(A free translation of the original in Portuguese)

Raia Drogasil S.A.

Quarterly Information (ITR) at September 30, 2019 and report on review of quarterly information

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2019 - RAIA DROGASIL S.A.

Contents

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Company information/capital composition

Number of shares (units)	Current quarter 9/30/2019
Paid-up share capital	
Common shares	330,386,000
Preferred shares	0
Total	330,386,000
Treasury shares	
Common shares	750,862
Preferred shares	0
Total	750,862

Company information/dividends

Event	Date approved	Description	Initial date of payment	Type of share	Class of share	Amount per share (Reais/share)
Board of Directors' Meeting	3/21/2019	Interest on capital	12/3/2019	Common		0.17292
Board of Directors' Meeting	6/21/2019	Interest on capital	12/3/2019	Common		0.16230
Board of Directors' Meeting	9/23/2019	Interest on capital	5/31/2020	Common		0.15774

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Quarterly information (ITR) - 9/30/2019 - RAIA DROGASIL S.A.

Parent company financial information/balance sheet - assets

(R$ thousand)

Code	Description	Current quarter 9/30/2019	Prior year 12/31/2018
1	Total assets	12,387,435	7,181,702
1.01	Current assets	5,280,404	4,316,297
1.01.01	Cash and cash equivalents	405,009	238,153
1.01.03	Trade receivables	1,280,904	960,440
1.01.03.01	Customers	1,080,494	805,649
1.01.03.01.01	Checks receivable	2,058	2,952
1.01.03.01.02	Credit and debit cards	1,025,850	751,560
1.01.03.01.03	PBM - Medicine benefit program	31,659	29,482
1.01.03.01.04	Agreements with companies	22,752	22,545
1.01.03.01.05	Bank slips/ Online transfer	0	2
1.01.03.01.06	(-) Provision for impairment of trade receivables	-1,825	-892
1.01.03.02	Other receivables	200,410	154,791
1.01.03.02.01	Advances to employees	12,333	6,694
1.01.03.02.02	Returns to suppliers	3,342	3,824
1.01.03.02.03	Commercial agreements	147,838	98,109
1.01.03.02.04	Receivables from subsidiaries	92	39
1.01.03.02.05	Other	36,805	46,125
1.01.04	Inventory	3,384,292	3,019,527
1.01.04.01	Goods for resale	3,396,498	3,029,399
1.01.04.02	Materials	1,385	1,268
1.01.04.03	(-) Allowance for losses on goods	-13,591	-11,140
1.01.06	Taxes recoverable	173,616	76,520
1.01.06.01	Current taxes recoverable	173,616	76,520
1.01.06.01.01	Taxes on profit	33,501	327
1.01.06.01.02	Other taxes recoverable	140,115	76,193
1.01.07	Prepaid expenses	36,583	21,657
1.02	Non-current assets	7,107,031	2,865,405
1.02.01	Long term receivables	458,012	113,670
1.02.01.04	Trade receivables	44,433	42,427
1.02.01.04.02	Other receivables	950	1,070
1.02.01.04.03	Receivables from subsidiaries	43,483	41,357
1.02.01.08	Prepaid expenses	578	1,128
1.02.01.10	Other non-current assets	413,001	70,115
1.02.01.10.03	Judicial deposits	28,318	25,770
1.02.01.10.04	Taxes recoverable	55,532	44,345
1.02.01.10.05	Credits of subsidiaries	329,151	0
1.02.02	Investments	49,297	40,108
1.02.02.01	Equity interests	49,297	40,108
1.02.02.01.02	Interests in subsidiaries	49,297	40,108
1.02.03	Property and equipment	5,386,541	1,543,685
1.02.04	Intangible assets	1,213,181	1,167,942

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2019 - RAIA DROGASIL S.A.

Parent company financial information/balance sheet - liabilities and equity

(R$ thousand)

Code	Description	Current quarter 9/30/2019	Prior year 12/31/2018
2	Total liabilities and equity	12,387,435	7,181,702
2.01	Current liabilities	3,665,167	2,776,886
2.01.01	Social security and labor obligations	340,038	232,300
2.01.01.01	Social security obligations	58,643	52,105
2.01.01.02	Labor obligations	281,395	180,195
2.01.02	Trade payables	2,142,280	2,033,620
2.01.02.01	Domestic suppliers	2,142,280	2,033,620
2.01.03	Tax obligations	92,737	87,826
2.01.03.01	Federal tax obligations	25,635	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	25,635	21,942
2.01.03.02	State tax obligations	64,025	59,185
2.01.03.03	Municipal tax obligations	3,077	3,552
2.01.04	Borrowing	244,464	256,033
2.01.04.01	Borrowing	73,431	92,715
2.01.04.01.01	In local currency	73,431	92,715
2.01.04.02	Debentures	171,033	163,318
2.01.04.02.01	Debentures	171,033	163,318
2.01.05	Other obligations	792,444	142,573
2.01.05.02	Other	792,444	142,573
2.01.05.02.01	Dividends and interest on capital	140,602	24,843
2.01.05.02.04	Rentals	56,731	78,618
2.01.05.02.05	Other payables	38,565	39,112
2.01.05.02.06	Lease liabilities	556,546	0
2.01.06	Provision	53,204	24,534
2.01.06.01	Provision for tax, social security, labor and civil contingencies	22,522	2,512
2.01.06.01.05	Provision for legal claims	22,522	2,512
2.01.06.02	Other provisions	30,682	22,022
2.01.06.02.04	Provisions for sundry obligations	30,682	22,022
2.02	Non-current liabilities	4,759,153	904,959
2.02.01	Borrowing	989,944	570,211
2.02.01.01	Borrowing	41,675	93,318
2.02.01.01.01	In local currency	41,675	93,318
2.02.01.02	Debentures	948,269	476,893
2.02.01.02.01	Debentures	948,269	476,893
2.02.02	Other obligations	3,535,114	46,769
2.02.02.02	Other	3,535,114	46,769
2.02.02.02.03	Tax recovery program (REFIS)	10,192	10,389
2.02.02.02.04	Payables to Subsidiary's shareholder	46,211	36,380
2.02.02.02.05	Lease liabilities	3,149,920	0
2.02.02.02.06	Payables of subsidiaries	328,791	0
2.02.03	Deferred taxes	173,252	239,102
2.02.03.01	Deferred income tax and social contribution	173,252	239,102
2.02.04	Provision	60,843	48,877
2.02.04.01	Provision for tax, social security, labor and civil contingencies	60,843	48,877
2.02.04.01.05	Provision for legal claims	60,843	48,877
2.03	Equity	3,963,115	3,499,857
2.03.01	Paid-up share capital	2,500,000	1,808,639
2.03.02	Capital reserves	126,572	116,363
2.03.04	Revenue reserves	830,713	1,593,063
2.03.04.01	Legal reserve	115,519	115,519
2.03.04.02	Statutory reserve	673,570	1,364,931
2.03.04.07	Tax incentive reserve	41,624	41,623
2.03.04.08	Proposed additional dividends	0	70,990
2.03.05	Retained earnings (accumulated deficit)	524,168	0
2.03.06	Carrying value adjustments	-18,338	-18,208

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2019 - RAIA DROGASIL S.A.

Parent company financial information/statement of income

(R$ thousand)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Accumulated - prior year 1/1/2019 to 9/30/2019	Same quarter - prior year 7/1/2018 to 9/30/2018	Accumulated - prior year 1/1/2018 to 9/30/2018
3.01	Net sales revenue	4,343,239	12,133,457	3,574,952	10,314,182
3.01.01	Gross sales revenue	4,554,626	12,712,695	3,744,790	10,802,338
3.01.02	Taxes on sales	-174,188	-479,525	-139,510	-402,115
3.01.03	Rebates	-37,199	-99,713	-30,328	-86,041
3.02	Cost of sales and/or services	-3,036,923	-8,412,418	-2,476,118	-7,115,994
3.03	Gross profit	1,306,316	3,721,039	1,098,834	3,198,188
3.04	Operating income/expenses	-816,389	-2,841,405	-915,113	-2,632,979
3.04.01	Selling expenses	-946,600	-2,731,876	-816,171	-2,347,747
3.04.02	General and administrative expenses	-129,012	-352,755	-96,527	-278,449
3.04.02.01	Administrative	0	0	-96,527	-278,449
3.04.05	Other operating expenses	289,852	268,627	-3,502	-9,742
3.04.05.01	Extraordinary expenses	289,852	268,627	-3,502	-9,742
3.04.06	Equity in the results of investees	-30,629	-25,401	1,087	2,959
3.05	Profit before finance results and taxes	489,927	879,634	183,721	565,209
3.06	Finance results	-67,528	-180,409	-26,178	-66,640
3.06.01	Finance income	20,277	51,461	18,427	51,780
3.06.02	Finance costs	-87,805	-231,870	-44,605	-118,420
3.07	Profit before income tax and social contribution	422,399	699,225	157,543	498,569
3.08	Income tax and social contribution	36,940	-12,940	-29,596	-113,210
3.08.01	Current	-23,239	-78,722	-27,895	-84,497
3.08.02	Deferred	60,179	65,782	-1,701	-28,713
3.09	Profit (loss) from continuing operations	459,339	686,285	127,947	385,359
3.11	Profit/loss for the period	459,339	686,285	127,947	385,359
3.99	Earnings per share - (Reais/share)				
3.99.01	Basic earnings per share - R$				
3.99.01.01	Common shares	1.39374	1.39374	0.38839	1.16978
3.99.02	Diluted earnings per share - R$				
3.99.02.01	Common shares	1.39481	1.39481	0.38858	1.17035

Parent company financial information/statement of comprehensive income

(R$ thousand)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Accumulated - prior year 1/1/2019 to 9/30/2019	Same quarter - prior year 7/1/2018 to 9/30/2018	Accumulated - prior year 1/1/2018 to 9/30/2018
4.01	Profit for the period	459,339	686,285	127,947	385,359
4.03	Comprehensive income for the period	459,339	686,285	127,947	385,359

(A free translation of the original in Portuguese)

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

(R$ thousand)

Code	Description	Accumulated - current year 1/1/2019 to 6/30/2019	Accumulated - prior year 1/1/2018 to 6/30/2018
6.01	Net cash provided by operating activities	657,778	365,574
6.01.01	Cash from operations	1,305,474	846,013
6.01.01.01	Profit before income tax and social contribution	699,222	498,569
6.01.01.02	Depreciation and amortization	796,566	300,050
6.01.01.03	Share-based compensation plan, net	10,172	9,287
6.01.01.04	Interest on payables to subsidiary	9,830	4,159
6.01.01.05	Result on disposal of property and equipment and intangible assets	11,535	7,272
6.01.01.06	Provision (reversal) for legal claims	-10,399	-3,677
6.01.01.07	Provision (reversal) for inventory losses	-230	-1,036
6.01.01.08	Provision (reversal) for impairment of trade receivables	-282	-4,124
6.01.01.09	Provision (reversal) for store closures	-12,403	-1,228
6.01.01.10	Interest expenses	50,156	42,583
6.01.01.11	Amortization of transaction cost of financing	1,989	-2,883
6.01.01.12	Equity in results of investees	25,402	-2,959
6.01.01.13	Interest expenses - leases	81,586	0
6.01.01.14	Gain acquired in Business Combination	-357,670	0
6.01.02	Changes in assets and liabilities	-421,213	-359,895
6.01.02.01	Trade receivables and other receivables	-247,291	-90,630
6.01.02.02	Inventory	-273,819	-276,201
6.01.02.03	Other current assets	81,635	-5,396
6.01.02.04	Long term receivables	-141,802	-46,764
6.01.02.05	Trade payables	69,001	25,219
6.01.02.06	Salaries and social charges	95,711	84,612
6.01.02.07	Taxes and contributions	11,657	-54,955
6.01.02.08	Other liabilities	5,582	-2,670
6.01.02.09	Rentals payable	-21,887	6,890
6.01.03	Other	-226,483	-120,544
6.01.03.01	Interest paid	-33,810	-19,708
6.01.03.02	Income tax and social contribution paid	-111,087	-100,836
6.01.03.03	Interest paid - leases	-81,586	0
6.02	Net cash used in investing activities	-410,175	-482,753
6.02.03	Purchases of property and equipment and intangible assets	-478,361	-480,663
6.02.04	Proceeds from sale of property and equipment	456	10
6.02.05	Loans granted to subsidiaries	-2,126	-2,100
6.02.06	Cash from merged company	69,856	0
6.03	Net cash used in financing activities	-80,747	131,664
6.03.01	Borrowing	543,141	400,587
6.03.02	Repayments of borrowing	-153,312	-134,820
6.03.03	Repurchase of shares	0	-46,925
6.03.04	Interest on capital and dividends paid	-93,646	-87,178
6.03.05	Leases paid	-376,930	0
6.05	Increase (decrease) in cash and cash equivalents	166,856	14,485
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	405,009	270,396

(A free translation of the original in Portuguese)

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

(R$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity
5.01	Opening balance	1,808,639	116,363	1,593,064	0	-18,208	3,499,858
5.03	Adjusted opening balance	1,808,639	116,363	1,593,064	0	-18,208	3,499,858
5.04	Equity transactions with owners	691,361	10,209	-762,351	-162,248	0	-223,029
5.04.01	Capital increases	691,361	0	-691,361	0	0	0
5.04.07	Interest on capital	0	0	0	-162,501	0	-162,501
5.04.08	Interest on capital of 2018 approved at the AGM of April 10, 2019	0	0	-70,990	0	0	-70,990
5.04.09	Restricted share plan - Vesting period	0	0	0	253	0	253
5.04.10	Restricted share plan - Delivery	0	10,171	0	0	0	10,171
5.04.11	Goodwill on sale of shares	0	-14,729	0	0	0	-14,729
5.04.12	Treasury shares - Delivery	0	-2,043	0	0	0	-2,043
5.04.13	Repurchase of shares	0	16,772	0	0	0	16,772
5.04.14	Restricted shares - 4Bio	0	3	0	0	0	3
5.04.15	Treasury shares - Delivery- 4Bio	0	35	0	0	0	35
5.05	Total comprehensive income	0	0	0	686,285	0	686,285
5.05.01	Profit for the period	0	0	0	686,285	0	686,285
5.06	Internal changes in equity	0	0	0	131	-131	0
5.06.02	Realization of revaluation reserve	0	0	0	198	-198	0
5.06.03	Taxes on realization of revaluation reserve	0	0	0	-67	67	0
5.07	Closing balance	2,500,000	126,572	830,713	524,168	-18,339	3.963,114

Parent company financial information/statement of changes in equity - 1/1/2018 to 9/30/2018

(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	150,829	1,281,078	0	-18,033	3,222,513
5.03	Adjusted opening balance	1,808,639	150,829	1,281,078	0	-18,033	3,222,513
5.04	Equity transactions with owners	0	-37,638	-52,602	-153,244	0	-243,484
5.04.07	Interest on capital	0	0	0	-153,500	0	-153,500
5.04.08	Interest on capital of 2017 approved at the AGM of March 28, 2017	0	0	-52,602	0	0	-52,602
5.04.09	Interest on capital expired	0	0	0	256	0	256
5.04.10	Restricted share plan - Vesting period	0	9,287	0	0	0	9,287
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 shares	0	-46,925	0	0	0	-46,925
5.05	Total comprehensive income	0	0	0	385,359	0	385,359
5.05.01	Profit for the period	0	0	0	385,359	0	385,359
5.06	Internal changes in equity	0	0	0	131	-131	0
5.06.02	Realization of revaluation reserve	0	0	0	199	-199	0
5.06.03	Taxes on realization of revaluation reserve	0	0	0	-68	68	0
5.07	Closing balance	1,808,639	113,191	1,228,476	232,246	-18,164	3,364,388

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2019 - RAIA DROGASIL S.A.

Parent company financial information/statement of value added

(R$ thousand)

Code	Description	Accumulated - current year 1/1/2019 to 9/30/2019	Accumulated - prior year 1/1/2018 to 9/30/2018
7.01	Revenue	12,614,020	10,721,061
7.01.01	Sales of products and services	12,612,982	10,716,305
7.01.02	Other income	787	632
7.01.04	Provision for/reversal of impairment of trade receivables	251	4,124
7.02	Inputs acquired from third parties	-8,017,328	-7,096,844
7.02.01	Cost of sales and services	-7,588,084	-6,487,525
7.02.02	Materials, energy, outsourced services and other	-429,450	-603,300
7.02.03	Impairment/recovery of assets	206	-6,019
7.03	Gross value added	4,596,692	3,624,217
7.04	Retentions	-796,564	-300,050
7.04.01	Depreciation, amortization and depletion	-796,564	-300,050
7.05	Net value added generated by the entity	3,800,128	3,324,167
7.06	Value added received through transfer	29,482	58,331
7.06.01	Equity in the results of investees	-25,401	2,959
7.06.02	Finance income	51,928	52,374
7.06.03	Other	2,955	2,998
7.07	Total value added to distribute	3,829,610	3,382,498
7.08	Distribution of value added	3,829,610	3,382,498
7.08.01	Personnel	1,299,528	1,106,204
7.08.01.01	Direct remuneration	993,441	867,277
7.08.01.02	Benefits	210,346	162,527
7.08.01.03	Unemployment compensation fund	95,741	76,400
7.08.02	Taxes and contributions	1,551,889	1,339,785
7.08.02.01	Federal	337,798	389,593
7.08.02.02	State	1,192,796	933,296
7.08.02.03	Municipal	21,295	16,896
7.08.03	Providers of capital	300,986	551,150
7.08.03.01	Interest	223,669	117,073
7.08.03.02	Rentals	77,317	434,077
7.08.04	Stockholders and the Company	677,207	385,359
7.08.04.01	Interest on capital	162,501	153,500
7.08.04.03	Profits reinvested/loss for the period	514,706	231,859

(A free translation of the original in Portuguese)

Consolidated financial information/balance sheet - assets

(R$ thousand)

Code	Description	Current quarter 9/30/2019	Prior year 12/31/2018
1	Total assets	12,582,526	7,352,005
1.01	Current assets	5,526,455	4,529,825
1.01.01	Cash and cash equivalents	406,681	241,568
1.01.03	Trade receivables	1,433,714	1,094,236
1.01.03.01	Customers	1,231,391	937,389
1.01.03.01.01	Checks receivable	137,715	120,058
1.01.03.01.02	Credit and debit cards	1,041,728	766,657
1.01.03.01.03	PBM - Medicine benefit program	31,659	29,482
1.01.03.01.04	Agreements with companies	22,752	22,545
1.01.03.01.05	Bank slip/ Online transfer	0	2
1.01.03.01.06	(-) Provision for impairment of receivables	-2,463	-1,355
1.01.03.02	Other receivables	202,323	156,847
1.01.03.02.01	Advances to employees	12,368	6,849
1.01.03.02.02	Returns to suppliers	3,342	3,824
1.01.03.02.03	Commercial agreements	149,196	99,376
1.01.03.02.05	Other	37,417	46,798
1.01.04	Inventory	3,462,288	3,087,275
1.01.04.01	Goods for resale	3,474,494	3,097,147
1.01.04.02	Materials	1,385	1,268
1.01.04.03	(-) Allowance for losses on goods	-13,591	-11,140
1.01.06	Taxes recoverable	186,639	84,852
1.01.06.01	Current taxes recoverable	186,639	84,852
1.01.06.01.01	Other taxes recoverable	38,042	4,868
1.01.06.01.02	Taxes on profit	148,597	79,984
1.01.07	Prepaid expenses	37,133	21,894
1.02	Non-current assets	7,056,071	2,822,180
1.02.01	Long term receivables	414,651	72,832
1.02.01.04	Trade receivables	1,072	1,589
1.02.01.04.02	Other receivables	1,072	1,589
1.02.01.08	Prepaid expenses	578	1,128
1.02.01.10	Other non-current assets	413,001	70,115
1.02.01.10.03	Judicial deposits	28,318	25,770
1.02.01.10.04	Taxes recoverable	55,532	44,345
1.02.01.10.05	Credits of subsidiaries	329,151	0
1.02.03	Property and equipment	5,394,511	1,546,960
1.02.04	Intangible assets	1,246,909	1,202,388

(A free translation of the original in Portuguese)

Consolidated financial information/balance sheet - liabilities and equity

(R$ thousand)

Code	Description	Current quarter 9/30/2019	Prior year 12/31/2018
2	Total liabilities and equity	12,582,526	7,352,005
2.01	Current liabilities	3,821,688	2,913,445
2.01.01	Social security and labor obligations	346,203	237,541
2.01.01.01	Social security obligations	59,361	52,862
2.01.01.02	Labor obligations	286,842	184,679
2.01.02	Trade payables	2,279,946	2,141,274
2.01.02.01	Domestic suppliers	2,279,946	2,141,274
2.01.03	Tax obligations	99,021	92,964
2.01.03.01	Federal tax obligations	25,919	25,870
2.01.03.01.01	Income tax and social contribution payable	20	3,493
2.01.03.01.02	Other federal tax obligations	25,899	22,377
2.01.03.02	State tax obligations	70,025	63,541
2.01.03.03	Municipal tax obligations	3,077	3,553
2.01.04	Borrowing	247,469	272,939
2.01.04.01	Borrowing	76,436	109,621
2.01.04.01.01	In local currency	76,436	109,621
2.01.04.02	Debentures	171,033	163,318
2.01.04.02.01	Debentures	171,033	163,318
2.01.05	Other obligations	795,845	144,193
2.01.05.02	Other	795,845	144,193
2.01.05.02.01	Dividends and interest on capital	140,602	24,843
2.01.05.02.04	Rentals	56,731	78,653
2.01.05.02.05	Other payables	40,513	40,697
2.01.05.02.06	Lease liabilities	557,999	0
2.01.06	Provision	53,204	24,534
2.01.06.01	Provision for tax, social security, labor and civil contingencies	22,522	2,512
2.01.06.01.05	Provision for legal claims	22,522	2,512
2.01.06.02	Other provisions	30,682	22,022
2.01.06.02.04	Provisions for sundry obligations	30,682	22,022
2.02	Non-current liabilities	4,755,288	903,793
2.02.01	Borrowing	989,944	570,211
2.02.01.01	Borrowing	41,675	93,318
2.02.01.01.01	In local currency	41,675	93,318
2.02.01.02	Debentures	948,269	476,893
2.02.01.02.01	Debentures	948,269	476,893
2.02.02	Other obligations	3,538,147	46,948
2.02.02.02	Other	3,538,147	46,948
2.02.02.01.03	Tax recovery program (REFIS)	10,334	10,568
2.02.02.01.04	Payables to Subsidiary's shareholder	46,211	36,380
2.02.02.01.05	Lease liabilities	3,152,811	0
2.02.02.01.06	Payables of subsidiaries	328,791	0
2.02.03	Deferred taxes	166,354	237,757
2.02.03.01	Deferred income tax and social contribution	166,354	237,757
2.02.04	Provision	60,843	48,877
2.02.04.01	Provision for tax, social security, labor and civil contingencies	60,843	48,877
2.02.04.01.05	Provision for legal claims	60,843	48,877
2.03	Consolidated equity	4,005,550	3,534,767
2.03.01	Paid-up share capital	2,500,000	1,808,639
2.03.02	Capital reserves	126,572	116,363
2.03.04	Revenue reserves	830,713	1,593,063
2.03.04.01	Legal reserve	115,519	115,519
2.03.04.02	Statutory reserve	673,570	1,364,931
2.03.04.07	Tax incentive reserve	41,624	41,623
2.03.04.08	Proposed additional dividends	0	70,990
2.03.05	Retained earnings (accumulated deficit)	524,168	0
2.03.06	Carrying value adjustments	-18,338	-18,208
2.03.09	Noncontrolling interests	42,435	34,910

Consolidated financial information/statement of income

(R$ thousand)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Accumulated - prior year 1/1/2019 to 9/30/2019	Same quarter - prior year 7/1/2018 to 9/30/2018	Accumulated - prior year 1/1/2018 to 9/30/2018
3.01	Net sales revenue	4,601,641	12,780,486	3,756,814	10,804,380
3.01.01	Gross sales revenue	4,843,418	13,438,022	3,944,677	11,340,224
3.01.02	Taxes on sales	-198,803	-542,088	-153,458	-439,009
3.01.03	Rebates	-42,974	-115,448	-34,405	-96,835
3.02	Cost of sales and/or services	-3,265,229	-8,993,127	-2,640,038	-7,556,647
3.03	Gross profit	1,336,412	3,787,359	1,116,776	3,247,733
3.04	Operating income/expenses	-844,480	-2,903,009	-930,546	-2,675,216
3.04.01	Selling expenses	-968,317	-2,777,441	-827,492	-2,378,530
3.04.02	General and administrative expenses	-140,576	-371,660	-99,552	-286,944
3.04.02.01	Administrative	0	0	-99,552	-286,944
3.04.05	Other operating expenses	264,413	246,092	-3,502	-9,742
3.04.05.01	Extraordinary expenses	264,413	246,092	-3,502	-9,742
3.05	Profit before finance results and taxes	491,932	884,350	186,230	572,517
3.06	Finance results	-68,251	-183,158	-26,750	-68,751
3.06.01	Finance income	22,097	55,654	19,468	54,271
3.06.02	Finance costs	-90,348	-238,812	-46,218	-123,022
3.07	Profit before income tax and social contribution	423,681	701,192	159,480	503,766
3.08	Income tax and social contribution	38,904	-7,384	-30,643	-115,985
3.08.01	Current	-23,239	-78,720	-29,237	-87,727
3.08.02	Deferred	62,143	71,336	-1,406	-28,258
3.09	Profit (loss) from continuing operations	462,585	693,808	128,837	387,781
3.11	Consolidated profit/loss for the period	462,585	693,808	128,837	387,781
3.11.01	Attributable to owners of the Company	459,339	686,285	127,947	385,359
3.11.02	Attributable to noncontrolling interests	3,246	7,523	890	2,422
3.99	Earnings per share - (Reais/share)				

(A free translation of the original in Portuguese)

Consolidated financial information/statement of comprehensive income

(R$ thousand)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Accumulated - prior year 1/1/2019 to 9/30/2019	Same quarter - prior year 7/1/2018 to 9/30/2018	Accumulated - prior year 1/1/2018 to 9/30/2018
4.01	Consolidated profit for the period	462,585	693,808	128,837	387,781
4.03	Consolidated comprehensive income for the period	462,585	693,808	128,837	387,781
4.03.01	Attributable to owners of the Company	459,339	686,285	127,947	385,359
4.03.02	Attributable to noncontrolling interests	3,246	7,523	890	2,422

(A free translation of the original in Portuguese)

Consolidated financial information/statement of cash flow - indirect method

(R$ thousand)

Code	Description	Accumulated - current year 1/1/2019 to 9/30/2019	Accumulated - prior year 1/1/2018 to 9/30/2018
6.01	Net cash provided by operating activities	474,468	352,708
6.01.01	Cash from operations	1,331,117	856,040
6.01.01.01	Profit before income tax and social contribution	701,192	503,766
6.01.01.02	Depreciation and amortization	803,214	301,824
6.01.01.03	Share-based compensation plan	10,217	9,329
6.01.01.04	Interest on payables to subsidiary	9,830	4,159
6.01.01.05	Result on disposal of property and equipment and intangible assets	39,237	7,272
6.01.01.06	Provision (reversal) for legal claims	-10,399	-3,677
6.01.01.07	Provision (reversal) for inventory losses	-153	-1,036
6.01.01.08	Provision (reversal) for impairment of trade receivables	-115	-4,104
6.01.01.09	Provision(reversal) for store closures	-6,504	-1,228
6.01.01.10	Interest expenses	51,073	42,618
6.01.01.11	Amortization of transaction cost of financing	1,989	-2,883
6.01.01.13	Interest expenses - Leases	81,933	0
6.01.01.14	Gain acquired on Business Combination	-350,397	0
6.01.02	Changes in assets and liabilities	-628,480	-380,180
6.01.02.01	Trade receivables and other receivables	-263,074	-116,562
6.01.02.02	Inventory	-286,262	-288,272
6.01.02.03	Other current assets	78,516	-7,938
6.01.02.04	Long term receivables	-339,612	-46,764
6.01.02.05	Trade payables	93,995	42,747
6.01.02.06	Salaries and social charges	94,974	85,837
6.01.02.07	Taxes and contributions	10,318	-53,832
6.01.02.08	Other liabilities	4,587	-2,321
6.01.02.09	Rentals payable	-21,922	6,925
6.01.03	Other	-228,169	-123,152
6.01.03.01	Interest paid	-35,149	-19,708
6.01.03.02	Income tax and social contribution paid	-111,087	-103,444
6.01.03.03	Interest paid - leases	-81,933	0
6.02	Net cash used in investing activities	-126,282	-482,063
6.02.01	Acquisition of subsidiary	283,685	0
6.02.03	Purchases of property and equipment and intangible assets	-480,261	-482,073
6.02.04	Proceeds from sale of property and equipment	439	10
6.02.05	Loans granted to subsidiaries	-1	0
6.02.06	Cash from merged company	69,856	0
6.03	Net cash used in financing activities	-113,217	138,037
6.03.01	Borrowing	716,781	406,960
6.03.02	Repayments of borrowing	-340,431	-134,820
6.03.03	Repurchase of shares	0	-46,925
6.03.04	Interest on capital and dividends paid	-93,646	-87,178
6.03.05	Leases paid	-395,921	0
6.05	Increase (decrease) in cash and cash equivalents	234,969	8,682
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	476,537	273,555

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

(R$ thousand)

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

Consolidated financial information/statement of changes in equity - 1/1/2018 to 9/30/2018

(R$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening balance	1,808,639	150,829	1,281,078	0	-18,033	3,222,513	27,859	3,250,372
5.03	Adjusted opening balance	1,808,639	150,829	1,281,078	0	-18,033	3,222,513	27,859	3,250,372
5.04	Equity transactions with owners	0	-37,638	-52,602	-153,244	0	-243,484	186	-243,298
5.04.07	Interest on capital	0	0	0	-153,500	0	-153,500	0	-153,500
5.04.08	Interest on capital of 2017 approved at the AGM of March 28, 2018	0	0	-52,602	0	0	-52,602	0	-52,602
5.04.09	Interest on capital expired	0	0	0	256	0	256	0	256
5.04.10	Restricted share plan - Vesting period	0	9,287	0	0	0	9,287	0	9,287
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
5.04.15	Non-controlling interests in the investment acquired	0	0	0	0	0	0	186	186
5.05	Total comprehensive income	0	0	0	385,359	0	385,359	2,422	387,781
5.05.01	Profit for the period	0	0	0	385,359	0	385,359	2,422	387,781
5.06	Internal changes in equity	0	0	0	131	-131	0	0	0
5.06.02	Realization of revaluation reserve	0	0	0	199	-199	0	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	0	-68	68	0	0	0
5.07	Closing balance	1,808,639	113,191	1,228,476	232,246	-18,164	3,364,388	30,467	3,394,855

Consolidated financial information/statement of value added

(R$ thousand)

Code	Description	Accumulated - current year 1/1/2019 to 9/30/2019	Accumulated - prior year 1/1/2018 to 9/30/2018
7.01	Revenue	13,323,441	11,248,263
7.01.01	Sales of products and services	13,322,562	11,243,527
7.01.02	Other income	794	632
7.01.04	Provision for/reversal of impairment of trade receivables	85	4,104
7.02	Inputs acquired from third parties	-8,636,474	-7,553,563
7.02.01	Cost of sales and services	-8,168,330	-6,927,792
7.02.02	Materials, energy, outsourced services and other	-468,350	-619,752
7.02.03	Impairment/recovery of assets	206	-6,019
7.03	Gross value added	4,686,967	3,694,700
7.04	Retentions	-803,213	-301,824
7.04.01	Depreciation, amortization and depletion	-803,213	-301,824
7.05	Net value added generated by the entity	3,883,754	3,392,876
7.06	Value added received through transfer	59,201	57,864
7.06.02	Finance income	56,140	54,866
7.06.03	Other	3,061	2,998
7.07	Total value added to distribute	3,942,955	3,450,740
7.08	Distribution of value added	3,942,955	3,450,740
7.08.01	Personnel	1,326,756	1,122,673
7.08.01.01	Direct remuneration	1,009,635	876,291
7.08.01.02	Benefits	219,704	169,218
7.08.01.03	Unemployment compensation fund	97,417	77,164
7.08.02	Taxes and contributions	1,614,787	1,383,261
7.08.02.01	Federal	339,280	395,967
7.08.02.02	State	1,253,866	970,243
7.08.02.03	Municipal	21,641	17,051
7.08.03	Providers of capital	308,899	557,025
7.08.03.01	Interest	230,404	121,362
7.08.03.02	Rentals	78,495	435,663
7.08.04	Stockholders and the Company	692,513	387,781
7.08.04.01	Interest on capital	162,501	153,500
7.08.04.03	Profits reinvested/loss for the period	488,188	231,859
7.08.04.04	Noncontrolling interests in retained earnings	41,824	2,422

São Paulo, October 29, 2019. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 3rd quarter of 2019 (3Q19). The Company's parent company and consolidated quarterly financial statements for the periods ended in September 30, 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. Starting in 2019, our financial statements are prepared in accordance with IFRS 16. The 3Q19 figures are also presented under IAS 17 / CPC 06 (previous reporting standard), which the Company believes best represents the economics of the business. The financial statements were prepared in Reais and all growth rates, unless otherwise stated, relate to the same period of 2018.

Our P&L was adjusted to consider Onofre's operations only after their respective integration. Therefore, the stores are included from August 1st, while the e-commerce operations, integrated in October, as well as the corporate and logistics structures, which are being discontinued, have been fully excluded (details on page 2).

ADJUSTED QUARTERLY HIGHLIGHTS:

- **DRUGSTORES:** 1,995 stores in operation (52 organic openings, 42 Onofre stores and 16 closures)
- **MARKET SHARE (RETAIL):** 1.7 percentage point national increase, with a 2.5 gain in São Paulo
- **GROSS REVENUE:** R$ 4.8 billion, 21.0% growth (7.7% mature-store sales growth)
- **GROSS MARGIN:** 27.7% of gross revenue, a 0.6 percentage point decrease
- **EBITDA:** R$ 359.4 million, an increase of 21.7% and a margin of 7.5%
  R$ 519.5 million, an increase of 21.0% and a margin of 10.9% **(IFRS 16)**
- **NET INCOME:** R$ 152.5 million, an increase of 16.3% and a 3.2% net margin
  R$ 135.6 million, an increase of 12.5% and a 2.8% net margin **(IFRS 16)**

RADL3
R$ 107.00/share

NUMBER OF SHARES
330.386.000

MARKET CAP
R$ 35,351 (million)

CLOSING
October 28, 2019

IR CONTACTS:
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	Previous Standard (IAS 17)					IFRS 16	
Summary	3Q18	4Q18	1Q19	2Q19	3Q19	3Q18	3Q19
(R$ thousand)							
# of Stores - Retail + 4Bio	1,768	1,825	1,873	1,917	1,995	1,768	1,995
Organic Openings	64	70	62	47	52	64	52
Onofre Stores					42		42
Store Closures	(4)	(13)	(14)	(3)	(16)	(4)	(16)
# of Stores (average)	1,744	1,801	1,849	1,897	1,960	1,744	1,960
Headcount (EoP)	34,708	36,510	36,192	37,395	39,029	34,708	39,029
Pharmacist Count (EoP)	6,806	6,959	7,106	7,389	7,663	6,806	7,663
# of Tickets (000)	56,560	59,425	58,634	62,840	66,270	56,560	66,270
Gross Revenue	3,944,677	4,178,909	4,153,923	4,440,683	4,771,280	3,944,677	4,771,280
Gross Profit	1,116,776	1,197,788	1,161,663	1,289,285	1,321,350	1,116,776	1,321,350
% of Gross Revenues	28.3%	28.7%	28.0%	29.0%	27.7%	28.3%	27.7%
Adjusted EBITDA	295,250	311,109	270,070	363,688	359,420	429,428	519,538
% of Gross Revenues	7.5%	7.4%	6.5%	8.2%	7.5%	10.9%	10.9%
Adjusted Net Income	131,148	154,404	105,494	160,486	152,476	120,494	135,587
% of Gross Revenues	3.3%	3.7%	2.5%	3.6%	3.2%	3.1%	2.8%
Net Income	128,837	121,531	102,058	151,334	146,247	118,182	129,687
% of Gross Revenues	3.3%	2.9%	2.5%	3.4%	3.1%	3.0%	2.7%
Free Cash Flow	681	29,103	(210,518)	42,872	120,717	681	120,717

All amounts in thousands of reais unless otherwise stated

ONOFRE'S INTEGRATION AND REPORTING

On July 1st, 2019, we concluded the acquisition of Drogaria Onofre. On August 1st, Onofre was incorporated into RD following the approval by our General Assembly, and all 42 surviving stores were integrated into RD's platforms in the very same day. The e-commerce operations were integrated only in October, while its corporate and logistics infrastructures will be fully eliminated by year-end. Finally, Onofre was consolidated as a full subsidiary in July, and became part of RD's financial statements since August.

To provide a clearer view of the recurring impact of Onofre in RD's operations, we are adjusting the consolidated P&L to exclude the results of the operations which have not been migrated into RD's platform within the quarter. Therefore, Onofre's store operations, which were integrated in August 1st, were adjusted for the month of July, but were fully considered for the months of August and September. Under the same principle, Onofre's e-commerce operation, which was only integrated in October, as well as its corporate and logistics structure, which will be discontinued by the end of the year, have also been fully adjusted for the quarter.

We are also adjusting non-recurring gains arising from the incorporation of Onofre and non-recurring expenses arising from its integration, which are detailed in the EBITDA reconciliation section, as well as their respective non-recurring income tax impacts. Finally, Onofre's assets and liabilities are fully reflected in our balance sheet and cash flow statement.

The reconciliation of the Consolidated Income Statement to the adjusted figures considered in this report is shown below:

	IAS 17			IFRS 16		
Income Statement	**Ajusted Income Stat.**	**Onofre Exclusions**	**Consolidated Income Stat.**	**Ajusted Income Stat.**	**Onofre Exclusions**	**Consolidated Income Stat.**
(R$ million)						
Gross Revenue	**4,771.3**	**72.1**	**4,843.4**	**4,771.3**	**72.1**	**4,843.4**
Gross Profit	**1,321.3**	**15.1**	**1,336.4**	**1,321.3**	**15.1**	**1,336.4**
Gross Margin	27.7%	20.9%	27.6%	27.7%	20.9%	27.6%
Selling Expenses	(851.8)	(15.0)	(866.8)	(692.1)	(13.5)	(705.5)
G&A	(110.1)	(10.1)	(120.2)	(109.8)	(10.1)	(119.8)
Total Expenses	**(961.9)**	**(25.1)**	**(987.0)**	**(801.8)**	**(23.6)**	**(825.4)**
as % of Gross Revenue	20.2%	-0.2%	20.4%	16.8%	-0.2%	17.0%
Adjusted EBITDA	**359.4**	**(10.0)**	**349.4**	**519.5**	**(8.5)**	**511.0**
as % of Gross Revenue	7.5%	-13.9%	7.2%	10.9%	-11.8%	10.6%
Depreciation and Amortization	(127.4)	(4.3)	(131.8)	(284.9)	1.4	(283.5)
Financial Results	(40.9)	0.9	(40.0)	(68.8)	0.6	(68.3)
Income Tax	(38.6)	4.6	(34.0)	(30.2)	2.2	(28.0)
Adjusted Net Income	**152.5**	**(8.9)**	**143.6**	**135.6**	**(4.3)**	**131.3**
as % of Gross Revenue	3.2%	-12.3%	3.0%	2.8%	-6.0%	2.7%
Non-Recurring (Expenses) / Revenues	(9.4)	272.9*	263.5	(8.9)	273.4	264.4
Income Tax (34%)	3.2	(92.8)	(89.6)	3.0	(92.9)	(89.9)
Income Tax one-time effects	0.0	156.8	156.8	0.0	156.8	156.8
Net Income	**146.3**	**328.0**	**474.3**	**129.7**	**332.9**	**462.6**
as % of Gross Revenue	3.1%	n.m.	9.8%	2.7%	n.m.	9.6%

*Non-recurring revenues from Onofre include R$ 357.7 million of negative goodwill gain minus R$ 84.8 million in other expenses/write-offs.

It is also important to mention that the acquisition of Onofre generated tax savings, which were registered in the balance sheet at the incorporation, but which the cash benefits will only materialize over time. We have recorded a deferred income tax gain of R$ 156.8 million, which will benefit our cash flow over the next 6 years. On the other hand, we recorded a negative goodwill, net of write-offs, that amounted to R$ 335.0 million, which will generate a cash tax disbursement of 113.9 million over the same period.

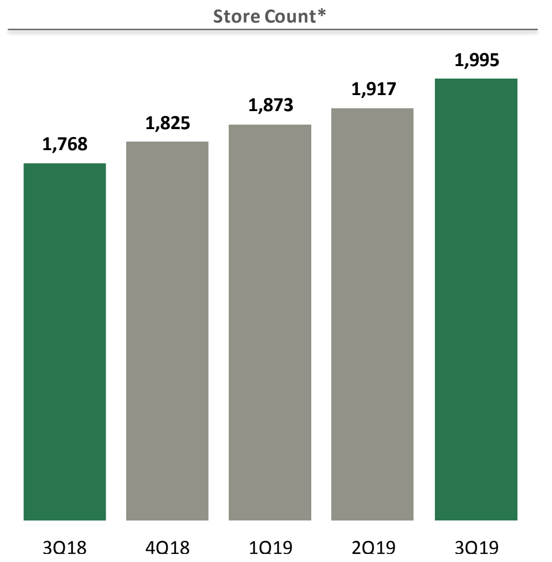
Finally, the acquisition increased our fixed asset base and triggered tax shields that will lead to another R$ 41.5 million in income tax savings over the next years, as we amortize and depreciate those assets.

Income Tax Gains / (Losses)	**3Q19**	**4Q19**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025+**	**Total**
(R$ million)									
Deferred Income Tax*	11.6	5.3	17.9	49.8	49.8	17.9	3.9	0.5	156.8
Negative Goodwill	(1.9)	(5.7)	(22.8)	(22.8)	(22.8)	(22.8)	(15.2)	0.0	(113.9)
Asset Depreciation/Amortization	3.2	1.9	7.0	5.8	5.0	3.7	2.5	12.3	41.5
Income Tax Cash Effect, Net	**12.9**	**1.6**	**2.2**	**32.8**	**32.1**	**(1.2)**	**(8.8)**	**12.7**	**84.3**

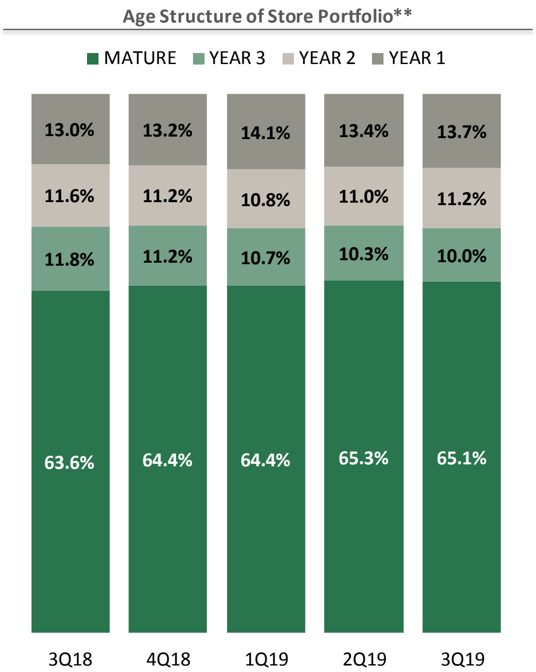
*Expected conversion schedule of the constituted balance of deferred income tax at the incorporation of Onofre.

All amounts in thousands of reais unless otherwise stated

STORE DEVELOPMENT



	3Q18	4Q18	1Q19	2Q19	3Q19
Openings	64	70	62	47	52
Onofre					42
Closures	(4)	(13)	(14)	(3)	(16)



*Among the 16 closures registered in the 3Q19, 3 were temporary. Includes three 4Bio units.
**Stores acquired from Onofre were added to our base as Year 1.

We opened 52 organic stores, added another 42 stores acquired from Onofre, closed 13 stores in the 3Q19 and temporarily suspended 3 stores for rebranding, thus ending the quarter with 1,995 stores. We reiterate our guidance of 240 gross openings per year for 2019 and also for 2020. At the end of the period, 34.9% of our stores were still in the process of maturation (including the ones acquired from Onofre, which were added to our base as new stores) and had not yet reached their full potential both in terms of revenue and of profitability. It is important to mention that the performance of the stores opened this year remains very robust, in line with our historical standards.

We permanently closed 13 stores during the quarter, of which 3 were still in the maturation process, representing corrections of expansion mistakes that are normal in such large-scale expansion, while 10 were mature stores as part of the optimization of our store portfolio, with positive return expectations associated to them.

Our national market share reached 13.3% in the quarter, which represented a 1.7 percentage point increase when compared to the 3Q18. Of this increase, 0.1 percentage point was due to the addition of the 42 Onofre's stores in August and September. This performance continues to showcase the effectiveness of the pricing investments we have made since the 2Q18, especially in generics, and the sharp reversion of the accelerated store opening cycle undertaken by several competitors in 2017 and 2018.

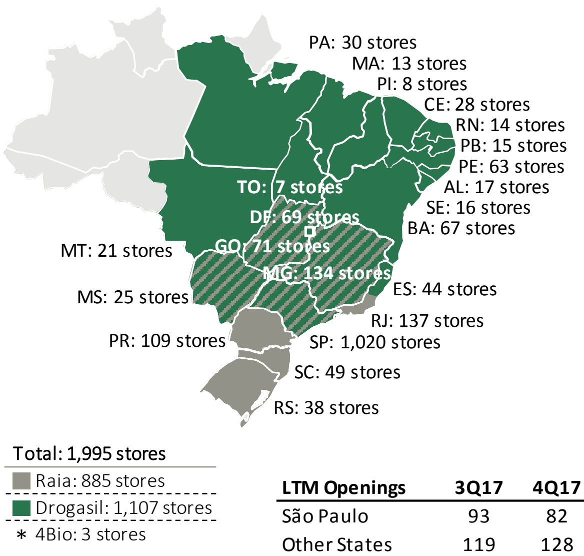
We have increased our market share in the quarter in all six core regions where we operate, driven by our strong mature-store sales growth and by our successful expansion. São Paulo was our main highlight, as we recorded a market share of 25.7%, a 2.5 percentage points increase, including Onofre, and a strong recovery despite the decentralization of our openings to other core regions in recent years.

We have also achieved strong market share gains in the North, where we reached a market share of 3.2%, a 2.3 percentage point gain, and in the Northeast, where we reached a market share of 8.3%, an increase of 2.1 percentage points. Finally, we recorded a market share of 15.4% in the Midwest, an increase of 1.9 percentage point, a market share of 7.9% in the South, an increase of 1.1 percentage point and a market share of 9.2% in the Southeast (excluding São Paulo), an increase of 0.9 percentage point.

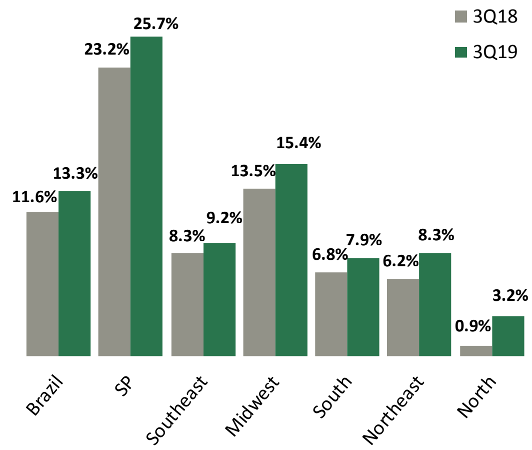
Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

Geographic Presence



Retail Market Share*



LTM Openings	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
São Paulo	93	82	75	79	76	73	76	67	107
Other States	119	128	137	141	154	167	182	176	166
Total	212	210	212	220	230	240	258	243	273
São Paulo %	*43.9%*	*39.0%*	*35.4%*	*35.9%*	*33.0%*	*30.4%*	*29.5%*	*27.6%*	*39.2%*

Source: IQVIA.

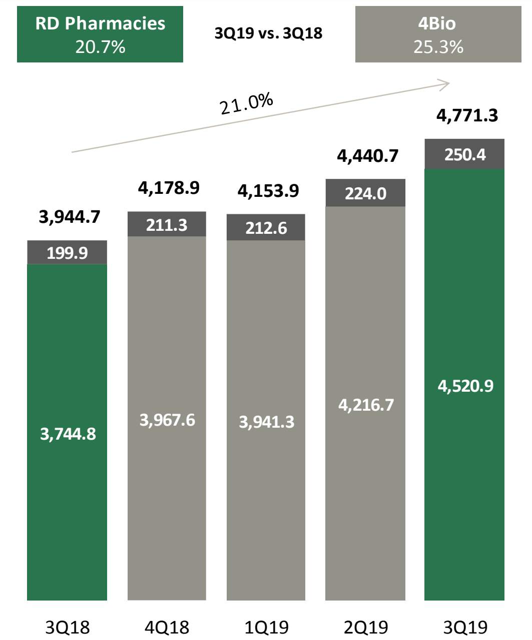
** Market share calculation includes Onofre's store revenues for August and September*

GROSS REVENUES

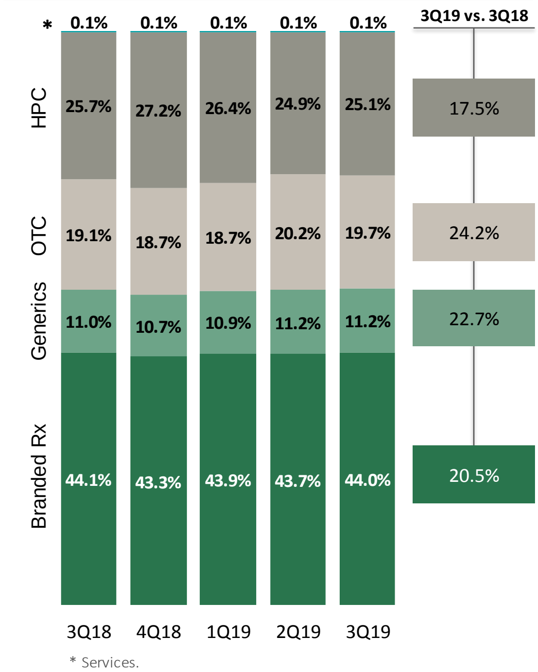
Gross revenues totaled R$ 4,771.3 million, a 21.0% increase. RD Pharmacies grew 20.7%, while 4Bio grew 25.3%. If we excluded the revenues from the Onofre stores in August and September, RD Pharmacies would still have grown 19.6%.

We posted a strong recovery in Generics, which grew 22.7% and gained 0.2 percentage point in the mix, driven by significant volume growth as a result of our mix and pricing strategy implemented throughout 2018. OTC grew 24.2% and gained 0.6 percentage point in the sales mix, driven by a stronger winter season and new product launches. On the other hand, HPC grew 17.5% with a 0.6 percentage point loss in the sales mix and Branded Rx grew 20.5% and lost 0.1 percentage point in the sales mix.

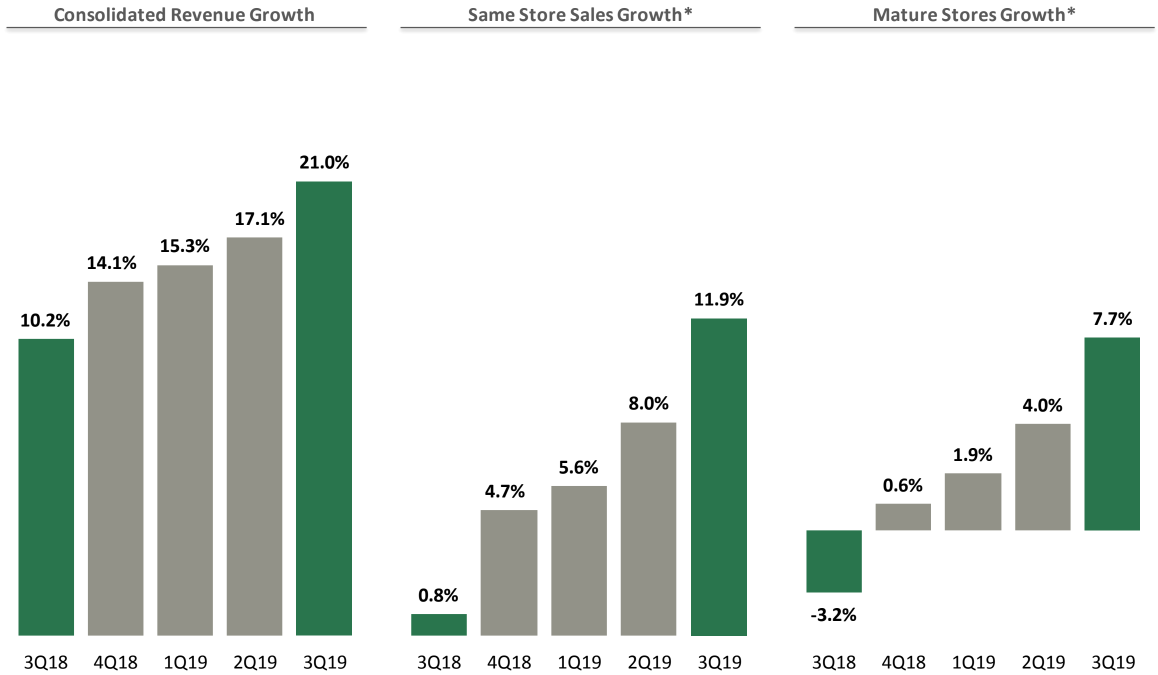
Consolidated Gross Revenue



Retail Sales Mix

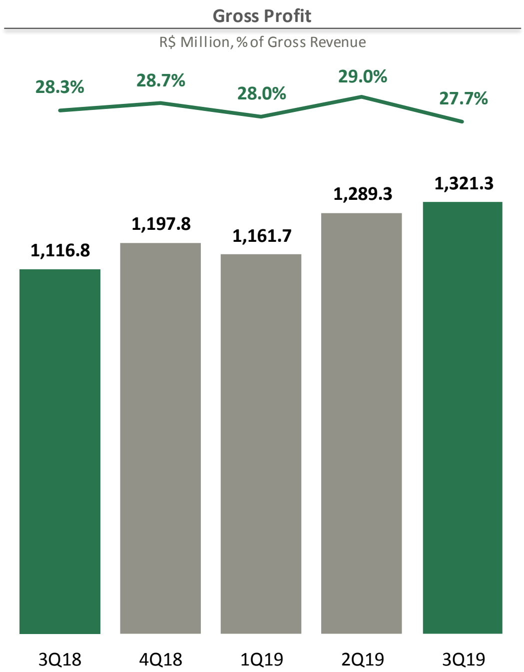


Our same store sales growth accelerated to 11.9%, while our mature stores growth reached 7.7%, a real growth of 4.8% and a significant improvement over the previous quarters. These figures do not consider Onofre stores, as those stores entered our base as new openings. Finally, we recorded a positive calendar effect of 0.4% in the quarter.



* RD Pharmacies only.

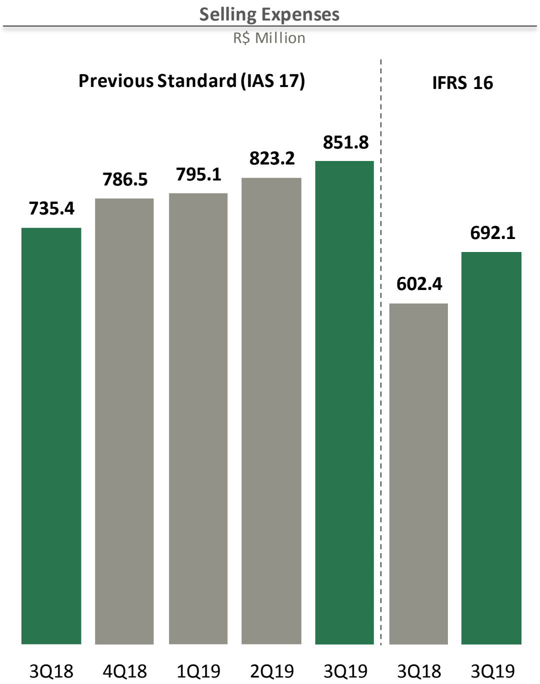
GROSS PROFIT

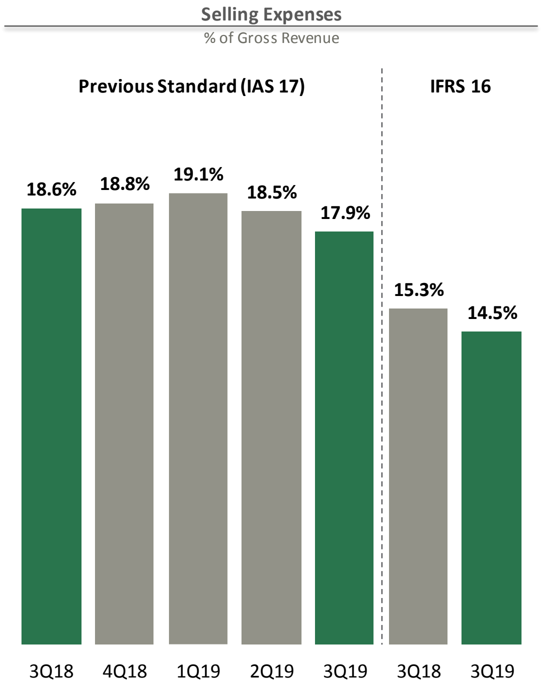


Our gross margin totaled 27.7%, a 0.6 percentage point pressure. This gross margin pressure reflects a reduction in trade allowances due to the normalization of opportunity purchases, which had peaked in 2018, partially offsetting the aggressive generics pricing and mix strategy that we implemented last year, which has been instrumental to accelerate our market share gains in the more recent quarters.

SELLING EXPENSES

In the 3Q19, selling expenses totaled R$ 851.8 million, equivalent to 17.9% of gross revenue, a 0.7 percentage point dilution compared to the same quarter of the previous year, mostly due to the strong operating leverage obtained in the quarter.





We recorded a dilution of 0.6 percentage point in personnel, as well as a dilution of 0.2 percentage point from pre-operating expenses and another 0.1 percentage point dilution from other expenses. These gains were partially offset by a pressure of 0.2 percentage point in logistics expenses, mainly due to the opening of three new DCs, including our largest DC in Guarulhos (SP), and to the incremental freight expenses from our expansion into Pará.

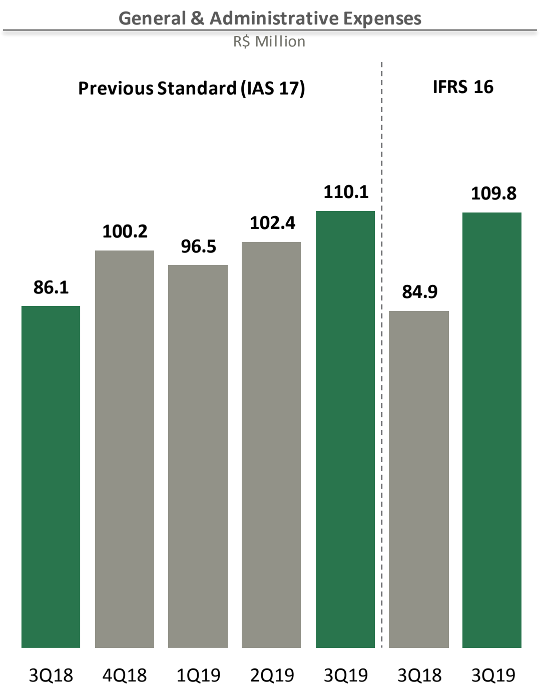
Considering IFRS 16, selling expenses totaled R$ 692.1 million, equivalent to 14.5% of gross revenue a 0.8 percentage point dilution when compared to the same quarter of the previous year.

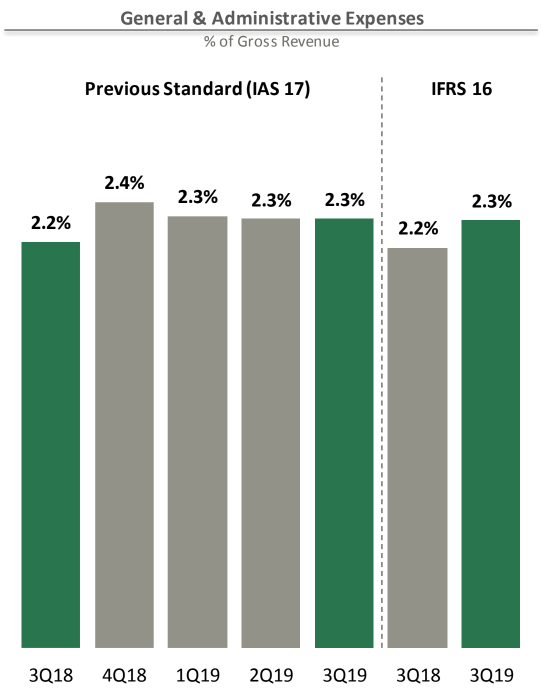
GENERAL & ADMINISTRATIVE EXPENSES

G&A expenses amounted to R$ 110.1 million in the 3Q19, equivalent to 2.3% of gross revenue and a 0.1 percentage point pressure over the 3Q18. This pressure was mainly driven by the lower comp base of the 3Q18, as our G&A expenses, on a percentage basis, are in-line with the previous three quarters.

It is important to mention that our strong revenue growth allowed us to absorb an increase in the variable compensation allowance as well as the investments pursued in our structure to support our digital execution, including the retention of 131 talents from Onofre which will contribute with new capabilities to strengthen our execution.

Considering IFRS 16, G&A expenses amounted to R$ 109.8 million in the 3Q19, equivalent to 2.3% of gross revenue and a 0.1 percentage point pressure over the same period of 2018.

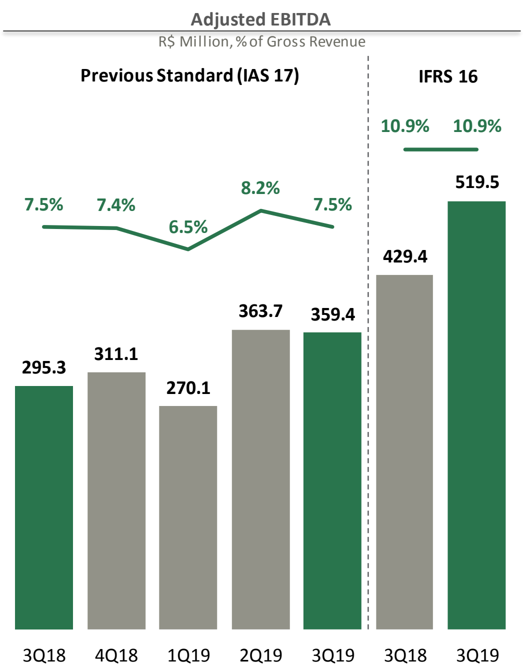




EBITDA

Our adjusted EBITDA reached R$ 359.4 million in the quarter, an increase of 21.7%, with a margin of 7.5%, in line with the same period of last year.

The SG&A dilution generated from the gains in operating leverage have fully offset the gross margin pressure stemming from the normalization of opportunity buys, which had nearly neutralized in 2018 the margin pressure arising from the significant price investments that we had pursued in that year.



New stores opened in the year, as well as those in the opening process, including the ones acquired from Onofre, have generated a positive contribution to our EBITDA of R$ 0.8 million in the 3Q18. Therefore, considering only the 1,792 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$ 358.7 million, equivalent to a margin of 7.9%. Finally, the Onofre stores have already posted a positive EBITDA in the quarter.

All amounts in thousands of reais unless otherwise stated

RD Pharmacies reached an adjusted EBITDA of R$ 352.6, an increase of 21.1%, a margin of 7.8% in the 3Q19, in line with the same period of last year. Finally, 4Bio reached an EBITDA of R$ 6.8 million and a margin of 2.7%, a 0.6 percentage point margin expansion.

Considering the IFRS 16, our adjusted EBITDA reached R$ 519.5 million. Our EBITDA margin totaled 10.9%, in line with the 3Q18.

We recorded R$ 9.4 million in non-recurring/non-operating expenses, of which R$ 6.3 million were due to asset write-offs related to store closures and R$ 4.5 million were due to restructuring expenses. In addition, we booked R$ 3.3 million in expenses (R$ 2.8 million under the IFRS 16 due to the exclusion of fixed rental expenses) due to the relocation of our distribution center in Rio de Janeiro from the countryside to the metropolitan region, which has already started to operate in the quarter and will significantly reduce our local freight costs. These pressures were mitigated by a gain of R$ 4.6 million in INSS recoveries from previous years.

Finally, we have recorded a non-recurring net result of R$ 272.9 million related to Onofre. This net result was comprised by a R$ 357.7 million gain in negative goodwill stemming from Onofre's incorporation, minus R$ 84.8 million in other net losses. Of these R$ 84.8 million, R$ 67.8 million were asset write-offs, which have no cash impact, while R$ 17.0 million were due to integration expenses, including severance payments and termination fees from suppliers and landlords, which are cash expenses.

We estimate that Onofre's initial net cash position, plus the expected working capital reductions, the proceeds from the sales of commercial properties and the expected tax recoveries, net of the assumed contingencies, integration expenses and operating losses projected for the whole year, will generate a cash surplus in excess of R$ 150 million.

	IAS 17		IFRS 16	
EBITDA Reconciliation	**3Q19**	**3Q18**	**3Q19**	**3Q18**
(R$ million)				
Net Income	**465.2**	**128.8**	**453.5**	**118.2**
(+) Income Tax	(17.0)	30.6	(22.7)	25.1
(+) Financial Result	32.9	26.7	61.1	52.5
EBIT	**481.1**	**186.2**	**491.9**	**195.9**
(+) Depreciation and Amortization	131.8	105.5	283.5	230.1
EBITDA	**612.9**	**291.7**	**775.5**	**425.9**
(+) Asset Write-off	6.3	1.3	6.3	1.3
(+) Restructuring Expenses	4.5	2.2	4.5	2.2
(+) Distribution Center Closure - Barra Mansa	3.3		2.8	
(-) INSS credits from previous years	(4.6)		(4.6)	
Non-recurring / non-operating Expenses - RD	**9.4**	**3.5**	**8.9**	**3.5**
(-) Negative Goodwill Gain	(357.7)		(357.7)	
(+) Other Net Operating Losses	84.8		84.3	
Non-recurring / non-operating Expenses - Onofre	**(272.9)**		**(273.4)**	
Total non-recurring / non-operating Expenses	**(263.5)**	**3.5**	**(264.4)**	**3.5**
(-) EBITDA non-integrated operations	10.0		8.5	
Adjusted EBITDA	**359.4**	**295.3**	**519.6**	**429.4**

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

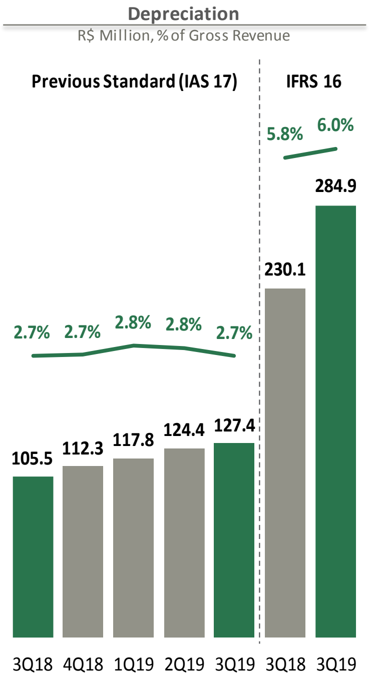
Depreciation expenses amounted to R$ 127.4 million in the 3Q19, equivalent to 2.7% of gross revenue, in line with the 3Q18. Considering the IFRS 16, Depreciation totaled R$ 284.9 million, equivalent to 6.0% of gross revenue, a 0.2 percentage point increase.

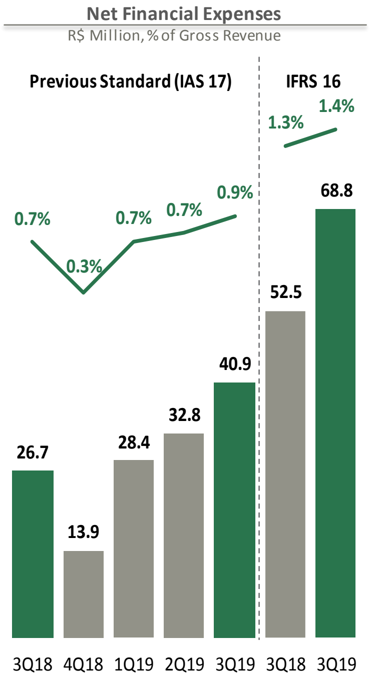
Net financial expenses represented 0.9% of revenues, a 0.2 percentage point increase versus the 3Q18. Of the R$ 40.9 million recorded in the quarter, R$ 15.7 million refers to the NPV adjustment while other R$ 8.0 million refers to interests on the options to acquire the remaining 45% of 4Bio. Excluding the NPV adjustments and the expenses related to the option to acquire 4Bio, the interest accrued on net debt amounted to R$ 17.2 million, equivalent to 0.4 percentage point of revenues and a 0.1 percentage point pressure versus the 3Q18. Under the IFRS 16, net financial expenses totaled R$ 68.8 million, equivalent to 1.4% of gross revenue, a 0.1 percentage point pressure.

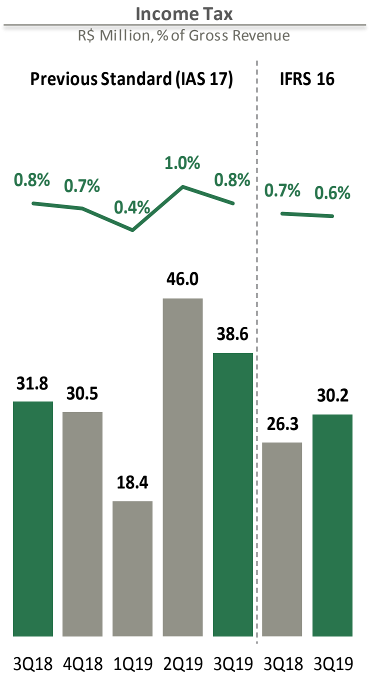
Finally, we booked R$ 38.6 million in income taxes, equivalent to 0.8% of gross revenue, in line with the 3Q18. Under the IFRS 16, accrued income taxes totaled R$ 30.2 million, equivalent to 0.6% of gross revenue, a 0.1 percentage point dilution. The IFRS 16 does not change the effective tax base, as the mismatch between the "cash" and the accrued income taxes is booked as a deferred asset.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

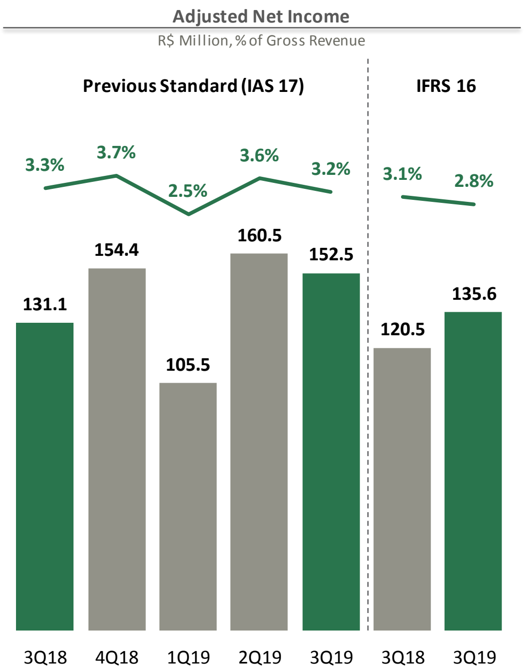






NET INCOME

The adjusted net income totaled R$ 152.5 million in the quarter, a 16.3% increase over the same period of the previous year. We achieved a net margin of 3.2%, a 0.1 percentage point pressure over the 3Q18. Under the IFRS 16, net income totaled R$ 135.6 million, a net margin of 2.8% and a 0.3 percentage point pressure.



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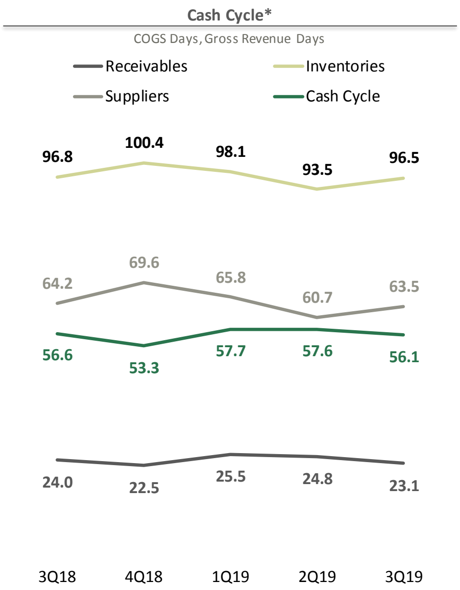
CASH CYCLE

Our cash cycle in the 3Q19 was 0.5 day lower when compared to the same period of the previous year. Inventories decreased by 0.3 day, while accounts payable decreased by 0.7 day. Lastly, receivables decreased by 0.9 day reflecting a more favorable calendar in the end of September when compared to the same period of 2018.



* Adjusted for discounted receivables.

CASH FLOW

In the 3Q19, we recorded a free cash flow of R$ 120.7 million, and a total cash generation of R$ 113.8 million.

	IAS 17		IFRS 16	
Cash Flow	**3Q19**	**3Q18**	**3Q19**	**3Q18**
(R$ million)				
Adjusted EBIT	**217.6**	**189.7**	**234.6**	**199.4**
NPV Adjustment	(17.4)	(12.7)	(17.4)	(12.7)
Non-Recurring Expenses	263.5	(3.5)	263.5	(3.5)
Income Tax (34%)	(157.7)	(59.0)	(163.4)	(62.3)
Depreciation	131.8	105.5	283.5	230.1
Rental Expenses	-	-	(169.6)	(137.7)
Others	1.9	4.5	8.5	11.3
Resources from Operations	**439.7**	**224.6**	**439.7**	**224.6**
Cash Cycle*	(38.9)	(39.1)	(38.9)	(39.1)
Other Assets (Liabilities)**	(138.5)	6.9	(138.5)	6.9
Operating Cash Flow	**262.2**	**192.4**	**262.2**	**192.4**
Investments	**(141.5)**	**(191.7)**	**(141.5)**	**(191.7)**
Free Cash Flow	**120.7**	**0.7**	**120.7**	**0.7**
Income Tax Paid over Interest on Equity	(7.9)	(7.1)	(7.9)	(7.1)
Net Financial Expenses***	(25.2)	(14.8)	(25.2)	(14.8)
Income Tax (Tax benefit over financial expenses and interest on equity)	26.3	22.7	26.3	22.7
Total Cash Flow	**113.8**	**1.4**	**113.8**	**1.4**

*Includes adjustments for discounted receivables.

**Includes adjustments for the incorporation of Onofre's assets and liabilities.

***Excludes NPV adjustments and Interest over Leases.

Resources from operations amounted to R$ 439.7 million, equivalent to 9.1% of consolidated gross revenue, mainly due to non-recurring gains arising from Onofre incorporation, which were partially offset by a consumption of R$ 138.5 million in other assets and liabilities and a working capital investment of R$ 38.9 million, amounting to a total operating cash flow of R$ 262.2 million.

All amounts in thousands of reais unless otherwise stated

Of the R$ 141.5 million invested in the quarter, R$ 89.7 million corresponded to new store openings, R$ 22.6 million to the renovation or expansion of existing stores and R$ 29.2 million to investments in infrastructure.

Net financial expenses totaled R$ 25.2 million in the quarter, excluding NPV adjustments. These were partially offset by the R$ 26.3 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$ 52.0 million in interest on equity in the 3Q19 through the full usage of the legal interest on equity limit. This reflects a payout of 35.6% over the Net Income, excluding the impacts from Onofre.

INDEBTEDNESS

At the end of the quarter, we recorded an adjusted net financial debt position of R$ 876.9 million, versus R$ 681.5 million recorded in the same period of 2018. The Adjusted Net Debt to EBITDA totaled 0.7x, 0.1x 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$ 46.2 million in liability related to the exercise of the put options granted and/or call options obtained for the acquisition of the remaining 45% minority stake of 4Bio. This liability reflects the estimated valuation of 4Bio considering the amendment to 4Bio's purchase and sale agreement, as announced to the market in September 24, 2019, which will now occur in two different stages: the 1st call/put option on 2/3 of the remaining shares (30% of total 4Bio shares) exercisable in 2021; and the 2nd call/put option on 1/3 of the remaining shares (15% of total 4Bio shares) exercisable in 2024. Other conditions of the agreement remain unchanged. The estimated valuation of 4Bio will be revisited every year-end to reflect changes in the financial outlook of the Company.

Net Debt	3Q19	2Q19	1Q19	4Q18	3Q18
(R$ million)					
Short-term Debt	247.5	274.7	280.8	272.9	237.2
Long-term Debt	989.9	705.0	797.5	570.2	665.9
Total Gross Debt	**1,237.4**	**979.7**	**1,078.3**	**843.1**	**903.1**
(-) Cash and Equivalents	406.7	145.4	243.6	241.6	273.6
Net Debt	**830.7**	**834.3**	**834.7**	**601.6**	**629.6**
Discounted Receivables	-	118.3	65.9	97.0	0.2
Put/Call options to acquire 4Bio (estimated)	46.2	38.2	37.3	36.4	51.7
Adjusted Net Debt	**876.9**	**990.8**	**937.9**	**735.0**	**681.5**
Adjusted Net Debt / EBITDA	0.7x	0.8x	0.8x	0.6x	0.6x

Our gross financial debt totaled R$ 1,237.4 million, of which 9.3% correspond to BNDES (Brazilian Economic and Social Development Bank) lines, 90.5% correspond to the debentures issued in 2017, 2018 and 2019, as well as a Certificate of Real Estate Receivables, and 0.2% corresponds to other debts. Of our total debt, 80.0% is long-term, while 20.0% relates to its short-term parcels. We ended the quarter with a total cash position (cash and marketable securities) of R$ 406.7 million.

Under the IFRS 16, we have also recognized an additional liability of R$ 3,710.8 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.

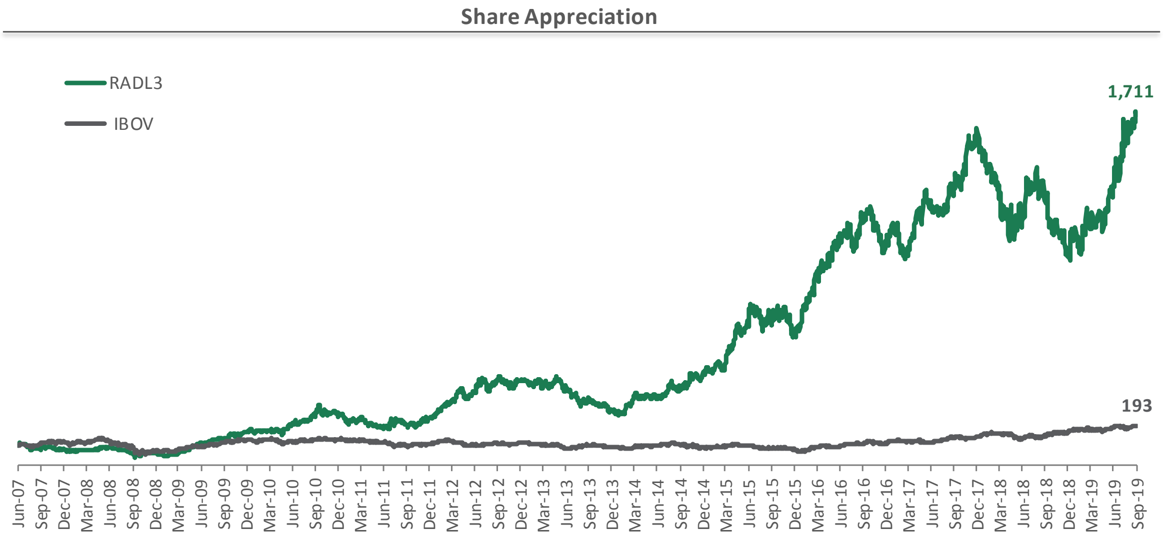
TOTAL SHAREHOLDER RETURN

Our share price increased by 25.9% in the 3Q19 versus a 3.7% increase of the Ibovespa. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,610.9% versus a return of only 92.6% for the Ibovespa. Considering the IPO of Raia in December of 2010, the cumulative return amounted to 577.7% versus an increase of only 54.1% of the Ibovespa. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 27.9%.

We recorded an average daily trading volume of R$ 76.7 million in the quarter.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated



All amounts in thousands of reais unless otherwise stated

Combined Adjusted Income Statement	**IAS 17**		**IFRS 16**	
(R$ thousand)	**3Q18**	**3Q19**	**3Q18**	**3Q19**
Gross Revenue	**3,944,677**	**4,771,280**	**3,944,677**	**4,771,280**
Taxes, Discounts and Returns	(187,863)	(232,344)	(187,863)	(232,344)
Net Revenue	**3,756,814**	**4,538,936**	**3,756,814**	**4,538,936**
Cost of Goods Sold	(2,640,038)	(3,217,586)	(2,640,038)	(3,217,586)
Gross Profit	**1,116,776**	**1,321,350**	**1,116,776**	**1,321,350**
Operating (Expenses) Revenues				
Selling	(735,403)	(851,825)	(602,406)	(692,058)
General and Administrative	(86,123)	(110,118)	(84,942)	(109,754)
Other Operating Expenses, Net				
Operating Expenses	**(821,525)**	**(961,943)**	**(687,348)**	**(801,812)**
EBITDA	**295,250**	**359,407**	**429,428**	**519,538**
Depreciation and Amortization	(105,518)	(127,447)	(230,056)	(284,935)
Operating Earnings before Financial Results	**189,732**	**231,959**	**199,372**	**234,603**
Financial Expenses	(46,218)	(62,146)	(72,007)	(90,348)
Financial Revenue	19,468	21,222	19,468	21,521
Financial Expenses/Revenue	**(26,750)**	**(40,924)**	**(52,539)**	**(68,827)**
Earnings before Income Tax and Social Charges	**162,982**	**191,035**	**146,833**	**165,776**
Income Tax and Social Charges	(31,834)	(38,559)	(26,339)	(30,216)
Net Income	**131,148**	**152,476**	**120,494**	**135,560**

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

Combined Income Statement	**IAS 17**		**IFRS 16**	
(R$ thousand)	**3Q18**	**3Q19**	**3Q18**	**3Q19**
Gross Revenue	**3,944,677**	**4,771,280**	**3,944,677**	**4,771,280**
Taxes, Discounts and Returns	(187,863)	(232,344)	(187,863)	(232,344)
Net Revenue	**3,756,814**	**4,538,936**	**3,756,814**	**4,538,936**
Cost of Goods Sold	(2,640,038)	(3,217,586)	(2,640,038)	(3,217,586)
Gross Profit	**1,116,776**	**1,321,350**	**1,116,776**	**1,321,350**
Operating (Expenses) Revenues				
Selling	(735,403)	(851,825)	(602,406)	(692,058)
General and Administrative	(86,123)	(110,118)	(84,942)	(109,754)
Other Operating Expenses, Net	(3,502)	(9,439)	(3,502)	(8,939)
Operating Expenses	**(825,027)**	**(971,382)**	**(690,850)**	**(810,751)**
EBITDA	**291,748**	**349,968**	**425,926**	**510,599**
Depreciation and Amortization	(105,518)	(127,447)	(230,056)	(284,935)
Operating Earnings before Financial Results	**186,230**	**222,521**	**195,870**	**225,664**
Financial Expenses	(46,218)	(62,146)	(72,007)	(90,348)
Financial Revenue	19,468	21,222	19,468	21,521
Financial Expenses/Revenue	**(26,750)**	**(40,924)**	**(52,539)**	**(68,827)**
Earnings before Income Tax and Social Charges	**159,480**	**181,597**	**143,331**	**156,837**
Income Tax and Social Charges	(30,643)	(35,350)	(25,149)	(27,177)
Net Income	**128,837**	**146,247**	**118,182**	**129,661**

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

Assets	**IAS 17**		**IFRS 16**	
(R$ thousand)	**3Q18**	**3Q19**	**3Q18**	**3Q19**
Current Assets				
Cash and Cash Equivalents	273,555	406,681	273,555	406,681
Accounts Receivable	1,041,121	1,231,392	1,041,121	1,231,392
Inventories	2,806,902	3,462,288	2,806,902	3,462,288
Taxes Receivable	75,027	188,519	75,047	186,639
Other Accounts Receivable	169,396	202,427	169,268	202,322
Anticipated Expenses	29,574	37,133	29,574	37,133
	4,395,575	5,528,440	4,395,468	5,526,454
Non-Current Assets				
Deposit in Court	33,369	28,318	33,369	28,318
Taxes Receivable	38,880	55,532	38,880	55,532
Other Credits	2,599	329,432	1,904	330,801
Property, Plant and Equipment	1,446,532	1,761,702	4,918,810	5,394,511
Intangible	1,199,306	1,246,910	1,199,306	1,246,910
	2,720,685	3,421,893	6,192,269	7,056,072
ASSETS	7,116,260	8,950,332	10,587,736	12,582,526

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

Liabilities and Shareholder's Equity	**IAS 17**		**IFRS 16**	
(R$ thousand)	**3Q18**	**3Q19**	**3Q18**	**3Q19**
Current Liabilities				
Suppliers	1,862,896	2,279,946	1,862,896	2,279,946
Financial Leases Payable	0	0	520,285	557,999
Loans and Financing	237,205	247,469	237,205	247,469
Salaries and Social Charges Payable	288,636	346,202	288,636	346,202
Taxes Payable	82,483	146,494	82,483	99,022
Dividend and Interest on Equity	134,419	140,601	134,419	140,601
Provision for Lawsuits	286	22,522	286	22,522
Other Accounts Payable	122,614	160,043	96,000	127,925
	2,728,540	3,343,278	3,222,212	3,821,688
Non-Current Liabilities				
Loans and Financing	665,921	989,945	665,921	989,945
Financial Leases Payable	0	0	3,031,662	3,152,811
Provision for Lawsuits	6,439	60,843	6,439	60,843
Income Tax and Social Charges deferred	256,905	183,696	238,599	166,354
Other Accounts Payable	63,599	333,050	63,599	385,336
	992,865	1,567,534	4,006,221	4,755,289
Shareholder's Equity				
Common Stock	1,808,639	2,500,000	1,808,639	2,500,000
Capital Reserves	113,518	126,572	113,518	126,572
Revaluation Reserve	12,066	11,892	12,066	11,892
Income Reserves	1,228,149	830,713	1,228,149	830,713
Accrued Income	232,247	558,128	196,712	524,168
Equity Adjustments	(30,230)	(30,230)	(30,230)	(30,230)
Non Controller Interest	30,467	42,446	30,450	42,435
	3,394,855	4,039,521	3,359,303	4,005,549
LIABILITIES AND SHAREHOLDERS' EQUITY	7,116,260	8,950,332	10,587,736	12,582,526

Notes to the Quarterly Information
All amounts in thousands of reais unless otherwise stated

	IAS 17		IFRS 16
Cash Flow	**3Q18**	**3Q19**	**3Q19**
(R$ thousand)			
Earnings before Income Tax and Social Charges	**159,480**	**441,066**	**423,678**
Adjustments			
Depreciation and Amortization	105,518	131,753	283,527
Compensation plan with restricted shares, net	3,186	3,766	3,766
Interest over additional stock option	1,425	8,043	8,043
P,P&E and Intangible Assets residual value	2,751	13,680	32,739
Provisioned Lawsuits	(572)	(4,201)	(4,201)
Provisioned Inventory Loss	(1,105)	68	68
Provision for Doubtful Accounts	268	(1,079)	(1,079)
Provisioned Store Closures	0	(2,964)	(2,964)
Interest Expenses	16,107	20,019	20,019
Debt Issuance Costs Amortization	513	646	646
Interest Expenses - Financial Leases	0	0	28,161
Gains from business combination	0	(359,035)	(350,397)
	287,571	**251,762**	**442,006**
Assets and Liabilities variation			
Clients and Other Accounts Receivable	(68,462)	(72,680)	(72,574)
Inventories	(164,998)	(357,370)	(357,370)
Other Short Term Assets	(2,545)	117,511	117,553
Long Term Assets	(43,393)	(328,619)	(328,618)
Suppliers	192,339	272,866	272,866
Salaries and Social Charges	34,413	33,535	33,535
Taxes Payable	4,011	(13,147)	(3,898)
Other Liabilities	6,027	21,637	21,637
Rents Payable	5,497	716	3,419
Cash from Operations	**250,460**	**(73,789)**	**128,556**
Interest Paid	(2,874)	(9,776)	(9,776)
Income Tax and Social Charges Paid	(41,308)	(64,708)	(64,708)
Interest Paid - Financial Leases	0	0	(28,161)
Net Cash from (invested) Operational Activities	**206,278**	**(148,273)**	**25,911**
Investment Activities Cash Flow			
Cash acquired from business combination	0	283,685	283,685
P,P&E and Intangible Acquisitions	(191,737)	(141,953)	(143,753)
P,P&E Sale Payments	3	423	406
Net Cash from Investment Activities	**(191,734)**	**142,155**	**140,338**
Financing Activities Cash Flow			
Funding	6,373	362,644	362,367
Payments	(28,613)	(95,182)	(115,553)
Interest on Equity and Dividends Paid	(3)	(49)	(49)
Financial Lease Payments	0	0	(151,718)
Net Cash from Funding Activities	**(22,243)**	**267,413**	**95,047**
Cash and Cash Equivalents net increase	**(7,699)**	**261,295**	**261,295**
Cash and Cash Equivalents in the beggining of the period	**281,254**	**145,387**	**145,387**
Cash and Cash Equivalents in the end of the period	**273,556**	**406,683**	**406,683**

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 Company acquired Drogaria Onofre Ltda. ("Onofre") on July 1st, 2019, and on August 1st Onofre was merged into Raia Drogasil, as described in Note 5.

The Group conducts its sales through 1,995 stores (1,825 stores – Dec/2018), including 42 stores from the acquisition and merger of Onofre, distributed in 22 Brazilian States (22 States – 2018) as follows:

	Consolidated	
State	**Sept-2019**	**Dec-2018**
São Paulo	1,020	952
Rio de Janeiro	137	127
Minas Gerais	134	125
Paraná	109	103
Goiás	71	68
Distrito Federal	69	68
Bahia	67	59
Pernambuco	63	52
Santa Catarina	49	43
Espírito Santo	44	37
Rio Grande do Sul	38	32
Pará	30	19
Ceará	28	21
Mato Grosso do Sul	25	23
Mato Grosso	21	16
Alagoas	17	14
Sergipe	16	15
Paraíba	15	15
Rio Grande do Norte	14	15
Maranhão	13	9
Piauí	8	7
Tocantins	7	5
Total	**1,995**	**1,825**

Raia Drogasil's stores are supplied by nine distribution centers located in seven States: São Paulo, Rio de Janeiro, Minas Gerais, Paraná, Goiás, Pernambuco and Bahia. The Company has also a distribution center in Barueri (SP), and two distribution centers in Rio de Janeiro, Rio de Janeiro State, and Belo Horizonte, Minas Gerais State, derived from the acquisition of Onofre, which is in process of closure.

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.

2. Presentation of quarterly information

The quarterly information was approved by the Executive Board on October 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 September 30, 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. As mentioned in Note 1, with the acquisition of Onofre on July 1, 2019, the Company accounted for its equity in the results of subsidiary and consolidated the balances of the subsidiary Onofre until the date of its merger on August 1st. Therefore, the consolidated statements of income, cash flows and value added include 12 months of operations of the Company and 12 months of operations of the subsidiary 4Bio, as well as 1 month of operation of Onofre.

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, among others. The significant estimates and judgments are disclosed in Note 4(u) to the financial statements for the year ended December 31, 2018 and in Note 15 with regard to the adoption of CPC 06 (R2) / IFRS 16.

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 September 30, 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 1st, 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 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 15. 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 the adoption of such interpretation.

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.

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 1st, 2019, as described in Note 3.

5. Business combinations

(a) Acquisition of 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. ("Onofre").

The acquisition of Onofre occurred on July 1st, 2019, when all the conditions precedent set forth in the CVQ were fulfilled.

All amounts in thousands of reais unless otherwise stated

In connection with the acquisition of Drogaria Onofre Ltda., the Company engaged a specialized independent firm to advise management in determining the fair value of assets and liabilities assumed as of July 1st, 2019 for purposes of calculation of a gain from a bargain purchase (discount).

The accounting standard CPC 15 (R1) / IFRS 3, which addresses business combination, requires the identification of the acquirer in a business combination. In this case, the Company's shareholders started holding control over Onofre on July 1st, 2019, date in which the agreements were formalized, and such date was considered as the "acquisition date" for purposes of accounting recognition of the transaction.

The consideration assumed by Raia Drogasil for the acquisition of Onofre is based on the commitment undertaken to be responsible for the rights (Assets) and Obligations (Liabilities) assumed of Onofre. There was no financial disbursement in the acquisition agreement.

Management adopted the balance sheet as at June 30, 2019 as the opening balance sheet for purposes of allocating the effects of the acquisition. The details of the fair values of the net assets acquired and liabilities assumed and the consequent preliminary calculation of the discount/gain from a bargain purchase are shown below:

Assets and Liabilities	June 30, 2019 (Fair Value)
Current assets	**497,387**
Cash and cash equivalents	283,685
Trade receivables	44,608
Inventory	96,371
Taxes recoverable	63,613
Other	9,110
Non-current assets	**392,033**
Judicial deposits	4,133
Indemnification asset	127,037
Property and equipment	196,418
Intangible assets	62,487
Other	1,958
Total assets	**889,420**
Current liabilities	**(121,531)**
Trade payables	(53,777)
Leases	(27,959)
Social security and labor obligations	(13,686)
Tax obligations	(4,205)
Provision for contingencies	(16,841)
Other	(5,063)
Non-current liabilities	**(410,219)**
Leases	(58,036)
Provision for contingencies	(10,831)
Probable and possible contingencies – Business combination	(17,254)
Payables to former controlling shareholders (b)	(324,098)
Total liabilities	**(531,750)**
Total assets (liabilities), net	**357,670**
Amount paid	
Gain obtained on acquisition	**357,670**
Net assets acquired (equity)	178,089
Allocated surplus/deficit	179,581

As it is the case in circumstances of assessment of gains in a business acquisition, the Company's management assessed a preliminary gain amount that would result from the business acquisition, is subject to potential adjustments according to the assessment period set forth in CPC 15.

All amounts in thousands of reais unless otherwise stated

The preliminary gain resulting from the acquisition, of R$ 357,670, was recognized as revenue for the nine-month period ended September 30, 2019, in the line item of other operating income; simultaneously, deferred income tax (25%) and social contribution (9%) were recognized on this amount, pursuant to legislation in effect for cases of discount calculation. The surplus/deficit value allocated to the assets and liabilities of Drogaria Onofre determined in the report are shown below:

Surplus/deficit allocated to assets and liabilities	
Inventory (i)	21,237
Property and equipment (ii)	10,447
Intangible assets (iii)	38,114
Indemnification asset (iv)	127,037
Contingencies – Business combination (v)	(17,254)
Total impact of the fair value	**179,581**

(i) Refer to inventory of goods. The balance of Inventory available for sale was adjusted to fair value considering the average turnover, historical margin of the sales channels, and the expected Selic rate.

(ii) Comprises the set of property and equipment items of Onofre, comprising land, buildings, facilities, machinery and equipment, furniture and fittings, hardware, vehicles, leasehold improvements and construction in progress. The account balance was adjusted to fair value, according to the appraisal of the net assets.

(iii) Includes intangible asset identified as the “Onofre Trademark” which was valued considering the following assumptions:

- Remaining useful life estimate - estimated at 21.5 years to reach a 90% economic benefit concentration for projected cash flow at present value;
- The estimated rate of royalties - applied to projected revenue was 1.3% based on profit sharing methodologies and royalty transactions;
- Total revenue - Projected by Raia Drogasil Management pursuant to the Business Enterprise Value (BEV - Company Valuation);
- Discount rate - For the calculation of the present value of the projected intangible asset cash flow, a discount rate of 15.1% was applied, estimated based on the WACC calculated for the Company, plus a risk premium; and
- Tax amortizations benefit (TAB) - tax benefit generated by the possible amortization of said fair value of the asset over its estimated useful life.

It is worth highlighting that from the surplus of R$ 38,114 allocated to Onofre trademark, the Company wrote in the quarter an impairment of R$ 22,665 related to the surplus allocated to the stores since they are being migrated to the Raia or Drogasil brands. The write-off was recognized in profit or loss for the period in the line item other operating expenses.

(iv) Refers to the amount of the consideration transferred in a transaction, as bank guarantee (letter of guarantee), to cover the liabilities arising from the legal dispute involving the former shareholders of Onofre and CVS, as follows: (i) arbitral proceeding at the Brazil-Canada Chamber of Commerce Arbitration and Mediation Center; and (ii) advance production of evidence in progress at the 23th District Court of São Paulo, as established in the SPA. Considering that of the liability related to such obligations with the former controlling shareholders is guaranteed by a financial investment linked to the lawsuits amounting to R$ 197,061, the fair value of R$ 127,037 was determined by the difference between the materialized balance of the liability provisions with former controlling shareholders and restricted the financial investments, limited to R$ 167,000.

(v) Refer to contingencies classified as possible in the balance sheet of Onofre and that, for Business Combination purposes. Pursuant to CPC 15/ IFRS 3, the fair value or possible losses is being included in the preliminary purchase price allocation.

All amounts in thousands of reais unless otherwise stated

Pursuant to CPC 15 and IFRS 3, an acquirer shall recognize, at the acquisition date, a contingent liability assumed in a business combination, even if it is not probable that outflows (incorporating economic benefits) shall be required for the fair amount assumed in the negotiation in the assumption of settlement of the provision for contingency.

The Company concluded that the fair values of contingencies for possible losses are close to the expected disbursement amounts and are allocated in the acquisition price for the determination of the fair value of Onofre's equity.

The result of such operation is substantially due to the fact that the Seller no longer desires to operate in Brazil.

(b) Payables to former controlling shareholders assumed by Seller

The liability classified in non-current in the amount of R$ 324,098 refers to obligations with former shareholders of Onofre with the Seller, and settlement depends on an arbitral decision. In the agreement for acquisition of Onofre by Raia Drogasil, it was agreed that the financial investments and the letter of guarantee (indemnification asset) in the amounts of R$ 197,061 and R$ 127,037, respectively, shall remain linked to the arbitration liability as a guarantee of settlement. Accordingly, Raia Drogasil shall not be harmed by, or benefit from, this transaction as from the acquisition date (July 1st, 2019) until the date of its complete settlement. The amount of R$ 197,061 regarding the financial investment was reclassified in July 1st, from cash to cash equivalents to restricted arbitration asset under the noncurrent group.

As established in the CVQ, the Sellers shall be responsible for conducting the arbitral proceeding until its complete termination and the Company shall be held harmless for any losses or gains resulting from the resolution of the arbitration. Accordingly, the income earned from July 1st, 2019 with monetary restatement of the mentioned assets and liabilities, as well as the corresponding taxes levied on said transactions, shall be calculated and eliminated from income against the balance sheet accounts, which amount at September 30, 2019, represents a reimbursement to Sellers in the amount of R$ 2,201.

(c) Incorporation of Drogaria Onofre Ltda. on August 1, 2019

On August 1st, 2019, an Extraordinary General Meeting was held, which approved the proposal for the merger of Drogaria Onofre Ltda. into Raia Drogasil, which was based on the appraisal report at book value on Onofre's net assets as of December 31, 2018, prepared by a specialized independent expert.

With the acquisition of Onofre on July 1, 2019 and incorporation on August 1, 2019, the Company recorded the results of one month of Onofre's operations in the Company's consolidated financial statements for the quarter ending September 30, 2019. See Note 10.

The balances merged by the Company at August 1st, 2019 are shown as follows:

Balances merged	**Augus 1st, 2019**
Current assets	274.373
Non current assets	529.285
Current liabilities	(104.596)
Non current liabilities	(398.653)

All amounts in thousands of reais unless otherwise stated

6. Cash and cash equivalents

	Parent Company		Consolidated	
Cash and cash equivalents items	**Sept-2019**	**Dec-2018**	**Sept-2019**	**Dec-2018**
Cash and banks	88,448	113,417	89,322	115,002
Investment fund		2,381		2,381
Automatic investments [(i)]	6,403	59,860	6,471	59,860
Bank Deposit Certificates - CDB [(ii)]	162,686	25,344	162,686	25,344
Debentures held under repurchase agreements [(iii)]	147,472	37,151	148,202	38,981
Total	**405,009**	**238,153**	**406,681**	**241,568**

(i) 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.

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

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

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

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

7. Trade receivables

	Parent Company		Consolidated	
Trade receivables items	**Sept-2019**	**Dec-2018**	**Sept-2019**	**Dec-2018**
Trade receivables	1,082,319	806,541	1,233,854	938,744
(-) Provision for impairment of trade receivables	(1,825)	(892)	(2,463)	(1,355)
Total	**1,080,494**	**805,649**	**1,231,391**	**937,389**

The ageing of trade receivables is as follows:

	Parent Company		Consolidated	
Maturities	**Sept-2019**	**Dec-2018**	**Sept-2019**	**Dec-2018**
Not yet due	1,077,805	799,003	1,217,834	923,872
Overdue				
Between 1 and 30 days	1,444	2,784	5,575	7,679
Between 31 and 60 days	1,062	2,982	3,800	3,678
Between 61 and 90 days	742	610	2,346	1,147
Between 91 and 180 days	1,028	1,128	3,430	1,937
Between 181 and 360 days	13	34	644	431
Over 360 days	225		225	
Provision for impairment of trade receivables	(1,825)	(892)	(2,463)	(1,355)
Total	**1,080,494**	**805,649**	**1,231,391**	**937,389**

Days sales outstanding, represented by credit and debit cards and partnerships with companies and the government, are approximately 39 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.

All amounts in thousands of reais unless otherwise stated

The changes in the Company's provision for the impairment of trade receivables are as follows:

	Parent Company		Consolidated	
Changes in expected losses	**Sept-2019**	**Dec-2018**	**Sept-2019**	**Dec-2018**
Opening balance	(892)	(3,889)	(1,357)	(4,664)
Additions	(7,664)	(5,684)	(9,727)	(8,355)
Reversals	2,543	1,722	3,980	4,242
Losses	4,188	6,959	4,640	7,422
Closing balance	**(1,825)**	**(892)**	**(2,463)**	**(1,355)**

At the acquisition date, the balance of P.E.C.L.D. merged from Onofre was R$ (1,359).

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.

8. Inventory

	Parent Company		Consolidated	
Inventory items	**Sept-2019**	**Dec-2018**	**Sept-2019**	**Dec-2018**
Goods for resale (i)	3,396,370	2,984,574	3,474,365	3,052,322
Goods held by third parties (ii)	129	44,825	129	44,825
Consumables	1,385	1,268	1,385	1,268
Provision for inventory losses	(13,591)	(11,140)	(13,591)	(11,140)
Total inventory	**3,384,292**	**3,019,527**	**3,462,288**	**3,087,275**

(i) On August 1, 2019, the Company merged Onofre and subsequently the inventory balance of R$90,759 on the date.

(ii) In the third quarter, the Company's goods located in third parties' warehouses were substantially transferred to the new DC in Guarulhos, which is about to begin distributing supplies to the stores.

Changes in the provision for goods losses are as follows:

	Parent Company		Consolidated	
Changes in expected losses	**Set-2019**	**Dez-2018**	**Set-2019**	**Dez-2018**
Opening balance	(11,140)	(13,821)	(11,140)	(13,821)
Additions (i)	(6,846)	(2,857)	(6,846)	(2,857)
Reversals	4,395	5,538	4,395	5,538
Write-off for incineration	4,367	5,298	4,367	5,298
Write-off for destruction	28	240	28	240
Closing balance	**(13,591)**	**(11,140)**	**(13,591)**	**(11,140)**

(i) At the merger date, we recorded an increase of R$ 2,846 in provisions for Onofre.

All amounts in thousands of reais unless otherwise stated

For the quarter ended September 30, 2019, cost of goods sold recognized in the statement of income was R$ 3,036,923 (R$ 2,476,118 – 3rd Quarter-2018) for the parent company and R$ 3,265,230 (R$ 2,640,038 - 3rd 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$ 29,695 (R$ 21,455 - 3rd Quarter-2018) for the Parent Company and R$ 30,748 (R$ 21,563 - 3rd 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.

9. Taxes recoverable

	Parent Company		Consolidated	
Taxes recoverable items	**Sept-2019**	**Dec-2018**	**Sept-2019**	**Dec-2018**
Taxes on profit recoverable				
Withholding Income Tax (IRRF)	550	113	1,065	113
Corporate Income Tax (IRPJ)	24,905	214	27,026	3,518
Social Contribution on Net Profit (CSLL)	8,047		9,284	1,237
Subtotal	33,502	327	37,375	4,868
Other taxes recoverable				
Value Added Tax on Sales and Services (ICMS) – credit balancer (i)	87,907	37,679	93,423	41,470
ICMS – Refund of ICMS withheld in advance (ii)	25,123	186	25,123	186
ICMS on acquisitions of fixed assets	73,326	58,410	73,326	58,410
Social Integration Program (PIS)	1,425	4,228	2,090	4,228
Social Contribution on Revenue (COFINS)	7,304	19,474	10,273	19,474
Social Investment Fund - 1982 - securities issued to cover court-ordered debts	561	561	561	561
Subtotal	195,646	120,538	204,796	124,329
Total	**229,148**	**120,865**	**242,171**	**129,197**
Current assets	173,616	76,520	186,639	84,852
Non-current assets	55,532	44,345	55,532	44,345

The ICMS credits amounting to R$ 87,907 and R$ 25,123 (R$ 37,679 and R$ 186 - Dec/2018) for the Parent Company and R$ 93,423 and R$ 25,123 (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.

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

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

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

It should be highlighted that the effects of this ruling also apply to COFINS since the proceeding acknowledges FINSOCIAL succession by COFINS.

Given that the right to credit encompasses a long period and also due to the complex calculation thereof, especially for the period prior to 2011, before mandatory issuance of the Electronic Invoice and mandatory use of the Digital Tax Bookkeeping (SPED) system, the Company's management engaged a law firm to address the criteria for measuring the credit rights, as well as a specialized firm to determine the amounts involved.

It should be stressed that the Brazilian Federal Revenue Service (RFB) has published COSIT Private Letter Ruling 13/18 and Normative Instruction (IN) 1,911/19, in which it confirms its position that only the actual final ICMS payable balance, after computing debits and credits, may be excluded from the PIS and COFINS tax bases.

In this context, the ICMS credit balances, existing in most of the period, under the tax substitution regime to which the products sold by the Company are subject, pursuant to the criteria accepted by RFB, are not entitled to the right of exclusion of ICMS from the PIS and COFINS tax bases, thus resulting in immaterial recoverable amounts to be recovered.

In any case, together with the conclusion of calculation of the amounts, the Company is awaiting judgment of the Appeal for Clarification of Ruling filed by the General Prosecution Unit of the National Treasury in RE 574,706, which will take place on December 5, 2019, containing clarification by the Supreme Court about the calculation criterion to be considered.

In this context, the Company's management will evaluate the best strategy to be adopted, within the scope of judgment settlement and/or liquidation of calculated amounts.

At Onofre merger date, the ICMS amounts were: (i) ICMS - Value-added Tax on Sales and Services - credit balance in the amount of R$ 20,945 and; (ii) ICMS - Refund of ICMS withheld in advance in the amount of R$ 30,950.

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 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$ 1,425 for PIS and R$ 7,304 for COFINS (R$ 4,228 - PIS and R$ 19,474 - COFINS - Dec-2018) in Parent Company and R$ 2,090 for PIS and R$ 10,273 for COFINS (R$ 4,228 - PIS and 19,474 - COFINS - Dec-2018) in the consolidated.

10. Investments

(a) Business combination – 4Bio

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 (currently held by Fundo de Investimento em Participações Kona – Multiestratégia ("Kona"), and current CEO of 4Bio), to be exercised after January 2021 and the fair value of which will be calculated based on the average of the adjusted EBITDA of 4Bio for the year ended December 31, 2018 and years ending December 31, 2019 and 2020.

On September 24, 2019, the Company and Kona signed an amendment to the original purchase and sale agreement changing the period of exercise of the call options held by the Company and of the put options held by Kona, related to the remaining 45% of 4Bio, adopting the following criterion:

From:

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

All amounts in thousands of reais unless otherwise stated

To:

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

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

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

Considering the new facts and circumstances, the fair value of the financial liability at September 30, 2019 was remeasured to R$ 46,211 (R$ 36,380 - Dec/2018).

The fair value of the additional stock options recorded in Parent Company and consolidated, of R$ 46,211 (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 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.

Changes in investments – 4Bio

At September 30, 2019 and December 31, 2018, the Company's investment balance is as follows:

Company name	**Main activity**	**Interest (%)**	**9/30/2019**	**12/31/2018**
4Bio Medicamentos S.A.	Retail of special medicines	55%	49,297	40,108

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

	Parent Company	
Changes in investments – 4Bio	**Sep-2019**	**Dec-2018**
Opening balance	40,108	31,489
Capital increase in subsidiary		228
Equity in the results of subsidiary	9,194	8,391
Restricted share compensation plan	(5)	
Closing balance	**49,297**	**40,108**

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 September 30, 2019 and December 31, 2018:

All amounts in thousands of reais unless otherwise stated

	Parent Company	
Equity in the results of subsidiary – 4Bio	**Sep-2019**	**Dec-2018**
Profit for the year	9,625	8,965
Amortization of surplus arising from the business combination	(430)	(574)
Adjusted profit of 4Bio	**9,195**	**8,391**

Adjusted equity	**Sep-2019**	**Dec-2018**
Investment at book value (55%)	33,972	24,348
Allocation of the purchase price (surplus of assets)	3,671	4,324
Deferred income tax liability on allocation adjustments	(1,248)	(1,471)
Restricted share compensation plan	(5)	
Total adjusted equity	36,390	27,201
Goodwill based on expected future profitability	12,907	12,907
Investment balance	**49,297**	**40,108**

(b) Business combination – Onofre

With the acquisition of 100% of Drogaria Onofre's share units on July 1st, 2019 and its incorporation by Raia Drogasil on August 1st, 2019, as described in Note 5, the Company recorded one month of equity in the results of subsidiaries (July/2019) for Onofre.

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

Changes in investments - Onofre	**Parent Company**
Gain on bargain purchase	357,670
Equity in the results of subsidiary	(34,595)
Investment write-off due to incorporation	(323,075)
Final investment balance - Onofre	

The table below shows the effects of the investment on Onofre on the profit or loss for the period, for the purposes of determining the equity in the results of subsidiaries for the quarter:

Equity in the results of subsidiary - Onofre	**Parent Company**
Loss of the subsidiary Onofre (July/2019)	(26,518)
Amortization of surplus arising from the business combination	(8,077)
Equity in the results of subsidiary	**(34,595)**

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All amounts in thousands of reais unless otherwise stated

11. Property and equipment and intangible assets

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**
Cost								
At January 1st	27,440	41,917	816,474	441,238	63,656	1,203,624	2,594,349	2,119,641
Additions)	11,790	29,505	132,412	153,761	5,900	4,318,792	4,652,160	419,837
Disposals and write-offs	(3,584)		(8,927)	(22,070)	(1,397)	(151,361)	(187,339)	(109,322)
Expected losses on store closures			1,188			(5,311)	(4,123)	2,817
Closing balance at September 30	**35,646**	**71,422**	**941,147**	**572,929**	**68,159**	**5,365,744**	**7,055,047**	**2,432,973**
Accumulated depreciation								
Average annual depreciation rates (%)		2.5 - 2.7	7.4 - 10	7.1 - 15.8	20 - 23.7	13 - 20		
At January 1st		(22,068)	(280,684)	(216,166)	(23,749)	(507,997)	(1,050,664)	(845,728)
Additions		(2,669)	(68,096)	(60,167)	(6,660)	(635,767)	(773,359)	(245,342)
Disposals and write-offs			5,557	5,574	948	143,716	155,795	103,501
Expected losses on store closures			(412)			134	(278)	(1,644)
Closing balance at September 30		**(24,737)**	**(343,635)**	**(270,759)**	**(29,461)**	**(999,914)**	**(1,668,506)**	**(989,213)**
Net balance								
At January 1st	27,440	19,849	535,790	225,072	39,907	695,627	1,543,685	1,273,913
At September 30	35,646	46,685	597,512	302,170	38,698	4,635,830	5,386,541	1,443,760

All amounts in thousands of reais unless otherwise stated

Changes in the consolidated property and equipment are as follows:

							2019	2018
Changes	**Land**	**Buildings**	**Furniture, fittings and facilities**	**Machinery and equipment**	**Vehicles**	**Leasehold improvements / Rights of use - Leases**	**Total**	**Total**
Cost								
At January 1st	27,440	41,917	817,963	442,875	63,909	1,205,547	2,599,651	2,123,436
Additions	11,790	29,505	132,511	154,187	5,868	4,324,572	4,658,433	420,663
Disposals and write-offs	(3,584)		(8,927)	(22,071)	(1,397)	(151,362)	(187,341)	(109,322)
Expected losses on store closures			1,188			(5,311)	(4,123)	2,817
Closing balance at September 30	**35,646**	**71,422**	**942,735**	**574,991**	**68,380**	**5,373,446**	**7,066,620**	**2,437,594**
Accumulated depreciation								
Average annual depreciation rates (%)		2.5 – 2.7	7.4 - 10	7.1 – 15.8	20 – 23.7	13 – 20		
At January 1st		(22,068)	(281,155)	(216,836)	(23,966)	(508,666)	(1,052,691)	(847,160)
Additions		(2,669)	(68,205)	(60,365)	(6,639)	(637,057)	(774,935)	(245,759)
Disposals and write-offs			5,557	5,574	948	143,716	155,795	103,501
Expected losses on store closures			(412)			134	(278)	(1,644)
Closing balance at September 30		**(24,737)**	**(344,215)**	**(271,627)**	**(29,657)**	**(1,001,873)**	**(1,672,109)**	**(991,062)**
Net balance								
At January 1st	27,440	19,849	536,808	226,039	39,943	696,881	1,546,960	1,276,276
At September 30	35,646	46,685	598,520	303,364	38,723	4,371,573	5,394,511	1,446,532

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All amounts in thousands of reais unless otherwise stated

(b) Intangible assets

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

							2019	2018
nges	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Trademarks	Customers portfolio	Total	Total
Cost								
At January 1st	278,941	140,078	22,275	780,084	159,751	41,700	1,422,829	1,378,334
Additions	40,576	83,689			16,483		140,748	65,287
Disposals and write-offs	(31,915)	(26,866)			(98)		(58,879)	(33,600)
Expected losses on store closures	59	16					75	203
At September 30	**287,661**	**196,917**	**22,275**	**780,084**	**176,136**	**41,700**	**1,504,773**	**1,410,224**
Accumulated amortization								
Average annual amortization rates (%)	17.0 - 23.4		Indefinite useful life	Indefinite useful life	Indefinite useful life	6.7 - 25		
At January 1st	(154,498)	(59,905)	(2,387)			(38,097)	(254,887)	(222,876)
Additions	(41,243)	(50,488)			(117)	(345)	(92,193)	(54,709)
Disposals and write-offs	29,628	25,956					55,584	32,025
Expected losses on store closures	(86)	(10)					(96)	(145)
At September 30	**(166,199)**	**(84,447)**	**(2,387)**		**(117)**	**(38,442)**	**(291,592)**	**(245,705)**
Net balance								
At January 1st	124,443	80,173	19,888	780,084	159,751	3,603	1,167,942	1,155,458
At September 30	121,462	112,470	19,888	780,084	176,019	3,258	1,213,181	1,164,519

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Changes in the consolidated intangible assets are as follows:

									2019	2018
ges	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
Cost										
At January 1st	278,941	141,745	22,275	780,084	25,563	164,820	41,700	7,928	1,463,056	1,418,381
Additions	40,576	84,443				16,483			141,502	65,870
Disposals and write-offs	(31,916)	(26,866)				(98)			(58,880)	(33,600)
Expected losses on store closures	59	16							75	203
At September 30	**287,660**	**199,338**	**22,275**	**780,084**	**25,563**	**181,205**	**41,700**	**7,928**	**1,545,753**	**1,450,854**
Accumulated amortization										
Average annual amortization rates (%)	17 - 23.4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	Indefinite useful life	20	6.7 - 25		
At January 1st	(154,498)	(60,551)	(2,387)			(3,295)	(38,097)	(1,840)	(260,668)	(227,365)
Additions	(41,243)	(50,773)				(877)	(345)	(425)	(93,663)	(56,064)
Disposals and write-offs	29,627	25,956							55,583	32,026
Expected losses on store closures	(86)	(10)							(96)	(145)
At September 30	**(166,200)**	**(85,378)**	**(2,387)**			**(4,172)**	**(38,442)**	**(2,265)**	**(298,844)**	**(251,548)**
Net balance										
At January 1st	124,443	81,194	19,888	780,084	25,563	161,525	3,603	6,088	1,202,388	1,191,016
At September 30	121,460	113,960	19,888	780,084	25,563	177,033	3,258	5,663	1,246,909	1,199,306

(i) With the adoption of IFRS 16 / CPC 06 (R2), the Company began to record, as from January 1st, 2019, the right-of-use assets related to lease agreements. Accordingly, the additions for the period include the amount of R$ 3,659,594 Parent and R$ 3,663,759 consolidated related to the leased right-of-use assets. See details in Note 15.

At the merger date, the amounts of the groups of merged property and equipment and intangible assets of Onofre were as follows (amounts net of the related accumulated depreciation):

- Land: R$ 8,206;
- Buildings: R$ 27,736;
- Furniture, fittings and facilities: R$ 16,794;
- Machinery and equipment: R$ 32,042;
- Vehicles: R$ 664;
- Leasehold improvements / Rights of use - Leases: R$ 129,812;
- Points of sale: R$ 3,136;
- Software and systems implementation: R$ 20,664; and
- Trademarks: R$ 15,390.

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.

12. 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 21).

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(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.

13. Trade payables

	Parent Company		Consolidated	
Trade payables items	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**
Goods suppliers	2,074,873	1,962,589	2,211,447	2,069,087
Materials suppliers	10,976	9,429	11,090	9,610
Assets suppliers	9,833	18,932	10,039	19,224
Service providers	59,677	57,687	61,063	58,846
Adjustment to present value	(13,079)	(15,017)	(13,693)	(15,493)
Total	**2,142,280**	**2,033,620**	**2,279,946**	**2,141,274**

Certain suppliers have the option to assign Company notes, totaling R$ 718,908 (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 results in expenses for the Company.

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14. Borrowing

Borrowing items	Average annual long-term interest rate	Parent Company Sep-2019	Parent Company Dec-2018	Consolidated Sep-2019	Consolidated Dec-2018
BNDES - Sub-loan					
Businesses	TJLP + 2,10% (+ 2,12% - Dec/2018) p.a.	46,586	69,459	46,586	69,459
Businesses	SELIC + 2.36% (+ 2.35% - Dec/2018) p.a.	57,388	82,348	57,388	82,348
Machinery, equipment and vehicles	TJLP + 2.02% (+2.02% - Dec/2018) p.a.	8,292	11,821	8,292	11,821
Machinery, equipment and vehicles	PSI + 9.54% (9.54% - Dec/2018) p.a.	1,365	2,596	1,365	2,596
Machinery, equipment and vehicles	SELIC + 2.42% (2.42% - Dec/2018) p.a.	38	53	38	53
Working capital	SELIC + 2.42% (+2.42% - Dec/2018) p.a.		17,703		17,703
Other		1,437	2,053	1,437	2,053
Debentures					
1st issue of debentures	104.75% of CDI	205,058	235,424	205,058	235,424
2nd issue of debentures	104.50% of CDI	366,525	404,787	366,525	404,787
3rd issue of debentures – Certificate of Real Estate Receivables	98.50% of CDI	244,003		244,003	
4th issue of debentures	106.99% of CDI	303,716		303,716	
Borrowing					
Other				3,005	16,906
Total		**1,234,408**	**826,244**	**1,237,413**	**843,150**
Current liabilities		244,464	256,033	247,469	272,939
Non-current liabilities		989,944	570,211	989,944	570,211

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Characteristics of borrowing

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

The subloans for the Social Project, Development of Own Brand and Acquisition of National Software are grouped in the Other line. Part of the Company's borrowing from BNDES has been taken out in the form of sub-loans, totaling R$ 115,106 (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:

	Parent Company Sep-2019	Consolidated Sep-2019
2020	91,345	91,345
2021	181,911	181,911
2022 and thereafter	716,688	716,688
Total	989,944	989,944

Characteristics of the Debentures

On June 17, 2019, the Company carried out the 4th issue of non-convertible, simple unsecured debentures in a single series in the total amount of R$ 300,00 for public distribution with restricted efforts (CVM476), with settlement on July 12, 2019, with remuneration of 106.99% of CDI and payment term of 8 years. Interest payments will be semi- and principal will be amortized in two equal annual and consecutive installments, the last installment to be paid on June 17, 2027. The funds will be used to improve the working capital.

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

On February 1, 2019, the Company approved, through the Extraordinary Meeting of the Board of Directors, the 3rd issue of non-convertible, simple unsecured debentures in a single series, in the total amount of R$ 250,000, with remuneration of 98.5% of CDI and payment term of 7 years. Interest payments will be 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 CVM 400.

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Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
3rd issue — single series	R$ 250,000	250,000	3/15/2019	2019-2026	98.5%	R$ 1

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

Type of issue	Issue amount	Quantity outstanding	Issue	Maturity	Annual charges	Unit price
2nd 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 2nd issue of debentures will occur in 9 semiannual consecutive installments, the first being from the 12nd month after the issue. The payment of the remuneration will occur on a semiannual basis, and the first payment is due in April 2019, and other payments always in April and October of each year, until the due date.

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

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

The costs incurred on the issues of the Company's debentures (2017 - 1st issue, 2018 - 2nd issue and 2019 - 3rd and 4th issues), including fees, commissions and other costs, totaled R$ 10,093 and are classified in the line item of the respective debentures and are being recognized over the total period of the debt. At September 30, 2019, the amount to be recognized was R$ 8,042 (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 times.

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

Covenants are measured quarterly and, at September 30, 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:

	Parent Company		Consolidated	
Analysis of and changes in net debt	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**
Short-term borrowings	244,464	256,033	247,469	272,939
Long-term borrowings	989,944	570,211	989,944	570,211
Total debt	1,234,408	826,244	1,237,413	843,150
(-) Cash and cash equivalents	(405,009)	(238,153)	(406,681)	(241,568)
Net debt	**829,399**	**588,091**	**830,732**	**601,582**

			Parent Company
Changes in net debt	**Borrowing**	**Cash and equivalents**	**Net debt**
Net debt at January 1st, 2019	826,244	(238,153)	588,091
Capital contribution	543,141		543,141
Accrued interest	50,156		50,156
Payment of interest	(33,810)		(33,810)
Amortization of principal	(153,312)		(153,312)
Transaction cost	1,989		1,989
(Increase) decrease in cash and cash equivalents		(166,856)	(166,856)
Net debt at September 30, 2019	**1,234,408**	**(405,009)**	**829,399**

			Consolidated
Changes in net debt	**Borrowings**	**Cash and equivalents**	**Net debt**
Net debt at January 1st, 2019	843,150	(241,568)	601,582
Capital contribution	716,781		716,781
Accrued interest	51,073		51,073
Payment of interest	(35,149)		(35,149)
Amortization of principal	(340,431)		(340,431)
Transaction cost	1,989		1,989
(Increase) decrease in cash and cash equivalents		(165,113)	(165,113)
Net debt at September 30, 2019	**1,237,413**	**(406,681)**	**830,732**

15. Leases

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.
- Equipment: 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;

• 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;

All amounts in thousands of reais unless otherwise stated

• 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 at 2.94% p.a. and corresponds to the debentures raised on April 2, 2018, as described in Note 14 (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 the contractual 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.

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:

	Parent Company 2019	Consolidated 2019
Commitments of operating leases disclosed at December 31, 2018	2,412,005	2,414,679
Remeasurement	1,247,589	1,249,080
Lease liability recognized at January 1st, 2019	**3,659,594**	**3,663,759**

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

As a lessee

Right-of-use asset

The right-of-use asset is presented in Property and equipment. The changes in the Parent Company's right-of-use asset were as follows:

	Operating real estate	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	Total
At January 1st	3,370,375	6,512	281,063	1,644		3,659,594
New agreements [i]	293,781	10,663	78,300	566	136	383,446
Remeasurements	74,794	282	(748)	(263)		74,065
Termination of agreements	(35,234)	(2,351)				(37,585)
Depreciation [ii]	(415,906)	(6,238)	526	(1,386)	(12)	(423,016)
At September 30	**3,287,810**	**8,868**	**359,141**	**561**	**124**	**3,656,504**

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At Onofre merger date, the lease balances were: (i) Right of use of R$ 75,853 and; (ii) Accumulated depreciation of R$ 10,174.

We assessed the merged lease balances and adjusted them according to the assumptions adopted by the Group. Accordingly, the adjustments made for the Right of use and Accumulated depreciation amounted to R$ 115,086 and R$ 11,499, respectively.

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

	Operating real estate	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	Total
At January 1st	3,370,375	6,582	285,158	1,644		3,663,759
New agreements	293,781	10,793	80,363	566	136	385,639
Remeasurements	74,794	246	(1,784)	(263)		72,993
Termination of agreements	(35,234)	(2,351)				(37,585)
Depreciation	(415,906)	(6,267)	(433)	(1,386)	(12)	(424,004)
At September 30	**3,287,810**	**9,003**	**363,304**	**561**	**124**	3,660,802

Lease liabilities

Analysis of maturities - Lease liabilities	Parent Company Sep-2019	Consolidated Sep-2019
Less than 1 year	(556,546)	(557,999)
1 - 5 years	(2,712,472)	(2,715,363)
Over 5 years	(437,448)	(437,448)
Total	**(3,706,466)**	**(3,710,810)**
Lease liabilities in the balance sheet At September 30		
Current (i)	(556,546)	(557,999)
Non-current (ii)	(3,149,920)	(3,152,811)

At the merger date, Onofre's merged lease liability balances were: (i) Current liabilities of R$ 22,455 and; (ii) Non-current liabilities of R$ 45,475.

The merged lease balances were adjusted, according to the assumptions adopted by the Group. Accordingly, the entries made for Current liabilities and Non-current liabilities were R$ 21,528 and R$ 83,379.

All amounts in thousands of reais unless otherwise stated

Amount recognized in the statement of income

	Parent Company	Consolidated
Amount recognized in the statement of income - lease	**2019**	**2019**
Amortization of right-of-use asset	426,798	429,242
Interest on lease liabilities	81,585	81,675
Variable payments not included in the measurement of lease liabilities	12,677	13,816
Revenue on subleases of right-of-use assets	(1,939)	(2,045)
Expenses related to short-term and/or low-value leases	15,398	15,398
Total	**534,519**	**538,086**

Amount recognized in the statement of cash flow

	Parent Company	Consolidated
Statement of Cash Flows	**Sep-2019**	**Sep-2019**
Non-cash items		
Initial recognition of lease agreements	3,659,594	3,663,759
New agreements	383,446	385,639
Remeasurement	74,065	72,993
Termination of agreements	(37,585)	(37,585)
In operating activities:		
Lease monetary adjustment	27,882	28,161
Interest paid on lease	(27,882)	(28,161)
In financing activities:		
Payment of lease liabilities	(133,251)	(151,717)

(i) Payment of variable leases based on sales

Some operating real estate leases contain variable lease payments based on a percentage of 2% to 12% of the sales made during the period in the leased operating real estate. These payment conditions are common for stores in the country where the Group operates. Variable lease payments for the period ended September 30, 2019 amounted to R$ 964 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 a lessor

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

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

	Parent Company /Consolidated
Undiscounted lease payments	**Sep-2019**
Less than 1 year	2,437
1 - 2 years	1,371
2 - 3 years	1,141
3 - 4 years	921
4- 5 years	111
Total	**5,981**

16. Provision for contingencies and judicial deposits

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

At September 30, 2019 and December 31, 2018, the Group had the following provision and corresponding judicial deposits relating to legal proceedings:

	Parent Company		Consolidated	
Judicial deposits items	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**
Labor and social security	89,156	73,146	89,156	73,146
Tax (i)	15,073	642	15,073	642
Civil	2,291	700	2,291	700
Subtotal	106,519	74,488	106,519	74,488
(-) Corresponding judicial deposits	(23,154)	(23,099)	(23,154)	(23,099)
Total	**83,365**	**51,389**	**83,365**	**51,389**
Current liabilities	22,522	2,512	22,522	2,512
Non-current liabilities	60,843	48,877	60,843	48,877

(i) The variation refers to Onofre's merged lawsuits related to reversal of PIS/COFINS and ICMS on inventory adjustments, PIS and COFINS on rebates and inspections in progress REDF;

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Changes in the provision are as follows:

	Parent Company		Consolidated	
Changes in the provision	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**
At January 1st	74,488	25,318	74,488	25,318
Additions of new lawsuits and review of estimate (i)	80,223	66,433	80,223	66,433
Write-offs for payments	(30,753)	(28,589)	(30,753)	(28,589)
Reversals due to changes in lawsuits	(10,897)	(889)	(10,897)	(889)
Revaluation of amounts (ii)	(24,932)	9,656	(24,932)	9,656
Monetary restatement	18,390	2,559	18,390	2,559
Closing balance	**106,519**	**74,488**	**106,519**	**74,488**

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

(i) The balance refers to contingencies from the merger of Onofre in the following amounts: R$ 26,274 Labor R$ 16,090 Tax; and R$ 1,381 - Civil. Additionally, there was an adjustment of R$ 2,410 in labor contingencies due to differences in the accounting practices.

(ii) Refers to the revaluation of amounts related to lawsuits in initial stage based on the history of payment and rate of lawsuits considered as with grounds.

Possible losses

At September 30, 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$ 50,073 (R$ 45,444 - Dec/2018) for the Parent Company and Consolidated, of which R$ 1,043 (R$ 1,379 - Dec/2018) corresponds to civil proceedings, and R$ 49,030 (R$ 44,065 - Dec/2018) to tax proceedings.

Judicial deposits

At September 30, 2019 and December 31, 2018, the Group had the following judicial deposit amounts, for which no corresponding provision had been set up:

	Parent Company		Consolidated	
Analysis of judicial deposits	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**
Labor and social security	12,155	10,461	12,155	10,461
Tax	12,567	11,409	12,567	11,409
Civil	3,596	3,900	3,596	3,900
Total	**28,318**	**25,770**	**28,318**	**25,770**

Labor contingencies

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

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Tax contingencies

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

Civil contingencies

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

17. Income tax and social contribution

(a) Income tax and social contribution paid

Effective income tax and social contribution for the quarters are as follow:

	Parent Company		Consolidated	
	3rd Quart-2019	3rd Quart-2018	3rd Quart-2019	3rd Quart-2018
Profit before income tax and social contribution	422,398	157,543	423,679	159,480
Interest on capital	(52,000)	(52,000)	(52,000)	(52,000)
Taxable profit	370,398	105,543	371,679	107,480
Combined tax rate (25% for income tax and 9% for social contribution)	34	34	34	34
Theoretical tax expense	(125,935)	(35,885)	(126,371)	(36,543)
Permanent additions	(2,673)	(2,043)	(5,453)	(2,083)
Equity in the results of subsidiary	(10,414)	370		
Reduction of taxes due to incentives (P.A.T)	418	504	418	528
Investment grant (i)	18,778	7,702	22,560	7,702
Gain on bargain purchase	113,902		113,902	
Temporarily non-deductible provisions	(113,902)		(113,902)	
Other (revaluation reserve + additional income tax exemption ceiling)	13	(244)	(9,003)	(247)
Result of current income tax and social contribution	(23,236)	(27,895)	(23,236)	(29,237
Result of differed income tax and social contribution	60,179	(1,701)	62,144	(1,406
Income tax and social contribution expense	36,943	(29,596)	38,908	(30,643)
Effective tax rate	(8.7%)	18.8%	(.,2%)	19.2%

(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 amount recognized in the quarter ended September 30, 2019 was R$ 4,811. In addition, for such quarter, the Company included in the income tax and social contribution a gain on ICMS tax benefits earned in fiscal years 2014 to 2017, resulting in a decrease in the income tax and social contribution calculation by R$ 13,967.

(ii) The business combination between Raia Drogasil and Onofre resulted in income tax and social contribution adjustment, related to the gain on bargain purchase in the amount of R$ 113,902 which will be taxed at the rate of 1/60 in subsequent periods;

(iii) The amount of R$ 156,761 was recognized, related to deferred income tax and social contribution asset, net, due to the merger of the temporary adjustments balances recorded in part B of Onofre's Taxable Income Book (LALUR) since the merged company did not record deferred income tax arising from future taxable profits. The period for realization of this asset is shown as disclosed in item (c) below.

(b) Deferred income tax and social contribution

Deferred income tax and social contribution assets amounting to R$ 242,395 at September 30, 2019 (R$ 66,826 – Dec/ 2018) for the parent company and R$ 251,563 at September 30, 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$ 415,647 at September 30, 2019 (R$ 305,928 - Dec/2018) for the parent company and R$ 417,917 at September 30, 2019 (R$ 308,601 - Dec- 2018) for the consolidated accounts relate to tax charges on the remaining balances of: (i) the revaluation reserve; (ii) goodwill from future profitability and (iii) gain from a bargain purchase.

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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	
Temporary differences	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**	**3rd Quarter - 2019**	**3rd Quarter - 2018**	**3rd Quarter - 2019**	**3rd Quarter - 2018**
Revaluation at fair value of land and buildings	(6,909)	(6,976)	(6,909)	(6,976)				
Amortization of the goodwill on future profitability	(243,251)	(243,995)	(243,251)	(243,995)				
Non-deductible intangible assets - merger of Raia S.A.	(53,484)	(54,957)	(53,484)	(54,957)	1,898	631	1,898	631
Non-deductible intangible assets - acquisition of 4Bio			(2,270)	(2,673)			134	134
Gain on bargain purchase – acquisition of Onofre	(112,003)		(112,003)		632		632	
Tax losses to be offset against future taxable profits	4,202		12,648	3,163	4,202		6,316	
Adjustments from merger – Neutralization of the effect of the bargain purchase					42,855		42,855	
Adjustment to fair value	5,434	2,091	5,434	2,091	2,735	484	2,735	484
Provision for inventory losses	8,218	13,560	8,218	13,560	86	(5,340)	86	(5,340)
Provision for sundry obligations	18,753	10,713	18,896	10,935	6,063	3,143	6,017	3,205
Provision for employee profit sharing	14,132	14,254	14,478	14,730	1,012	(403)	869	(395)
Provision for contingencies	30,023	25,326	30,023	25,326	7,086	(217)	7,086	(217)
Provision for impairment of trade receivables	1,054	882	1,271	1,039	(33)	1	(97)	92
Lease (depreciation x consideration) (i)	15,397		15,413		5,040		5,008	
Recording of deferred taxes – LALUR part B Onofre	145,160		145,160		(11,595)		(11,595)	
Other adjustments	22		22		198		198	
Deferred income tax and social contribution expense (benefit)					**60,179**	**(1,701)**	**62,142**	**(1,406)**
Deferred tax liabilities, net	**(173,252)**	**(239,102)**	**(166,354)**	**(237,757)**				
Reflected in the balance sheet as follows:								
Deferred tax assets	242,395	66,826	251,563	70,844				
Deferred tax liabilities	(415,647)	(305,928)	(417,917)	(308,601)				
Deferred tax liabilities, net	**(173,252)**	**(239,102)**	**(166,354)**	**(237,757)**				
Reconciliation of deferred tax assets (liabilities), net								
At the beginning of the year	(239,102)	(226,217)	(237,757)	(228,715)				
Expense recognized in the statement of income	65,775	(12,975)	71,327	(9,132)				
Realization of deferred tax recognized in equity	75	90	75	90				
Balance at the end of the year	**(173,252)**	**(239,102)**	**(166,354)**	**(237,757)**				

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

All amounts in thousands of reais unless otherwise stated

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

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

	Parent Company	Consolidated
Payment forecast	**Sep-2019**	**Sep-2019**
2019	46,535	46,535
2020	45,765	45,765
2021	71,336	71,336
2022 and thereafter	78,759	87,927
Total	**242,395**	**251,563**

18. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the 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:

	Parent Company/ Consolidated	
Earnings per share items	**3rd Quarter - 2019**	**3rd Quarter - 2018**
Basic		
Profit for the year	459,341	127,947
Weighted average number of common shares	329,574	329,429
Basic earnings per share - R$	**1.39374**	**0.38839**
Diluted		
Profit for the year	459,341	127,947
Weighted average number of common shares adjusted for dilution effect	329,320	329,269
Diluted earnings per share - R$	**1.39482**	**0.38858**

All amounts in thousands of reais unless otherwise stated

19. Equity

(a) Capital

At September 30, 2019, the fully paid-up capital amounted to R$ 2,500,000 (R$ 1,808,639 - Dec/2018), represented by 330,386,000 common registered book-entry shares with no par value, of which 212,826,069 shares were outstanding (214,459,215 common shares - Dec/2018). On April 10, 2019, the Annual and Extraordinary General Meeting approved the Company's capital increase by R$ 691,361, through capitalization of part of the Company's statutory reserve, after allocation of the profit for the year ended December 31, 2018, without issuance of Company new shares and, therefore, without share bonus to the Company's stockholders and maintaining unaltered the interest of each shareholder in the Company's capital, pursuant to article 169 of Law 6,404/76.

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 September 30, 2019, the Company's ownership interest was as follows:

	Number of shares		Interest (%)	
Ownership interest	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**
Controlling stockholders	116,830,497	114,880,213	35.36	34.77
Shares outstanding	212,826,069	214,459,215	64.42	64.91
Treasury shares	729,434	1,046,572	0.22	0.32
Total	**330,386,000**	**330,386,000**	**100.00**	**100.00**

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

The change in the number of outstanding shares of the Company was as follows:

Changes	**Shares outstanding**
At December 31, 2018	214,459,215
(Purchase)/sale of restricted shares, net	(1,633,146)
At September 30, 2019	**212,826,069**

At September 30, 2019, the Company's common shares were quoted at R$ 95.81 (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 11,638/07), this reserve receives the portion of government subsidy 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.

All amounts in thousands of reais unless otherwise stated

(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 September 30, 2019 are summarized below:

	Parent Company	
Changes in treasury shares	**Number of shares**	**Amount of shares**
At December 31, 2018	1,046,572	55,466
Shares delivered to executives related to the 3rd tranche of the 2015 grant, 2nd tranche of the 2016 grant and 1st tranche of the 2017 grant	(285,218)	(15,081)
Shares delivered to executives related to the 1st tranche of the 2017 grant of 4Bio		(35)
Other shares delivered to executives related to the Exercise of the Share-based Compensation Plan	(31,920)	(1,691)
At September 30, 2019	**729,434**	**38,659**

At September 30, 2019, the market value of the treasury shares, having as reference the quotation of R$ 95.81 per share at that date, corresponds to R$ 69,887,071.54.

(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:

	Sep-2019		Dec-2018	
Change in restricted shares	**Shares**	**Amount**	**Shares**	**Amount**
Opening balance	499,797	23,940	485,242	18,863
Granted shares for the period	155,932	10,171	239,137	12,459
Value of the shares at the delivery date	(317,138)	(14,729)	(224,582)	(7,382)
Closing balance	**338,591**	**19,382**	**499,797**	**23,940**

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

20. Net sales revenue

	Parent Company		Consolidated	
Net revenue items	**3rd Quart-2019**	**3rd Quart-2018**	**3rd Quart-2019**	**3rd Quart-2018**
Gross sales revenue				
Sales revenue	4,551,188	3,741,805	4,839,831	3,941,637
Service revenue	3,438	2,985	3,587	3,040
Total gross sales revenue	**4,554,626**	**3,744,790**	**4,843,418**	**3,944,677**
Taxes on sales	(174,188)	(139,510)	(198,803)	(153,458)
Returns, rebates and other	(37,199)	(30,328)	(42,974)	(34,405)
Net sales revenue	**4,343,239**	**3,574,952**	**4,601,641**	**3,756,814**

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).

The Company assessed the impacts of CPC 47/ IFRS15 and considering that the entity operates in the pharmaceutical retail segment and has only one performance obligation, therefore, with no complexity in this definition, both in the transfer of control of goods and services to consumers and in the transit into cash, as described in Note 4 – Significant accounting policies, concluded that there are no material accounting recognition impacts from the adoption of the standard.

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

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

	Parent Company		Consolidated	
Nature of expenses	**3rd Quart-2019**	**3rd Quart-2018**	**3rd Quart-2019**	**3rd Quart-2018**
Personnel expenses	(533,306)	(457,649)	(549,868)	(464,748)
Occupancy expenses (i)	(55,943)	(173,899)	(56,972)	(174,491)
Service provider expenses	(51,738)	(40,783)	(54,033)	(41,070)
Depreciation and amortization (ii)	(278,941)	(104,898)	(283,524)	(105,518)
Other (iii)	(155,686)	(135,469)	(164,498)	(141,217)
Total	**(1,075,614)**	**(912,698)**	**(1,108,895)**	**(927,044)**

Classified in the statement of income as:				
Function of expenses	**3rd Quart-2019**	**3rd Quart-2018**	**3rd Quart-2019**	**3rd Quart-2018**
Selling expenses	(946,601)	(816,171)	(968,318)	(827,492)
General and administrative	(129,013)	(96,527)	(140,577)	(99,552)
Total	**(1,075,614)**	**(912,698)**	**(1,108,895)**	**(927,044)**

(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$ 278,941 in the third quarter of 2019 (R$ 104,898 – 3rd Quarter-2018) for the parent company, of which R$ 260,009 (R$ 91,962 – 3rd Quarter-2018) correspond to the sales area and R$ 18,932 (R$ 12,936 - 3rd Quarter-2018) to the administrative area, and R$ 283,524 (R$ 105,518 - 3rd Quarter-2018) in the consolidated, of which R$ 262,780 (R$ 92,089 - 3rd Quarter-2018) refers to the sales area and R$ 20,744 (R$ 13,429 - 3dQuarter-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 15.

(iii) These refer mostly to expenses on card operator fees, transportation, materials, other administrative expenses, maintenance of assets, advertising and publicity.

All amounts in thousands of reais unless otherwise stated

22. Other operating (income)/expenses

Other operating (income)/expenses totaled R$ (264,413) in the third quarter of 2019 for the consolidated accounts. These amounts comprise non-recurring expenses/revenues, related to: (i) hierarchical restructuring in the amount of R$ 4,460; (ii) additional expenses due to the closure of the Barra Mansa distribution center in the amount of R$ 2,814; (iii) write-off of property and equipment and intangible assets due to the closure of stores in the amount of R$ 6,290; (iv) integration of Onofre in the amount of R$ 84,439; (v) recognition of INSS credits from 2012 to 2015 in the amount of R$ (4,625); and (vi) gain from a bargain purchase of Onofre in the amount of R$ (357,670).

23. Finance income and costs

(a) Finance income

	Parent Company		**Consolidated**	
Finance income items	**3rd Quart-2019**	**3rd Quart-2018**	**3rd Quart-2019**	**3rd Quart-2018**
Discounts obtained	290	813	307	820
Short term investment yields	3,354	3,612	3,729	3,612
Interest on intercompany loans	725	698		
Monetary gains	1,146	(651)	1,212	(589)
Other finance income	1	1	101	52
Taxes thereon (PIS/COFINS)	(257)	(206)	(275)	(206)
Present Value Adjustment (PVA) - finance income	15,018	14,160	17,023	15,779
Total finance income	**20,277**	**18,427**	**22,097**	**19,468**

(b) Finance costs

	Parent Company		**Consolidated**	
Finance cost items	**3rd Quart-2019**	**3rd Quart-2018**	**3rd Quart-2019**	**3rd Quart-2018**
Discounts granted to customers	(7)		(118)	(32)
Interest, charges and bank fees	(178)	(166)	(552)	(293)
Charges on debentures	(17,101)	(11,171)	(17,101)	(11,171)
Amortization of transaction costs	(531)	(160)	(531)	(160)
Charges on borrowings	(2,601)	(4,902)	(2,601)	(4,902)
Monetary variations and finance charges on leases (i)	(28,370)	(458)	(28,698)	(541)
Interest on payables to Subsidiary's shareholder	(8,044)	(1,426)	(8,044)	(1,426)
PVA - finance costs	(30,972)	(26,322)	(32,703)	(27,693)
Total finance costs	**(87,804)**	**(44,605)**	**(90,348)**	**(46,218)**
Finance income (costs), net	**(67,527)**	**(26,178)**	**(68,251)**	**(26,750)**

(i) The change in the balance is mostly due to interest on the leases described in Note 15.

24. 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$ 104 (R$ 111 – Dec/2018) for the parent company and consolidated accounts.

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25. Financial instruments and risk management policy

Financial instruments by category

	Parent Company		Consolidated	
Finance instruments items	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**
Assets				
At amortized cost				
Cash and cash equivalents (Note 6)	405,009	238,153	406,681	241,568
Trade receivables (Note 7)	1,080,494	805,649	1,231,391	937,389
Other receivables	243,893	196,148	202,323	156,847
Judicial deposits (Note 16)	28,318	25,770	28,318	25,770
Subtotal	1,757,714	1,265,720	1,868,713	1,361,574
Total assets	**1,757,714**	**1,265,720**	**1,868,713**	**1,361,574**
Liabilities				
Liabilities at fair value through profit or loss				
Payables to Subsidiary's shareholder (Note 10)	46,211	36,380	46,211	36,380
Subtotal	46,211	36,380	46,211	36,380
Other financial liabilities				
Trade payables	2,142,280	2,033,620	2,279,946	2,141,274
Borrowings (Note 14)	1,234,408	826,244	1,237,413	843,150
Other payables	136,170	150,141	138,260	151,940
Subtotal	3,512,858	3,010,005	3,655,619	3,136,364
Total liabilities	**3,559,069**	**3,046,385**	**3,701,830**	**3,172,744**

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.

Interest rate risk

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

(b) Credit risk

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

All amounts in thousands of reais unless otherwise stated

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:

	Parent Company		Consolidated	
Risk rating	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**
Rating - National Scale				
brAAA	310,917	62,622	312,470	65,251
brAA+	567	14,680	612	15,464
brA	3	729	3	729
(*) n/a - Automatic investments	6,403	59,860	6,471	59,860
(*) n/a - Investment Funds		2,381		2,381
Total - National Scale	**317,890**	**140,272**	**319,556**	**143,685**

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

The granting of credit on sales of goods follows a policy that aims at minimizing defaults. For the quarter ended September 30, 2019, credit sales represented 54% (52% - Dec/2018) for the parent company and 56% (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.

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	316,562	1,583	1,979	2,374
Revenue			**1,583**	**1,979**	**2,374**
REFIS (SELIC)	0.5% increase	1,156	6	7	9
Expense			**6**	**7**	**9**

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Consolidated					
Operation	Risk	Notional amount	Scenario I (probable)	Scenario II	Scenario III
Short term investments - CDI	0.5% increase	317,360	1,587	1,984	2,380
Revenue			**1,587**	**1,984**	**2,380**
REFIS (SELIC)	0.5% increase	1,156	6	7	9
Expense			**6**	**7**	**9**

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

(e) Capital management

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

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

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

The increase in the gearing ratio at September 30, 2019 was mainly due to the issue of debentures (Note 14) and consequent use of the resources obtained in the Company's investments and operation.

	Parent Company		Consolidated	
Capital management items	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**
Short - and long-term borrowings	1,234,408	826,244	1,237,413	843,150
(-) Cash and cash equivalents	(405,009)	(238,153)	(406,681)	(241,568)
Net debt	**829,399**	**588,091**	**830,732**	**601,582**
Equity attributable to the stockholders of the parent company	3,963,115	3,499,857	3,963,115	3,499,857
Non-controlling interest			42,435	34,910
Total equity	3,963,115	3,499,857	4,005,550	3,534,767
Total capital	**4,792,514**	**4,087,948**	**4,836,282**	**4,136,349**
Gearing ratio	**17.31**	**14.39**	**17.18**	**14.54**

	Parent Company		Consolidated	
Adjusted net debt with lease liabilities	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**
Net debt	829,399	588,091	830,732	601,582
Lease liabilities	3,706,466		3,710,810	
Adjusted net debt	**4,535,865**	**588,091**	**4,541,542**	**601,582**
Total equity	3,963,115	3,499,857	4,005,550	3,534,767
Total adjusted capital	**8,498,980**	**4,087,948**	**8,547,092**	**4,136,349**
Adjusted gearing ratio (%)	**53.37**	**14.39**	**53.14**	**14.54**

As described in Note 15, as from January 1, 2019, the Group recognized in its balance sheet the obligations associated with lease agreements where it has control. On September 30, 2019, the balance of lease liabilities in the Parent Company and Consolidated, corresponded to R$ 3,706,466 and R$ 3,710,810, respectively. Considering the lease liability in the capital management calculation, the gearing ratio of the Company and the Group would be 53.43% in the Parent Company and 53.19% in the Consolidated.

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(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.

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:

	Parent Company				Consolidated			
Fair value estimation	**Carrying amount**		**Fair value**		**Carrying amount**		**Fair value**	
	Sep-2019	**Dec-2018**	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**
BNDES	115,106	186,033	115,110	185,996	115,106	186,033	115,110	185,996
Debentures	1,119,302	640,211	1,119,360	640,256	1,119,302	640,211	1,119,360	640,256
Other					3,005	16,906	3,005	16,905
Total	**1,234,408**	**826,244**	**1,234,470**	**826,252**	**1,237,413**	**843,150**	**1,237,475**	**843,157**

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 September 30, 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 September 30, 2019:

	Parent company and consolidated	
	Payables to Subsidiary's shareholder	
Changes in payables to Subsidiary's shareholder	**Sep-2019**	**Sept-2018**
Opening balance	36,380	47,515
Expenses /(revenues) recognized in the statement of income:	9,831	4,159
Closing balance	46,211	51,674
Total expenses /(revenues) for the year recognized in the statement of income	**9,831**	**4,159**
Changes in unrealized expenses/(revenues) for the year included in the statement of income	**9,831**	**4,159**

26. Derivative financial instruments

The Group does not operate with derivative instruments, except in specific situations. At September 30, 2019 and December 31, 2018, the Group did not have any derivative transactions.

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27. Transactions with related parties

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

		Parent Company – Current assets		Consolidated – Current assets		Parent Company – Transacted amount		Consolidated – Transacted amount	
Related parties	**Relationship**	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**	**3rd Quarter -2019**	**3rd Quarter -2018**	**3rd Quarter -2019**	**3rd Quarter - 2018**
Receivables									
Special plans (i)									
Regimar Comercial S.A.	Stockholder/Family	17	12	17	12	71	71	71	71
Heliomar Ltda.	Stockholder/Board Member					10	7	10	7
Rodrigo Wright Pipponzi (Editora Mol Ltda.)	Stockholder/Family					4	2	4	2
Natura Cosméticos S.A. (ii)	Stockholder / Related party	151	109	151	109	754	315	754	315
4Bio Medicamentos S.A. (v)	Subsidiary	40	39	40	39	79	75	79	75
Subtotal		208	160	208	160	918	470	918	470
Other receivables									
Commercial agreements									
Natura Cosméticos S.A. (ii)	Stockholder / Related party	170	102	170	102	674	482	674	482
Advances to suppliers									
Cfly Consultoria e Gestão Empresarial Ltda. (iii)	Family	148	414	148	414				
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire – Advogados (iv)	Stockholder/Family	140	3	140	3				
Loan and other receivables									
4Bio Medicamentos S.A. (v)	Subsidiary	43,574	41,395			2,498	2,306		
Subtotal		44,032	41,914	458	519	3,172	2,788	674	482
Total receivables from related parties		**44,240**	**42,074**	**666**	**679**	**4,090**	**3,258**	**1,592**	**952**

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

		Parent Company		Consolidated		Parent Company		Consolidated	
		Current liabilities				Transacted amount			
Related parties	**Relationship**	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**	**3rd Quarter -2019**	**3rd Quarter -2018**	**3rd Quarter -2019**	**3rd Quarter - 2018**
Payables									
Rentals (ii)									
Heliomar Ltda.	Stockholder/Board Member	19	21	19	21	119	157	119	157
Antonio Carlos Pipponzi	Stockholder/Board Member	8	7	8	7	70	68	70	68
Rosalia Pipponzi Raia	Stockholder/Board Member	8	7	8	7	70	68	70	68
Estate of Franco Maria David Pietro Pipponzi	Stockholder/Board Member	8	7	8	7	70	68	70	68
Subtotal		43	42	43	42	329	361	329	361
Service providers									
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire Advogados (iv)	Stockholder/Family	61		61		8,077	2,309	8,077	2,309
Rodrigo Wright Pipponzi (Editora Mol Ltda.) (vii)	Stockholder/Family	836	924	836	924	8,379	7,292	8,379	7,292
Cfly Consultoria e Gestão Empresarial Ltda. (iii)	Family	229	34	229	34	2,234	583	2,234	583
FMA Assessoria e Consultoria (viii)	Stockholder/Board Member					40	30	40	30
Subtotal		1,126	958	1,126	958	18,730	10,214	18,730	10,214
Goods suppliers									
Natura Cosméticos S.A. (ii)	Stockholder / Related party	40	632	40	632	3,517	4,008	3,517	4,008
Subtotal		40	632	40	632	3,517	4,008	3,517	4,008
Total payables to related parties		**1,209**	**1,632**	**1,209**	**1,632**	**22,576**	**14,583**	**22,576**	**14,583**

All amounts in thousands of reais unless otherwise stated

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

(ii) Purchase and sale of Natura Cosméticos S.A.'s products, which will be sold across the national territory and Raia Drogasil will receive a percentage on the products sold. Some members of the controlling block of Natura Cosméticos S.A. indirectly own shares of Raia Drogasil 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$ 92).

(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:

	Parent Company		Consolidated	
Compensation items	**2019**	**2018**	**2019**	**2018**
Fees and social charges	13,533	12,027	14,979	13,330
Bonuses and social charges	17,674	11,698	17,867	11,844
Fringe benefits	315	608	315	608
Total	**31,522**	**24,333**	**33,161**	**25,782**

All amounts in thousands of reais unless otherwise stated

28. Insurance coverage

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

The Group had the following insurance coverage at September 30, 2019:

	Parent Company		Consolidated	
Insurance items	**Sep-2019**	**Dec-2018**	**Sep-2019**	**Dec-2018**
Inventory loss risks	366,724	182,449	425,040	217,837
Permanent assets	413,042	289,479	422,949	296,619
Loss of profits	242,556	242,556	335,743	293,670
Civil liability risks	38,424	38,424	40,000	40,000

29. Non-cash transactions

At September 30, 2019, the main transactions that did not involve the Group's cash were:

(i) the restatement of the financial liability arising from payables to Subsidiary's shareholder (Note 10);
(ii) part of the compensation of key management personnel associated with the restricted share plan (Note 27);
(iii) the installment purchase of property and equipment items in the amount of R$ 9,833 (R$ 18,932 - Dec/ 2018);
(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$ 3,663,759, additions of new agreements in the amount of R$ 458,632 and termination of agreements in the amount of (R$ 37,585); and
(v) the acquisition of Onofre did not generate any financial disbursement. The fair values of the assets and liabilities assumed are shown below:

- Trade receivables: R$ 44,608;
- Inventory: R$ 96,71;
- Taxes recoverable: R$ 63,613;
- Other non-current assets: R$ 9,110;
- Judicial deposits: R$ 4,133;
- Indemnification asset: R$ 127,037;
- Property and equipment: R$ 196,418;
- Intangible assets: R$ 62,487;
- Other non-current assets: 1,958
- Trade payables: (R$ 53,777);
- Finance leases: (R$ 27,959);
- Social security and labor obligations: (R$ 13,686);
- Tax obligations (R$ 4,205);
- Provision for contingencies (R$ 16,841);
- Other current liabilities: (R$ 5,063);
- Finance leases: (R$ 58,036);
- Provision for contingencies: (R$ 10,831);
- Probable and possible contingencies – Business combination: (R$ 17,254); and
- Payables to former controlling shareholders: (R$ 324,098).

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, the projections for 2018 and 2019 were disclosed on November 9, 2017 and the projection for 2020 was disclosed on October 3, 2019.

YEAR	PRIOR PROJECTION	CURRENT PROJECTION	ACTUAL ACCUMULATED[1]
2016	165 openings	200 openings	212 openings
2017	195 openings	200 openings	210 openings
2018		240 openings	240 openings
2019		240 openings	161 openings
2020		240 openings	

[1] For 2019, accumulated until 09/30/2019.

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 2018 with 240 store openings and reiterates the projections of 240 openings for 2019 and 2020.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2019 - RAIA DROGASIL S.A.

Reports and Statements / Report on Special Review - Without Exceptions

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 September 30, 2019, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and nine-month period then ended, and the statements of changes in equity and cash flows for the nine-month period 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.

Reports and Statements / Report on Special Review - Without Exceptions

Other matters

Statements of value added

The quarterly information referred to above includes the parent company and consolidated statements of value added for the nine-month period ended September 30, 2019. These statements are the responsibility of the Company's management and are presented as supplementary information under IAS 34. These statements have been subjected to review procedures performed together with the review of the interim accounting information for the purpose of concluding whether they are reconciled with the interim accounting information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the accounting standard CPC 09 - "Statement of Value Added". Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been properly prepared, in all material respects, in accordance with the criteria established in this accounting standard, and consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo, October 29, 2019.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Renato Barbosa Postal
Contador CRC 1SP187382/O-0

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Opinions and Representations / Opinion of Supervisory Board or Equivalent Body

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

The Company's Supervisory Board, in exercising its duties and legal responsibilities, has examined the Quarterly Information (ITR) for the quarter ended September 30, 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, October 29, 2019.

Gilberto Lério
Supervisory Board member

Fernando Carvalho Braga
Supervisory Board member

Mário Antonio Luiz Corrêa
Supervisory Board member

(A free translation of the original in Portuguese)

Opinions and Representations / Officers' Representation on Financial Statements

RAIA DROGASIL S.A.

In accordance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/09, the Company's officers represent that they have reviewed, discussed and agree with the conclusions expressed in the quarterly information (ITR) for the quarter ended September 30, 2019.

São Paulo, October 29, 2019.

Marcilio D'Amico Pousada Chief Executive Officer	Fernando Kozel Varela Officer
Antonio Carlos Coelho Officer	Renato Cepollina Raduan Officer
Eugênio De Zagottis Officer	Maria Susana de Souza Officer
Marcello De Zagottis Officer	Antonio Carlos Marques de Oliveira Controller and Accountant in charge CRC-1SP215445/O-0

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2019 - 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 conclusions expressed in the quarterly information (ITR) for the quarter ended September 30, 2019.

São Paulo, October 29, 2019.

Marcilio D'Amico Pousada
Chief Executive Officer

Fernando Kozel Varela
Officer

Antonio Carlos Coelho
Officer

Renato Cepollina Raduan
Officer

Eugênio De Zagottis
Officer

Maria Susana de Souza
Officer

Marcello De Zagottis
Officer

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