous Standard (IAS 17) |           |           |           |           | IFRS 16   |           |
|-----------------------------|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
|                             | 1Q18                       | 2Q18      | 3Q18      | 4Q18      | 1Q19      | 1Q18      | 1Q19      |
| <i>(R\$ thousand)</i>       |                            |           |           |           |           |           |           |
| # of Stores - Retail + 4Bio | 1,651                      | 1,708     | 1,768     | 1,825     | 1,873     | 1,651     | 1,873     |
| Store Openings              | 44                         | 62        | 64        | 70        | 62        | 44        | 62        |
| Store Closures              | (3)                        | (5)       | (4)       | (13)      | (14)      | (3)       | (14)      |
| # of Stores (average)       | 1,629                      | 1,680     | 1,744     | 1,801     | 1,849     | 1,629     | 1,849     |
| Headcount (EoP)             | 32,633                     | 33,880    | 34,708    | 36,510    | 36,192    | 32,633    | 36,192    |
| Pharmacist Count (EoP)      | 6,323                      | 6,582     | 6,806     | 6,959     | 7,106     | 6,323     | 7,106     |
| # of Tickets (000)          | 52,291                     | 55,148    | 56,560    | 59,425    | 58,634    | 52,291    | 58,634    |
| Gross Revenue               | 3,603,969                  | 3,791,578 | 3,944,677 | 4,178,909 | 4,153,923 | 3,603,969 | 4,153,923 |
| Gross Profit                | 1,026,758                  | 1,104,199 | 1,116,776 | 1,197,788 | 1,161,663 | 1,026,758 | 1,161,663 |
| % of Gross Revenues         | 28.5%                      | 29.1%     | 28.3%     | 28.7%     | 28.0%     | 28.5%     | 28.0%     |
| Adjusted EBITDA             | 272,185                    | 316,648   | 295,250   | 311,109   | 270,070   | 391,945   | 415,555   |
| % of Gross Revenues         | 7.6%                       | 8.4%      | 7.5%      | 7.4%      | 6.5%      | 10.9%     | 10.0%     |
| Adjusted Net Income         | 121,288                    | 141,775   | 131,148   | 154,404   | 105,494   | 109,517   | 93,915    |
| % of Gross Revenues         | 3.4%                       | 3.7%      | 3.3%      | 3.7%      | 2.5%      | 3.0%      | 2.3%      |
| Net Income                  | 121,288                    | 137,656   | 128,837   | 121,531   | 102,058   | 109,517   | 90,479    |
| % of Gross Revenues         | 3.4%                       | 3.6%      | 3.3%      | 2.9%      | 2.5%      | 3.0%      | 2.2%      |
| Free Cash Flow              | (102,012)                  | (67,705)  | 681       | 29,103    | (210,515) | (102,012) | (210,515) |

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Quarterly information (ITR) - 3/31/2019 - RAIÁ DROGASIL S.A.

## Comments on company performance

### IFRS 16

The IFRS 16 / CPC 06 (R2) has changed the accounting standards for the fixed portion of rentals. The outstanding lease payment obligations are now recognized as a liability, with the corresponding recognition of the right-of-use as a fixed asset. As a consequence, the rental expenses are substituted by interest on the lease liability as well as by a depreciation of the right-of-use.

Therefore, when compared to IAS 17 / CPC 06 model, the IFRS 16 creates a positive effect on the EBITDA, as the leases of commercial properties (stores and DCs), residential properties and vehicles are reclassified from operating expenses to amortization expenses and financial expenses.

The total rental amount paid over the full contract term is identical to the sum of the depreciation of the right-of-use plus the interest expenses, therefore resulting in a cumulative net income identical to the one under the previous criteria.

However, there is a relevant timing difference, as the interest expenses accrued in the early years of the contract are higher than those at the later years. And since the Company has more leasing obligations in their early years rather than in their later years, the IFRS 16 currently results in a lower net income, as shown below:

| Cumulative Impact of the Existing Lease Contracts on Income Statement as of January 1, 2019 |               |               |               |              |            |             |             |             |            |
|---|---------------|---------------|---------------|--------------|------------|-------------|-------------|-------------|------------|
| Income Statement  | 2019          | 2020          | 2021          | 2022         | 2023       | 2024        | 2025        | 2026+       | Total      |
| <i>(R\$ million)</i>  |               |               |               |              |            |             |             |             |            |
| Rental Expenses (+)   | 587.9         | 583.7         | 580.9         | 547.1        | 480.1      | 418.3       | 339.0       | 547.3       | 4,084.3    |
| Right-of-use Depreciation (-)   | (535.5)       | (529.2)       | (526.6)       | (493.2)      | (428.8)    | (371.6)     | (299.0)     | (470.3)     | (3,654.2)  |
| Interest over Leases (-)  | (99.4)        | (85.2)        | (70.6)        | (55.9)       | (42.4)     | (30.3)      | (19.9)      | (26.5)      | (430.1)    |
| <b>EBT</b>  | <b>(47.0)</b> | <b>(30.7)</b> | <b>(16.2)</b> | <b>(1.9)</b> | <b>8.9</b> | <b>16.4</b> | <b>20.0</b> | <b>50.5</b> | <b>0.0</b> |
| Income Tax (34%)  | 16.0          | 10.4          | 5.5           | 0.7          | (3.0)      | (5.6)       | (6.8)       | (17.2)      | 0.0        |
| <b>Net Income</b>   | <b>(31.0)</b> | <b>(20.2)</b> | <b>(10.7)</b> | <b>(1.3)</b> | <b>5.9</b> | <b>10.8</b> | <b>13.2</b> | <b>33.3</b> | <b>0.0</b> |

Note: the schedule assumes no addition, renovation or anticipated termination of existing lease contracts.

Finally, since the rental amounts actually paid have not changed and since the IFRS 16 is not recognized by the Brazilian tax authorities, this accounting change has no cash effect when compared to the previous standard.

The full pro forma figures for 2018 considering the IFRS 16 standard and 1Q19 considering the previous standard (IAS 17) are available for download in our website ([link](#)).

### IFRS 16 IMPACT OVER 1Q19 AND 1Q18 FINANCIAL STATEMENTS

| Income Statement                  | 1Q19           |               |                | 1Q18           |               |                |
|-----------------------------------|----------------|---------------|----------------|----------------|---------------|----------------|
|                                   | IAS 17         | Change        | IFRS 16        | IAS 17         | Change        | IFRS 16        |
| <i>(R\$ million)</i>              |                |               |                |                |               |                |
| <b>Gross Revenue</b>              | <b>4,153.9</b> | <b>0.0</b>    | <b>4,153.9</b> | <b>3,604.0</b> | <b>0.0</b>    | <b>3,604.0</b> |
| <b>Gross Profit</b>               | <b>1,161.7</b> | <b>0.0</b>    | <b>1,161.7</b> | <b>1,026.8</b> | <b>0.0</b>    | <b>1,026.8</b> |
| Gross Margin                      | 28.0%          | 0.0%          | 28.0%          | 28.5%          | 0.0%          | 28.5%          |
| Selling Expenses                  | (795.1)        | 145.0         | (650.1)        | (674.8)        | 119.2         | (555.6)        |
| G&A                               | (96.5)         | 0.5           | (96.0)         | (79.7)         | 0.5           | (79.2)         |
| <b>Total Expenses</b>             | <b>(891.6)</b> | <b>145.5</b>  | <b>(746.1)</b> | <b>(754.6)</b> | <b>119.8</b>  | <b>(634.8)</b> |
| as % of Gross Revenue             | 21.5%          | -3.5%         | 18.0%          | 20.9%          | -3.3%         | 17.6%          |
| <b>Adjusted EBITDA</b>            | <b>270.1</b>   | <b>145.5</b>  | <b>415.6</b>   | <b>272.2</b>   | <b>119.8</b>  | <b>391.9</b>   |
| as % of Gross Revenue             | 6.5%           | 3.5%          | 10.0%          | 7.6%           | 3.3%          | 10.9%          |
| Non-Recurring Expenses / Revenues | (5.2)          | 0.0           | (5.2)          | 0.0            | 0.0           | 0.0            |
| Depreciation and Amortization     | (117.8)        | (136.2)       | (254.0)        | (96.0)         | (113.0)       | (209.0)        |
| Financial Results                 | (28.4)         | (26.9)        | (55.2)         | (16.1)         | (24.6)        | (40.8)         |
| Income Tax                        | (16.6)         | 6.0           | (10.6)         | (38.7)         | 6.1           | (32.7)         |
| <b>Net Income</b>                 | <b>102.1</b>   | <b>(11.6)</b> | <b>90.5</b>    | <b>121.3</b>   | <b>(11.8)</b> | <b>109.5</b>   |
| as % of Gross Revenue             | 2.5%           | -0.3%         | 2.2%           | 3.4%           | -0.3%         | 3.0%           |

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Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

## Comments on company performance

| Balance Sheet<br>(R\$ million)              | 1Q19           |                |                 | 1Q18           |                |                |
|---|----------------|----------------|-----------------|----------------|----------------|----------------|
|   | IAS 17         | Change         | IFRS 16         | Previous       | Change         | IFRS 16        |
| <b>Assets</b>                               | <b>7,588.6</b> | <b>3,599.1</b> | <b>11,187.7</b> | <b>6,496.8</b> | <b>3,347.5</b> | <b>9,844.3</b> |
| <b>Current Assets</b>                       | <b>4,681.8</b> | <b>(0.2)</b>   | <b>4,681.5</b>  | <b>3,931.8</b> | <b>(0.1)</b>   | <b>3,931.7</b> |
| Other Accounts Receivable                   | 178.6          | (0.2)          | 178.4           | 141.8          | (0.1)          | 141.7          |
| <b>Non-Current Assets</b>                   | <b>2,906.8</b> | <b>3,599.3</b> | <b>6,506.2</b>  | <b>2,565.0</b> | <b>3,347.6</b> | <b>5,912.7</b> |
| Other Credits                               | 2.4            | (0.6)          | 1.8             | 3.1            | (0.8)          | 2.3            |
| Property, Plant and Equipment               | 1,624.7        | 3,599.9        | 5,224.6         | 1,306.9        | 3,348.4        | 4,655.3        |
| <b>Liabilities and Shareholder's Equity</b> | <b>7,588.6</b> | <b>3,599.1</b> | <b>11,187.7</b> | <b>6,496.8</b> | <b>3,347.5</b> | <b>9,844.3</b> |
| <b>Current Liabilities</b>                  | <b>2,876.8</b> | <b>477.6</b>   | <b>3,354.5</b>  | <b>2,575.4</b> | <b>473.3</b>   | <b>3,048.7</b> |
| Financial Leases                            | 0.0            | 505.6          | 505.6           | 0.0            | 495.6          | 495.6          |
| Other Accounts Payable                      | 141.7          | (28.0)         | 113.7           | 113.8          | (22.3)         | 91.5           |
| <b>Non-Current Liabilities</b>              | <b>1,128.7</b> | <b>3,133.1</b> | <b>4,261.8</b>  | <b>697.1</b>   | <b>2,886.0</b> | <b>3,583.0</b> |
| Financial Leases                            | 0.0            | 3,139.0        | 3,139.0         | 0.0            | 2,892.0        | 2,892.0        |
| Income Tax and Social Charges Deferred      | 243.8          | (6.0)          | 237.9           | 243.6          | (6.1)          | 237.5          |
| <b>Shareholder's Equity</b>                 | <b>3,583.0</b> | <b>(11.6)</b>  | <b>3,571.4</b>  | <b>3,224.4</b> | <b>(11.8)</b>  | <b>3,212.6</b> |
| Accrued Income                              | 43.1           | (11.6)         | 31.5            | 70.0           | (11.8)         | 58.2           |
| Non Controller Interest                     | 36.9           | (0.0)          | 36.9            | 28.2           | (0.0)          | 28.2           |

| Cash Flow<br>(R\$ million)  | 1Q19           |            |                | 1Q18           |            |                |
|---|----------------|------------|----------------|----------------|------------|----------------|
|   | IAS 17         | Change     | IFRS 16        | IAS 17         | Change     | IFRS 16        |
| <b>Adjusted EBIT</b>  | <b>152.3</b>   | <b>9.3</b> | <b>161.6</b>   | <b>176.1</b>   | <b>6.8</b> | <b>183.0</b>   |
| NPV Adjustment  | (10.1)         | 0.0        | (10.1)         | (8.5)          | 0.0        | (8.5)          |
| Non-Recurring Expenses  | (5.2)          | 0.0        | (5.2)          | 0.0            | 0.0        | 0.0            |
| Income Tax (34%)  | (46.5)         | (3.2)      | (49.7)         | (57.0)         | (2.3)      | (59.3)         |
| Depreciation  | 117.8          | 136.2      | 254.0          | 96.0           | 113.0      | 209.0          |
| Rental Expenses   | 0.0            | (145.5)    | (145.5)        | 0.0            | (119.8)    | (119.8)        |
| Others  | 2.7            | 3.2        | 5.9            | 2.2            | 2.3        | 4.5            |
| <b>Resources from Operations</b>  | <b>208.9</b>   | <b>0.0</b> | <b>208.9</b>   | <b>208.9</b>   | <b>0.0</b> | <b>208.9</b>   |
| Cash Cycle*   | (186.1)        | 0.0        | (186.1)        | (153.3)        | 0.0        | (153.3)        |
| Other Assets (Liabilities)**  | (32.9)         | 0.0        | (32.9)         | (33.4)         | 0.0        | (33.4)         |
| <b>Operating Cash Flow</b>  | <b>(8.1)</b>   | <b>0.0</b> | <b>(8.1)</b>   | <b>22.2</b>    | <b>0.0</b> | <b>22.2</b>    |
| <b>Investments</b>  | <b>(202.4)</b> | <b>0.0</b> | <b>(202.4)</b> | <b>(124.2)</b> | <b>0.0</b> | <b>(124.2)</b> |
| <b>Free Cash Flow</b>   | <b>(210.5)</b> | <b>0.0</b> | <b>(210.5)</b> | <b>(102.0)</b> | <b>0.0</b> | <b>(102.0)</b> |
| Interest on Equity  | (1.2)          | 0.0        | (1.2)          | (0.1)          | 0.0        | (0.1)          |
| Net Financial Expenses***   | (16.0)         | 0.0        | (16.0)         | (5.4)          | 0.0        | (5.4)          |
| Share Buyback   | 0.0            | 0.0        | 0.0            | (46.9)         | 0.0        | (46.9)         |
| Income Tax (Tax benefit over financial expenses and interest on equity) | 24.8           | 0.0        | 24.8           | 19.2           | 0.0        | 19.2           |
| <b>Total Cash Flow</b>  | <b>(202.9)</b> | <b>0.0</b> | <b>(202.9)</b> | <b>(135.2)</b> | <b>0.0</b> | <b>(135.2)</b> |

\*Includes adjustments to discounted receivables.

\*\*Includes tax shield from goodwill amortization and NPV adjustments.

\*\*\*Excludes NPV adjustments and Interest over Leases.

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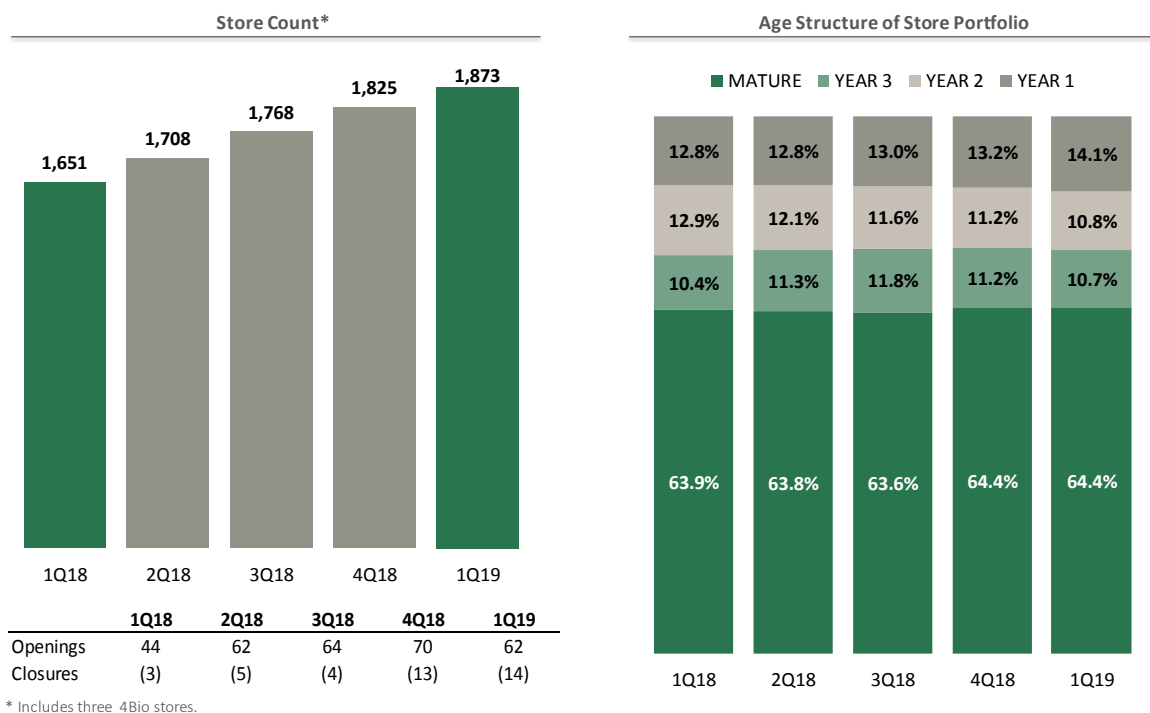
Quarterly information (ITR) - 3/31/2019 - RAIÁ DROGASIL S.A.

## Comments on company performance

### STORE DEVELOPMENT

We opened 62 new stores in the 1Q19, ending the quarter with a total of 1,873 stores in operation, including three 4Bio units. We reiterate our guidance of 240 gross openings for 2019.

At the end of the period, 35.6% of our stores were still in the process of maturation and had not yet reached their full potential both in terms of revenue and of profitability. It is worth mentioning that the performance of the stores opened over the last twelve months remains in line with our historical standards.



We closed 14 stores during the quarter, of which 4 were still in the maturation process, representing corrections of expansion mistakes that are normal in such large-scale expansion, 5 were mature stores, as part of the optimization of our store portfolio, with positive return expectations associated to them, and 5 were Farmasil stores that could not be converted to the new, larger format.

Our national retail market share reached 12.7% in the 1Q19, a 1.1 percentage point increase when compared to the same period of the previous year. We increased our market share in all five regions where we operate under a context of intense competition, a testament to the strength of our brands, to the unique quality of our locations and to the high caliber of our execution. Together, they constitute a very high entry barrier in all our core markets.

São Paulo was our main highlight, as we recorded a market share of 24.4%, a 1.0 percentage point gain, a strong recovery that showcases the effectiveness of our new generics strategy and the reversal of the expansion cycle which was pursued by many of our competitors over the last years. We also recorded market shares of 9.0% in the Southeast (not including São Paulo), a 0.7 percentage point increase, and of 7.4% in the South, a 0.8 percentage point gain. Finally, we also obtained strong gains in the Midwest and in the Northeast, reaching market shares of 15.5% and of 7.5% with gains of 1.7 percentage point and of 1.6 percentage point, respectively, as well as of 2.5% in the North, a 2.2 percentage point increase driven by our strong organic expansion into Pará.

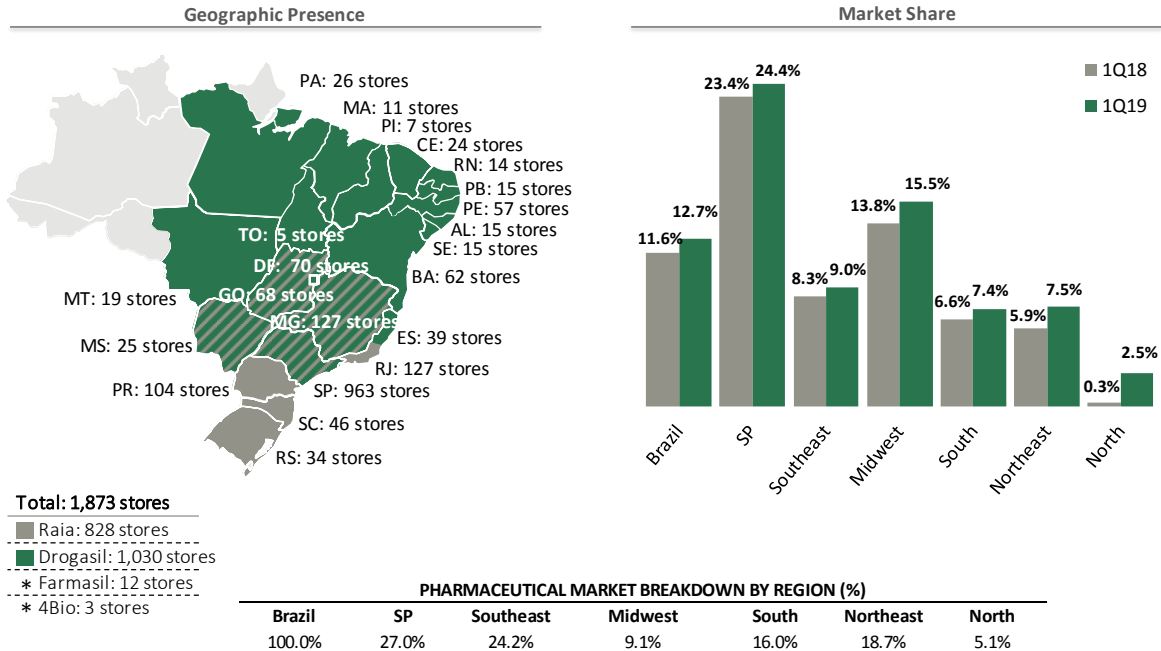
In order to better align the market share criteria analyzed internally with the numbers reported to the market, our market share figures now include only retail sales, excluding 4Bio's sales from the numerator and the total specialty market from the denominator. The historic market share data under the new criteria is available for download in our website.



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Quarterly information (ITR) - 3/31/2019 - RAI DROGASIL S.A.

### Comments on company performance

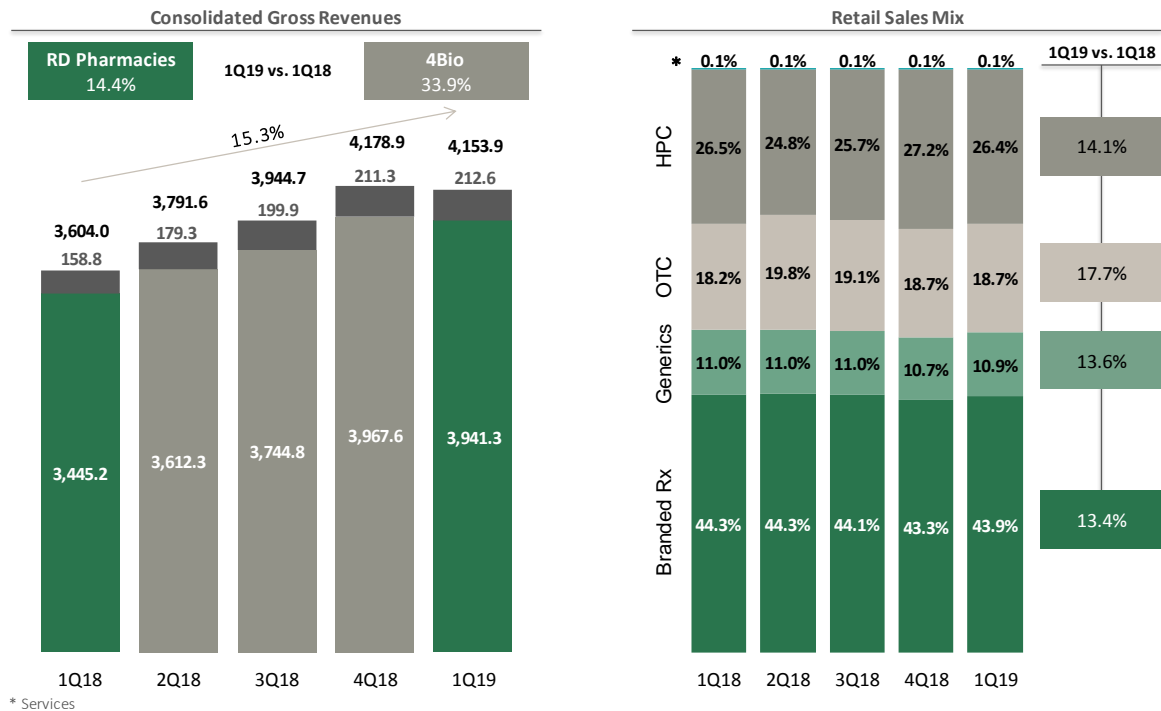


**Total: 1,873 stores**  
 Raia: 828 stores  
 Drogasil: 1,030 stores  
 \* Farmasil: 12 stores  
 \* 4Bio: 3 stores

Source: IQVIA

### GROSS REVENUES

We ended the 1Q19 with consolidated gross revenues of R\$ 4,153.9 million, a 15.3% increase over the same period of the previous year. Our drugstore revenues increased by 14.4%, while 4Bio grew 33.9% in the period.



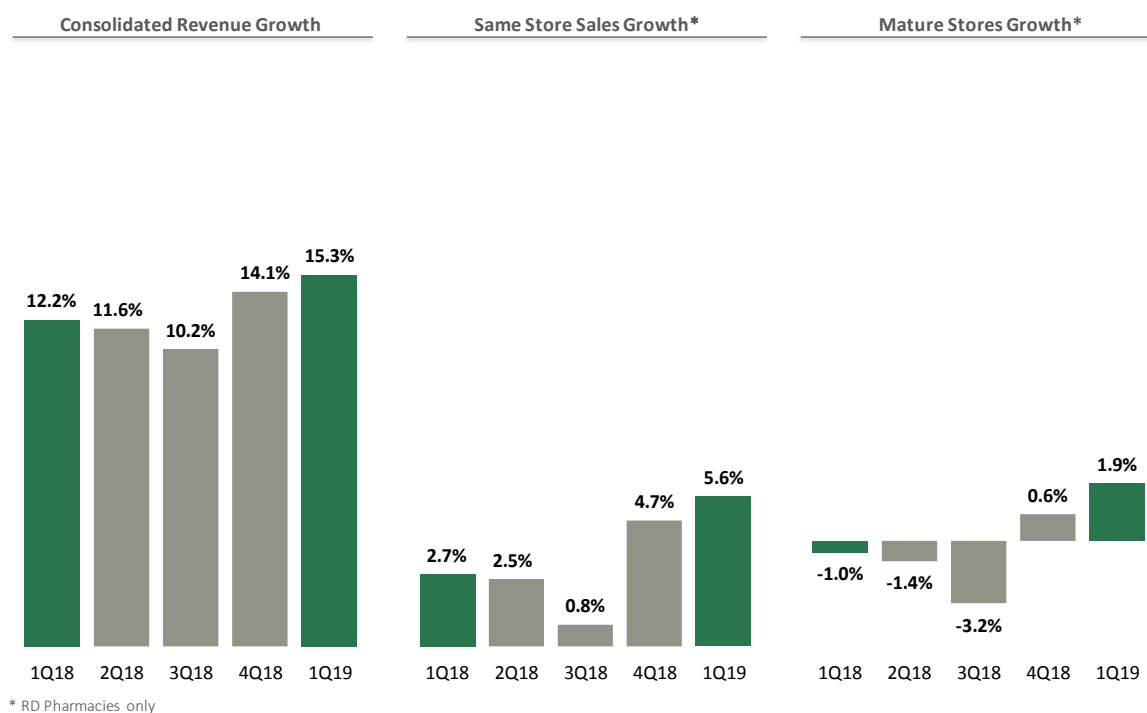
\* Services

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## Comments on company performance

OTC was the highlight of the quarter by growing 17.7% and gaining 0.5 percentage point of participation in the sales mix. HPC grew 14.1%, losing 0.1 percentage point of participation in the sales mix, while Generics grew 13.6%, losing 0.1 percentage point in the sales mix and Branded Rx grew 13.4%, losing 0.4 percentage point in the sales mix.



Retail same store sales increased by 5.6%, while our mature stores increased 1.9%, a significant improvement over previous quarters due to an easier comp base and to a sequential acceleration. There was no calendar effect in the quarter.

Finally, the Brazilian pharmaceutical market grew by 8.9% in the last twelve months ended in March, according to IQVIA, supported by a 6.8% growth in units, which implies an average price growth of only 2.0%, which is below inflation. This reflects a relevant price erosion in generics, which is starting to stabilize.

## GROSS MARGIN

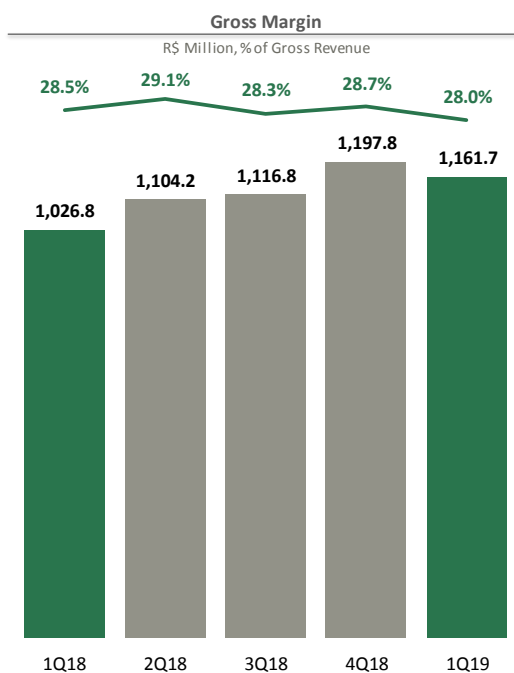
Our gross margin reached 28.0% in the quarter, a 0.5 percentage point pressure versus the 1Q18. We recorded a 0.3 percentage point retail margin pressure and a 0.2 percentage point pressure coming from 4Bio, due its negative mix effect and gross margin pressure in the quarter.

The retail gross margin pressure reflects the aggressive generics pricing and mix strategy that we implemented throughout 2018, which has been instrumental to accelerate our market share gains in the more recent quarters. It also reflects the normalization of our opportunity purchases which had peaked in 2018 and had helped sustain our retail gross margins in that year despite the price investments undertaken.

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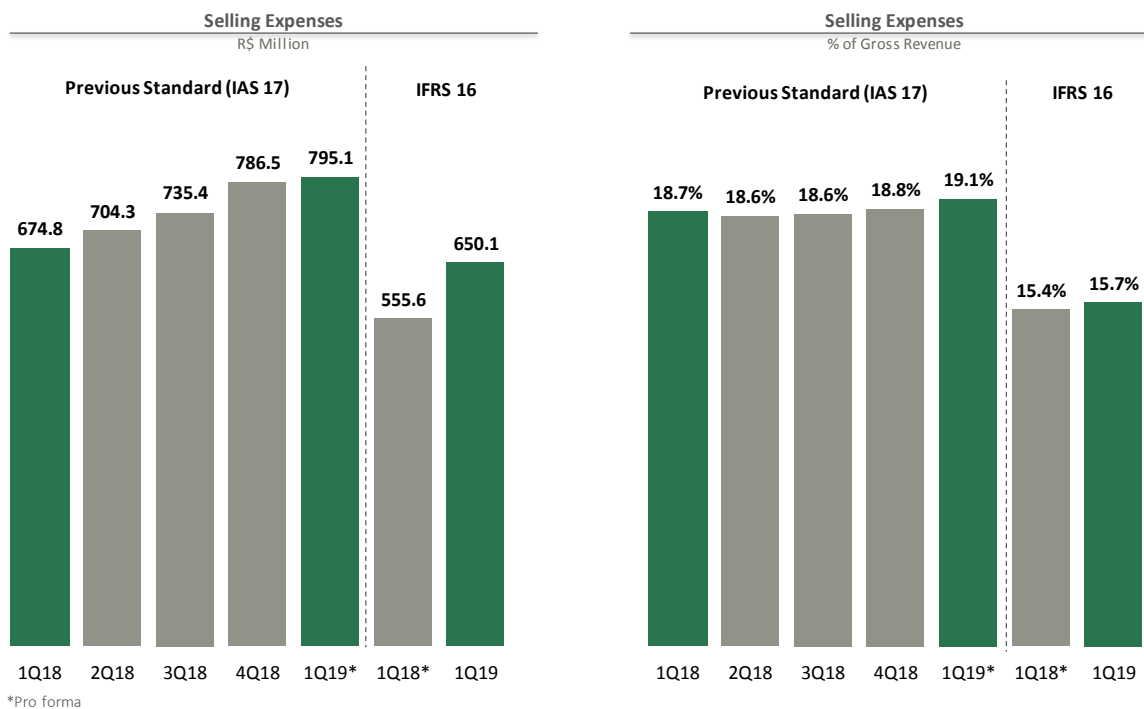
Quarterly information (ITR) - 3/31/2019 - RAI DROGASIL S.A.

## Comments on company performance



## SELLING EXPENSES

In the 1Q19, selling expenses totaled R\$ 795.1 million, equivalent to 19.1% of gross revenue, a 0.4 percentage point pressure when compared to the same quarter of the previous year.



Rentals expenses and logistics pressured by 0.2 percentage point each, while electricity and personnel expenses pressured by another 0.1 percentage point each. These pressures were driven by the loss of operating leverage due to mature-store sales performance below

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Quarterly information (ITR) - 3/31/2019 - RAIÁ DROGASIL S.A.

## Comments on company performance

inflation, by the acceleration of the IGP-M index, which pressured our rentals, as well as by the pre-operating expenses related to the opening of our new Guarulhos DC, to be opened in the second half of 2019 and to the incremental freight expenses from our expansion into Pará. Finally, we recorded a 0.2 percentage point dilution from 4Bio, which has lower selling expenses than the average for the Company.

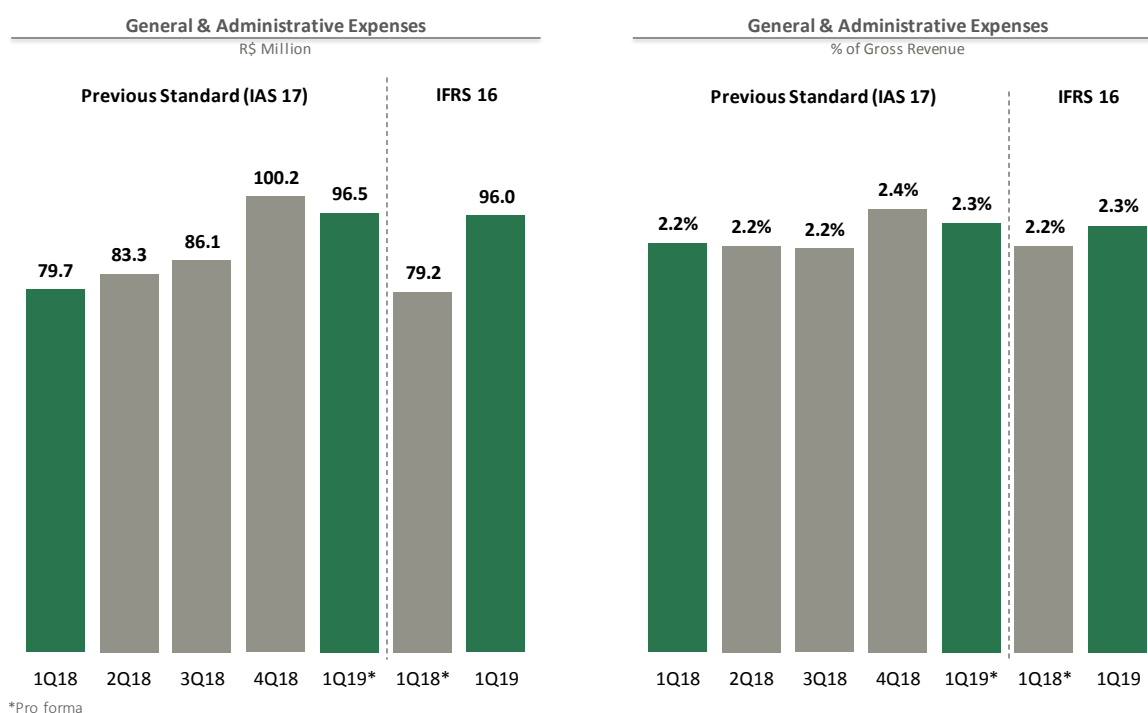
Considering IFRS 16, selling expenses totaled R\$ 650.1 million, equivalent to 15.7% of gross revenues, a 0.3 percentage point pressure when compared to the same quarter of the previous year.

## GENERAL & ADMINISTRATIVE EXPENSES

General and Administrative expenses amounted to R\$ 96.5 million in the 1Q19, equivalent to 2.3% of gross revenue and a 0.1 percentage point pressure over the same period of 2018.

We recorded a transitory pressure of 0.1 percentage point. It is important to mention that in the 1Q18 we had a valley in our G&A expenses reflecting a lower compensation allowance due to the effect of our share price depreciation over the outstanding shares granted under our restricted share incentive program, while this year we had an appreciation of the share price.

Considering IFRS 16, General and Administrative expenses amounted to R\$ 96.0 million in the 1Q19, equivalent to 2.3% of gross revenue and a 0.1 percentage point pressure over the same period of 2018.



## EBITDA

Our adjusted EBITDA reached R\$ 270.1 million in the quarter. Our EBITDA margin totaled 6.5%, leading to a pressure of 1.1 percentage point.

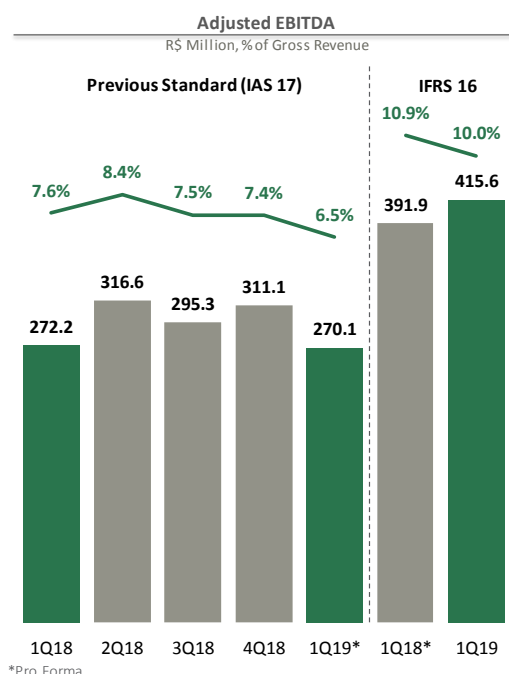
New stores opened in the quarter, as well as those in the opening process, reduced the EBITDA by R\$ 12.9 million. Therefore, considering only the 1,811 stores in operation since the end of 2018 and the full absorption of logistics, general and administrative expenses by such stores, our EBITDA would have totaled R\$ 283.0 million, equivalent to a margin of 6.9% over gross revenues.

RD Pharmacies reached an EBITDA of R\$ 268.9 million and a margin of 6.8% in the 1Q19, a pressure of 1.0 percentage point over the same period of the last year. Finally, 4Bio reached an EBITDA of R\$ 1.2 million and a margin of 0.6%, a 0.8 percentage point margin pressure due to a more competitive market scenario.

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Considering the IFRS 16, our adjusted EBITDA reached R\$ 415.6 million in the quarter. Our EBITDA margin totaled 10.0%, a pressure of only 0.9 percentage point. The margin pressure considering IFRS 16 standard is lower due to the exclusion of fixed rental expenses from the operating result, which have increased in the 1Q19.

In the 1Q19 we recorded R\$ 5.2 million in non-recurring/non-operating expenses, of which R\$ 2.4 million were due to asset write-offs related to store closures, R\$ 5.2 million were related to consulting and advisory expenses while R\$1.6 million were related to the closing of our distribution center in Barra Mansa, located in the countryside of Rio de Janeiro, which will be relocated over the next months to Duque de Caxias, which is part of the Rio de Janeiro metropolitan region with a lower operating cost. Finally, we recorded R\$ 4.0 million in non-recurring gains arising from PIS and COFINS tax credits.

| EBITDA Reconciliation<br>(R\$ million)              | Previous Standard |              | IFRS 16      |              |
|---|-------------------|--------------|--------------|--------------|
|   | 1Q18              | 1Q19         | 1Q18         | 1Q19         |
| <b>Net Income</b>                                   | <b>121.3</b>      | <b>102.1</b> | <b>109.5</b> | <b>90.5</b>  |
| (+) Income Tax                                      | 38.7              | 16.6         | 32.7         | 10.6         |
| (+) Financial Result                                | 16.1              | 28.4         | 40.8         | 55.2         |
| <b>EBIT</b>   | <b>176.1</b>      | <b>147.0</b> | <b>183.0</b> | <b>156.4</b> |
| (+) Depreciation and Amortization                   | 96.0              | 117.8        | 209.0        | 254.0        |
| <b>EBITDA</b>                                       | <b>272.2</b>      | <b>264.9</b> | <b>391.9</b> | <b>410.3</b> |
| (+) Asset Write-off                                 |                   | 2.4          |              | 2.4          |
| (+) Consulting and Advisory Expenses                |                   | 5.2          |              | 5.2          |
| (-) Non-recurring tax credits                       |                   | (4.0)        |              | (4.0)        |
| (+) Distribution Center Closure - Barra Mansa       |                   | 1.6          |              | 1.6          |
| <b>Total Non-recurring / Non-operating Expenses</b> | <b>0.0</b>        | <b>5.2</b>   | <b>0.0</b>   | <b>5.2</b>   |
| <b>Adjusted EBITDA</b>                              | <b>272.2</b>      | <b>270.1</b> | <b>391.9</b> | <b>415.6</b> |

## DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

Depreciation expenses amounted to R\$ 117.8 million in the 1Q19, equivalent to 2.8% of gross revenue, a 0.1 percentage point increase when compared to the previous year, reflecting a higher Capex due to an acceleration in our expansion program. Considering the IFRS 16, Depreciation totaled R\$ 254.0 million, equivalent to 6.1% of gross revenue, a 0.3 percentage point increase.

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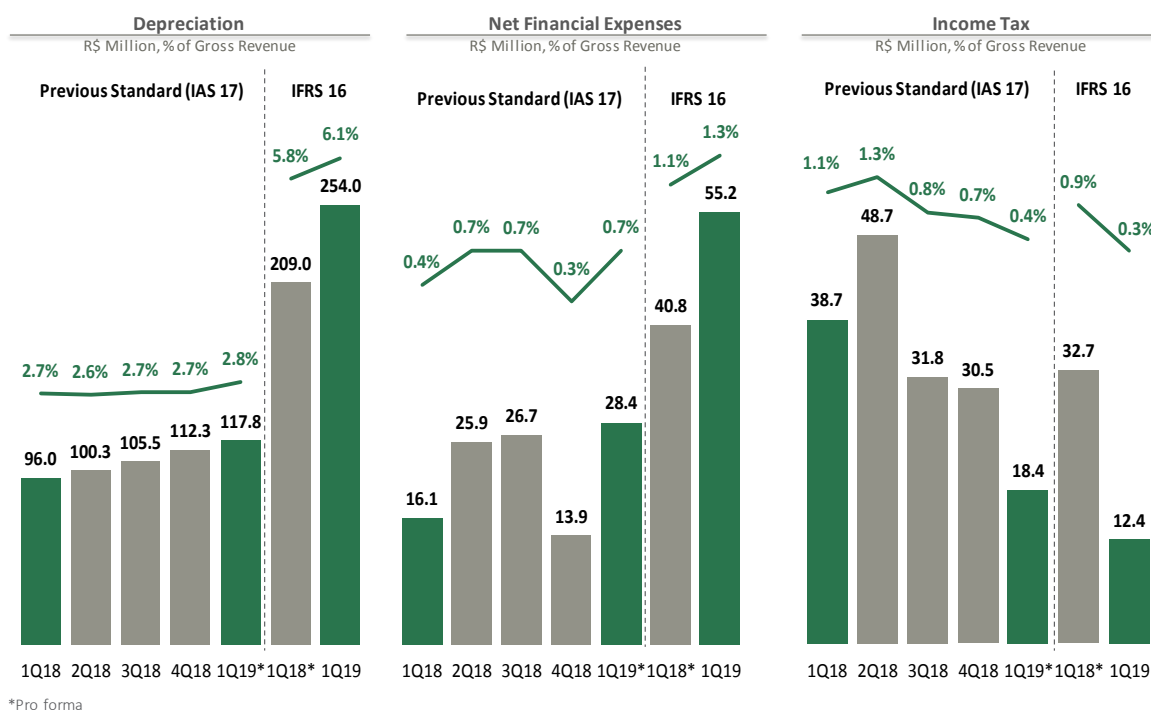
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## Comments on company performance

Net Financial expenses represented 0.7% of gross revenue, a 0.3 percentage point pressure over the 1Q18. Of the R\$ 28.4 million recorded in the quarter, R\$ 12.4 million refers to the NPV adjustment while other R\$ 0.9 million refers to interest on the option to acquire the remaining 45% of 4Bio in 2021. Excluding the NPV adjustments and the expenses related to the option to acquire 4Bio, the interest accrued on net debt amounted to R\$ 15.1 million in the 1Q19, equivalent to 0.4 percentage point of gross revenue and a 0.1 percentage point pressure when compared to the 1Q18. Under the IFRS 16, net financial expenses totaled R\$ 55.2 million, a 0.2 percentage point pressure over the 1Q18.

Finally, we booked R\$ 18.4 million in income taxes, equivalent to 0.4% of gross revenue, a 0.7 percentage point dilution. It is worth mentioning that we have recorded a tax reduction of R\$ 4.0 million related to a legal ruling that allowed state investment subvention to be deducted from the income tax base.

Under the IFRS 16, accrued income taxes totaled R\$ 12.4 million, equivalent to 0.3% of gross revenue, a 0.6 percentage point dilution. We highlight that IFRS 16 does not change the effective tax base, and the mismatch between the “cash” and the accrued income taxes is recorded on the balance sheet as a deferred asset.



## NET INCOME

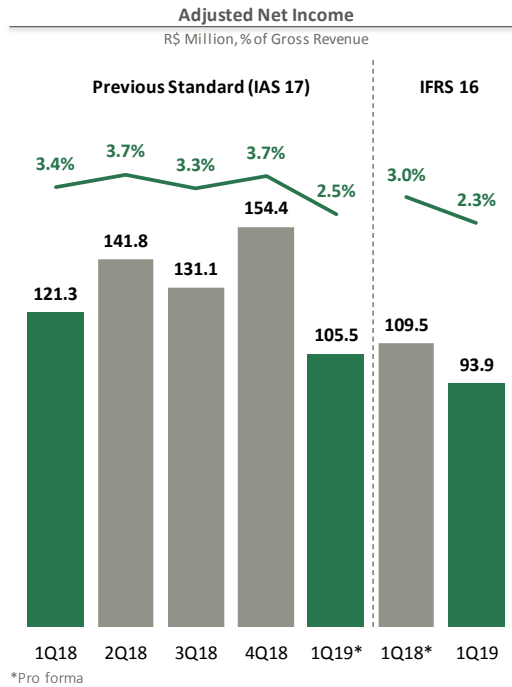
Net income totaled R\$ 105.5 million in the quarter, a 13.0% decrease over the same period of the previous year. We achieved a net margin of 2.5%, a 0.9 percentage point pressure over the 1Q18.

Considering IFRS 16, the Net income totaled R\$ 93.9 million in the quarter, a net margin of 2.3% and a 0.7 percentage point pressure over the 1Q18. As mentioned in page 2, lease expense recognition pattern in IFRS 16 penalizes the Net Income in the short-term due to higher interest payable on a larger liability, while it generates a positive effect as the contracts approach maturation. By definition, the cumulative effect of each contract over the Net Income is null.

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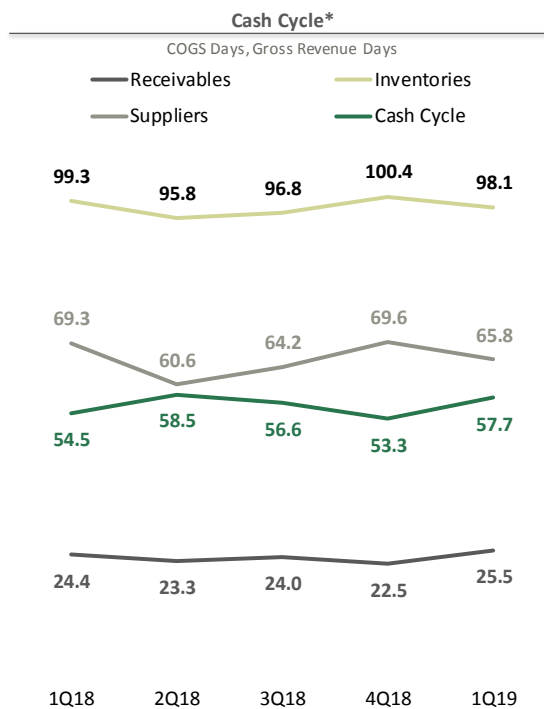
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### Comments on company performance



### CASH CYCLE

Our cash cycle in the 1Q19 was 3.2 days higher when compared to the same period of the previous year. Inventories decreased by 1.2 day while accounts payable decreased by 3.5 days. Lastly, receivables increased by 1.1 day, reflecting an unfavorable calendar in the end of March when compared to the same period in 2018.



\* Adjusted for discounted receivables.

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## Comments on company performance

### CASH FLOW

In the 1Q19, we recorded a negative free cash flow of R\$ 210.5 million, and a negative total cash flow of R\$ 202.9 million. Both free cash flow and total cash flow deteriorated versus the 1Q18, as a result of our accelerated expansion, which requires considerable investments.

| Cash Flow<br>(R\$ million)  | IAS 17         |                | IFRS 16        |                |
|---|----------------|----------------|----------------|----------------|
|   | 1Q19           | 1Q18           | 1Q19           | 1Q18           |
| <b>Adjusted EBIT</b>  | <b>152.3</b>   | <b>176.1</b>   | <b>161.6</b>   | <b>183.0</b>   |
| NPV Adjustment  | (10.1)         | (8.5)          | (10.1)         | (8.5)          |
| Non-Recurring Expenses  | (5.2)          | -              | (5.2)          | -              |
| Income Tax (34%)  | (46.5)         | (57.0)         | (49.7)         | (59.3)         |
| Depreciation  | 117.8          | 96.0           | 254.0          | 209.0          |
| Others****  | 2.7            | 2.2            | 5.9            | 4.5            |
| <b>Resources from Operations</b>  | <b>210.9</b>   | <b>208.9</b>   | <b>210.9</b>   | <b>208.9</b>   |
| Cash Cycle*   | (186.1)        | (153.3)        | (186.1)        | (153.3)        |
| Other Assets (Liabilities)**  | (32.9)         | (33.4)         | (32.9)         | (33.4)         |
| <b>Operating Cash Flow</b>  | <b>(8.1)</b>   | <b>22.2</b>    | <b>(8.1)</b>   | <b>22.2</b>    |
| <b>Investments</b>  | <b>(202.4)</b> | <b>(124.2)</b> | <b>(202.4)</b> | <b>(124.2)</b> |
| <b>Free Cash Flow</b>   | <b>(210.5)</b> | <b>(102.0)</b> | <b>(210.5)</b> | <b>(102.0)</b> |
| Interest on Equity  | (1.2)          | (0.1)          | (1.2)          | (0.1)          |
| Net Financial Expenses***   | (16.0)         | (5.4)          | (16.0)         | (5.4)          |
| Share Buyback   | -              | (46.9)         | -              | (46.9)         |
| Income Tax (Tax benefit over financial expenses and interest on equity) | 24.8           | 19.2           | 24.8           | 19.2           |
| <b>Total Cash Flow</b>  | <b>(202.9)</b> | <b>(135.2)</b> | <b>(202.9)</b> | <b>(135.2)</b> |

\*Includes adjustments to discounted receivables.

\*\*Includes tax shield from goodwill amortization and NPV adjustments.

\*\*\*Excludes NPV adjustments and Interest over Leases.

Resources from operations amounted to R\$ 210.9 million, equivalent to 5.1% of gross revenues, while we recorded a working capital consumption of R\$ 219.0 million (including adjustments to discounted receivables), amounting to a negative total operating cash flow of R\$ 8.1 million.

Of the R\$ 202.4 million invested in the quarter, R\$ 87.2 million corresponded to new store openings, R\$ 11.8 million to the renovation or expansion of existing stores and R\$ 103.5 million to investments in infrastructure.

Net financial expenses totaled R\$ 16.0 million in the quarter, excluding NPV adjustments. These were more than fully offset by the R\$ 24.8 million 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.

We accrued R\$ 57.0 million in interest on equity in the 1Q19, reflecting a payout of 55.9%, through the full usage of the legal interest on equity limit.

### INDEBTEDNESS

At the end of the quarter, we recorded an adjusted net financial debt position of R\$ 937.9 million, versus R\$ 528.8 million recorded in the same period of 2018. The Adjusted Net Debt to EBITDA totaled 0.8x, 0.3x higher than the same period of last year due to the significant investment undertaken over the last twelve months.

This net financial debt includes R\$ 37.3 million in liability 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 as of December 2018, assuming the pre-agreed multiple, the average forecasted annual EBITDA for 2019 and 2020 and the forecasted net debt for 2020 as stipulated in the acquisition contracts. This estimate will be revisited annually to reflect changes in the economic outlook of 4Bio.



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## Comments on company performance

| Net Debt                                    | 1Q18         | 2Q18         | 3Q18         | 4Q18         | 1Q19           |
|---|--------------|--------------|--------------|--------------|----------------|
| <i>(R\$ million)</i>                        |              |              |              |              |                |
| Short-term Debt                             | 186.2        | 227.2        | 237.2        | 272.9        | 280.8          |
| Long-term Debt                              | 387.3        | 684.4        | 665.9        | 570.2        | 797.5          |
| <b>Total Gross Debt</b>                     | <b>573.5</b> | <b>911.6</b> | <b>903.1</b> | <b>843.1</b> | <b>1,078.3</b> |
| (-) Cash and Equivalents                    | 102.7        | 281.3        | 273.6        | 241.6        | 243.6          |
| <b>Net Debt</b>                             | <b>470.8</b> | <b>630.4</b> | <b>629.6</b> | <b>601.6</b> | <b>834.7</b>   |
| Discounted Receivables                      | 9.1          | 2.3          | 0.2          | 97.0         | 65.9           |
| Put/Call option to acquire 4Bio (estimated) | 48.9         | 50.2         | 51.7         | 36.4         | 37.3           |
| <b>Adjusted Net Debt</b>                    | <b>528.8</b> | <b>682.9</b> | <b>681.5</b> | <b>735.0</b> | <b>937.9</b>   |
| Adjusted Net Debt / EBITDA                  | 0.5x         | 0.6x         | 0.6x         | 0.6x         | 0.8x           |

Our gross financial debt totaled R\$ 1,078.3 million, of which 14.9% correspond to BNDES (Brazilian Economic and Social Development Bank) lines, 83.0% correspond to the debentures issued on April 2017 and 2018 as well as our recently issued Certificate of Real Estate Receivables, and 2.1% corresponds to other debts. Of our total debt, 74.0% is long-term, while 26.0% relates to its short-term parcels. We ended the quarter with a total cash position (cash and marketable securities) of R\$ 243.6 million.

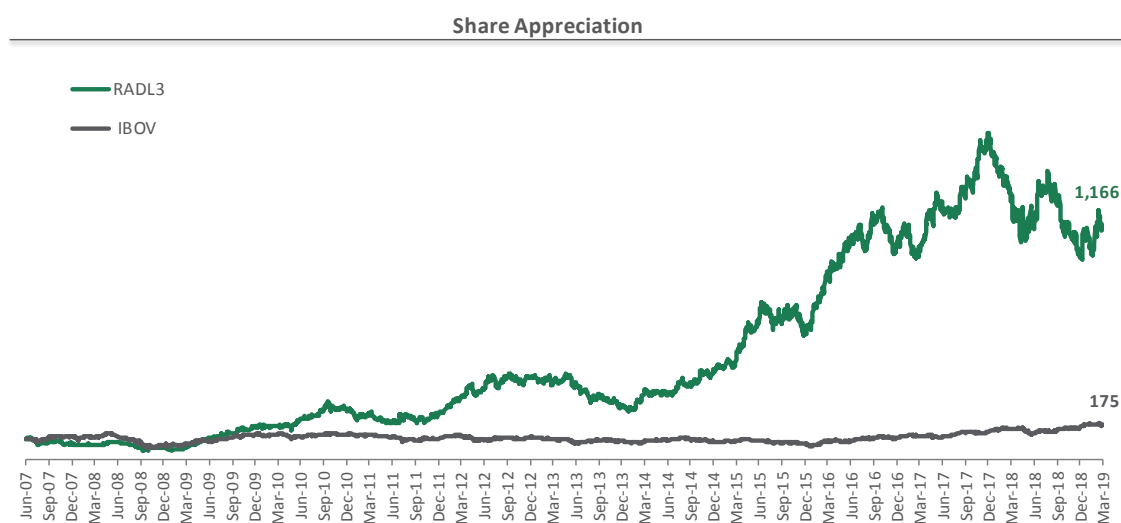
Under the IFRS 16, we have also recognized an additional liability of R\$ 3,644.6 million in both current and non-current lease obligations. It is important to mention that under Brazilian real estate law, any normal lease contract can be unilaterally rescinded by the Company by paying the landlord a compensation equivalent of 3 months of rental.

Finally, in March 2019, we raised R\$ 250 million in a Company issuance of Certificate of Real Estate Receivables. The issuance was made under a single tranche with a 7-year maturity to the payment of the last series and an average cost of 98.5% of CDI.

## TOTAL SHAREHOLDER RETURN

Our share price increased by 14.3% in the 1Q19 versus an 8.6% gain of the Ibovespa. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,066.1% versus a return of only 75.4% for the Ibovespa. Including the payment of interest on equity, we generated an average annual total return to shareholders of 25.1%. Considering the IPO of Raia in December of 2010, the cumulative return amounted to 348.3% versus an increase of only 40.4% of the Ibovespa. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 21.0%.

We recorded an average daily trading volume of R\$ 82.9 million in the quarter.



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| <b>Adjusted Income Statement</b><br><i>(R\$ thousand)</i> | <b>IAS 17</b>    |                  | <b>IFRS 16</b>   |                  |
|---|------------------|------------------|------------------|------------------|
|   | <b>1Q18</b>      | <b>1Q19</b>      | <b>1Q18</b>      | <b>1Q19</b>      |
| <b>Gross Revenue</b>                                      | <b>3,603,969</b> | <b>4,153,923</b> | <b>3,603,969</b> | <b>4,153,923</b> |
| Taxes, Discounts and Returns                              | (170,391)        | (200,571)        | (170,391)        | (200,571)        |
| <b>Net Revenue</b>  | <b>3,433,578</b> | <b>3,953,351</b> | <b>3,433,578</b> | <b>3,953,351</b> |
| Cost of Goods Sold  | (2,406,819)      | (2,791,688)      | (2,406,819)      | (2,791,688)      |
| <b>Gross Profit</b>                                       | <b>1,026,758</b> | <b>1,161,663</b> | <b>1,026,758</b> | <b>1,161,663</b> |
| Operational (Expenses) Revenue                            |                  |                  |                  |                  |
| Sales   | (674,839)        | (795,120)        | (555,625)        | (650,112)        |
| General and Administrative                                | (79,735)         | (96,474)         | (79,189)         | (95,997)         |
| <b>Operational Expenses</b>                               | <b>(754,573)</b> | <b>(891,594)</b> | <b>(634,814)</b> | <b>(746,109)</b> |
| <b>EBITDA</b>   | <b>272,185</b>   | <b>270,070</b>   | <b>391,945</b>   | <b>415,555</b>   |
| Depreciation and Amortization                             | (96,038)         | (117,818)        | (208,994)        | (253,979)        |
| <b>Operational Earnings before Financial Results</b>      | <b>176,147</b>   | <b>152,252</b>   | <b>182,951</b>   | <b>161,575</b>   |
| Financial Expenses  | (32,605)         | (46,015)         | (57,244)         | (72,895)         |
| Financial Revenue   | 16,467           | 17,654           | 16,467           | 17,654           |
| <b>Financial Expenses/Revenue</b>                         | <b>(16,138)</b>  | <b>(28,361)</b>  | <b>(40,777)</b>  | <b>(55,241)</b>  |
| <b>Earnings before Income Tax and Social Charges</b>      | <b>160,009</b>   | <b>123,891</b>   | <b>142,174</b>   | <b>106,334</b>   |
| Income Tax and Social Charges                             | (38,722)         | (18,397)         | (32,657)         | (12,420)         |
| <b>Net Income</b>   | <b>121,288</b>   | <b>105,494</b>   | <b>109,517</b>   | <b>93,915</b>    |

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## Comments on company performance

| Consolidated Income Statement<br>(R\$ thousand)      | IAS 17           |                  | IFRS 16          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 1Q18             | 1Q19             | 1Q18             | 1Q19             |
| <b>Gross Revenue</b>                                 | <b>3,603,969</b> | <b>4,153,923</b> | <b>3,603,969</b> | <b>4,153,923</b> |
| Taxes, Discounts and Returns                         | (170,391)        | (200,571)        | (170,391)        | (200,571)        |
| <b>Net Revenue</b>                                   | <b>3,433,578</b> | <b>3,953,351</b> | <b>3,433,578</b> | <b>3,953,351</b> |
| Cost of Goods Sold                                   | (2,406,819)      | (2,791,688)      | (2,406,819)      | (2,791,688)      |
| <b>Gross Profit</b>                                  | <b>1,026,758</b> | <b>1,161,663</b> | <b>1,026,758</b> | <b>1,161,663</b> |
| Operational (Expenses) Revenue                       |                  |                  |                  |                  |
| Sales  | (674,839)        | (795,120)        | (555,625)        | (650,112)        |
| General and Administrative                           | (79,735)         | (96,474)         | (79,189)         | (95,997)         |
| Other Operational Expenses, Net                      | 0                | (5,205)          | 0                | (5,205)          |
| <b>Operational Expenses</b>                          | <b>(754,573)</b> | <b>(896,799)</b> | <b>(634,814)</b> | <b>(751,314)</b> |
| <b>EBITDA</b>  | <b>272,185</b>   | <b>264,864</b>   | <b>391,945</b>   | <b>410,349</b>   |
| Depreciation and Amortization                        | (96,038)         | (117,818)        | (208,994)        | (253,979)        |
| <b>Operational Earnings before Financial Results</b> | <b>176,147</b>   | <b>147,047</b>   | <b>182,951</b>   | <b>156,370</b>   |
| Financial Expenses                                   | (32,605)         | (46,015)         | (57,244)         | (72,895)         |
| Financial Revenue                                    | 16,467           | 17,654           | 16,467           | 17,654           |
| <b>Financial Expenses/Revenue</b>                    | <b>(16,138)</b>  | <b>(28,361)</b>  | <b>(40,777)</b>  | <b>(55,241)</b>  |
| <b>Earnings before Income Tax and Social Charges</b> | <b>160,009</b>   | <b>118,686</b>   | <b>142,174</b>   | <b>101,129</b>   |
| Income Tax and Social Charges                        | (38,722)         | (16,628)         | (32,657)         | (10,650)         |
| <b>Net Income</b>                                    | <b>121,288</b>   | <b>102,058</b>   | <b>109,517</b>   | <b>90,479</b>    |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

### Comments on company performance

| <b>Assets</b><br><i>(R\$ thousand)</i> | <b>IAS 17</b>    |                  | <b>IFRS 16</b>   |                   |
|--|------------------|------------------|------------------|-------------------|
|  | <b>1Q18</b>      | <b>1Q19</b>      | <b>1Q18</b>      | <b>1Q19</b>       |
| <b>Current Assets</b>                  |                  |                  |                  |                   |
| Cash and Cash Equivalents              | 102,675          | 243,596          | 102,675          | 243,596           |
| Accounts Receivable                    | 959,181          | 1,096,151        | 959,181          | 1,096,151         |
| Inventories                            | 2,627,073        | 3,008,239        | 2,627,073        | 3,008,239         |
| Taxes Receivable                       | 68,598           | 108,711          | 68,599           | 108,734           |
| Other Accounts Receivable              | 141,816          | 178,617          | 141,679          | 178,375           |
| Anticipated Expenses                   | 32,454           | 46,442           | 32,454           | 46,442            |
|  | <u>3,931,798</u> | <u>4,681,755</u> | <u>3,931,662</u> | <u>4,681,537</u>  |
| <b>Non-Current Assets</b>              |                  |                  |                  |                   |
| Deposit in Court                       | 29,972           | 24,371           | 29,972           | 24,371            |
| Taxes Receivable                       | 34,683           | 52,842           | 34,683           | 52,842            |
| Other Credits                          | 3,092            | 2,353            | 2,338            | 1,782             |
| Property, Plant and Equipment          | 1,306,937        | 1,624,707        | 4,655,338        | 5,224,617         |
| Intangible                             | 1,190,326        | 1,202,545        | 1,190,326        | 1,202,545         |
|  | <u>2,565,010</u> | <u>2,906,819</u> | <u>5,912,656</u> | <u>6,506,158</u>  |
| <b>ASSETS</b>                          | <u>6,496,808</u> | <u>7,588,574</u> | <u>9,844,318</u> | <u>11,187,695</u> |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

## Comments on company performance

| <b>Liabilities and Shareholder's Equity</b><br><i>(R\$ thousand)</i> | <b>IAS 17</b>    |                  | <b>IFRS 16</b>   |                   |
|--|------------------|------------------|------------------|-------------------|
|  | <b>1Q18</b>      | <b>1Q19</b>      | <b>1Q18</b>      | <b>1Q19</b>       |
| <b>Current Liabilities</b>   |                  |                  |                  |                   |
| Suppliers  | 1,832,996        | 2,019,929        | 1,832,996        | 2,019,929         |
| Loans and Financing  | 186,160          | 280,765          | 186,160          | 280,765           |
| Salaries and Social Charges Payable                                  | 205,257          | 239,842          | 205,257          | 239,842           |
| Taxes Payable  | 98,994           | 118,993          | 98,994           | 118,993           |
| Dividend and Interest on Equity                                      | 133,933          | 72,148           | 133,933          | 72,148            |
| Provision for Lawsuits   | 4,196            | 3,485            | 4,196            | 3,485             |
| Other Accounts Payable   | 113,828          | 141,687          | 91,508           | 113,718           |
|  | <u>2,575,363</u> | <u>2,876,848</u> | <u>3,048,663</u> | <u>3,354,458</u>  |
| <b>Non-Current Liabilities</b>                                       |                  |                  |                  |                   |
| Loans and Financing  | 387,345          | 797,522          | 387,345          | 797,522           |
| Provision for Lawsuits   | 5,973            | 44,295           | 5,973            | 44,295            |
| Income Tax and Social Charges deferred                               | 243,587          | 243,821          | 237,523          | 237,866           |
| Other Accounts Payable   | 60,148           | 43,072           | 60,148           | 43,072            |
|  | <u>697,053</u>   | <u>1,128,711</u> | <u>3,583,034</u> | <u>4,261,800</u>  |
| <b>Shareholder's Equity</b>  |                  |                  |                  |                   |
| Common Stock   | 1,808,639        | 1,808,639        | 1,808,639        | 1,808,639         |
| Capital Reserves   | 107,490          | 119,552          | 107,490          | 119,552           |
| Revaluation Reserve  | 12,153           | 11,979           | 12,153           | 11,979            |
| Income Reserves  | 1,228,149        | 1,522,073        | 1,228,149        | 1,522,073         |
| Accrued Income   | 69,998           | 43,105           | 58,228           | 31,546            |
| Equity Adjustments   | (30,230)         | (30,230)         | (30,230)         | (30,230)          |
| Non Controller Interest  | 28,193           | 36,908           | 28,193           | 36,888            |
| Additional Dividend Proposed   | 0                | 70,990           | 0                | 70,990            |
|  | <u>3,224,392</u> | <u>3,583,016</u> | <u>3,212,621</u> | <u>3,571,437</u>  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                          | <u>6,496,808</u> | <u>7,588,574</u> | <u>9,844,318</u> | <u>11,187,695</u> |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIÁ DROGASIL S.A.

## Comments on company performance

|   | IAS 17           |                  | IFRS 16          |
|---|------------------|------------------|------------------|
|   | 1Q18             | 1Q19             | 1Q19             |
| <b>Cash Flow</b>  |                  |                  |                  |
| <i>(R\$ thousand)</i>   |                  |                  |                  |
| <b>Earnings before Income Tax and Social Charges</b>            | <b>160,009</b>   | <b>118,686</b>   | <b>101,130</b>   |
| <b>Adjustments</b>  |                  |                  |                  |
| Depreciation and Amortization                                   | 96,038           | 117,819          | 253,979          |
| Compensation plan with restricted shares, net                   | 3,271            | 3,130            | 3,130            |
| Interest over additional stock option                           | 1,348            | 883              | 883              |
| P,P&E and Intangible Assets residual value                      | 1,787            | 5,932            | 5,932            |
| Provisioned Lawsuits  | 598              | (2,172)          | (2,172)          |
| Provisioned Inventory Loss                                      | (507)            | (1,443)          | (1,443)          |
| Provision for Doubtful Accounts                                 | (2,359)          | 794              | 794              |
| Provisioned Store Closures                                      | (592)            | (3,540)          | (3,540)          |
| Interest Expenses   | 11,128           | 14,790           | 14,790           |
| Debt Issuance Costs Amortization                                | (3,938)          | 608              | 608              |
| Interest Expenses - Financial Leases                            | 0                | 0                | 26,881           |
|   | <b>266,783</b>   | <b>255,487</b>   | <b>400,972</b>   |
| <b>Assets and Liabilities variation</b>                         |                  |                  |                  |
| Clients and Other Accounts Receivable                           | (49,554)         | (180,382)        | (180,140)        |
| Inventories   | (108,973)        | 80,480           | 80,480           |
| Other Short Term Assets   | (4,389)          | (48,429)         | (48,431)         |
| Long Term Assets  | 1,008            | (7,424)          | (6,852)          |
| Suppliers   | 14,334           | (117,235)        | (117,235)        |
| Salaries and Social Charges                                     | 2,458            | 2,300            | 2,300            |
| Taxes Payable   | (31,794)         | 27,395           | 27,395           |
| Other Liabilities   | (7,808)          | (6,117)          | (6,117)          |
| Rent Payable  | 2,182            | 256              | (27,714)         |
| <b>Cash from Operations</b>                                     | <b>84,247</b>    | <b>6,331</b>     | <b>124,658</b>   |
| Interest Paid   | (3,292)          | (2,270)          | (2,270)          |
| Income Tax and Social Charges Paid                              | (30,575)         | (20,382)         | (20,382)         |
| Interest Paid - Financial Leases                                | 0                | 0                | (26,881)         |
| <b>Net Cash from (invested) Operational Activities</b>          | <b>50,380</b>    | <b>(16,321)</b>  | <b>(26,881)</b>  |
| <b>Investment Activities Cash Flow</b>                          |                  |                  |                  |
| P,P&E and Intangible Acquisitions                               | (124,239)        | (202,425)        | (174,403)        |
| P,P&E Sale Payments   | 0                | (17)             | (17)             |
| <b>Net Cash from Investment Activities</b>                      | <b>(124,239)</b> | <b>(202,442)</b> | <b>(174,420)</b> |
| <b>Financing Activities Cash Flow</b>                           |                  |                  |                  |
| Funding   | 585              | 265,244          | 265,244          |
| Payments  | (41,938)         | (43,234)         | (43,234)         |
| Share Buyback   | (46,925)         | 0                | 0                |
| Interest on Equity and Dividends Paid                           | (61)             | (1,219)          | (1,219)          |
| Financial Lease Payments  | 0                | 0                | (119,468)        |
| <b>Net Cash from Funding Activities</b>                         | <b>(88,339)</b>  | <b>220,791</b>   | <b>101,323</b>   |
| <b>Cash and Cash Equivalents net increase</b>                   | <b>(162,198)</b> | <b>2,028</b>     | <b>2,028</b>     |
| <b>Cash and Cash Equivalents in the beginning of the period</b> | <b>264,873</b>   | <b>241,568</b>   | <b>241,568</b>   |
| <b>Cash and Cash Equivalents in the end of the period</b>       | <b>102,675</b>   | <b>243,596</b>   | <b>243,596</b>   |

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - 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") is a publicly-held company listed on the Novo Mercado ("New Market") listing segment of B3 S.A. - Brasil, Bolsa, Balcão, under ticker RDL3, with its headquarters in the capital of the state of São Paulo.

Raia Drogasil S.A. and its subsidiary 4Bio 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 performs its sales through 1,873 stores (1,825 stores - Dec/2018), distributed in 22 Brazilian states (22 states - 2018), as follows:

|                     | Consolidated |              |
|---------------------|--------------|--------------|
|                     | Mar-2019     | Dec-2018     |
| São Paulo           | 963          | 952          |
| Rio de Janeiro      | 127          | 127          |
| Minas Gerais        | 127          | 125          |
| Paraná              | 104          | 103          |
| Distrito Federal    | 70           | 68           |
| Goiás               | 68           | 68           |
| Bahia               | 62           | 59           |
| Pernambuco          | 57           | 52           |
| Santa Catarina      | 46           | 43           |
| Espírito Santo      | 39           | 37           |
| Rio Grande do Sul   | 34           | 32           |
| Pará                | 26           | 19           |
| Mato Grosso do Sul  | 25           | 23           |
| Ceará               | 24           | 21           |
| Mato Grosso         | 19           | 16           |
| Paraíba             | 15           | 15           |
| Sergipe             | 15           | 15           |
| Alagoas             | 15           | 14           |
| Rio Grande do Norte | 14           | 15           |
| Maranhão            | 11           | 9            |
| Piauí               | 7            | 7            |
| Tocantins           | 5            | 5            |
| <b>Total</b>        | <b>1,873</b> | <b>1,825</b> |

Raia Drogasil's stores are supplied by eight distribution centers located in six States: São Paulo, Minas Gerais, Paraná, Goiás, Pernambuco and Bahia.

The subsidiary 4Bio Medicamentos S.A. ("4Bio") markets its products 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.

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Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

## **Notes to the Quarterly Information**

**All amounts in thousands of reais unless otherwise stated**

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### **Business combination in progress – Drogaria Onofre Ltda.**

As disclosed in the financial statements at December 31, 2018, on February 26, 2019 the Company entered into an agreement for purchase of share units ("CVQ") with CCI Foreign S.à.r.l. and Beauty Holdings LLC, comprising 100% of the share units of Drogaria Onofre Ltda. The completion of the acquisition is subject to the fulfillment of prior conditions, specially the approval of the negotiation by the Administrative Council of Economic Defense - CADE. To the date of this financial information for the quarter ended March 31, 2019, CADE has not yet reported any manifestation on this transaction.

Drogaria Onofre Ltda. has a network of 50 stores, 47 in the state of São Paulo, two in Rio de Janeiro and one in Minas Gerais and is a national reference of e-commerce in the sector.

## **2. Presentation of quarterly information**

The quarterly information was approved by the Executive Board on April 29, 2019.

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 March 31, 2019 and 2018 has been prepared in accordance with technical pronouncement CPC 21 (R1) - "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 in managing the activities.

The Company's financial statements for the year ended December 31, 2018 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the Brazilian Securities Commission (CVM) 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 individual and consolidated quarterly information should be read in conjunction with the Company's financial statements for the year ended December 31, 2018.

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 Company were applied uniformly and consistently with those adopted by the Subsidiary. 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 the 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,



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Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

## **Notes to the Quarterly Information**

**All amounts in thousands of reais unless otherwise stated**

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among others. The significant estimates and judgments are disclosed in Note 4(u) to the financial statements for the year ended December 31, 2018.

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.

The Group adopted all standards, revised standards and interpretations issued by the IFRS and CPC that were effective as at March 31, 2019.

### **3. New accounting procedures, amendments to and interpretations of standards**

The following accounting pronouncements were adopted for the first time to financial reporting periods beginning on or after January 1, 2019:

#### **(a) CPC 06 (R2) / IFRS 16 – Leases**

In January 2016, IASB issued IFRS 16 - Leases and in December 2017 CPC 06 (R2) - Lease Transactions was issued effective for financial reporting periods beginning on or after January 1, 2019, replacing IAS 17 / CPC 06 - "Leases" and related interpretations.

The new standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Exemptions are available for leases with term of less than one year and low-value items.

Lessor accounting remains similar to the previous standard - i.e. lessors continue to classify leases as finance or operating leases.

The Company chose the modified retrospective approach, which does not require the restatement of comparative figures, thus not impacting equity, as well as not changing the calculation of dividends and allow the adoption of practical expedients.

The impacts of the adoption of this standard and the new accounting practices are disclosed in Note 14. The procedures adopted by Management were detailed in Note 3(d) to the financial statements at December 31, 2018.

#### **(b) IFRIC 23 - Uncertainty over income tax treatments**

The interpretation clarifies how the recognition and measurement requirements of IAS 12 are applied when there are uncertainties about the treatment of income taxes (Corporate Income Tax - IRPJ and Social Contribution on Net Profit - CSLL). Management did not identify impacts arising from these amendments.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

### 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, 2018, except for the new practices applied as of January 1, 2019, as described in Note 3.

### 5. Cash and cash equivalents

| Cash and cash equivalents items                 | Parent Company |                | Consolidated   |                |
|---|----------------|----------------|----------------|----------------|
|   | Mar-2019       | Dec-2018       | Mar-2019       | Dec-2018       |
| Cash and banks                                  | 91,442         | 113,417        | 91,747         | 115,002        |
| Investment fund                                 | 2,410          | 2,381          | 2,410          | 2,381          |
| Automatic investments (a)                       | 292            | 59,860         | 420            | 59,860         |
| Bank Deposit Certificates - CDB (b)             | 25,655         | 25,344         | 25,655         | 25,344         |
| Debentures held under repurchase agreements (c) | 120,480        | 37,151         | 123,364        | 38,981         |
| <b>Total</b>                                    | <b>240,279</b> | <b>238,153</b> | <b>243,596</b> | <b>241,568</b> |

(a) Refers to a short-term fixed income fund with automatic redemptions where the financial assets of the portfolio have an average term of 10 days.

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

(c) 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 and Banco do Brasil.

The Group's exposure to interest rate risks on financial investments is disclosed in Note 24(a).

### 6. Trade receivables

| Trade receivables items                           | Parent Company |                | Consolidated     |                |
|---|----------------|----------------|------------------|----------------|
|   | Mar-2019       | Dec-2018       | Mar-2019         | Dec-2018       |
| Trade receivables                                 | 967,073        | 806,541        | 1,098,246        | 938,744        |
| (-) Provision for impairment of trade receivables | (1,241)        | (892)          | (2,095)          | (1,355)        |
| <b>Total</b>                                      | <b>965,832</b> | <b>805,649</b> | <b>1,096,151</b> | <b>937,389</b> |

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Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

The ageing of trade receivables is as follows:

| <b>Maturities</b>                             | <b>Parent Company</b> |                 | <b>Consolidated</b> |                 |
|---|-----------------------|-----------------|---------------------|-----------------|
|   | <b>Mar-2019</b>       | <b>Dec-2018</b> | <b>Mar-2019</b>     | <b>Dec-2018</b> |
| Not yet due                                   | 946,273               | 799,003         | 1,068,201           | 923,872         |
| Overdue                                       |                       |                 |                     |                 |
| Between 1 and 30 days                         | 18,740                | 2,784           | 23,771              | 7,679           |
| Between 31 and 60 days                        | 1,463                 | 2,982           | 2,689               | 3,678           |
| Between 61 and 90 days                        | 224                   | 610             | 984                 | 1,147           |
| Between 91 and 180 days                       | 373                   | 1,128           | 1,780               | 1,937           |
| Between 181 and 360 days                      |                       | 34              | 821                 | 431             |
| Provision for impairment of trade receivables | (1,241)               | (892)           | (2,095)             | (1,355)         |
| <b>Total</b>                                  | <b>965,832</b>        | <b>805,649</b>  | <b>1,096,151</b>    | <b>937,389</b>  |

Days sales outstanding, represented by credit and debit cards and partnerships with companies and the government, are approximately 36 days, 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 the impairment of trade receivables are as follows:

| <b>Changes in expected losses</b> | <b>Parent Company</b> |                 | <b>Consolidated</b> |                 |
|-----------------------------------|-----------------------|-----------------|---------------------|-----------------|
|                                   | <b>Mar-2019</b>       | <b>Dec-2018</b> | <b>Mar-2019</b>     | <b>Dec-2018</b> |
| Opening balance                   | (892)                 | (3,889)         | (1,355)             | (4,664)         |
| Additions                         | (1,793)               | (5,684)         | (2,361)             | (8,354)         |
| Reversals                         | 552                   | 1,722           | 609                 | 4,241           |
| Losses                            | 892                   | 6,959           | 1,012               | 7,422           |
| <b>Closing balance</b>            | <b>(1,241)</b>        | <b>(892)</b>    | <b>(2,095)</b>      | <b>(1,355)</b>  |

Trade receivables are classified as financial assets at amortized cost and are therefore measured as described in Note 4(d)(i) to the financial statements for 2018.

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## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

### 7. Inventory

| <b>Inventory items</b>                     | <b>Parent Company</b> |                  | <b>Consolidated</b> |                  |
|--|-----------------------|------------------|---------------------|------------------|
|  | <b>Mar-2019</b>       | <b>Dec-2018</b>  | <b>Mar-2019</b>     | <b>Dec-2018</b>  |
| Goods for resale                           | 2,831,256             | 2,984,574        | 2,938,033           | 3,052,322        |
| Goods held by third parties <sup>(i)</sup> | 78,699                | 44,825           | 78,699              | 44,825           |
| Consumables                                | 1,204                 | 1,268            | 1,204               | 1,268            |
| Provision for inventory losses             | (9,698)               | (11,140)         | (9,698)             | (11,140)         |
| <b>Total inventory</b>                     | <b>2,901,461</b>      | <b>3,019,527</b> | <b>3,008,238</b>    | <b>3,087,275</b> |

(i) Company's goods located in third party warehouses.

Changes in the provision for goods losses are as follows:

| <b>Changes in expected losses</b> | <b>Parent Company</b> |                 | <b>Consolidated</b> |                 |
|-----------------------------------|-----------------------|-----------------|---------------------|-----------------|
|                                   | <b>Mar-2019</b>       | <b>Dec-2018</b> | <b>Mar-2019</b>     | <b>Dec-2018</b> |
| Opening balance                   | (11,140)              | (13,821)        | (11,140)            | (13,821)        |
| Additions                         | (198)                 | (2,857)         | (198)               | (2,857)         |
| Write-offs                        | 1,640                 | 5,538           | 1,640               | 5,538           |
| <b>Closing balance</b>            | <b>(9,698)</b>        | <b>(11,140)</b> | <b>(9,698)</b>      | <b>(11,140)</b> |

For the quarter ended March 31, 2019, cost of goods sold recognized in the statement of income was R\$ 2,617,663 (R\$ 2,276,387 - 1<sup>st</sup> Quarter - 2018) for the parent company and R\$ 2,791,688 (R\$ 2,406,819 - 1<sup>st</sup> Quarter - 2018) for the consolidated accounts, including the amount of the write-offs of goods inventories recognized as losses for the quarter amounting to R\$ 18,911 (R\$ 22,941 - 1<sup>st</sup> Quarter - 2018) for the parent company and R\$ 18,958 (R\$ 22,993 - 1<sup>st</sup> Quarter - 2018) for the consolidated accounts.

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.

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### 8. Taxes recoverable

| Taxes recoverable items  | Parent Company |                | Consolidated   |                |
|--|----------------|----------------|----------------|----------------|
|  | Mar-2019       | Dec-2018       | Mar-2019       | Dec-2018       |
| <b>Taxes on profit recoverable</b>   |                |                |                |                |
| Withholding Income Tax (IRRF)  | 287            | 113            | 456            | 113            |
| Corporate Income Tax (IRPJ)  | 5,163          | 214            | 8,467          | 3,518          |
| Social Contribution on Net Profit (CSLL)                                       | 1,830          |                | 3,067          | 1,237          |
| Subtotal   | 7,280          | 327            | 11,990         | 4,868          |
| <b>Other taxes recoverable</b>   |                |                |                |                |
| Value Added Tax on Sales and Services (ICMS) – credit balance                  | 47,624         | 37,679         | 52,966         | 41,470         |
| ICMS – Refund of ICMS withheld in advance                                      | 1,264          | 186            | 1,264          | 186            |
| ICMS on acquisitions of fixed assets   | 69,741         | 58,410         | 69,741         | 58,410         |
| Social Integration Program (PIS)   | 3,729          | 4,228          | 4,342          | 4,228          |
| Social Contribution on Revenue (COFINS)  | 17,920         | 19,474         | 20,713         | 19,474         |
| Social Investment Fund - 1982 - securities issued to cover court-ordered debts | 561            | 561            | 561            | 561            |
| Subtotal   | 140,839        | 120,538        | 149,587        | 124,329        |
| <b>Total</b>   | <b>148,119</b> | <b>120,865</b> | <b>161,577</b> | <b>129,197</b> |
| Current assets   | 95,276         | 76,520         | 108,734        | 84,852         |
| Noncurrent assets  | 52,843         | 44,345         | 52,843         | 44,345         |

The ICMS credits amounting to R\$ 47,624 and R\$ 1,264 (R\$ 37,679 and R\$ 186 - Dec/2018) for the parent company and R\$ 52,966 and R\$ 1,264 (R\$ 41,470 and R\$ 186 - Dec/2018) for the consolidated 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.

The Group analyzed the use of ICMS credits and concluded that the tax credit balances will be utilized within 12 months. As regards ICMS credits on purchases of property, plant and equipment, these credits will be utilized in up to 48 months according to the legislation in force.

During the first quarter of 2017, upon the judgment with general repercussion, RE 574,706, the Federal Supreme Court (STF) accepted the exclusion of the ICMS in the calculation base of PIS and COFINS. In this context, the Company filed actions to suspend the requirement for inclusion of the ICMS in the calculation base of such contributions. The Company recalculated and recorded credits from contributions in the amount of R\$ 3,729 for PIS and R\$ 17,920 for COFINS (R\$ 4,228 - PIS and R\$ 19,474 - COFINS - Dec-2018) for the parent company and R\$ 4,342 for PIS and R\$ 20,713 for COFINS (R\$ 4,228 - PIS and 19,474 - COFINS - Dec-2018) in the consolidated.

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### 9. Investments

#### (a) Business combinations

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

The Agreement establishes the granting of call and put options for all the remaining shares, corresponding to 45% of the total, held by the founding stockholder prior year after January 2021, and the exercise price will be calculated based on the average of the adjusted EBITDA of 4Bio for the years ended December 31, 2018 and ending December 31, 2019 and 2020 the fair value of which at March 31, 2019 corresponds to R\$ 37,263 ( R\$ 36,380 - Dec/2018).

The fair value of the additional stock options recorded in Parent Company and Consolidated, of R\$ 37,263 (R\$ 36,380 - Dec/2018) is classified as Level 3 in the fair value hierarchy. The main fair value measurements have as reference: (i) a discount rate of 10.07% in of December 2018 (11.84% - Dec/2017), (ii) an average growth rate of EBITDA of 38.38% in December 2018 (50.58% in Dec/2017), considering the average of the EBITDAs projected for 2018 to 2020 and the multiple provided for in contract.

The goodwill of R\$ 25,563 for the consolidated accounts arising from the acquisition represents the future economic benefits expected from the business combination.

#### (b) Changes in investments

At March 31, 2019 and 2018, the Company's investment balance is as follows:

| <u>Company name</u>    | <u>Main activity</u>        | <u>Interest (%)</u> | <u>03/31/2019</u> | <u>3/31/2018</u> |
|------------------------|-----------------------------|---------------------|-------------------|------------------|
| 4Bio Medicamentos S.A. | Retail of special medicines | 55%                 | 42,519            | 31,897           |

Changes in the investment balance in the subsidiary, presented in the parent company financial statements, are as follows:

| <u>Changes in investments</u>       | <u>Parent Company</u> |                 |
|-------------------------------------|-----------------------|-----------------|
|                                     | <u>Mar-2019</u>       | <u>Mar-2018</u> |
| Opening balance                     | 40,108                | 31,489          |
| Equity in the results of subsidiary | 2,416                 | 408             |
| Restricted share compensation plan  | (5)                   |                 |
| <b>Closing balance</b>              | <b>42,519</b>         | <b>31,897</b>   |

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For the purposes of calculating the equity of 4Bio, the Company has adjusted the assets, liabilities and related changes in the statement of income of 4Bio based on the allocation of purchase price at the acquisition date. The table below shows the effects on the profit for the year of 4Bio for the purposes of determining the equity in the results of subsidiaries for March 31, 2019 and 2018:

| <b>Equity in the results of subsidiary</b>                    | <b>Parent Company</b> |                 |
|---|-----------------------|-----------------|
|   | <b>Mar-2019</b>       | <b>Mar-2018</b> |
| Profit for the year   | 2,559                 | 551             |
| Amortization of surplus arising from the business combination | (143)                 | (143)           |
| <b>Adjusted profit of 4Bio</b>                                | <b>2,416</b>          | <b>408</b>      |
| <b>Adjusted equity</b>  | <b>Mar-2019</b>       | <b>Mar-2018</b> |
| Investment at book value (55%)                                | 26,907                | 15,934          |
| Allocation of the purchase price (surplus of assets)          | 4,106                 | 4,976           |
| Deferred income tax liability on allocation adjustments       | (1,396)               | (1,692)         |
| Share of dividends proposed                                   |                       | (228)           |
| Restricted share compensation plan                            | (5)                   |                 |
| <b>Total adjusted equity</b>                                  | <b>29,612</b>         | <b>18,990</b>   |
| Goodwill based on expected future profitability               | 12,907                | 12,907          |
| <b>Investment balance</b>                                     | <b>42,519</b>         | <b>31,897</b>   |

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### 10. Property and equipment and intangible assets

#### I. Property and equipment

Changes in the parent company's property and equipment are as follows:

|                                       |               |                 |                                    |                         |                 |  | 2019               | 2018             |
|---------------------------------------|---------------|-----------------|------------------------------------|-------------------------|-----------------|--|--------------------|------------------|
| Changes                               | Land          | Buildings       | Furniture, fittings and facilities | Machinery and equipment | Vehicles        | Leasehold improvements / Right of use - Leases | Total              | Total            |
| <b>Cost</b>                           |               |                 |                                    |                         |                 |  |                    |                  |
| At January 1                          | 27,440        | 41,917          | 816,474                            | 441,238                 | 63,656          | 1,203,624                                      | 2,594,349          | 2,119,641        |
| Additions (i)                         |               |                 | 41,464                             | 65,631                  | 164             | 3,812,074                                      | 3,919,333          | 107,869          |
| Disposals and write-offs              |               |                 | (3,172)                            | (1,150)                 | (135)           | (35,895)                                       | (40,352)           | (24,067)         |
| Expected losses on store closures     |               |                 |                                    |                         |                 |  |                    |                  |
|                                       |               |                 | 1,553                              |                         |                 | 4,461  | 6,014              | 1,556            |
| <b>At March 31</b>                    | <b>27,440</b> | <b>41,917</b>   | <b>856,319</b>                     | <b>505,719</b>          | <b>63,685</b>   | <b>4,984,264</b>                               | <b>6,479,344</b>   | <b>2,204,999</b> |
| <b>Accumulated depreciation</b>       |               |                 |                                    |                         |                 |  |                    |                  |
| Average annual depreciation rates (%) |               | 2.5 - 2.7       | 7.4 - 10                           | 7.1 - 15.8              | 20 - 23.7       | 13 - 20  |                    |                  |
| At January 1                          |               | (22,068)        | (280,684)                          | (216,166)               | (23,749)        | (507,997)                                      | (1,050,664)        | (845,728)        |
| Additions                             |               | (270)           | (19,708)                           | (14,759)                | (1,900)         | (207,986)                                      | (244,623)          | (76,864)         |
| Disposals and write-offs              |               |                 | 1,619                              | 1,040                   | 135             | 32,805   | 35,599             | 23,137           |
| Expected losses on store closures     |               |                 |                                    |                         |                 |  |                    |                  |
|                                       |               |                 | (551)                              |                         |                 | (2,271)  | (2,822)            | (962)            |
| <b>At March 31</b>                    |               | <b>(22,338)</b> | <b>(299,324)</b>                   | <b>(229,885)</b>        | <b>(25,514)</b> | <b>(685,449)</b>                               | <b>(1,262,510)</b> | <b>(900,417)</b> |
| <b>Net balance</b>                    |               |                 |                                    |                         |                 |  |                    |                  |
| At January 1                          | 27,440        | 19,849          | 535,790                            | 225,072                 | 39,907          | 695,627  | 1,543,685          | 1,273,913        |
| At March 31                           | 27,440        | 19,579          | 556,995                            | 275,834                 | 38,171          | 4,298,815                                      | 5,216,834          | 1,304,582        |

(i) In the quarter ended March 31, 2019, the Company recorded the right-of-use asset, in the amount of R\$ 3,650,426, related to lease agreements where the Group has control over the leased asset. See details in Note 14.



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Changes in the consolidated property and equipment are as follows:

|                                       |               |                 |  |                            |                 |   | 2019               | 2018             |
|---------------------------------------|---------------|-----------------|--|----------------------------|-----------------|---|--------------------|------------------|
| Changes                               | Land          | Buildings       | Furniture,<br>fittings and<br>facilities | Machinery and<br>equipment | Vehicles        | Leasehold<br>improvements / Rights<br>of use - Leases | Total              | Total            |
| <b>Cost</b>                           |               |                 |  |                            |                 |   |                    |                  |
| At January 1                          | 27,440        | 41,917          | 817,963                                  | 442,875                    | 63,909          | 1,205,547   | 2,599,651          | 2,123,436        |
| Additions (i)                         |               |                 | 41,528                                   | 65,698                     | 132             | 3,816,977   | 3,924,335          | 107,991          |
| Disposals and write-offs              |               |                 | (3,172)                                  | (1,150)                    | (135)           | (35,895)  | (40,352)           | (24,067)         |
| Expected losses on store closures     |               |                 | 1,553                                    |                            |                 | 4,461   | 6,014              | 1,556            |
| <b>At March 31</b>                    | <b>27,440</b> | <b>41,917</b>   | <b>857,872</b>                           | <b>507,423</b>             | <b>63,906</b>   | <b>4,991,090</b>                                      | <b>6,489,648</b>   | <b>2,208,916</b> |
| <b>Accumulated depreciation</b>       |               |                 |  |                            |                 |   |                    |                  |
| Average annual depreciation rates (%) |               | 2.5 - 2.7       | 7.4 - 10                                 | 7.1 - 15.8                 | 20 - 23.7       | 13 - 20   |                    |                  |
| At January 1                          |               | (22,068)        | (281,155)                                | (216,836)                  | (23,966)        | (508,666)   | (1,052,691)        | (847,160)        |
| Additions                             |               | (270)           | (19,744)                                 | (14,818)                   | (1,872)         | (208,413)   | (245,117)          | (76,994)         |
| Disposals and write-offs              |               |                 | 1,619                                    | 1,040                      | 135             | 32,305  | 35,599             | 23,137           |
| Expected losses on store closures     |               |                 | (551)                                    |                            |                 | (2,271)   | (2,822)            | (962)            |
| <b>At March 31</b>                    |               | <b>(22,338)</b> | <b>(299,831)</b>                         | <b>(230,614)</b>           | <b>(25,703)</b> | <b>(686,545)</b>                                      | <b>(1,265,031)</b> | <b>(901,979)</b> |
| <b>Net balance</b>                    |               |                 |  |                            |                 |   |                    |                  |
| At January 1                          | 27,440        | 19,849          | 536,808                                  | 226,039                    | 39,943          | 696,881   | 1,546,960          | 1,276,276        |
| At March 31                           | 27,440        | 19,579          | 558,041                                  | 276,809                    | 38,203          | 4,304,545   | 5,224,617          | 1,306,937        |

(i) In the quarter ended March 31, 2019, the Company recorded the right-of-use asset, in the amount of R\$ 3,650,426 in Parent company and R\$ 3,654,591 in Consolidated, related to lease agreements where the Group has control over the leased asset. See details in Note 14.

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### II. Intangible assets

Changes in the Company's intangible assets are as follows:

|                                       |                  |  |  |   |                           |                        | 2019             | 2018             |
|---------------------------------------|------------------|--|--|---|---------------------------|------------------------|------------------|------------------|
| Changes                               | Points of sale   | Software<br>license and<br>systems<br>implementation | Goodwill on<br>business<br>acquisition<br>(Vison Ltda) | Goodwill on<br>business<br>acquisition<br>(Raia S.A.) | Trademarks                | Customers<br>portfolio | Total            | Total            |
| <b>Cost</b>                           |                  |  |  |   |                           |                        |                  |                  |
| At January 1                          | 278,941          | 140,078  | 22,275   | 780,084   | 159,751                   | 41,700                 | 1,422,829        | 1,378,334        |
| Additions                             | 11,025           | 10,335   |  |   | 388                       |                        | 21,748           | 17,557           |
| Disposals and write-offs              | (7,216)          | (7,884)  |  |   |                           |                        | (15,100)         | (17,223)         |
| Provision for store closures          | 909              | 22   |  |   |                           |                        | 931              |                  |
| <b>At March 31</b>                    | <b>283,659</b>   | <b>142,551</b>                                       | <b>22,275</b>  | <b>780,084</b>  | <b>160,139</b>            | <b>41,700</b>          | <b>1,430,408</b> | <b>1,378,668</b> |
| <b>Accumulated amortization</b>       |                  |  |  |   |                           |                        |                  |                  |
| Average annual amortization rates (%) | 17.0 - 23.4      |  | Indefinite useful<br>life                              | Indefinite useful<br>life                             | Indefinite<br>useful life | 6.7 - 25               |                  |                  |
| At January 1                          | (154,498)        | (59,905)   | (2,387)  |   |                           | (38,097)               | (254,887)        | (222,876)        |
| Additions                             | (13,031)         | (7,078)  |  |   |                           | (115)                  | (20,224)         | (17,623)         |
| Disposals and write-offs              | 5,820            | 7,868  |  |   |                           |                        | 13,688           | 16,951           |
| Provision for store closures          | (568)            | (13)   |  |   |                           |                        | (581)            |                  |
| <b>At March 31</b>                    | <b>(162,277)</b> | <b>(59,128)</b>                                      | <b>(2,387)</b>   |   |                           | <b>(38,212)</b>        | <b>(262,004)</b> | <b>(223,548)</b> |
| <b>Net balance</b>                    |                  |  |  |   |                           |                        |                  |                  |
| At January 1                          | 124,443          | 80,173   | 19,888   | 780,084   | 159,751                   | 3,603                  | 1,167,942        | 1,155,458        |
| At March 31                           | 121,382          | 83,423   | 19,888   | 780,084   | 160,139                   | 3,488                  | 1,168,404        | 1,155,120        |

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Changes in the consolidated intangible assets are as follows:

|                                       |                  |   |   |  |   |                        |                               |                            | 2019             | 2018             |
|---------------------------------------|------------------|---|---|--|---|------------------------|-------------------------------|----------------------------|------------------|------------------|
| Changes                               | 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) | Raia S.A. brands       | Raia S.A. customers portfolio | 4BIO customer relationship | Total            | Total            |
| <b>Cost</b>                           |                  |   |   |  |   |                        |                               |                            |                  |                  |
| At January 1                          | 278,941          | 141,745                                     | 22,275  | 780,084                                      | 25,563                                  | 164,820                | 41,700                        | 7,928                      | 1,463,056        | 1,418,381        |
| Additions                             | 11,025           | 10,510                                      |   |  |   | 388                    |                               |                            | 21,923           | 17,642           |
| Disposals and write-offs              | (7,217)          | (7,884)                                     |   |  |   |                        |                               |                            | (15,101)         | (17,224)         |
| Provision for store closures          | 909              | 22  |   |  |   |                        |                               |                            | 931              |                  |
| <b>At March 31</b>                    | <b>283,658</b>   | <b>144,393</b>                              | <b>22,275</b>                                 | <b>780,084</b>                               | <b>25,563</b>                           | <b>165,208</b>         | <b>41,700</b>                 | <b>7,928</b>               | <b>1,470,809</b> | <b>1,418,799</b> |
| <b>Accumulated amortization</b>       |                  |   |   |  |   |                        |                               |                            |                  |                  |
| Average annual amortization rates (%) | 17 - 23.4        | 20  | Indefinite useful life                        | Indefinite useful life                       | Indefinite useful life                  | Indefinite useful life | 6.7 - 25                      | 7                          |                  |                  |
| At January 1                          | (154,498)        | (60,551)                                    | (2,387)                                       |  |   | (3,295)                | (38,097)                      | (1,840)                    | (260,668)        | (227,365)        |
| Additions                             | (13,031)         | (7,161)                                     |   |  |   | (253)                  | (115)                         | (142)                      | (20,702)         | (18,059)         |
| Disposals and write-offs              | 5,820            | 7,868                                       |   |  |   |                        |                               |                            | 13,688           | 16,951           |
| Provision for store closures          | (568)            | (13)  |   |  |   |                        |                               |                            | (581)            |                  |
| <b>At March 31</b>                    | <b>(162,277)</b> | <b>(59,857)</b>                             | <b>(2,387)</b>                                |  |   | <b>(3,548)</b>         | <b>(38,212)</b>               | <b>(1,982)</b>             | <b>(268,263)</b> | <b>(228,473)</b> |
| <b>Net balance</b>                    |                  |   |   |  |   |                        |                               |                            |                  |                  |
| At January 1                          | 124,443          | 81,194                                      | 19,888  | 780,084                                      | 25,563                                  | 161,525                | 3,603                         | 6,088                      | 1,202,388        | 1,191,016        |
| At March 31                           | 121,381          | 84,536                                      | 19,888  | 780,084                                      | 25,563                                  | 161,660                | 3,488                         | 5,946                      | 1,202,546        | 1,190,326        |

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### (i) Goodwill on acquisition of companies

The goodwill arising on acquisition of companies is tested annually for impairment.

#### Goodwill on acquisition of Drogaria Vison Ltda.

Goodwill of R\$ 19,888 refers to the acquisition of Drogaria Vison Ltda. on February 13, 2008, which was merged into the Company from June 30, 2008.

The goodwill is based on the expected future profitability, as assessed by an independent expert, and was amortized from April to December 2008. As provided for in CPC Guidance (OCPC) 02, beginning in 2009, goodwill is no longer amortized, but is tested annually for ("impairment").

#### Goodwill on acquisition of Raia S.A.

The Company recorded goodwill of R\$ 780,084 arising from the business combination with Raia S.A., which occurred on November 10, 2011, based on the expected future profitability arising from the difference between the amounts of assets assigned and received.

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

The Company recorded goodwill of R\$ 25,563 arising from the business combination with 4Bio Medicamentos S.A., which occurred on October 1, 2015, whose amount was supplemented by the final adjustment of the price at March 31, 2016 of R\$ 2,040, which is based on expected future profitability arising from the difference between the amounts of assets assigned and 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 year. 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 20).

### (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**

| <b>Trade payables items</b> | <b>Parent Company</b> |                  | <b>Consolidated</b> |                  |
|-----------------------------|-----------------------|------------------|---------------------|------------------|
|                             | <b>Mar-2019</b>       | <b>Dec-2018</b>  | <b>Mar-2019</b>     | <b>Dec-2018</b>  |
| Goods suppliers             | 1,821,885             | 1,962,589        | 1,960,919           | 2,069,087        |
| Materials suppliers         | 7,958                 | 9,429            | 8,095               | 9,610            |
| Assets suppliers            | 14,822                | 18,932           | 14,993              | 19,224           |
| Service providers           | 47,080                | 57,687           | 48,127              | 58,846           |
| Adjustment to present value | (11,583)              | (15,017)         | (12,205)            | (15,493)         |
| <b>Total</b>                | <b>1,880,162</b>      | <b>2,033,620</b> | <b>2,019,929</b>    | <b>2,141,274</b> |

Certain suppliers have the option to assign Company notes, totaling R\$ 98,109 (R\$ 504,028 - Dec/2018), 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 these operations, there is no change in the average payment period when compared to the amounts payable to other suppliers. In addition, in these transactions there is no obligation that generates expenses for the Company.

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### 13. Borrowing

| Borrowing items   | Average annual long-term interest rate | Parent Company   |                | Consolidated     |                |
|---|--|------------------|----------------|------------------|----------------|
|   |  | Mar-2019         | Dec-2018       | Mar-2019         | Dec-2018       |
| <b>BNDES - Sub-loan</b>   |  |                  |                |                  |                |
| Businesses  | TJLP + 2.12% (+2.12% - Dec/2018) p.a.  | 61,984           | 69,459         | 61,984           | 69,459         |
| Businesses  | SELIC + 2.35% (+2.35% - Dec/2018) p.a. | 74,318           | 82,348         | 74,318           | 82,348         |
| Machinery, equipment and vehicles   | TJLP + 2.02% (+2.02% - Dec/2018) p.a.  | 10,670           | 11,821         | 10,670           | 11,821         |
| Machinery, equipment and vehicles   | PSI + 9.50% (+ 9.54% - Dec/2018) p.a.  | 1,990            | 2,596          | 1,990            | 2,596          |
| Machinery, equipment and vehicles   | SELIC + 2.42% (2.42% - Dec/2018) p.a.  | 48               | 53             | 48               | 53             |
| Working capital   | SELIC + 2.42% (+2.42% - Dec/2018) p.a. | 9,185            | 17,703         | 9,185            | 17,703         |
| Other   |  | 1,854            | 2,053          | 1,854            | 2,053          |
| <b>Debentures</b>   |  |                  |                |                  |                |
| 1 <sup>st</sup> issue of debentures   | 104.75% of CDI                         | 239,189          | 235,424        | 239,189          | 235,424        |
| 2 <sup>nd</sup> issue of debentures   | 104.50% of CDI                         | 412,142          | 404,787        | 412,142          | 404,787        |
| 3 <sup>rd</sup> issue of debentures - Certificate of Real Estates Receivables | 98.5% of CDI                           | 243,965          |                | 243,965          |                |
| <b>Borrowing</b>  |  |                  |                |                  |                |
| Other   |  |                  |                | 22,943           | 16,906         |
| <b>Total</b>  |  | <b>1,055,345</b> | <b>826,244</b> | <b>1,078,288</b> | <b>843,150</b> |
| Current liabilities   |  | 257,822          | 256,033        | 280,765          | 272,939        |
| Non-current liabilities   |  | 797,523          | 570,211        | 797,523          | 570,211        |

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### Characteristics of 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 Others line. Part of the Company's borrowing from BNDES has been taken out in the form of sub-loans, totaling R\$ 160,049 (R\$ 186,033 - Dec/ 2018), 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, 2018, 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.

Non-current amounts mature as follows:

|                     | <u>Parent Company</u> | <u>Consolidated</u> |
|---------------------|-----------------------|---------------------|
|                     | <u>Mar-2019</u>       | <u>Mar-2019</u>     |
| 2020                | 215,845               | 215,845             |
| 2021                | 168,137               | 168,137             |
| 2022 and thereafter | 413,541               | 413,541             |
|                     | <u>797,523</u>        | <u>797,523</u>      |

### Characteristics of the Debentures

On February 1, 2019, the Company approved, through the Extraordinary Meeting of the Board of Directors, the 3<sup>rd</sup> 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 semi-annual, 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 will be 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 will be issued with guarantee in the "CRI" Debentures, object of a public offering of distribution under CVM400.

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| <u>Type of issue</u>                  | <u>Issue amount</u> | <u>Quantity outstanding</u> | <u>Issue</u> | <u>Maturity</u> | <u>Annual charges</u> | <u>Unit price</u> |
|---------------------------------------|---------------------|-----------------------------|--------------|-----------------|-----------------------|-------------------|
| 3 <sup>rd</sup> issue – single series | R\$ 250,000         | 250,000                     | 3/15/2019    | 2019-2026       | 98.5%                 | R\$ 1             |

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

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

(\*) Weighted average rate of series.

The amortization of the principal related to the 2<sup>nd</sup> issue of debentures will occur in 9 semiannual consecutive installments, the first being from the 12<sup>th</sup> 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:

| <u>Type of issue</u>                  | <u>Issue amount</u> | <u>Quantity outstanding</u> | <u>Issue</u> | <u>Maturity</u> | <u>Annual charges</u> | <u>Unit price</u> |
|---------------------------------------|---------------------|-----------------------------|--------------|-----------------|-----------------------|-------------------|
| 1 <sup>st</sup> 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 - 1<sup>st</sup> issue, 2018 - 2<sup>nd</sup> issue and 2019 - 3<sup>rd</sup> issue), including fees, commissions and other costs, totaled R\$ 8,951 and are classified in the line item of the respective debentures and are being recognized over the total period of the debt. At March 31, 2019, the amount to be recognized was R\$ 7,874 (R\$ 1,260 - Dec/2018), and is presented net in the debentures balance.

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

(i) Net Debt / EBITDA: cannot exceed 3.0 times.

The calculation of net debt, the basis for determining the covenants calculation of the Company's debentures, comprises of the balances of loans, financing and debentures. As described in Note 14, the lease obligations are being presented in a separate heading in the quarterly information, and therefore, do not compose the net debt calculation.

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

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



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### Reconciliation of net debt

The analysis of and changes in net debt are as follows:

| <b>Analysis of and changes in net debt</b> | <b>Parent Company</b> |                 | <b>Consolidated</b> |                 |
|--|-----------------------|-----------------|---------------------|-----------------|
|  | <b>Mar-2019</b>       | <b>Dec-2018</b> | <b>Mar-2019</b>     | <b>Dec-2018</b> |
| Short-term borrowings                      | 257,822               | 256,033         | 280,765             | 272,939         |
| Long-term borrowings                       | 797,523               | 570,211         | 797,523             | 570,211         |
| Total debt                                 | 1,055,345             | 826,244         | 1,078,288           | 843,150         |
| (-) Cash and cash equivalents              | (240,279)             | (238,153)       | (243,596)           | (241,568)       |
| <b>Net debt</b>                            | <b>815,066</b>        | <b>588,091</b>  | <b>834,692</b>      | <b>601,582</b>  |

| <b>Changes in net debt</b>                       | <b>Parent Company</b> |                             |                 |
|--|-----------------------|-----------------------------|-----------------|
|  | <b>Borrowing</b>      | <b>Cash and equivalents</b> | <b>Net debt</b> |
| <b>Net debt at January 1, 2019</b>               | 826,244               | (238,153)                   | 588,091         |
| Capital contribution                             | 244,141               |                             | 244,141         |
| Accrued interest                                 | 14,483                |                             | 14,483          |
| Payment of interest                              | (2,138)               |                             | (2,138)         |
| Amortization of principal                        | (27,993)              |                             | (27,993)        |
| Transaction cost                                 | 608                   |                             | 608             |
| (Increase) decrease in cash and cash equivalents |                       | (2,126)                     | (2,126)         |
| <b>Net debt at March 31, 2019</b>                | <b>1,055,345</b>      | <b>(240,279)</b>            | <b>815,066</b>  |

| <b>Changes in net debt</b>                       | <b>Consolidated</b> |                             |                 |
|--|---------------------|-----------------------------|-----------------|
|  | <b>Borrowing</b>    | <b>Cash and equivalents</b> | <b>Net debt</b> |
| <b>Net debt at January 1, 2019</b>               | 843,150             | (241,568)                   | 601,582         |
| Capital contribution                             | 265,244             |                             | 265,244         |
| Accrued interest                                 | 14,790              |                             | 14,790          |
| Payment of interest                              | (2,270)             |                             | (2,270)         |
| Amortization of principal                        | (43,234)            |                             | (43,234)        |
| Transaction cost                                 | 608                 |                             | 608             |
| (Increase) decrease in cash and cash equivalents |                     | (2,028)                     | (2,028)         |
| <b>Net debt at March 31, 2019</b>                | <b>1,078,288</b>    | <b>(243,596)</b>            | <b>834,692</b>  |

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### 14. Lease

The Group leases land and real estate properties for its office space and retail stores. Operating real estate leases usually have term of 5 to 20 years, residential real estate leases usually have term of 2 years, and lease agreements for distribution/administrative centers usually have term of 5 to 20 years. Some leases include a renewal option for an additional period equal to the initial lease term, after the expiration of the lease agreement term. The Group also leases vehicles, with lease term of 3 years. At the end of the lease agreement term, the Group conducts new negotiations of leases.

Some lease agreements provide for additional lease payments based on sales that the Group makes in the leased property within the period. The Group subleases part of some of the properties under operating and finance leases.

The measurements associated with the right-of-use asset were made taking into account the following assumptions:

- Beginning of the lease term: the Group defined that the lease term begins on the date it becomes entitled to use the leased property. Thus, the Group determined the date of signature of the lease contracts, when it starts controlling the operating aspects of the leased property, such as its refurbishing, remodeling and preparation for the leasehold improvement;
- Lease term: period for which the Group contracted the lease. The Group adopted the term of each new contract and assumptions detailed below or, when applicable, added by Law 8,245/91 ("Landlord-Tenant Law"), which grants to lessee (the Company and its subsidiary) the right to enforceable lease renewals (enforceable right) when certain conditions are satisfied.
  - Commercial leases: given that type of contract involves variable terms, the following assumptions were considered:
    - Contracts with original term of less than 10 years and that are already in a period after the main term of the contract: in this case the contract term shall be the residual period;
    - Contracts with original term of less than 10 years and that still have the renewal period to go: in this case the contract term will be the residual period;
    - Contracts with original term of less than 10 years and close to the expiry date (one year) of the main contract: in this case a renewal period will be included;
    - Contracts with original term of more than 10 years and close to the expiry date (one year): an additional renewal term will be considered in the contract term;
    - Contracts with original term of more than 10 years and already within the renewal period: only the residual period of the contract will be considered;
  - Warehouses and Distribution Centers: contract term;
  - Residential real estate: contract term;
  - Vehicles: contract term.

The renewal options are assessed as probable only by the Group and not by the lessors. The Group assesses at the inception of the lease whether exercise of the renewal options is reasonably certain and reassesses whether exercise of the options is still reasonably certain if there is a significant event or a significant change in the circumstances under its control;

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- **Contracts with indefinite term:** the Group is lessee in some contracts with indefinite term. Considering that both the lessor and the lessee have the right to terminate the contract at any time at their discretion, the Group's understanding is that these contracts should be treated as lease, by recording the lease expense in the statement of income for the year over the lease term;
- **Fixed payments in essence:** these are payments during the lease term that the Company is or may be required to make. The Group determined that fixed payments in essence correspond to the amounts determined to be fixed by the lessor (minimum contractual rental amount). The Company did not consider, for the purposes of measuring the right-of-use asset and the lease liability, the variable lease payments based on sales, services and taxes, which are recorded as expenses in the statement of income for the year over the lease term;
- **Variable payments:** for these contracts, the Group recognizes a monthly lease expense;
- **Fixed + variable payments:** for such contracts, the Group segregates the components of lease payments and the fixed portion is included in the determination of the lease liability and the variable portion is recognized as a monthly lease expense, as well as payments related to property taxes payable by the lessor and insurance payments made by the lessor. These amounts are generally determined annually;
- **Incremental interest rate of tenant financing:** for all related party and third party contracts, the Group considered interest rates required to acquire assets under similar conditions to those leased as of the date of lease contract signature. After analysis, the real discount rate was estimated in 2.94% p.a. and corresponds to the debentures raised on April 2, 2018, as described in Note 13 (reference in % CDI accumulated on December 31, 2018, net of inflation of 2018). The Group opted for using the practical expedient to use a single real discount rate in accordance with the respective terms for contracts with similar characteristics.
- **Depreciation of right-of-use asset:** The lease agreements of the Group do not have clauses allowing it to buy the leased asset (store or distribution center) at the end of the lease term. In this way, the useful life of these assets, in the absence of impairment, shall be the contractual lease term, whichever the shortest. The Group allocates depreciation of right-of-use asset on a systematic and straight-line basis. It should be emphasized that the Company will periodically review the useful life of the right-of-use asset, for any case of changes in its strategic business plans and in lessors' intention of not terminating the contract;
- **Interest expenses on lease agreements:** Interest expenses are recognized as finance costs and allocated to each period during the lease term;
- **Impairment of right-of-use asset:** the Group will continue applying Technical Pronouncement CPC 01 – Impairment of Assets, and will periodically carry out an assessment of impairment indicators, based on managerial profitability measurement parameters of the stores and distribution centers.

In the financial statements for 2018, the Group presented, in Note 23, the commitments assumed with lease agreements in accordance with nominal future minimum payments of store rents, based on the terms established in the contracts signed.

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These agreements were remeasured at present value, considering also the renewal options exercisable by the Group, and the lease amounts recognized in the right-of-use asset on January 1, 2019 were as follows:

|  | <b>Parent<br/>Company<br/>2019</b> | <b>Consolidated<br/>2019</b> |
|--|------------------------------------|------------------------------|
| Commitments of operating leases disclosed at December 31, 2018 | 2,412,005                          | 2,414,679                    |
| Remeasurement  | 1,238,421                          | 1,239,912                    |
| <b>Lease liability recognized at January 1, 2019</b>           | <b>3,650,426</b>                   | <b>3,654,591</b>             |

Information on the leases for which the Group is a lessee is presented below:

### As a lessee

#### Right-of-use asset

The changes in the Parent Company's right-of-use asset were as follows:

|                           | <b>Operating<br/>real estate</b> | <b>Residential<br/>real estate</b> | <b>Distribution/<br/>administrative<br/>centers</b> | <b>Vehicles</b> | <b>Total</b>     |
|---------------------------|----------------------------------|------------------------------------|---|-----------------|------------------|
| At January 1              | 3,361,490                        | 6,229                              | 281,063   | 1,644           | 3,650,426        |
| New agreements            | 63,731                           | 7,397                              | 49,577  |                 | 120,705          |
| Termination of agreements | (11,506 )                        | (371 )                             |   |                 | (11,877)         |
| Depreciation              | (124,508 )                       | (2,072 )                           | (8,706 )  | (541 )          | (135,827)        |
| <b>At March 31</b>        | <b>3,289,207</b>                 | <b>11,183</b>                      | <b>321,934</b>                                      | <b>1,103</b>    | <b>3,623,427</b> |

The changes in the consolidated right-of-use asset were as follows:

|                           | <b>Operating<br/>real estate</b> | <b>Residential<br/>real estate</b> | <b>Distribution/<br/>administrative<br/>centers</b> | <b>Vehicles</b> | <b>Total</b>     |
|---------------------------|----------------------------------|------------------------------------|---|-----------------|------------------|
| At January 1              | 3,361,490                        | 6,229                              | 285,228   | 1,644           | 3,654,591        |
| New agreements            | 63,731                           | 7,397                              | 50,217  |                 | 121,345          |
| Termination of agreements | (11,506 )                        | (371 )                             |   |                 | (11,877)         |
| Depreciation              | (124,508 )                       | (2,072 )                           | (9,038 )  | (541 )          | (136,159)        |
| <b>At March 31</b>        | <b>3,289,207</b>                 | <b>11,183</b>                      | <b>326,407</b>                                      | <b>1,103</b>    | <b>3,627,900</b> |

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### Lease liabilities

|   | <u>Parent Company</u> | <u>Consolidated</u> |
|---|-----------------------|---------------------|
|   | <u>Mar-2019</u>       | <u>Mar-2019</u>     |
| <b>Analysis of maturities - Lease liabilities</b> |                       |                     |
| Less than 1 year                                  | (504,273 )            | (505,688 )          |
| 1 - 5 years                                       | (2,405,860 )          | (2,409,259 )        |
| Over 5 years                                      | (729,917 )            | (729,917 )          |
| <b>Total</b>                                      | <b>(3,640,050 )</b>   | <b>(3,644,864 )</b> |
| <b>Lease liabilities in the balance sheet</b>     |                       |                     |
| <b>At March 31</b>                                |                       |                     |
| Current   | (504,273 )            | (505,688 )          |
| Non-current                                       | (3,135,777 )          | (3,139,176 )        |

### Amount recognized in the statement of income

|  | <u>Parent Company</u>              | <u>Consolidated</u>                |
|--|------------------------------------|------------------------------------|
|  | <u>1<sup>st</sup> Quarter-2019</u> | <u>1<sup>st</sup> Quarter-2019</u> |
| <b>Amount recognized in the statement of income – lease</b>            |                                    |                                    |
| Amortization of right-of-use asset                                     | 135,827                            | 136,162                            |
| Interest on lease liabilities  | 26,848                             | 26,881                             |
| Variable payments not included in the measurement of lease liabilities | 4,449                              | 4,607                              |
| Revenue on subleases of right-of-use assets                            | (558)                              | (558)                              |
| Expenses related to short-term and/or low-value leases                 | 4,944                              | 4,944                              |
| <b>Total</b>   | <b>171,510</b>                     | <b>172,036</b>                     |

### Amount recognized in the statement of cash flow

|   | <u>Parent Company</u> | <u>Consolidated</u> |
|---|-----------------------|---------------------|
|   | <u>Mar-2019</u>       | <u>Mar-2019</u>     |
| <b>Statement of Cash Flow</b>           |                       |                     |
| Non-cash items                          |                       |                     |
| Initial recognition of lease agreements | 3,650,426             | 3,654,591           |
| New agreements                          | 120,705               | 121,345             |
| Termination of agreements               | (11,877)              | (11,877)            |
| In operating activities:                |                       |                     |
| Lease monetary adjustment               | 26,848                | 26,880              |
| Interest paid on lease                  | (26,848 )             | (26,880 )           |
| In financing activities:                |                       |                     |
| Payment of lease liabilities            | (119,236 )            | (119,468 )          |

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### (i) Payment of variable leases based on sales

Some operating real estate leases contain variable lease payments based on a percentage of 1% 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 March 31, 2019 amounted to R\$ 675 in Parent company and consolidated.

### (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.

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

|                                    | <b>Parent<br/>Company/<br/>Consolidated</b> |
|------------------------------------|---|
| <b>Undiscounted lease payments</b> | <b>Mar-2019</b>                             |
| Less than 1 year                   | 1,635                                       |
| 1 - 2 years                        | 661   |
| 2 - 3 years                        | 215   |
| 3 - 4 years                        | 78  |
| 4 - 5 years                        | 10  |
| <b>Total</b>                       | <b>2,599</b>                                |

## 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.

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At March 31, 2019 and December 31, 2018, the Group had the following provision and corresponding judicial deposits relating to legal proceedings:

| <b>Judicial deposits items</b>     | <b>Parent Company</b> |                 | <b>Consolidated</b> |                 |
|------------------------------------|-----------------------|-----------------|---------------------|-----------------|
|                                    | <b>Mar-2019</b>       | <b>Dec-2018</b> | <b>Mar-2019</b>     | <b>Dec-2018</b> |
| Labor and social security          | 70,905                | 73,146          | 70,905              | 73,146          |
| Tax                                | 642                   | 642             | 642                 | 642             |
| Civil                              | 769                   | 700             | 769                 | 700             |
| <b>Subtotal</b>                    | <b>72,316</b>         | <b>74,488</b>   | <b>72,316</b>       | <b>74,488</b>   |
| (-)Corresponding judicial deposits | (24,535)              | (23,099)        | (24,535)            | (23,099)        |
| <b>Total</b>                       | <b>47,781</b>         | <b>51,389</b>   | <b>47,781</b>       | <b>51,389</b>   |
| Current liabilities                | 3,486                 | 2,512           | 3,486               | 2,512           |
| Non-current liabilities            | 44,295                | 48,877          | 44,295              | 48,877          |

Changes in the provision are as follows:

| <b>Changes in the provision</b>                                 | <b>Parent Company</b> |                 | <b>Consolidated</b> |                 |
|---|-----------------------|-----------------|---------------------|-----------------|
|   | <b>Mar-2019</b>       | <b>Dec-2018</b> | <b>Mar-2019</b>     | <b>Dec-2018</b> |
| At January 1  | 74,488                | 25,318          | 74,488              | 25,318          |
| Additions of new lawsuits and review of estimate <sup>(i)</sup> | 6,904                 | 66,433          | 6,904               | 66,433          |
| Write-offs  | (10,177)              | (28,589)        | (10,177)            | (28,589)        |
| Reversals due to changes in lawsuits                            | (2,536)               | (889)           | (2,536)             | (889)           |
| Revaluation of amounts <sup>(ii)</sup>                          | (741)                 | 9,656           | (741)               | 9,656           |
| Monetary restatement  | 4,378                 | 2,559           | 4,378               | 2,559           |
| <b>Closing balance</b>  | <b>72,316</b>         | <b>74,488</b>   | <b>72,316</b>       | <b>74,488</b>   |

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 23).

(i) For labor contingencies, management adopts a provisioning methodology based on the history of indemnities by groups of positions and the index of origin for conversion to actual loss, applied to lawsuits in progress, in their various stages, in order to better evaluate the elements of each claim that are likely to be lost. As a result of an increase observed in the volume and speed of judgment of the Company's labor lawsuits at the courts during 2018, in connection with the revision of the provision assumptions, they started considering also labor lawsuits that were still pending judgment before the courts, until then excluded from the analysis due to their initial stage and absence of sufficient parameters to evaluate the estimate of financial loss. As a result of these changes, the labor provision was complemented by R\$ 40,415 at December 31, 2018.

(ii) Refers to the revaluation of amounts to be disbursed related to labor lawsuits in phase of judgment or decision.

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### Possible losses

At March 31, 2019 and December 31, 2018, the Group was party to legal proceedings of a tax and civil nature, the likelihood of loss in which is estimated as possible by management and its legal advisors, amounting to R\$ 45,464 (R\$ 45,444 - Dec/2018) for the parent company and consolidated, of which R\$ 1,021 (R\$ 1,379 - Dec/2018) corresponds to civil proceedings, and R\$ 44,443 (R\$ 44,065 - Dec/2018) to tax proceedings.

### Judicial deposits

At March 31, 2019 and December 31, 2018, the Group had the following judicial deposit amounts for which no corresponding provision had been set up:

| <b>Analysis of judicial deposits</b> | <b>Parent Company</b> |                 | <b>Consolidated</b> |                 |
|--------------------------------------|-----------------------|-----------------|---------------------|-----------------|
|                                      | <b>Mar-2019</b>       | <b>Dec-2018</b> | <b>Mar-2019</b>     | <b>Dec-2018</b> |
| Labor and social security            | 9,045                 | 10,461          | 9,045               | 10,461          |
| Tax                                  | 11,496                | 11,409          | 11,496              | 11,409          |
| Civil                                | 3,830                 | 3,900           | 3,830               | 3,900           |
| <b>Total</b>                         | <b>24,371</b>         | <b>25,770</b>   | <b>24,371</b>       | <b>25,770</b>   |

### 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 assumed upon the acquisition of Raia S.A., 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.

### 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.



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### 16. Income tax and social contribution

#### (a) Income tax and social contribution paid

Effective income tax and social contribution for the quarters were as follows:

|   | Parent Company                 |                                | Consolidated                   |                                |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | 1 <sup>st</sup> Quart-<br>2019 | 1 <sup>st</sup> Quart-<br>2018 | 1 <sup>st</sup> Quart-<br>2019 | 1 <sup>st</sup> Quart-<br>2018 |
| Profit before income tax and social contribution                      | 100,862                        | 159,328                        | 101,130                        | 160,009                        |
| Interest on capital   | (57,000)                       | (51,000)                       | (57,000)                       | (51,000)                       |
| Taxable profit  | 43,862                         | 108,328                        | 44,130                         | 109,009                        |
| Combined tax rate (25% for income tax and 9% for social contribution) | 34                             | 34                             | 34                             | 34                             |
| Theoretical tax expense   | (14,913)                       | (36,832)                       | (15,004)                       | (37,063)                       |
| Permanent additions   | (2,471)                        | (2,127)                        | (2,485)                        | (2,153)                        |
| Equity in the results of investees                                    | 821                            | 139                            |                                |                                |
| Reduction of taxes due to incentives (P.A.T.)                         | 189                            | 417                            | 189                            | 428                            |
| Adjustment related to offset of tax losses                            |                                | 29                             |                                | 67                             |
| Investment grant (i)  | 3,986                          |                                | 6,620                          |                                |
| Other (revaluation reserve + additional income tax exemption ceiling) | 29                             |                                | 29                             |                                |
| Effective income tax and social contribution expense                  | (12,359)                       | (38,374)                       | (10,651)                       | (38,721)                       |
| Effective tax rate  | 12.3%                          | 24.1%                          | 10.5%                          | 24.2%                          |

(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 CONFAZ 190/17, and the amendment to Law 12,973 / 2014. The effect of the adjusted amount on the calculation of IRPJ/CSLL amounted to R\$ 3,986 for the parent company and R\$ 6,620 for the consolidated accounts.

#### (b) Deferred income tax and social contribution

Deferred income tax and social contribution assets amounting to R\$ 64,294 at March 31, 2019 (R\$ 66,826 – Dec/ 2018) for the parent company and R\$ 69,886 at March 31, 2019 (R\$ 70,844 – Dec/2018) 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\$ 305,214 at March 31, 2019 (R\$ 305,928 - Dec/2018) for the parent company and R\$ 307,753 at March 31, 2019 (R\$ 308,601 - Dec/2018) for the consolidated accounts relate to tax charges on the remaining balances of: (i) the revaluation reserve; and (ii) goodwill from future profitability.

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Deferred income tax and social contribution for the quarters were as follows:

|  | Balance sheet    |                  |                  |                  | Statement of income            |                                |                                |                                |
|--|------------------|------------------|------------------|------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | Parent Company   |                  | Consolidated     |                  | Parent Company                 |                                | Consolidated                   |                                |
|  | Mar-2019         | Dec-2018         | Mar-2019         | Dec-2018         | 1 <sup>st</sup> Quarter - 2019 | 1 <sup>st</sup> Quarter - 2018 | 1 <sup>st</sup> Quarter - 2019 | 1 <sup>st</sup> Quarter - 2018 |
| <b>Temporary differences</b>   |                  |                  |                  |                  |                                |                                |                                |                                |
| Revaluation at fair value of land and buildings                      | (6,954)          | (6,976)          | (6,954)          | (6,976)          |                                |                                |                                |                                |
| Amortization of the goodwill on future profitability                 | (243,934)        | (243,995)        | (243,934)        | (243,995)        | 61                             | (10,640)                       | 61                             | (10,640)                       |
| Non-deductible intangible assets - merger of Raia S.A.               | (54,326)         | (54,957)         | (54,326)         | (54,957)         | 631                            | 632                            | 631                            | 632                            |
| Non-deductible intangible assets - acquisition of 4Bio               |                  |                  | (2,539)          | (2,673)          |                                |                                | 134                            | 135                            |
| Tax losses to be offset against future taxable profits               |                  |                  | 4,713            | 3,163            |                                |                                | 1,550                          |                                |
| Adjustment to fair value   | 2,391            | 2,091            | 2,391            | 2,091            | 300                            | 458                            | 300                            | 458                            |
| Provision for inventory losses                                       | 10,049           | 13,560           | 10,049           | 13,560           | (3,512)                        | (2,856)                        | (3,512)                        | (2,856)                        |
| Provision for sundry obligations                                     | 12,837           | 10,713           | 13,031           | 10,935           | 2,148                          | 3,661                          | 2,120                          | 3,685                          |
| Provision for employee profit sharing                                | 7,771            | 14,254           | 8,144            | 14,730           | (6,484)                        | (5,733)                        | (6,587)                        | (5,810)                        |
| Provision for contingencies  | 24,587           | 25,326           | 24,587           | 25,326           | (762)                          | 231                            | (762)                          | 231                            |
| Provision for impairment of trade receivables                        | 1,018            | 882              | 1,308            | 1,039            | 137                            | (930)                          | 270                            | (730)                          |
| Lease (depreciation x consideration) (i)                             | 5,641            |                  | 5,663            |                  | 5,641                          |                                | 5,663                          |                                |
| <b>Deferred income tax and social contribution expense (benefit)</b> |                  |                  |                  |                  | <b>(1,840)</b>                 | <b>(15,177)</b>                | <b>(132)</b>                   | <b>(14,895)</b>                |
| <b>Deferred tax liabilities, net</b>                                 | <b>(240,920)</b> | <b>(239,102)</b> | <b>(237,867)</b> | <b>(237,757)</b> |                                |                                |                                |                                |
| Reflected in the balance sheet as follows:                           |                  |                  |                  |                  |                                |                                |                                |                                |
| Deferred tax assets  | 64,294           | 66,826           | 69,886           | 70,844           |                                |                                |                                |                                |
| Deferred tax liabilities   | (305,214)        | (305,928)        | (307,753)        | (308,601)        |                                |                                |                                |                                |
| <b>Deferred tax liabilities, net</b>                                 | <b>(240,920)</b> | <b>(239,102)</b> | <b>(237,867)</b> | <b>(237,757)</b> |                                |                                |                                |                                |
| <b>Reconciliation of deferred tax assets (liabilities), net</b>      |                  |                  |                  |                  |                                |                                |                                |                                |
| <b>At the beginning of the year</b>                                  | (239,102)        | (226,217)        | (237,757)        | (228,715)        |                                |                                |                                |                                |
| Expense recognized in the statement of income                        | (1,840)          | (12,975)         | (132)            | (9,132)          |                                |                                |                                |                                |
| Realization of deferred tax recognized in equity                     | 22               | 90               | 22               | 90               |                                |                                |                                |                                |
| <b>Balance at the end of the year</b>                                | <b>(240,920)</b> | <b>(239,102)</b> | <b>(237,867)</b> | <b>(237,757)</b> |                                |                                |                                |                                |

(i) Refers to the deferred tax effect of lease liabilities recorded as from January 1, 2019.

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### (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 recovery according to the following schedule:

| <b>Payment forecast</b> | <b>Parent Company</b> | <b>Consolidated</b> |
|-------------------------|-----------------------|---------------------|
|                         | <b>Mar-2019</b>       | <b>Mar-2019</b>     |
| 2019                    | 34,345                | 34,345              |
| 2020                    | 10,448                | 10,448              |
| 2021                    | 16,483                | 16,483              |
| 2022 and thereafter     | 3,018                 | 8,610               |
| <b>Total</b>            | <b>64,294</b>         | <b>69,886</b>       |

### 17. 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 year. 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 following table presents profit and stock information used for calculating basic and diluted earnings per share:

| <b>Earnings per share items</b>                                       | <b>Parent Company/<br/>Consolidated</b>      |  |
|---|--|--|
|   | <b>1<sup>st</sup><br/>Quarter -<br/>2019</b> | <b>1<sup>st</sup><br/>Quarter<br/>- 2018</b> |
| <b>Basic</b>  |  |  |
| Profit for the year   | 88,503                                       | 120,954                                      |
| Weighted average number of common shares                              | 329,437                                      | 329,615                                      |
| <b>Basic earnings per share - R\$</b>                                 | <b>0.26865</b>                               | <b>0.36696</b>                               |
| <b>Diluted</b>  |  |  |
| Profit for the year   | 88,503                                       | 120,954                                      |
| Weighted average number of common shares adjusted for dilution effect | 329,315                                      | 328,962                                      |
| <b>Diluted earnings per share - R\$</b>                               | <b>0.26875</b>                               | <b>0.36768</b>                               |

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### 18. Equity

#### (a) Capital

At March 31, 2019, the fully paid-up capital amounted to R\$ 1,808,639 (R\$ 1,808,639 - Dec/ 2018), represented by 330,386,000 common registered book-entry shares with no par value, of which 213,742,100 shares were outstanding (214,459,215 common shares - Dec/ 2018).

Pursuant to the Company's bylaws, it is authorized to increase its capital up to the limit of 400,000,000 common shares, subject to the approval of the Board of Directors.

At March 31, 2019, the Company's ownership interest was as follows:

| Ownership interest       | Number of shares   |                    | Interest (%)  |               |
|--------------------------|--------------------|--------------------|---------------|---------------|
|                          | Mar-2019           | Dec-2018           | Mar-2019      | Dec-2018      |
| Controlling stockholders | 115,882,546        | 114,880,213        | 35.07         | 34.77         |
| Shares outstanding       | 213,742,100        | 214,459,215        | 64.69         | 64.91         |
| Treasury shares          | 761,354            | 1,046,572          | 0.24          | 0.32          |
| <b>Total</b>             | <b>330,386,000</b> | <b>330,386,000</b> | <b>100.00</b> | <b>100.00</b> |

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 shares outstanding of the Company was as follows:

| Changes                                   | Shares outstanding |
|---|--------------------|
| At December 31, 2018                      | 214,459,215        |
| (Purchase)/sale of restricted shares, net | (717,115)          |
| <b>At March 31, 2019</b>                  | <b>213,742,100</b> |

At March 31, 2019, the Company's common shares were quoted at R\$ 65.30 (closing quote) (R\$ 57.15 at December 31, 2018).

#### (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 CONFAZ 190/17 agreement and amendment of Law 12,973 / 2014. Set up in accordance with the provisions of article 195-A of the Brazilian Corporation Law (as amended by Law 11,638, of 2007), this reserve receives the portion of government subsidiary recognized in profit for the year, 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.

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### (c) Treasury shares

On August 3, 2017, 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 March 31, 2019 are summarized below:

| <b>Changes in treasury shares</b>  | <b>Parent Company</b>   |                         |
|--|-------------------------|-------------------------|
|  | <b>Number of shares</b> | <b>Amount of shares</b> |
| At December 31, 2018   | 1,046,572               | 55,466                  |
| Shares delivered to executives related to the 3 <sup>rd</sup> tranche of the 2014 grant, 2 <sup>nd</sup> tranche of the 2016 grant and 1 <sup>st</sup> tranche of the 2017 grant | (284,552)               | (15,081)                |
| Shares delivered to executives related to the 1st tranche of the 2017 grant of 4Bio  | (666)                   | (35)                    |
| <b>At March 31, 2019</b>   | <b>761,354</b>          | <b>40,350</b>           |

At March 31, 2019, the market value of the treasury shares, having as reference the quotation of R\$ 65.30 per share at that date, corresponds to R\$ 49,716.

### (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, provided that, every year, 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:

| <b>Change in restricted share</b>        | <b>Mar-2019</b> |               | <b>Dec-2018</b> |               |
|--|-----------------|---------------|-----------------|---------------|
|  | <b>Shares</b>   | <b>Amount</b> | <b>Shares</b>   | <b>Amount</b> |
| Opening balance                          | 499,797         | 23,940        | 485,242         | 18,863        |
| Granted shares for the period            | 43,364          | 3,150         | 239,137         | 12,459        |
| Value of the shares at the delivery date | (285,218)       | (12,794)      | (224,582)       | (7,382)       |
| <b>Closing balance</b>                   | <b>257,943</b>  | <b>14,296</b> | <b>499,797</b>  | <b>23,940</b> |

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### 19. Net sales revenue

| Net revenue items                | Parent Company             |                            | Consolidated               |                            |
|----------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                  | 1 <sup>st</sup> Quart-2019 | 1 <sup>st</sup> Quart-2018 | 1 <sup>st</sup> Quart-2019 | 1 <sup>st</sup> Quart-2018 |
| Gross sales revenue              |                            |                            |                            |                            |
| Sales revenue                    | 3,938,295                  | 3,441,815                  | 4,150,880                  | 3,600,530                  |
| Service revenue                  | 3,047                      | 3,420                      | 3,042                      | 3,439                      |
| <b>Total gross sales revenue</b> | <b>3,941,342</b>           | <b>3,445,235</b>           | <b>4,153,922</b>           | <b>3,603,969</b>           |
| Taxes on sales                   | (147,178)                  | (129,961)                  | (165,788)                  | (140,547)                  |
| Returns, rebates and other       | (30,347)                   | (26,638)                   | (34,783)                   | (29,844)                   |
| <b>Net sales revenue</b>         | <b>3,763,817</b>           | <b>3,288,636</b>           | <b>3,953,351</b>           | <b>3,433,578</b>           |

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).

### 20. 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 follows:

| Nature of expenses                               | Parent Company             |                            | Consolidated               |                            |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
|  | 1 <sup>st</sup> Quart-2019 | 1 <sup>st</sup> Quart-2018 | 1 <sup>st</sup> Quart-2019 | 1 <sup>st</sup> Quart-2018 |
| Personnel expenses                               | (491,781)                  | (421,367)                  | (499,131)                  | (427,278)                  |
| Occupancy expenses (i)                           | (59,152)                   | (164,280)                  | (59,484)                   | (164,931)                  |
| Service provider expenses                        | (46,222)                   | (39,350)                   | (46,546)                   | (39,604)                   |
| Depreciation and amortization (ii)               | (252,971)                  | (95,471)                   | (253,979)                  | (96,037)                   |
| Other (iii)                                      | (134,920)                  | (117,353)                  | (140,947)                  | (122,762)                  |
| <b>Total</b>                                     | <b>(985,046)</b>           | <b>(837,821)</b>           | <b>(1,000,087)</b>         | <b>(850,612)</b>           |
| <b>Classified in the statement of income as:</b> |                            |                            |                            |                            |
| Function of expenses                             | 1 <sup>st</sup> Quart-2019 | 1 <sup>st</sup> Quart-2018 | 1 <sup>st</sup> Quart-2019 | 1 <sup>st</sup> Quart-2018 |
| Selling expenses                                 | (876,248)                  | (748,978)                  | (887,751)                  | (759,043)                  |
| General and administrative                       | (108,798)                  | (88,843)                   | (112,336)                  | (91,569)                   |
| <b>Total</b>                                     | <b>(985,046)</b>           | <b>(837,821)</b>           | <b>(1,000,087)</b>         | <b>(850,612)</b>           |

(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\$ 252,971 in the first quarter of 2019 (R\$ 95,471 - 1<sup>st</sup> Quarter-2018) for the parent company, of which R\$ 237,468 (R\$ 84,128 - 1<sup>st</sup> Quarter-2018) correspond to the sales area and R\$ 115,503 (R\$ 11,343 - 1<sup>st</sup> Quarter-2018) to the administrative area, and R\$ 253,979 (R\$ 96,037 - 1<sup>st</sup> Quarter-2018) for the consolidated accounts, of which R\$ 237,641 (R\$ 84,203 - 1<sup>st</sup> Quarter-2018) refers to the sales area and R\$ 16,338 (R\$ 11,834 - 1<sup>st</sup> Quarter-2018) to the administrative area. The change in the balance is mostly due to the amortization of the right-of-use of the leases described in Note 14.

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(iii) These refer mostly to expenses on cards/cash/checks, transportation, materials, other administrative expenses, maintenance of assets, advertising and publicity.

### 21. Other operating (income)/expenses

Other operating (income)/ expenses totaled R\$ 5,205 in the first quarter of 2019 for the consolidated accounts. These amounts comprise non-recurring expenses/revenues, related to: (i) consultancy and advisory expenses of R\$ 5,152; (ii) credits from prior years, mainly related to PIS and COFINS, in the amount of R\$ (3,958); transportation expenses due to the closing of the Barra Mansa DC in the amount of R\$ 1,605; (iv) write-off of property and equipment and intangible assets due to the closure of stores in the amount of R\$ 2,406.

### 22. Finance income and costs

#### (a) Finance income

|   | Parent Company                 |                                | Consolidated                   |                                |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | 1 <sup>st</sup> Quart-<br>2019 | 1 <sup>st</sup> Quart-<br>2018 | 1 <sup>st</sup> Quart-<br>2019 | 1 <sup>st</sup> Quart-<br>2018 |
| <b>Finance income items</b>                     |                                |                                |                                |                                |
| Discounts obtained                              | 498                            | 354                            | 544                            | 361                            |
| Short term investment yields                    | 1,013                          | 2,074                          | 1,013                          | 2,074                          |
| Interest on intercompany loans                  | 689                            | 669                            |                                |                                |
| Monetary gains                                  | 2,313                          | 580                            | 2,387                          | 666                            |
| Other finance income                            |                                |                                | 46                             | 76                             |
| Taxes thereon (PIS/COFINS)                      | (117)                          | (171)                          | (117)                          | (171)                          |
| Present Value Adjustment (PVA) - finance income | 12,010                         | 12,297                         | 13,781                         | 13,461                         |
| <b>Total finance income</b>                     | <b>16,406</b>                  | <b>15,803</b>                  | <b>17,654</b>                  | <b>16,467</b>                  |

#### (b) Finance costs

|                                      | Parent Company                 |                                | Consolidated                   |                                |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                                      | 1 <sup>st</sup> Quart-<br>2019 | 1 <sup>st</sup> Quart-<br>2018 | 1 <sup>st</sup> Quart-<br>2019 | 1 <sup>st</sup> Quart-<br>2018 |
| <b>Finance cost items</b>            |                                |                                |                                |                                |
| Discounts granted to customers       | (7)                            |                                | (46)                           | (17)                           |
| Interest, charges and bank fees      | (254)                          | (134)                          | (619)                          | (277)                          |
| Charges on debentures                | (10,742)                       | (5,070)                        | (10,742)                       | (5,070)                        |
| Amortization of transaction costs    | (248)                          | (97)                           | (248)                          | (97)                           |
| Charges on borrowings                | (3,741)                        | (6,059)                        | (3,741)                        | (6,059)                        |
| Monetary losses (i)                  | (30,273)                       | 4,621                          | (30,470)                       | 4,506                          |
| Interest on payables to Subsidiary's |                                |                                |                                |                                |
| Subsidiary                           | (883)                          | (1,348)                        | (883)                          | (1,348)                        |
| PVA - finance costs                  | (24,753)                       | (23,224)                       | (26,146)                       | (24,243)                       |
| <b>Total finance costs</b>           | <b>(70,901)</b>                | <b>(31,311)</b>                | <b>(72,895)</b>                | <b>(32,605)</b>                |
| <b>Finance income (costs), net</b>   | <b>(54,495)</b>                | <b>(15,508)</b>                | <b>(55,241)</b>                | <b>(16,138)</b>                |

(i) The change in the balance is mostly due to interest on the leases described in Note 14.

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### 23. Guarantees for lawsuits

The items of property and equipment were given as security for tax, social security and labor proceedings in the amount of R\$ 106 (R\$ 111 – Dez/2018) for the parent company and consolidated accounts.

### 24. Financial instruments and risk management policy

Financial instruments by category

| Financial instruments items                             | Parent Company   |                  | Consolidated     |                  |
|---|------------------|------------------|------------------|------------------|
|   | Mar-2019         | Dec-2018         | Mar-2019         | Dec-2018         |
| <b>Assets</b>   |                  |                  |                  |                  |
| <u>At amortized cost</u>                                |                  |                  |                  |                  |
| Cash and cash equivalents (Note 5)                      | 240,279          | 238,153          | 243,596          | 241,568          |
| Trade receivables (Note 6)                              | 965,832          | 805,649          | 1,096,151        | 937,389          |
| Other receivables                                       | 218,116          | 196,148          | 178,375          | 156,847          |
| Judicial deposits (Note 15)                             | 24,371           | 25,770           | 24,371           | 25,770           |
| <b>Subtotal</b>   | <b>1,448,599</b> | <b>1,265,720</b> | <b>1,542,493</b> | <b>1,361,574</b> |
| <b>Total assets</b>                                     | <b>1,448,599</b> | <b>1,265,720</b> | <b>1,542,493</b> | <b>1,361,574</b> |
| <b>Liabilities</b>                                      |                  |                  |                  |                  |
| <u>Liabilities at fair value through profit or loss</u> |                  |                  |                  |                  |
| Payables to subsidiary's shareholder (Note 9)           | 37,263           | 36,380           | 37,263           | 36,380           |
| <b>Subtotal</b>   | <b>37,263</b>    | <b>36,380</b>    | <b>37,263</b>    | <b>36,380</b>    |
| <u>Other financial liabilities</u>                      |                  |                  |                  |                  |
| Trade payables  | 1,880,162        | 2,033,620        | 2,019,929        | 2,141,274        |
| Borrowings (Note 13)                                    | 1,055,345        | 826,244          | 1,078,288        | 843,150          |
| Other payables  | 118,196          | 150,141          | 119,523          | 151,940          |
| <b>Subtotal</b>   | <b>3,053,703</b> | <b>3,010,005</b> | <b>3,217,740</b> | <b>3,136,364</b> |
| <b>Total liabilities</b>                                | <b>3,090,966</b> | <b>3,046,385</b> | <b>3,255,003</b> | <b>3,172,744</b> |

### 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.

#### (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.



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### Interest rate risk

Most of the BNDES transactions are entered into based on the TJLP + interest and on the SELIC rate. Short-term 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   |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | Mar-2019       | Dec-2018       | Mar-2019       | Dec-2018       |
| <b>Rating - National Scale</b>  |                |                |                |                |
| brAAA                           | 146,187        | 62,622         | 149,369        | 65,251         |
| brAA+                           | 283            | 14,680         | 285            | 15,464         |
| brA                             | 830            | 729            | 830            | 729            |
| (*) n/a - Automatic investments | 292            | 59,860         | 420            | 59,860         |
| (*) n/a - Investment Funds      | 2,410          | 2,381          | 2,410          | 2,381          |
| <b>Total - National Scale</b>   | <b>150,002</b> | <b>140,272</b> | <b>153,314</b> | <b>143,685</b> |

(\*) 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 March 31, 2019, credit sales represented 52% (52% - Dec2018) for the parent company and 55% (54% - Dec/2018) for the consolidated accounts of which 93% (92% - Dec/2018) for the parent company and 86% (86% - Dec/2018) for the consolidated accounts related to credit card sales which, based on the history of losses, posed an extremely low risk. The remaining 7% (8% - Dec/2018) and 14% (14% - Dec/2018) 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.

### (d) Sensitivity analysis

The table below presents a sensitivity analysis of financial instruments that are exposed to losses.

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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 | 148,837         | 744                   | 930         | 1,116        |
| <b>Revenue</b>               |               |                 | <b>744</b>            | <b>930</b>  | <b>1,116</b> |
| REFIS (SELIC)                | 0.5% increase | 1,156           | 6                     | 7           | 9            |
| <b>Expense</b>               |               |                 | <b>6</b>              | <b>7</b>    | <b>9</b>     |
| Consolidated                 |               |                 |                       |             |              |
| Operation                    | Risk          | Notional amount | Scenario I (probable) | Scenario II | Scenario III |
| Short term investments - CDI | 0.5% increase | 151,849         | 759                   | 949         | 1,139        |
| <b>Revenue</b>               |               |                 | <b>759</b>            | <b>949</b>  | <b>1,139</b> |
| REFIS (SELIC)                | 0.5% increase | 1,156           | 6                     | 7           | 9            |
| <b>Expense</b>               |               |                 | <b>6</b>              | <b>7</b>    | <b>9</b>     |

The risk of variations in the TJLP 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

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The increase in the gearing ratio at March 31, 2019 was mainly due to the issue of debentures (Note 13) and consequent use of the resources obtained in the Company's investments and operation.

|   | Parent Company   |                  | Consolidated     |                  |
|---|------------------|------------------|------------------|------------------|
|   | Mar-2019         | Dec-2018         | Mar-2019         | Dec-2018         |
| <b>Capital management items</b>                               |                  |                  |                  |                  |
| Short - and long-term borrowings                              | 1,055,345        | 826,244          | 1,078,288        | 843,150          |
| (-) Cash and cash equivalents                                 | (240,279)        | (238,153)        | (243,596)        | (241,568)        |
| <b>Net debt</b>   | <b>815,066</b>   | <b>588,091</b>   | <b>834,692</b>   | <b>601,582</b>   |
| Equity attributable to the stockholders of the parent company | 3,534,549        | 3,499,857        | 3,534,549        | 3,499,857        |
| Non-controlling interest                                      |                  |                  | 36,888           | 34,910           |
| Total equity  | 3,534,549        | 3,499,857        | 3,571,437        | 3,534,767        |
| <b>Total capital</b>  | <b>4,349,615</b> | <b>4,087,948</b> | <b>4,406,129</b> | <b>4,136,349</b> |
| <b>Gearing ratio</b>  | <b>18.74</b>     | <b>14.39</b>     | <b>18.94</b>     | <b>14.54</b>     |

|   | Parent Company   |                  | Consolidated     |                  |
|---|------------------|------------------|------------------|------------------|
|   | Mar-2019         | Dec-2018         | Mar-2019         | Dec-2018         |
| <b>Adjusted net debt with lease liabilities</b> |                  |                  |                  |                  |
| Net debt  | 815,066          | 588,091          | 834,692          | 601,582          |
| Lease liabilities                               | 3,640,050        |                  | 3,644,624        |                  |
| <b>Adjusted net debt</b>                        | <b>4,455,116</b> | <b>588,091</b>   | <b>4,479,316</b> | <b>601,582</b>   |
| Total equity                                    | 3,534,549        | 3,499,857        | 3,571,437        | 3,534,767        |
| <b>Total adjusted capital</b>                   | <b>7,989,665</b> | <b>4,087,948</b> | <b>8,050,753</b> | <b>4,136,349</b> |
| <b>Adjusted gearing ratio</b>                   | <b>55.76</b>     | <b>14.39</b>     | <b>55.64</b>     | <b>14.54</b>     |

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. On March 31, 2019, the balance of lease liabilities in the Parent Company and Consolidated, corresponded to R\$ 3,640,050 and R\$ 3,644,624, respectively. Considering the lease liability in the capital management calculation, the leverage ratio of the Company and the Group would be 55.76% in the Parent Company and 55.64% in the Consolidated.

### (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 adjustment to present value, 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.

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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       |                |
|                       | Mar-2019         | Dec-2018       | Mar-2019         | Dec-2018       | Mar-2019         | Dec-2018       | Mar-2019         | Dec-2018       |
| BNDES                 | 160,049          | 186,033        | 160,036          | 185,996        | 160,049          | 186,033        | 160,036          | 185,996        |
| Debentures            | 895,296          | 640,211        | 895,374          | 640,256        | 895,296          | 640,211        | 895,374          | 640,256        |
| Other                 |                  |                |                  |                | 22,943           | 16,906         | 22,943           | 16,906         |
| <b>Total</b>          | <b>1,055,345</b> | <b>826,244</b> | <b>1,055,410</b> | <b>826,252</b> | <b>1,078,288</b> | <b>843,150</b> | <b>1,078,353</b> | <b>843,158</b> |

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.

At March 31, 2019, 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 March 31, 2019:

| Changes in payables to Subsidiary's shareholder  | Parent company and consolidated |              |
|--|---------------------------------|--------------|
|  | Mar-2019                        | Mar-2018     |
| Opening balance  | 36,380                          | 47,515       |
| Expenses /(Revenue) recognized in the statement of income:                                       | 883                             | 1,348        |
| Closing balance  | 37,263                          | 48,863       |
| <b>Total expenses /(revenues) for the year recognized in the statement of income</b>             | <b>883</b>                      | <b>1,348</b> |
| <b>Changes in unrealized expenses (revenue) for the year included in the statement of income</b> | <b>883</b>                      | <b>1,348</b> |

### Lease liabilities

As described in note 14, as from January 1, 2019, the Group recorded in its balance sheet the obligations associated to lease agreements where it has control. At March 31, 2019, the balance of lease liabilities in Parent company and Consolidated corresponded to R\$ 3,650,050 and R\$ 3,644,624, respectively.

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Considering the lease liability in the calculation of capital management, the gearing ratio of the Company and the Group would be as follows:

| <b>Items of capital management</b>                      | <b>Parent company</b> | <b>Consolidated</b> |
|---|-----------------------|---------------------|
|   | <b>Mar-2019</b>       | <b>Mar -2019</b>    |
| Short and long-term financing                           | 1,055,345             | 1,078,288           |
| Lease liability   | 3,640,050             | 3,644,624           |
| (-) Cash and cash equivalents                           | (240,279 )            | (243,596)           |
| <b>Net debt</b>   | <b>4,455,116</b>      | <b>4,479,316</b>    |
| Equity attributable to the owners of the Parent company | 3,534,549             | 3,534,549           |
| Nontcontrolling interests                               | 0                     | 36,888              |
| Total equity  | 3,534,549             | 3,571,437           |
| <b>Total capital</b>                                    | <b>7,989,665</b>      | <b>8,050,753</b>    |
| <b>Gearing ratio (%)</b>                                | <b>55.76</b>          | <b>55.64</b>        |

### 25. Derivative financial instruments

The Group does not operate with derivative instruments, except in specific situations. At March 31, 2019 and December 31, 2018, the Group did not have any derivative transactions.

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### 26. 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                  |                               |
|---|---------------------------|----------------|---------------|--------------|------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   |                           | Current assets |               |              |            | Transacted amount             |                               |                               |                               |
|   |                           | Mar-2019       | Dec-2018      | Mar-2019     | Dec-2018   | 1 <sup>st</sup> Quarter -2019 | 1 <sup>st</sup> Quarter -2018 | 1 <sup>st</sup> Quarter -2019 | 1 <sup>st</sup> Quarter -2018 |
| <b>Receivables</b>  |                           |                |               |              |            |                               |                               |                               |                               |
| Special plans (i)   |                           |                |               |              |            |                               |                               |                               |                               |
| Regimar Comercial S.A.  | Stockholder/Family        | 12             | 8             | 12           | 8          | 22                            | 99                            | 22                            | 99                            |
| Heliomar Ltda.  | Stockholder/Board Member  | 1              | 1             | 1            | 1          | 3                             | 13                            | 3                             | 13                            |
| Rodrigo Wright Pipponzi (Editora Mol Ltda.)                           | Stockholder/Family        | 1              | 1             | 1            | 1          | 2                             | 4                             | 2                             | 4                             |
| Subtotal  |                           | 14             | 10            | 14           | 10         | 27                            | 116                           | 27                            | 116                           |
| <b>Other receivables</b>  |                           |                |               |              |            |                               |                               |                               |                               |
| Commercial agreements   |                           |                |               |              |            |                               |                               |                               |                               |
| Natura Cosméticos S.A. (ii)   | Stockholder/Related party | 82             | 102           | 82           | 102        | 173                           | 173                           | 173                           | 173                           |
| Advances to suppliers   |                           |                |               |              |            |                               |                               |                               |                               |
| Cfly Consultoria e Gestão Empresarial Ltda. (iii)                     | Family                    | 246            | 414           | 246          | 414        |                               |                               |                               |                               |
| Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire – Advogados (iv) | Stockholder/Family        |                | 3             |              | 3          |                               |                               |                               |                               |
| Loan and other receivables  |                           |                |               |              |            |                               |                               |                               |                               |
| 4Bio Medicamentos S.A. (v)  | Subsidiary                | 42,083         | 41,395        |              |            | 790                           | 800                           |                               |                               |
| Subtotal  |                           | 42,411         | 41,914        | 328          | 519        | 963                           | 973                           | 173                           | 173                           |
| <b>Total payables to related parties</b>                              |                           | <b>42,425</b>  | <b>41,924</b> | <b>342</b>   | <b>529</b> | <b>990</b>                    | <b>1,089</b>                  | <b>200</b>                    | <b>289</b>                    |

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| Related parties   | Relationship              | Parent Company      |              | Consolidated |              | Parent Company                |                               | Consolidated                  |                               |
|---|---------------------------|---------------------|--------------|--------------|--------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   |                           | Current liabilities |              |              |              | Transacted amount             |                               |                               |                               |
|   |                           | Mar-2019            | Dec-2018     | Mar-2019     | Dec-2018     | 1 <sup>st</sup> Quarter -2019 | 1 <sup>st</sup> Quarter -2018 | 1 <sup>st</sup> Quarter -2019 | 1 <sup>st</sup> Quarter -2018 |
| <b>Payables</b>   |                           |                     |              |              |              |                               |                               |                               |                               |
| Rentals (ii)  |                           |                     |              |              |              |                               |                               |                               |                               |
| Heliomar Ltda.  | Stockholder/Board Member  | 22                  | 21           | 22           | 21           | 60                            | 51                            | 60                            | 51                            |
| Antonio Carlos Pipponzi   | Stockholder/Board Member  | 7                   | 7            | 7            | 7            | 23                            | 23                            | 23                            | 23                            |
| Rosalia Pipponzi Raia   | Stockholder/Board Member  | 7                   | 7            | 7            | 7            | 23                            | 23                            | 23                            | 23                            |
| Estate of Franco Maria David Pietro Pipponzi                        | Stockholder/Board Member  | 3                   | 7            | 3            | 7            | 23                            | 23                            | 23                            | 23                            |
| Subtotal  |                           | 39                  | 42           | 39           | 42           | 129                           | 120                           | 129                           | 120                           |
| Service providers   |                           |                     |              |              |              |                               |                               |                               |                               |
| Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire Advogados (iv) | Stockholder/Family        |                     |              |              |              | 2,781                         | 1,316                         | 2,781                         | 1,316                         |
| Rodrigo Wright Pipponzi (Editora Mol Ltda.) (vii)                   | Stockholder/Family        | 714                 | 924          | 714          | 924          | 2,344                         | 2,172                         | 2,344                         | 2,172                         |
| Cfly Consultoria e Gestão Empresarial Ltda. (iii)                   | Family                    | 34                  | 34           | 34           | 34           | 621                           | 621                           | 621                           | 621                           |
| FMA Assessoria e Consultoria (viii)                                 | Stockholder/Board Member  |                     |              |              |              | 30                            | 20                            | 30                            | 20                            |
| Subtotal  |                           | 748                 | 958          | 748          | 958          | 5,776                         | 4,129                         | 5,776                         | 4,129                         |
| Goods suppliers   |                           |                     |              |              |              |                               |                               |                               |                               |
| Natura Cosméticos S.A. (ii)   | Stockholder/Related party | 2,102               | 632          | 2,102        | 632          | 2,557                         | 1,203                         | 2,557                         | 1,203                         |
| Subtotal  |                           | 2,102               | 632          | 2,102        | 632          | 2,557                         | 1,203                         | 2,557                         | 1,203                         |
| <b>Total payables to related parties</b>                            |                           | <b>2,889</b>        | <b>1,632</b> | <b>2,889</b> | <b>1,632</b> | <b>8,462</b>                  | <b>5,452</b>                  | <b>8,462</b>                  | <b>5,452</b>                  |

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- (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 S.A.
- (iii) Provision of services of aircraft operation to the owner Raia Drogasil S.A., 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 and 2017 loan transactions between Raia Drogasil S.A. (Lender) and 4Bio Medicamentos S.A. (Borrower) were carried out in the amounts of R\$ 14,000 and R\$ 20,100, respectively. All loan agreements are monetarily restated by 110% of the CDI, and mature in December 2019.

Other receivables comprises commissions on Raia Drogasil referrals (R\$ 37).

- (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.

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 as follows:

| Compensation items         | Parent Company                 |                                | Consolidated                   |                                |
|----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                            | 1 <sup>st</sup> Quart-<br>2019 | 1 <sup>st</sup> Quart-<br>2018 | 1 <sup>st</sup> Quart-<br>2019 | 1 <sup>st</sup> Quart-<br>2018 |
| Fees and social charges    | 4,388                          | 3,705                          | 4,840                          | 4,148                          |
| Bonuses and social charges | 5,896                          | 3,216                          | 5,915                          | 3,188                          |
| Fringe benefits            | 105                            | 385                            | 105                            | 385                            |
| <b>Total</b>               | <b>10,389</b>                  | <b>7,306</b>                   | <b>10,860</b>                  | <b>7,721</b>                   |



(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

## Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

### 27. 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 coverage at March 31, 2019:

| Insurance items       | Parent Company |          | Consolidated |          |
|-----------------------|----------------|----------|--------------|----------|
|                       | Mar-2019       | Dec-2018 | Mar-2019     | Dec-2018 |
| Inventory loss risks  | 365,509        | 182,449  | 423,825      | 217,837  |
| Permanent assets      | 414,257        | 289,479  | 424,164      | 296,619  |
| Loss of profits       | 242,556        | 242,556  | 335,743      | 293,670  |
| Civil liability risks | 38,424         | 38,424   | 40,000       | 40,000   |

### 28. Non-cash transactions

At March 31, 2019, the main transactions that did not involve the Group's cash were:

- (i) the restatement of the financial liability arising from the payables to Subsidiary's shareholder (Note 9);
- (ii) part of the compensation of key management personnel associated with the restricted share plan (Note 26);
- (iii) the installment purchase of property and equipment items in the amount of R\$ 14,822 (R\$ 18,932 - Dec/2018); and
- (iv) Recognition of lease liability with a balancing item to the right-of-use asset on January 1, 2019, adjusted to present value in the amount of R\$ 3,654,591, additions of new agreements in the amount of R\$ 121,345 and termination of agreements in the amount of (R\$ 11,877).

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

### Comment on the Behavior of Business Projections

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 projections for 2016 and 2017 were disclosed to the market on July 28, 2016, while the projections for 2018 and 2019 were disclosed on November 9, 2017.

| YEAR | PRIOR PROJECTION | CURRENT PROJECTION | ACTUAL ACCUMULATED <sup>1</sup> |
|------|------------------|--------------------|---------------------------------|
| 2016 | 165 openings     | 200 openings       | 212 openings                    |
| 2017 | 195 openings     | 200 openings       | 210 openings                    |
| 2018 |                  | 240 openings       | 173 openings                    |
| 2019 |                  | 240 openings       |                                 |

<sup>1</sup> For 2018, accumulated until 09/30/2018.

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 Company has ended 2017 with 210 store openings, and reiterate the projection of 240 openings for 2018 and 2019.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

## **Report on review of quarterly information**

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

### **Introduction**

We have reviewed the accompanying parent company and consolidated interim accounting information of Raia Drogasil S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2019, comprising the balance sheet at that date and the statements of income, comprehensive income, changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

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

### **Scope of review**

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

### **Conclusion on the interim information**

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA DROGASIL S.A.

## **Reports and Statements / Report on Special Review - Without Exceptions**

### **Other matters**

#### **Statements of value added**

We have also reviewed the parent company and consolidated statements of value added for the quarter ended March 31, 2019. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo, April 29, 2019

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Renato Barbosa Postal  
Contador CRC 1SP187382/O-0

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - 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 March 31, 2019 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 PricewaterhouseCoopers Auditores Independentes, the Supervisory Board members concluded that the documents above are fairly presented, in all material respects.

São Paulo, April 29, 2019.

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Gilberto Lério  
Supervisory Board member

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Fernando Carvalho Braga  
Supervisory Board member

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Mário Antonio Luiz Corrêa  
Supervisory Board member

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIÁ 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 officer represent that they have reviewed, discussed and agree with the conclusions expressed in the quarterly information (ITR) for the quarter ended March 31, 2019.

São Paulo, April 29, 2019.

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Marcilio D'Amico Pousada  
Chief Executive Officer

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Fernando Kozel Varela  
Officer

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Antonio Carlos Coelho  
Officer

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Renato Cepollina Raduan  
Officer

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Eugênio De Zagottis  
Officer

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Maria Susana de Souza  
Officer

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Marcello De Zagottis  
Officer

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2019 - RAIA 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 March 31, 2019.

São Paulo, April 29, 2019.

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Marcelio D'Amico Pousada  
Chief Executive Officer

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Fernando Kozel Varela  
Officer

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Antonio Carlos Coelho  
Officer

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Renato Cepollina Raduan  
Officer

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Eugênio De Zagottis  
Officer

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Maria Susana de Souza  
Officer

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Marcello De Zagottis  
Officer

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