ITR – Quarterly Information

RAIA DROGASIL S.A.

June 30, 2014

Contents

Version: 1

Company information – Capital breakdown

Number of shareholders (Units)	Current quarter 06/30/2014
Paid-in capital	
Common shares	330,386,000
Preferred shares	0
Total	330,386,000
Treasury	
Common shares	1,100,000
Preferred shares	0
Total	1,100,000

 Version: 1

Company information – Cash proceeds

Event	Approval	Proceeds	Beginning of payment	Type of share	Class of share	Earnings per share (Reais / share)
Board of Directors’ Meeting	3/21/2014	Interest on equity	12/01/2014	Common shares		0.02340
Board of Directors’ Meeting	6/23/2014	Interest on equity	12/01/2014	Common shares		0.06477

Individual quarterly information – Balance sheet – Assets

(In thousands of reais)

Account code	Account description	Current quarter 6/30/2014	Prior year 12/31/2013
1	Total assets	3,639,198	3,614,093
1.01	Current assets	1,893,565	1,903,575
1.01.01	Cash and cash equivalents	143,508	241,885
1.01.03	Accounts receivable	535,274	482,212
1.01.03.01	Trade accounts receivable	414,588	373,259
1.01.03.01.01	Checks receivable	5,749	5,870
1.01.03.01.02	Debit/credit cards	355,013	325,634
1.01.03.01.03	Medicine Benefit Program (PBM)	33,863	23,932
1.01.03.01.04	Agreements with companies	21,322	19,003
1.01.03.01.08	(-) Allowance for doubtful accounts	-1,359	-1,180
1.01.03.02	Other accounts receivable	120,686	108,953
1.01.03.02.01	Advances to employees	6,076	4,329
1.01.03.02.02	Returns to suppliers	22,559	20,608
1.01.03.02.03	Sales agreements	85,785	80,628
1.01.03.02.08	Other	6,266	3,388
1.01.04	Inventories	1,171,545	1,132,620
1.01.04.01	Goods for resale	1,192,115	1,150,175
1.01.04.02	Materials	8,173	8,626
1.01.04.03	(-) Provision for inventory losses	-28,743	-26,181
1.01.06	Taxes recoverable	28,927	38,658
1.01.06.01	Current taxes recoverable	28,927	38,658
1.01.07	Prepaid expenses	14,311	8,200
1.02	Non-current assets	1,745,633	1,710,518
1.02.01	Long-term receivables	26,878	23,350
1.02.01.03	Accounts receivable	366	355
1.02.01.03.02	Other accounts receivable	366	355
1.02.01.07	Prepaid expenses	603	373
1.02.01.09	Other noncurrent assets	25,909	22,622
1.02.01.09.04	Judicial deposits	11,841	10,763
1.02.01.09.05	Taxes recoverable	13,507	11,298
1.02.01.09.06	Court-ordered debt payments	561	561
1.02.03	Property and equipment	582,759	536,629
1.02.04	Intangible assets	1,135,996	1,150,539

Individual quarterly information – Balance sheet – Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 6/30/2014	Prior year 12/31/2013
2	Total liabilities	3,639,198	3,614,093
2.01	Current liabilities	1,012,151	1,020,004
2.01.01	Social and labor liabilities	152,789	116,352
2.01.01.01	Social obligations	31,865	32,051
2.01.01.02	Labor obligations	120,924	84,301
2.01.02	Trade accounts payable	623,887	671,455
2.01.02.01	Local suppliers	623,887	671,455
2.01.03	Tax obligations	40,512	65,920
2.01.03.01	Federal tax obligations	14,229	10,605
2.01.03.01.01	Income and social contribution taxes paid	1,054	1,963
2.01.03.01.02	Other federal tax obligations	13,175	8,642
2.01.03.02	State tax liabilities	24,944	54,547
2.01.03.03	Municipal tax liabilities	1,339	768
2.01.04	Loans and financing	99,838	83,944
2.01.04.01	Loans and financing	99,838	83,944
2.01.04.01.01	Local currency	99,838	83,944
2.01.05	Other liabilities	82,440	68,597
2.01.05.02	Other	82,440	68,597
2.01.05.02.01	Dividends and interest on equity payable	25,530	9,464
2.01.05.02.04	Rent	23,685	22,022
2.01.05.02.05	Key money	0	604
2.01.05.02.06	Other accounts payable	33,225	36,507
2.01.06	Provisions	12,685	13,736
2.01.06.01	Tax, social security, labor and civil provisions	5,312	5,005
2.01.06.01.01	Tax provisions	93	93
2.01.06.01.05	Provisions for contingencies	5,219	4,912
2.01.06.02	Other provisions	7,373	8,731
2.01.06.02.06	Provisions for sundry obligations	7,373	8,731
2.02	Noncurrent liabilities	266,872	267,106
2.02.01	Loans and financing	144,936	160,881
2.02.01.01	Loans and financing	144,936	160,881
2.02.01.01.01	Local currency	144,936	160,881
2.02.02	Other liabilities	3,803	4,224
2.02.02.02	Other	3,803	4,224
2.02.02.02.03	Tax recovery program	3,803	4,224
2.02.03	Deferred taxes	108,207	93,980
2.02.03.01	Deferred income and social contribution taxes	108,207	93,980
2.02.04	Provisions	9,926	8,021
2.02.04.01	Tax, social security, labor and civil provisions	9,926	8,021
2.02.04.01.05	Provisions for contingencies	9,926	8,021
2.03	Equity	2,360,175	2,326,983
2.03.01	Paid-in capital	908,639	908,639
2.03.02	Capital reserves	1,019,037	1,039,935
2.03.03	Valuation reserves	12,848	12,941
2.03.04	Income reserve	357,170	365,468
2.03.04.01	Legal reserve	14,375	14,375

Individual quarterly information – Balance sheet – Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 6/30/2014	Prior year 12/31/2013
2.03.04.02	Statutory reserve	342,795	342,795
2.03.04.08	Proposed additional dividend	0	8,298
2.03.05	Retained earnings (accumulated losses)	62,481	0

Individual financial statements – Income statements

(R$ thousands)

Account code	Account description	Accumulated in current period 4/01/2014 to 6/30/2014	Accumulated in current year 01/01/2014 to 6/30/2014	Accumulated in prior period 04/01/2013 to 6/30/2013	Accumulated in prior year 01/01/2013 to 6/30/2013
3.01	Revenue from sale of products and/or services	1,790,812	3,449,506	1,538,969	2,927,411
3.01.01	Gross revenue from sale of products and/or services	1,856,576	3,575,486	1,604,091	3,042,496
3.01.02	Sales taxes	-53,981	-103,787	-56,666	-99,732
3.01.03	Discounts	-11,783	-22,193	-8,456	-15,353
3.02	Cost of goods sold and/or services rendered	-1,268,559	-2,465,144	1.115.931	-2,123,432
3.03	Gross profit	522,253	984,362	423,038	803,979
3.04	Operating income/expenses	-436,497	-856,277	-366,704	-723,244
3.04.01	Selling expenses	-338,209	-664,459	-278,613	-545,273
3.04.02	General and administrative expenses	-96,770	-188,950	-79,959	-159,676
3.04.02.01	Administrative	-52,750	-101,286	-40,954	-84,606
3.04.02.03	Depreciation and amortization	-44,020	-87,664	-39,005	-75,070
3.04.05	Other operating expenses	-1,518	-2,868	-8,132	-18,295
3.04.05.01	One-off expenses	-1,518	-2,868	-8,132	-18,295
3.05	Income before financial income (expenses) and taxes	85,756	128,085	56,334	80,735
3.06	Financial income (expenses)	-2,620	-4,312	-3,048	-6,663
3.06.01	Financial income (expenses)	3,729	8,599	1,840	3,850
3.06.02	Financial expenses	-6,349	-12,911	-4,888	-10,513
3.07	Income before income taxes	83,136	123,773	53,286	74,072
3.08	Income and social contribution taxes	-21,016	-32,522	-13,016	-19,523
3.08.01	Current taxes	-13,311	-18,248	-3,208	-3,194
3.08.02	Deferred taxes	-7,705	-14,274	-9,808	-16,329
3.09	Net income from continuing operations	62,120	91,251	40,270	54.549
3.11	Income/loss for the period	62,120	91,251	40,270	54.549
3.99	Earnings per share (Reais/Share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares (ON)	0.18836	0.27644	0.12189	0.16511
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares (ON)	0.18836	0.27644	0.12189	0.16511

Individual financial statements – Statements of other comprehensive income

(In thousands of reais)

Account code	Account description	Accumulated in the current period 04/01/2014 to 6/30/2014	Accumulated in the current year 01/01/2014 to 6/30/2014	Accumulated in the prior period 04/01/2014 to 6/39/2014	Accumulated in the prior year 01/01/2013 to 6/30/2013
4.01	Net income for the period	62,120	91,251	40,270	54,549
4.03	Comprehensive income for the period	62,120	91,251	40,270	54,549

Individual financial statements – Cash flow statements – Indirect method

(In thousands of reais)

Account Code	Account description	Accumulated in the current year 01/01/2014 to 6/30/2014	Accumulated in the prior year 01/01/2013 to 6/30/2013
6.01	Net cash from operating activities	74,702	39,565
6.01.01	Cash from operations	233,678	170,957
6.01.01.01	Net income before IR and CSLL	123,773	74,072
6.01.01.02	Depreciation and amortization	87,664	75,070
6.01.01.03	Gain from sale or disposal of P&E or intangible asset	425	1,938
6.01.01.04	Provision (reversal) for legal proceedings	3,067	2,215
6.01.01.05	Provision for inventory losses	2,563	9,650
6.01.01.06	Allowance (reversal) for doubtful accounts	740	-777
6.01.01.07	Provision for closure of shops	3,081	0
6.01.01.08	Interest expenses	12,365	8,789
6.01.02	Changes in assets and liabilities	-140,641	-122,681
6.01.02.01	Accounts receivable	-53,806	-20,958
6.01.02.02	Inventories	-41,487	-44,700
6.01.02.03	Other current assets	6,412	22,221
6.01.02.04	Assets under long-term receivables	-3,526	5,810
6.01.02.05	Trade accounts payable	-47,568	-86,197
6.01.02.06	Salaries and social charges	36,437	18,297
6.01.02.07	Taxes, charges and contributions	-32,244	2,040
6.01.02.08	Other liabilities	-6,522	-22,129
6.01.02.09	Rent payable	1,663	2,935
6.01.03	Other	-18,335	-8,711
6.01.03.01	IR and social contribution payable	-18,335	-8,711
6.02	Net cash used in investing activities	-122,777	-111,887
6.02.01	Fixed and intangible acquisitions	-123,570	-112,084
6.02.02	Proceeds from disposal of P&E items	793	197
6.03	Net cash from financing activities	-50,302	-21,084
6.03.01	Financing raised	37,703	26,121
6.03.02	Payment of financing	-39,534	-27,688
6.03.03	Interest paid	-10,587	-6,529
6.03.04	Repurchase of shares	-20,898	0
6.03.05	Interest on equity and dividends paid	-16,986	-12,988
6.05	Increase (decrease) in cash and cash equivalents	-98,377	-93,406
6.05.01	Opening balance of cash and cash equivalents	241,885	166,963
6.05.02	Closing balance of cash and cash equivalents	143,508	73,557

Individual financial statements – Statements of changes in equity (SCE) – 1/1/2014 to 6/30/2014

Account code	Account description	Capital paid-in	Capital reserves, options granted and treasury shares	Income reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	908,639	1,039,935	378,409	0	0	2,326,983
5.03	Adjusted opening balances	908,639	1,039,935	378,409	0	0	2,326,983
5.04	Capital transactions with shareholders	0	-20,898	-8,298	-28,863	0	-58,059
5.04.04	Treasury shares acquired	0	-20,898	0	0	0	-20,898
5.04.07	Interest on equity	0	0	0	-29,059	0	-29,059
5.04.08	2013 Interest approved on April,29th-2014	0	0	-8,298	0	0	-8,298
5.04.09	Interest on capital prescribed	0	0	0	196	0	196
5.05	Total comprehensive income	0	0	0	91,251	0	91,251
5.05.01	Net income for the period	0	0	0	91,251	0	91,251
5.06	Internal changes in equity	0	0	-93	93	0	0
5.06.02	Realization of valuation reserve	0	0	-141	141	0	0
5.06.03	Taxes on realization of valuation reserve	0	0	48	-48	0	0
5.07	Closing balances	908,639	1,019,037	370,018	62,481	0	2,360,175

Individual financial statements – Statements of changes in equity (SCE) – 1/1/2013 to 6/30/2013

Account Code	Account description	Capital paid in	Capital reserves, options granted and treasury shares	Income reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	908,639	1,039,935	316,085	0	0	2,264,659
5.03	Adjusted opening balances	908,639	1,039,935	316,085	0	0	2,264,659
5.04	Capital transactions with shareholders	0	0	-8,237	-19,222	0	-27,459
5.04.04	Treasury shares acquired	0	0	0	-19,400	0	-19,400
5.04.07	Interest on equity	0	0	-8,237	0	0	-8,237
5.04.08	2012 Interest approved on April, 29th 2013	0	0	0	178	0	178
5.05	Total comprehensive income	0	0	0	54,549	0	54,549
5.05.01	Net income for the period	0	0	0	54,549	0	54,549
5.06	Internal changes in equity	0	0	-93	93	0	0
5.06.02	Realization of valuation reserve	0	0	-141	141	0	0
5.06.03	Taxes on realization of valuation reserve	0	0	48	-48	0	0
5.07	Closing balances	908,639	1,039,935	307,755	35,420	0	2,291,749

Individual financial statements – Statement of value added

(In thousands of reais)

Account Code	Account description	Accumulated in current years 01/01/2014 to 6/30/2014	Accumulated in prior year 01/01/2013 to 6/30/2013
7.01	Revenues	3,553,332	3,027,962
7.01.01	Sales of goods, products and services	3,553,309	3,027,085
7.01.02	Other revenues	763	100
7.01.04	Provision/reversal of tax credits Doubtful accounts	-740	777
7.02	Inputs acquired from third parties	-2,473,818	-2,121,886
7.02.01	Cost of products, goods and services sold Sold	-2,339,474	-1,982,151
7.02.02	Materials, energy, third-party services and other	-130,261	-138,755
7.02.03	Loss/recovery of asset values	-4,083	-980
7.03	Gross value added	1,079,514	906,076
7.04	Retentions	-87,664	-75,070
7.04.01	Depreciation, amortization and depletion	-87,664	-75,070
7.05	Net value added produced by the entity	991,850	831,006
7.06	Value added received in transfer	8,599	3,850
7.06.02	Financial income	8,599	3,850
7.07	Total value added to be distributed	1,000,449	834,856
7.08	Distribution of value added	1,000,449	834,856
7.08.01	Personnel	384,452	319,962
7.08.01.01	Direct compensation	301,522	261,295
7.08.01.02	Benefits	61,760	38,405
7.08.01.03	FGTS	21,170	20,262
7.08.02	Taxes, charges and contributions	338,969	307,566
7.08.02.01	Federal	151,023	108,305
7.08.02.02	State	183,336	194,666
7.08.02.03	Municipal	4,610	4,595
7.08.03	Debt remuneration	185,777	152,780
7.08.03.01	Interest	60,382	48,896
7.08.03.02	Rent	125,395	103,884
7.08.04	Equity remuneration	91,251	54,548
7.08.04.01	Interest on equity	29,059	19,400
7.08.04.03	Retained earnings/ accumulated losses for the period	62,192	35,148

EARNINGS RELEASE 2Q14

São Paulo, August 7th, 2014. Raia Drogasil S.A. (BM&FBovespa: RADL3) announces today its results for the 2nd quarter of 2014 (2Q14). The consolidated quarterly information of Raia Drogasil S.A. for the period ended June 30th, 2014 was prepared in accordance with IFRS and was reviewed by our independent auditors in accordance with Brazilian and international standards of auditing. Such quarterly information was prepared in Reais and all growth rates are related to the same period of 2013.

As a result of the creation of RaiaDrogasil, we incurred both in 2014 and in 2013 on certain non-recurring expenses related to the integration. To facilitate a better understanding and analysis of our operating performance, we are supplementally presenting adjusted results for 2014 and 2013 excluding the effects of non-recurring expenses.

In April and in May of 2013 we recorded a reduction in social charges on labor, a line which was classified as part of Taxes, Discounts and Returns since it was calculated as a percentage of revenues. In order to maintain historical comparability, we reclassified such charges to Sales Expenses.

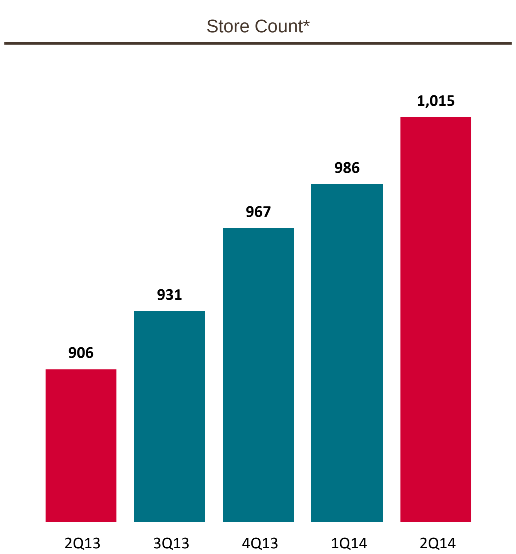
HIGHLIGHTS:

- **Drugstores: 1,015 stores in operation (29 openings and two closures)**
- **Gross Revenues: R$ 1.9 billion, 15.7% of growth (8.9% for same-store sales)**
- **Gross Margin: 28.1% of gross revenues, a 1.1 percentage point margin increase**
- **Adjusted EBITDA: R$ 131.3 million, an EBITDA margin of 7.1% and an increase of 26.9%**
- **Adjusted Net Income: R$ 73.8 million, a net margin of 4.0% and an increase of 26.0%**
- **Cash Flow: R$ 51.5 million positive free cash flow, R$ 19.5 million total cash flow**

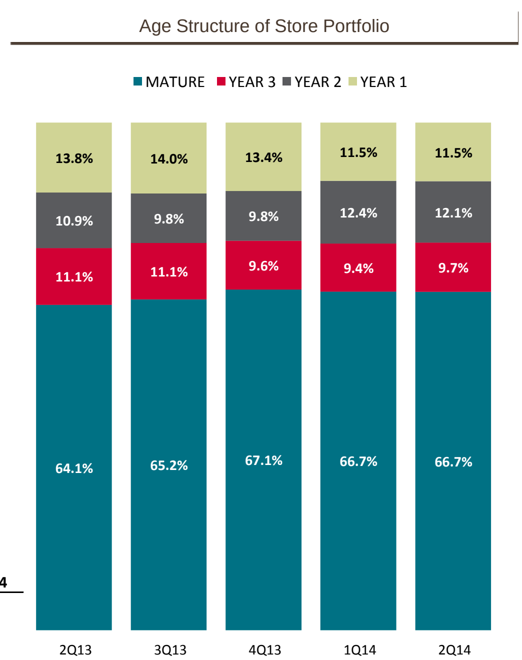
Summary	2Q13	3Q13	4Q13	1Q14	2Q14
(R$ thousand)					
# of Stores (end of period)	906	931	967	986	1,015
Store Openings	25	29	41	18	29
Store Closures	(10)	(6)	(4)	(1)	(2)
Net Reopenings/(Suspensions)	(4)	2	(1)	2	2
# of Stores (average)	897	920	950	977	1,003
Head Count	21,195	21,268	21,482	21,578	22,090
Pharmacist Count	3,207	3,260	3,322	3,451	3,587
# of Tickets	33,596	34,567	34,803	34,078	36,078
Gross Revenues	1,604,091	1,682,958	1,738,649	1,718,910	1,856,576
Gross Profit (Adjusted)	433,760	451,785	464,412	462,109	522,254
% of Gross Revenues	27.0%	26.8%	26.7%	26.9%	28.1%
EBITDA (Adjusted)	103,472	90,791	96,607	87,323	131,295
% of Gross Revenues	6.5%	5.4%	5.6%	5.1%	7.1%
Net Income (Adjusted)	58,634	42,623	48,067	40,720	73,820
% of Gross Revenues	3.7%	2.5%	2.8%	2.4%	4.0%
Free Cash Flow	(11,219)	57,736	70,849	(118,953)	51,479

STORE DEVELOPMENT

We opened a total of 29 new stores and closed two, ending the quarter with 1,015 stores in operation, including the net opening of two stores that had been temporarily suspended. Additionally, we have already signed all required contracts to fulfill our gross openings guidance of 130 new stores in 2014.



	2Q13	3Q13	4Q13	1Q14	2Q14
Opened	25	29	41	18	29
Closed	(10)	(6)	(4)	(1)	(2)
Reopenings/(Suspentions)	(4)	2	(1)	2	2



* Does not include suspended stores, which have been temporarily closed to be rebranded.

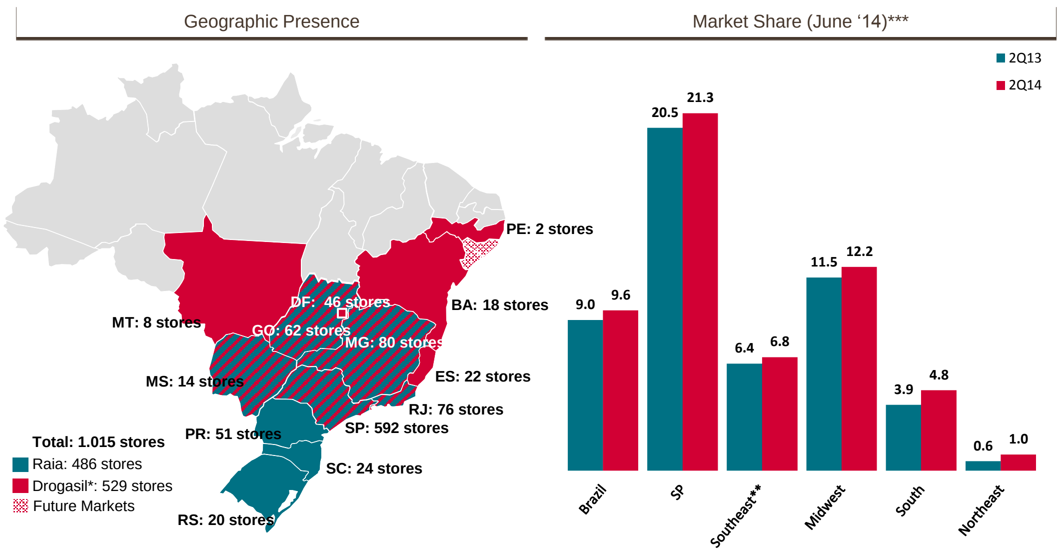
At the end of the period, 33.3% of our stores were still in the process of maturation, and had not yet reached their full potential in terms of revenues and profitability. In the 2Q14 we achieved an important milestone by becoming the first Brazilian drugstore chain to operate 1,000 stores, which was celebrated with two landmark openings: our first store in Recife and our first airport store at GRU Airport.

We reached a comparable market share of 9.6%, a 0.6 percentage point increase versus the previous year, with share gains in every single region. Our market share figures have been adjusted by IMS Health to exclude new informants to preserve historical comparability. Considering the inclusion of new informants, our national market share totaled 9.3%.

Our main highlight was São Paulo, where we recorded a 0.8 percentage point increase leveraged by our organic expansion and by the progressive recovery of one of our brands that had lost market share in 2013. In the Southeast, our market share increased by 0.4 percentage point, driven by strong performances in Rio de Janeiro and in Espírito Santo.

We have also recorded a 0.9 percentage point increase in the South due to the maturation of recent stores in Paraná and in Santa Catarina, as well as a 0.7 percentage point gain the Midwest leveraged by the maturation of our acquired stores in Goiás and by strong performances in the Federal District, in Mato Grosso and in Mato Grosso do Sul.

Finally, we have reached a regional market share of 1.0% in the Northeast, driven by our growth in Bahia and by our entry in Pernambuco in May, where we opened our two initial stores in Recife and will open several more stores already in 2014. Additionally, we are further expanding our presence in the Northeast by also entering the states of Sergipe and Alagoas, with stores in Aracaju and Maceió to be opened in the upcoming months.



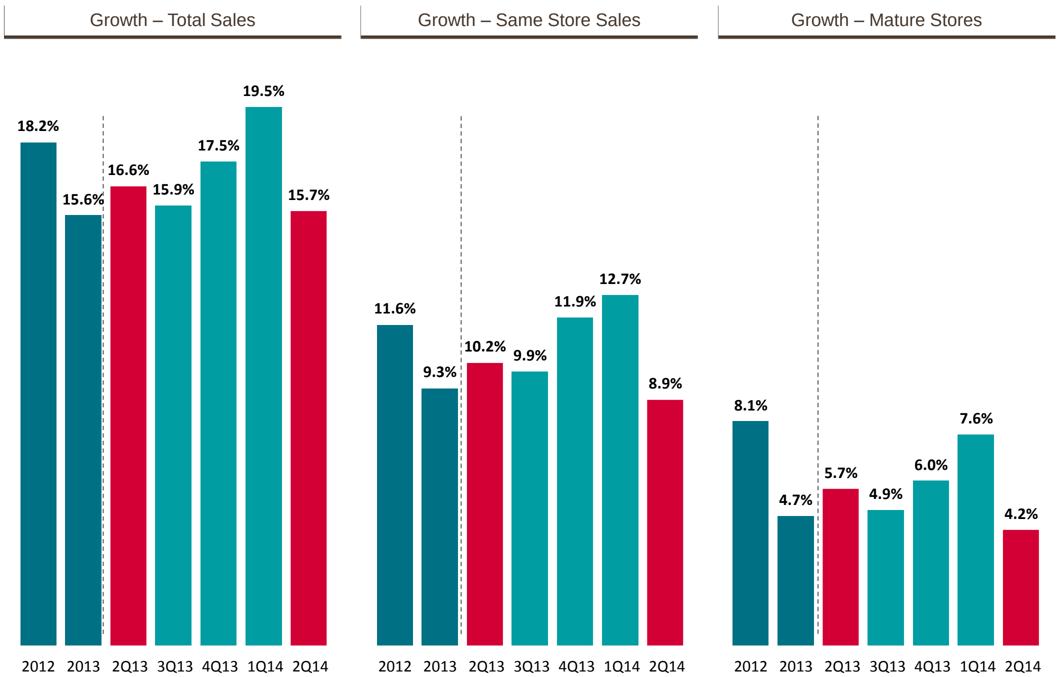
PHARMACEUTICAL MARKET DISTRIBUTION BY REGION (JUNE '14)

Brazil	SP	Southeast**	Midwest	South	Northeast
100.0%	27.2%	24.1%	9.1%	16.6%	18.1%

Source: IMS Health
* Includes Farmasil stores
** Excludes São Paulo
*** Comparable Market Share, excluding new informants added to the panel during the last twelve months. Our national market share including the full panel was of 9.3%

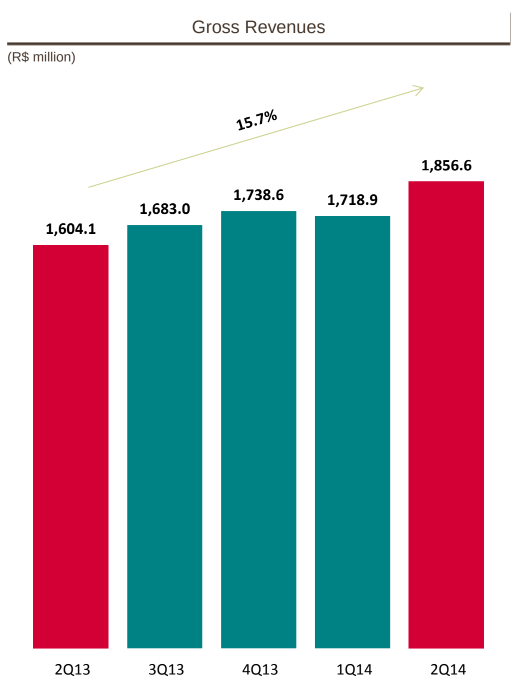
GROSS REVENUES

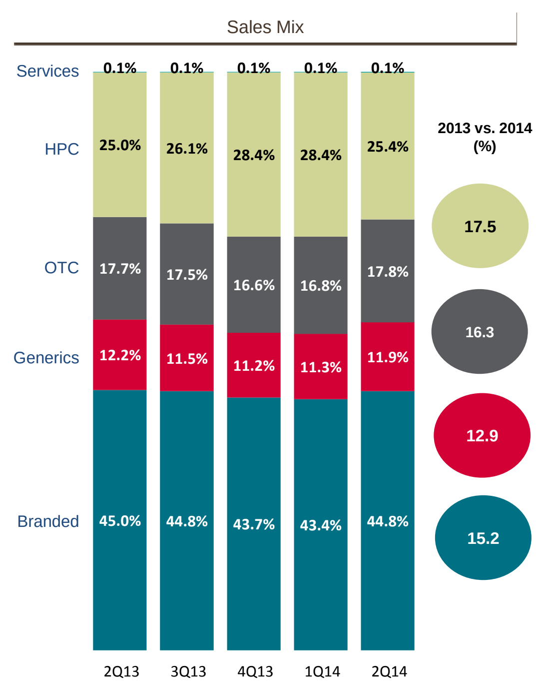
We ended the quarter with gross revenues of R$ 1,856.6 million, a 15.7% increase over 2013.



The stores closed or suspended over the last twelve months have penalized our growth by 1.2 percentage point (16.9% of growth when excluding those stores from the comp base).

We recorded a same-store sales growth of 8.9% and of 4.2% for our mature stores. Our growth was penalized by a negative calendar effect of 0.8%, and by the World Cup in June, which had an estimated negative impact of 1.3 percentage point in the quarter. On the other hand, the demonstrations occurred in June of 2013 weakened the comp base by 0.8%.





HPC grew by 17.5%, a 0.4 percentage point increase in the sales mix, and was the highlight of the quarter followed by OTC, which grew by 16.3% and increased its participation by 0.1 percentage point. Generics increased its participation when compared to the previous quarters, but lost 0.3 percentage point versus the 2Q13 due to a lack of new launches.

GROSS PROFIT

We achieved a gross margin of 28.1% in the 2Q14, a 1.1 percentage point increase when compared to the previous year.

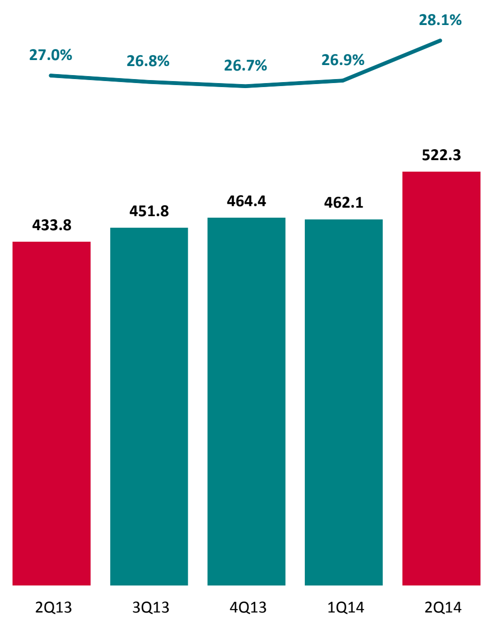
In December 2013, we returned to the tax substitution regime in São Paulo, which progressively relieved the tax burden we experienced since the 3Q12. Our inventories have fully rotated ever since, which allowed us to recover our margins in the 2Q14 by reverting a previous gross margin loss of approximately 0.4 percentage point.

Additionally, we had adopted in the 2Q13 a new purchasing strategy, which incorporated off-invoice purchasing discounts to our on-invoice purchasing price, especially in Generics. This change generated a transitory 0.4 percentage point gross margin loss in that quarter that eased our comp base.

Finally, we recorded a gross margin increase of 0.3 percentage point due to better purchasing terms with suppliers as well as to tactical changes in pricing.

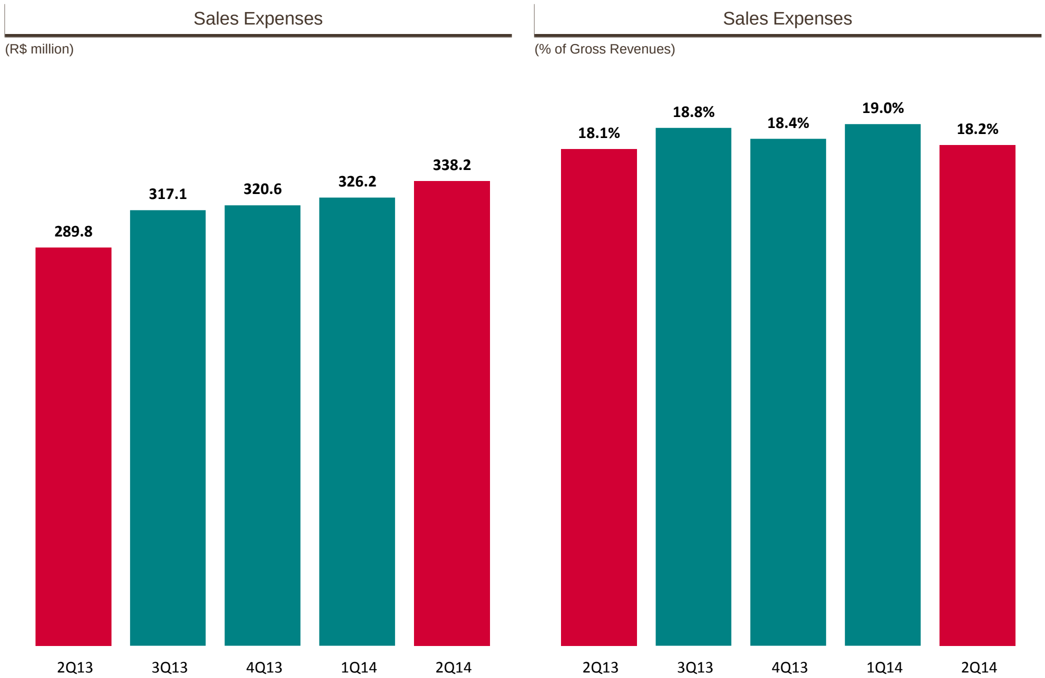
Gross Margin

(R$ million, % of Gross Revenues)



SALES EXPENSES

Sales expenses totaled R$ 338.2 million in the 2Q14, a 0.1 percentage point increase over the previous year.



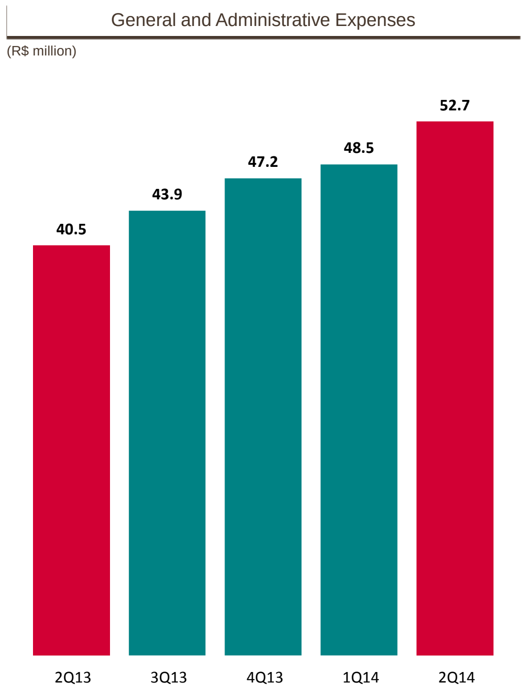
We experienced an inflationary pressure of 0.2 percentage point on rentals and a dilution of 0.1 percentage point in payroll due to a slight store headcount reduction when compared to the 2Q13. This reduction was driven both by a headcount optimization and by a slower pace of staff replenishment at the stores, which we expect to normalize already in 2014.

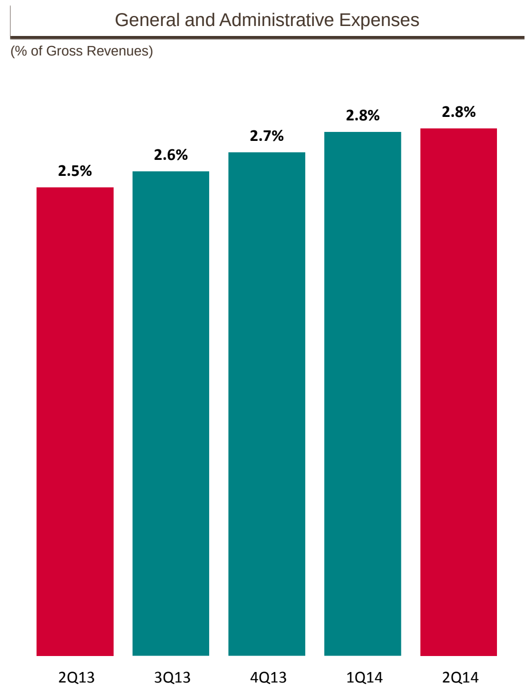
Our comp base of the 2Q13 was helped by a temporary reduction in social charges, which penalized this quarter by 0.2% of gross revenues. However, this effect was fully offset by a lower pressure from new stores in the quarter, a combination of a slower opening pace in the 1H14 and of a very strong performance of the stores opened in the quarter.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R$ 52.7 million, equivalent to 2.8% of gross revenues, a 0.3 percentage point increase when compared to the previous year. We achieved a dilution of 0.2 percentage point in personnel expenses that was partially mitigated by a 0.1 percentage point reduction in social charges for our corporate personnel in the 2Q13.

Finally, our variable compensation allowance increased by 0.5 percentage point when compared to the 2Q13. This increase is justified by an increase in provisioning in the quarter to reflect the strong results achieved so far, as opposed to a reversion in this very same provision recorded in the 2Q13 under the weak results scenario observed in the 1H13.

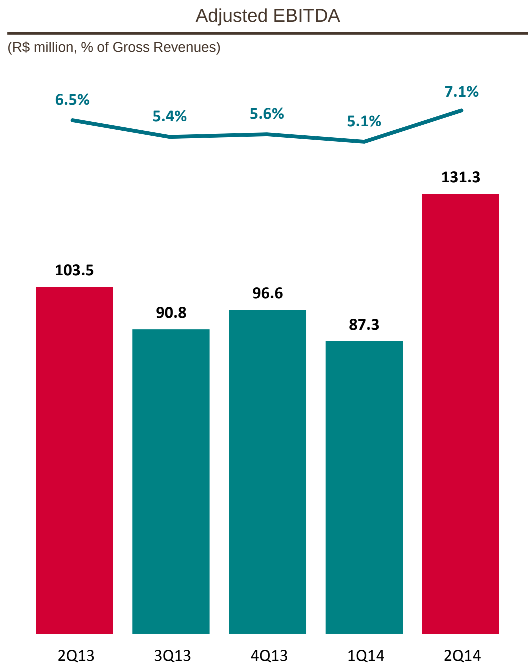




Non-recurring expenses amounted to R$ 1.5 million in the quarter, and were mostly related to consulting expenses related to our integration.

EBITDA

We recorded an EBITDA of R$ 131.3 million, a 26.9% increase and a margin expansion of 0.6 percentage point. The gross margin increase of 1.1 percentage point was partially mitigated by an expense increase of 0.4 percentage point.



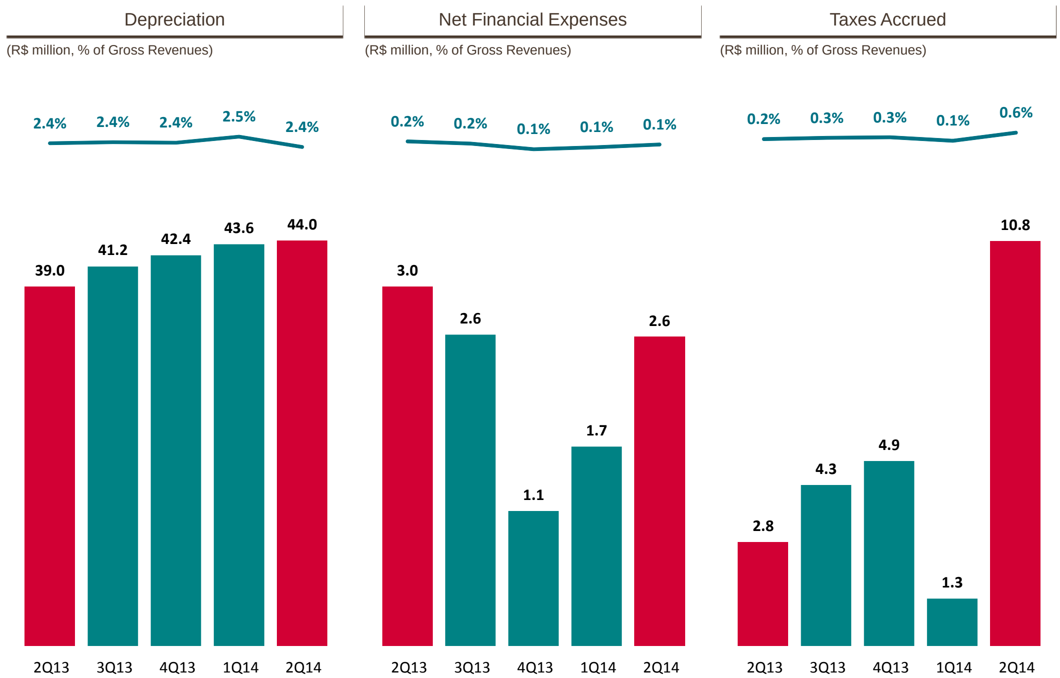
New stores opened in the year, as well as those that were already in the opening process, reduced the EBITDA by R$ 7.5 million in the 2Q14. Therefore, if we considered only the 968 stores in operation since the end of 2013 and the full absorption of logistics as well as of general and administrative expenses by such stores, our adjusted EBITDA would have totaled R$ 138.8 million, equivalent to an EBITDA margin of 7.6% over the respective gross revenues.

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

Depreciation expenses totaled R$ 44.0 million in the 2Q14, equivalent to 2.4% of gross revenues, and remained in line with the same period of the previous year.

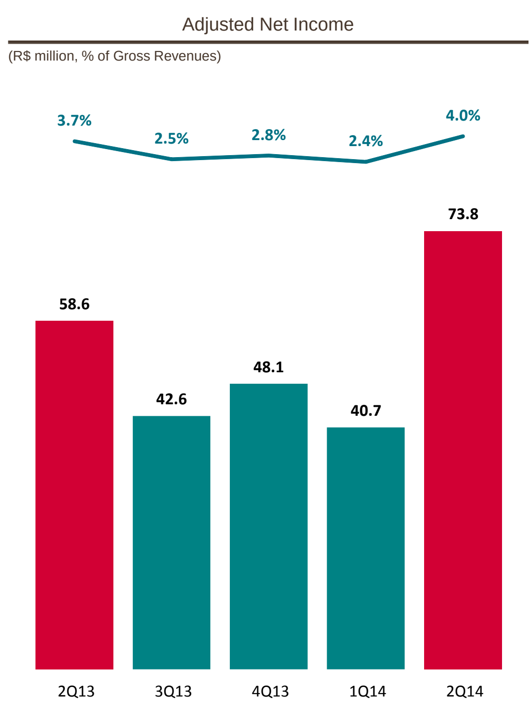
We recorded a dilution in net financial expenses of 0.1 percentage point due to a reduction in net debt when compared to the same period of the previous year.

We paid R$ 10.8 million in taxes, equivalent to 0.6% of gross revenues, a 0.4 percentage point increase, thus reflecting the improvement in our profitability when compared to the previous year. This amount includes the tax shield of the goodwill amortization effect of R$ 10.7 million.



ADJUSTED NET INCOME

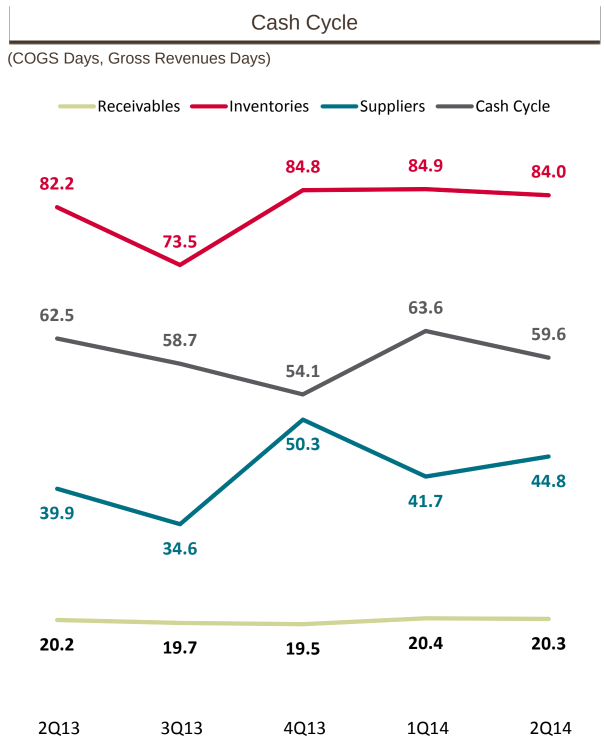
We recorded an adjusted net income of R$ 73.8 million, a net margin of 4.0% and an increase of 26.0% over the 2Q13. Our net margin improvement stemmed from the increase in our EBITDA margin of 0.6 percentage point combined with a reduction in financial expenses of 0.1 percentage point and mitigated by a tax increase of 0.4 percentage point.



It is important to highlight that our reported net income (after non-recurring expenses and not including the tax shield from goodwill amortization) increased 54.3% over the previous year.

CASH CYCLE

We ended the 2Q14 with a cash cycle reduction of 2.9 days when compared to the same period of the previous year.



** Reduction of 8 days when adjusted for discounted receivables in the 2Q13 (0.6 day) and taxes on inventories in the 2Q14 (4.5 days)*

We recorded an increase in inventories of 1.8 days. Taxes on inventories arising from our return to the tax substitution regime in the 4Q13 increased our days of inventories by 4.5 days. Therefore, on a comparable basis (including the receivables discounted on the 2Q13), we recorded a reduction of 2.7 days in our inventories and of 8.1 days in the cash cycle, reflecting efficiency gains in our inventory management.

Accounts payable increased by 4.9 days when compared to the previous year. It is important to highlight that we recorded a transitory pressure in the 2Q13 as we reduced generics purchases to drain excess inventories, which limited the generation of new invoices and softened the comp base.

Finally, days of receivables increased by 0.1 day when compared to the previous year. However, we had discounted R$ 10.9 million in receivables in the 2Q13, which artificially reduced our days of receivables by 0.6 day. Therefore, on a comparable basis, receivables were reduced by 0.7 day.

CASH FLOW

We generated a positive free cash flow of R$ 51.5 million in the quarter, a significant improvement over the R$ 11.2 million cash consumption in the 2Q13. Our operating cash flow (R$ 121.8 million) has fully financed the investments (R$ 70.3 million) undertaken in the period.

Cash Flow (R$ million)	2Q14	2Q13	6M14	6M13
Adjusted EBIT	**87.3**	**64.5**	**131.0**	**94.6**
Non-Recurring Expenses	(1.5)	(8.1)	(2.9)	(13.8)
Income Tax (34%)	(29.2)	(19.2)	(43.5)	(27.4)
Taxshield from Goodwill Amortization	10.7	4.0	21.4	7.6
Depreciation	44.0	39.0	87.7	75.1
Others	8.8	16.0	2.3	15.4
Resources from Operations	**120.1**	**96.2**	**195.9**	**151.3**
Cash Cycle*	(13.8)	(96.5)	(142.9)	(151.9)
Discounted Receivables	-	23.6	-	(10.9)
Other Assets (Liabilities)	15.4	25.4	2.2	29.2
Operating Cash Flow	**121.8**	**48.7**	**55.3**	**17.7**
Investments	**(70.3)**	**(59.9)**	**(122.8)**	**(111.9)**
Free Cash Flow	**51.5**	**(11.2)**	**(67.5)**	**(94.2)**
Interest on Equity	(16.6)	(13.0)	(17.0)	(13.0)
Net Financial Expenses	(2.6)	(3.0)	(4.3)	(6.7)
Share Buyback	(20.9)	-	(20.9)	-
Income Tax (Tax benefit over financial expenses and interest on equity)	8.1	6.5	11.3	8.9
Total Cash Flow	**19.5**	**(20.8)**	**(98.3)**	**(105.0)**

* Cash cycle includes variation in accounts receivables, inventories and suppliers

** Does not include financing cash flow

Resources from operations amounted to R$ 120.1 million, equivalent to 6.3% of our gross revenues, while working capital employed totaled R$ 1.7 million, resulting in an operating cash flow of R$ 121.8 million in the period.

Fixed asset investments amounted to R$ 70.3 million versus R$ 59.9 million in the same period of 2013, including R$ 41.2 million in new store openings, R$ 12.5 million in existing stores renovation, and R$ 16.6 million in infrastructure.

We generated a total cash flow, including net financial expenses and interest on equity, of R$ 19.5 million in the 2Q14, versus a cash consumption of R$ 20.8 million recorded in 2013. We booked R$ 2.6 million in net financial expenses and paid R$ 16.6 million in interest on equity, which were partially offset by the respective tax shield of R$ 8.1 million in the period.

On April 24th, 2014, the Board approved a share buyback program. The acquired shares will be granted to eligible executives over the coming years as part of our Long-Term Incentive Program with restricted shares. We purchased a total of 1.1 million shares at an average price of R$ 18.96 per share during May and June, which amounted to a cash disbursement of R$ 20.9 million including brokerage fees and charges.

Finally, we accrued R$ 21.3 million in interest on equity in the quarter.

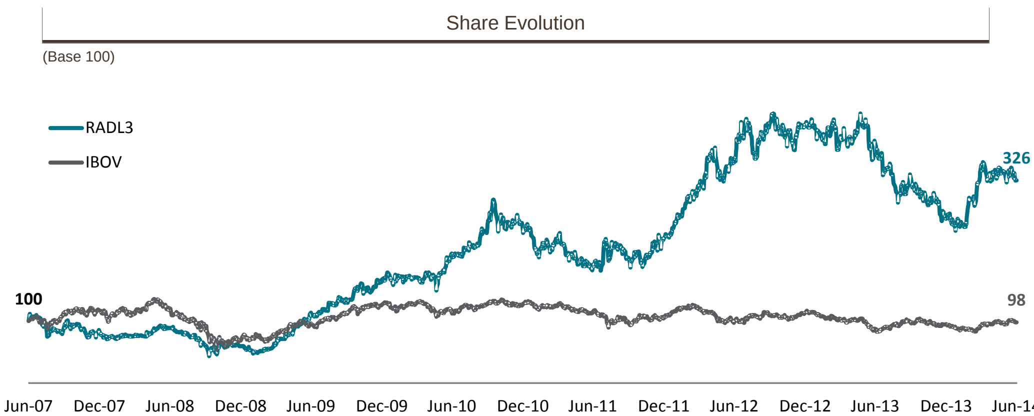
INDEBTEDNESS

At the end of the quarter our net debt amounted to R$ 101.3 million versus R$ 130.2 million in the same period of the previous year (including the receivables discounted in the 2Q13).

Our gross debt totaled R$ 244.8 million, of which 100% is comprised by BNDES (Brazilian Economic and Social Development Bank) lines. Of our total indebtedness, 59.2% is long-term while 40.8% relates to the short-term parcels of our long-term debt. We ended the quarter with a total cash position (cash and marketable securities) of R$ 143.5 million.

CAPITAL MARKETS

Considering our share price on June 30th, 2014 of R$ 18.24, we have posted a return of 23.4% in the year, 20.2 percentage points above the IBOVESPA, that was up by 3.2% over the same period.



In the 2Q14, our average daily trading volume was of R$ 18.6 million.

Since the IPO of Drogasil, we achieved a cumulative increase of 225.7% when compared to a negative return of 2.3% of the IBOVESPA over the same period, a compound annual return of 18.4%.

Considering the IPO of Raia in December of 2010, the cumulative return in the period amounted to 74.1% when compared to a decrease of 21.8% by the IBOVESPA, a compound annual return of 17.0%. These figures do not include dividends and interest on equity paid over the period.

Adjusted Income Statement *(R$ thousand)*	**2Q13**	**2Q14**	**6M13**	**6M14**
Gross Revenues	**1,604,091**	**1,856,576**	**3,042,496**	**3,575,486**
Taxes, Discounts and Returns	(54,400)	(65,763)	(104,364)	(125,980)
Net Revenues	**1,549,691**	**1,790,813**	**2,938,133**	**3,449,506**
Cost of Goods Sold	(1,115,931)	(1,268,559)	(2,122,033)	(2,465,144)
Gross Profit	**433,760**	**522,254**	**816,100**	**984,363**
Operational (Expenses) Revenues				
Sales	(289,794)	(338,209)	(561,555)	(664,459)
General and Administrative	(40,495)	(52,750)	(84,908)	(101,286)
Other Operational Expenses, Net				
Operational Expenses	**(330,288)**	**(390,959)**	**(646,463)**	**(765,745)**
EBITDA	**103,472**	**131,295**	**169,637**	**218,618**
Depreciation and Amortization	(39,005)	(44,020)	(75,070)	(87,664)
Operational Earnings before Financial Results	**64,467**	**87,275**	**94,567**	**130,954**
Financial Expenses	(4,888)	(6,350)	(10,512)	(12,912)
Financial Revenues	1,840	3,729	3,850	8,599
Financial Expenses/Revenues	**(3,048)**	**(2,621)**	**(6,662)**	**(4,313)**
Earnings before Income Tax and Social Charges	**61,419**	**84,653**	**87,905**	**126,641**
Income Tax and Social Charges	(2,785)	(10,834)	(2,785)	(12,101)
Net Income	**58,634**	**73,820**	**85,120**	**114,540**

Income Statement	2Q13	2Q14	6M13	6M14
(R$ thousand)				
Gross Revenues	**1,604,091**	**1,856,576**	**3,042,496**	**3,575,486**
Taxes, Discounts and Returns	(65,122)	(65,763)	(115,085)	(125,980)
Net Revenues	**1,538,969**	**1,790,813**	**2,927,411**	**3,449,506**
Cost of Goods Sold	(1,115,931)	(1,268,559)	(2,123,432)	(2,465,144)
Gross Profit	**423,038**	**522,254**	**803,979**	**984,363**
Operational (Expenses) Revenues				
Sales	(278,613)	(338,209)	(545,273)	(664,459)
General and Administrative	(40,954)	(52,750)	(84,606)	(101,286)
Other Operational Expenses, Net	(8,132)	(1,518)	(18,295)	(2,868)
Operational Expenses	**(327,699)**	**(392,477)**	**(648,174)**	**(768,613)**
EBITDA	**95,339**	**129,777**	**155,805**	**215,749**
Depreciation and Amortization	(39,005)	(44,020)	(75,070)	(87,664)
Operational Earnings before Financial Results	**56,334**	**85,757**	**80,735**	**128,085**
Financial Expenses	(4,888)	(6,350)	(10,513)	(12,912)
Financial Revenues	1,840	3,729	3,850	8,599
Financial Expenses/Revenues	**(3,048)**	**(2,621)**	**(6,663)**	**(4,313)**
Earnings before Income Tax and Social Charges	**53,286**	**83,136**	**74,072**	**123,773**
Income Tax and Social Charges	(13,016)	(21,016)	(19,523)	(32,522)
Net Income	**40,270**	**62,120**	**54,549**	**91,251**

Assets	**2Q13**	**2Q14**
(R$ thousand)		
Current Assets		
Cash and Cash Equivalents	73,557	143,508
Accounts Receivable	355,570	414,588
Inventories	1,008,445	1,171,545
Taxes Receivable	67,939	28,927
Other Accounts Receivable	118,743	120,687
Following Fiscal Year Expenses	12,876	14,311
	1,637,130	1,893,565
Non-Current Assets		
Deposit in Court	9,851	11,841
Taxes Receivable	10,515	14,067
Other Credits	868	969
Property, Plant and Equipment	499,337	582,759
Intangible	1,158,418	1,135,995
	1,678,989	1,745,633
ASSETS	3,316,119	3,639,198

Liabilities and Shareholder's Equity	**2Q13**	**2Q14**
(R$ thousand)		
Current		
Suppliers	489,390	623,887
Loans and Financing	71,246	99,838
Salaries and Social Charges Payable	111,195	152,789
Taxes Payable	45,408	40,512
Dividend and Interest on Equity	17,317	25,531
Provision for Lawsuits	4,618	5,219
Other Accounts Payable	67,931	64,375
	807,105	1,012,151
Non-Current Assets		
Loans and Financing	121,620	144,936
Provision for Lawsuits	8,936	9,926
Income Tax and Social Charges deferred	80,302	108,207
Other Accounts Payable	6,407	3,803
	217,265	266,872
Shareholder's Equity		
Common Stock	908,639	908,639
Capital Reserves	1,039,935	1,019,037
Revaluation Reserve	13,034	12,848
Income Reserves	294,721	357,169
Accrued Income	35,420	62,481
	2,291,749	2,360,175
LIABILITIES AND SHAREHOLDERS' EQUITY	3,316,119	3,639,198

Cash Flow	2Q13	2Q14	6M13	6M14
Earnings before Income Tax and Social Charges	**53.286**	**83.136**	**74.072**	**123.773**
Adjustments				
Depreciations and Amortization	39.005	44.020	75.070	87.664
P,P&E and Intangible Assets residual value	1.079	(712)	1.938	425
Provisioned Lawsuits	997	1.376	2.215	3.067
Provisioned Inventories Loss	6.453	4.861	9.650	2.563
Allowance for Doubtful Accounts	(258)	1.327	(777)	740
Provisioned Store Closures		3.081		3.081
Interest Expenses	4.319	6.065	8.789	12.365
	104.881	**143.154**	**170.957**	**233.678**
Assets and Liabilities variation				
Accounts Receivable	(21.957)	(29.503)	(20.958)	(53.806)
Inventories	(107.431)	(59.427)	(44.700)	(41.487)
Other Short Term Assets	15.847	7.532	22.221	6.412
Long Term Assets	318	(2.462)	5.810	(3.526)
Suppliers	32.926	75.180	(86.197)	(47.568)
Salaries and Social Charges	17.927	25.041	18.297	36.437
Taxes Payable	4.622	(17.207)	2.040	(32.244)
Other Liabilities	(15.079)	171	(22.129)	(6.522)
Rent Payable	1.790	2.337	2.935	1.663
Cash from Operations	**33.844**	**144.816**	**48.276**	**93.037**
Income Tax and Social Charges Paid	(978)	(11.432)	(8.711)	(18.335)
Net Cash from (invested) Operational Activities	**32.866**	**133.384**	**39.565**	**74.702**
Investment Activities Cash Flow				
P,P&E and Intangible Acquisitions	(60.092)	(71.110)	(112.084)	(123.570)
P,P&E Sale Payments	154	792	197	793
Net Cash from Investment Activities	**(59.938)**	**(70.318)**	**(111.887)**	**(122.777)**
Financing Activities Cash Flow				
Funding			26.121	37.703
Payments	(10.857)	(16.392)	(27.688)	(39.534)
Interest Paid	(2.533)	(4.802)	(6.529)	(10.587)
Share Buyback		(20.898)		(20.898)
Interest on Equity and Dividends Paid	(12.989)	(16.609)	(12.988)	(16.986)
Net Cash from Funding Activities	**(26.379)**	**(58.701)**	**(21.084)**	**(50.302)**
Cash and Cash Equivalents net increase	**(53.451)**	**4.365**	**(93.406)**	**(98.377)**
Cash and Cash Equivalents in the beggining of the period	**127.008**	**139.143**	**166.963**	**241.885**
Cash and Cash Equivalents in the end of the period	**73.557**	**143.508**	**73.557**	**143.508**

Notes to interim financial statements

1. Operations

Raia Drogasil S.A. (“Company”) is a publicly-traded corporation, registered at the São Paulo State Stock Exchange – Novo Mercado with head office in the capital of the São Paulo state.

The Company is primarily engaged in retail sales of medications, perfumery, personal care and beauty products, cosmetics and dermocosmetics. Sales are carried out by 1,015 stores located in the states of São Paulo, Minas Gerais, Rio de Janeiro, Goiás, Paraná, Distrito Federal, Santa Catarina, Rio Grande do Sul, Espírito Santo, Bahia, Mato Grosso do Sul, Mato Grosso, and Pernambuco, as follows:

	Jun-2014
São Paulo	592
Minas Gerais	80
Rio de Janeiro	76
Goiás	62
Paraná	51
Distrito Federal	46
Santa Catarina	24
Espírito Santo	22
Rio Grande do Sul	20
Bahia	18
Mato Grosso do Sul	14
Mato Grosso	8
Pernambuco	2
	1,015 (*)

(*) The number of stores is not an integral part of our audit scope.

2. Presentation of the quarterly information

Individual quarterly information was approved by the Executive Board on August 6, 2014.

The quarterly information is presented in thousands of reais, which is the Company functional and reporting currency.

The Company’s quarterly information for the periods ended June 30, 2014 and 2013 was prepared and is being presented in accordance with accounting pronouncement CPC 21 (R1) (interim financial statements) in accordance with the provisions included in the Circular/CVM/SNC/SEP 003/2011 dated April 28, 2011.

The Company financial statements for the year ended December 31, 2013 were prepared in accordance with accounting practices adopted in Brazil, observing the standards issued by the Brazilian Securities and Exchange Commission (CVM), in addition to the Pronouncements issued by the Brazilian FASB (CPC).

The quarterly information includes estimates referring to provision for inventory losses, allowance for doubtful accounts, valuation of financial instruments, property and equipment and intangible asset depreciation and amortization terms, provisions required for contingencies, and provisions for taxes, as well as other similar provisions.

The Company adopted all standards, amendments of standards and interpretations issued by the CPC in force on June 30, 2014.

3. New accounting standards, amendments and interpretations

a) Following are the new pronouncements gone into effect on January 1, 2014, which did not have significant effects on the Company's interim financial information though:

(i) IAS 32 Offsetting of Financial Assets and Liabilities – Revised IAS 32: these revisions shed light into the meaning of "currently having a legally enforceable right to offset recognized amounts" and the criteria for the non-simultaneous settlement mechanisms of clearing chambers to be eligible for offsetting.

(ii) Investment Entities (Revised IFRS 10, IFRS 12 and IAS 27): provide for an exception to the consolidation requirements involving the entities falling into the investment entity definition in accordance with IFRS 10. This exception requires investment entities to record investments in subsidiaries at fair values in P&L.

(iii) IAS 39 Renewal of Derivatives and Continuation of Hedge Accounting – Revised IAS 39: This revision mitigates the discontinuation of hedge accounting as the renewal of a derivative designated as hedge reaches certain criteria.

b) Following are the new or revised pronouncements yet not in force and will go into effect in the business year beginning January 1, 2015:

(i) IFRS 9 Financial Instruments – it reflects the first phase of the IASB work to substitute IAS 39 and applies to the classification and assessment of financial assets and liabilities, as defined in IAS 39. The pronouncement would firstly be applied in the years beginning January 1, 2013 or thereafter, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, postponed its effectiveness to January 1, 2015. Later on, the IASB will approach matters such as recording of hedges and provision for losses on financial assets. The Company does not expect this standard to produce significant effects on its financial statements.

(ii) IFRIC 21 – taxes: clarifies the time an entity should recognize a tax liability, as the event triggering the payment takes place. In case of a tax requiring payment in connection with reaching a metric, the interpretation indicates that no liability should be recognized until the metric is reached. The Company does not expect IFRIC 21 to have significant effects on its financial statements.

There are no other IFRS standards that are not yet in force that may have had a significant impact on the Company.

4. Summary of significant accounting practices

Accounting standards adopted for preparation of this quarterly information are consistent with those disclosed in Note 4 to the financial statements for the year ended December 31, 2013.

5. Cash and cash equivalents

	Jun-2014	Dec-2013
Cash and banks	35,950	37,875
Bank deposit certificate	72,580	64,181
Secured debentures	34,978	109,100
Time deposit with special guarantee of the Credit Guarantee Fund (FGC)		30,729
	143,508	241,885

Investments in Bank Deposit Certificate (CDB), secured debentures and Time Deposit with Special Guarantee (DPGE) of the Credit Guarantee Fund (FGC) are classified as "financial instruments held for trading" and are restated based on the Interbank Deposit Certificate (CDI) percentage variation, which reflects the realizable value.

6. Trade accounts receivable

The aging list of trade accounts receivable is as follows:

	Jun-2014	Dec-2013
Falling due	403,142	365,350
Past due between:		
1 and 30 days	11,537	7,570
31 and 60 days	445	340
61 and 90 days	234	347
91 and 180 days	154	577
181 and 360 days	104	160
Over 360 days	331	95
Allowance for doubtful accounts	(1,359)	(1,180)
	414,588	373,259

Day sales outstanding are approximately 40 days, which is deemed one of the regular conditions inherent in the Company operations. As such, no balances and transactions were identified for which the effect of the present value adjustment is considered significant.

Changes in allowance for doubtful accounts are as follows:

	Jun-2014	Dec-2013
Opening balance	(1,180)	(738)
Additions	(7,236)	(3,175)
Reversals	7,057	2,733
Closing balance	(1,359)	(1,180)

Accounts receivable are classified as “Receivables”, under financial assets, and are therefore measured as described in Note 4 c).(i) (3) of the financial statements for the year ended December 31, 2013.

7. Inventories

	Jun-2014	Dec-2013
Goods for resale	1,192,115	1,150,176
Materials	8,173	8,624
Inventory valuation allowance	(28,743)	(26,180)
Total inventories	1,171,545	1,132,620

The Company inventories are stated at average cost.

Changes in provision for inventory losses are as follows:

	Jun-2014	Dec-2013
Opening balance	(26,180)	(10,913)
Additions	(7,613)	(26,937)
Reversals	5,050	11,670
Closing balance	(28,743)	(26,180)

Cost of goods sold referring to continued operations recognized in P&L for the quarter ended June 30, 2014 was R$1,249,739 (R$ 1,096,287 in the 2nd quarter of 2013).

The amount of inventory losses recognized as losses in the quarter amounted to R$18,820 (2nd quarter 2013 – R$19,644) recognized in the cost of goods sold.

The effect of the setup, reversal or write-off of provision for inventory losses is recorded in P&L, under “Cost of goods sold”.

8. Taxes recoverable

	Jun-2014	Dec-2013
Current		
State VAT (ICMS) - credit balance	11,940	8,322
ICMS - Refund of ICMS withheld in advance (CAT Ruling 17/99)	10,941	22,234
ICMS on acquisition of property and equipment	3,685	3,725
ICMS - Other	104	205
Contribution tax on gross revenue for social integration program (PIS)	1	1
Social Contribution Tax on Gross Revenues for Social Security Financing (COFINS)	2	2
Withholding Income Tax (IRRF)	1,727	3,642
Social contribution tax on net profit (CSLL)	527	527
	28,927	38,658
Noncurrent		
ICMS on acquisition of property and equipment	13,507	11,298
Social Security Funding Tax (FINSOCIAL) - 1982 - securities issued to cover court-ordered debts	561	561
	14,068	11,859
Total	42,995	50,517

The ICMS credits amounting to R$ 11,940 and R$ 10,941 (R$8,322 and R$ 22,234 - Dec/2013) arise from the differentiated rates applicable to ICMS-ST (tax substitution) refund in goods receipt and shipment operations conducted by its distribution centers in São Paulo and Paraná States to supply its branches located in other Brazilian states.

The Company analyzed the use of ICMS credits and concluded that the credit balances will be consumed in short-term.

Notes to interim financial statements

9. Property and equipment and intangible assets

a) Property and equipment

Changes in the Company property and equipment are as follows:

	Land	Buildings	Furniture, fixtures and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Refits and refurbishment of stores	Total
Cost								
Balance at December 31, 2013	27,725	42,053	264,236	122,745	21,200	381,174	10,979	870,112
Acquisitions			24,415	12,935	1,984	67,924		107,258
Transfers			(16,998)	17,062		(64)		
Sales and disposals			(7,067)	(3,081)	(1,740)	(9,593)		(21,481)
Provision for store closedown			(871)	(405)		(2,134)		(3,410)
Balance at June 30, 2014	27,725	42,053	263,715	149,256	21,444	437,307	10,979	952,479
Accumulated depreciation								
Average annual depreciation rates (%)		2.5 - 2,7	7.4 – 10	7.1 - 15.8	20 - 23.7	17 - 21.6	20	
Balance at December 31, 2013		(16,596)	(103,362)	(57,035)	(11,878)	(138,296)	(6,316)	(333,483)
Acquisitions		(558)	(11,657)	(7,280)	(1,924)	(35,818)	(1,072)	(58,309)
Transfers			4,949	(4,983)		34		
Sales and disposals			6,812	2,947	1,700	9,097		20,556
Provision for store closedown			279	189		1,048		1,516
Balance at June 30, 2014		(17,154)	(102,979)	(66,162)	(12,102)	(163,935)	(7,388)	(369,720)
Net balance								
At December 31, 2013	27,725	25,457	160,874	65,710	9,322	242,878	4,663	536,629
At June 30, 2014	27,725	24,899	160,736	83,094	9,342	273,372	3,591	582,759

b) Intangible assets

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

	Point of sale	and implementation of systems	Goodwill on the acquisition of company (Vison)	Goodwill on the acquisition of company (Raia S.A.)	Trademarks	Customer portfolio	Other intangible assets	Total
Cost								
Balance at December 31, 2013	230,207	64,985	22,275	780,084	151,700	41,700	4,440	1,295,391
Acquisitions	8,983	6,813					516	16,312
Disposals	(4,630)	(4)					(3)	(4,637)
Provision for store closedown	(1,569)							(1,569)
Balance at June 30, 2014	232,991	71,794	22,275	780,084	151,700	41,700	4,953	1,305,497
Accumulated amortization								
Average annual amortization rates (%)	17 - 23.4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	6.7 - 25	20	
Balance at December 31, 2013	(85,733)	(36,164)	(2,387)			(19,847)	(721)	(144,852)
Acquisitions	(19,708)	(4,971)				(4,580)	(96)	(29,355)
Disposals	4,319	5						4,324
Provision for store closedown	382							382
Balance at June 30, 2014	(100,740)	(41,130)	(2,387)			(24,427)	(817)	(169,501)
Net balance								
At December 31, 2013	144,474	28,821	19,888	780,084	151,700	21,853	3,719	1,150,539
At June 30, 2014	132,251	30,664	19,888	780,084	151,700	17,273	4,136	1,135,996

Notes to interim financial statements

a) Goodwill on acquisition of Drogaria Vison Ltda.

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

Goodwill is based on the expected future profitability and estimated return within seven years, as assessed by an independent expert, and was amortized from April to December 2008. As provided for by OCPC 02, goodwill has not been amortized since 2009 and will be tested for impairment annually.

b) Goodwill on acquisition of Raia S.A.

The Company calculated goodwill of R$780,084 in the business combination with Raia S.A., based on expected future profitability, stemming from the difference between the values of assets transferred and received with an expected return of five and a half years. As provided for by OCPC 02, goodwill will not be amortized and it has been tested for impairment annually since 2009.

Notes to interim financial statements

10. Loans and financing

Financing for acquisition of:	**Annual average long-term interest rate**	**Jun-2014**	**Dec-2013**
BNDES - FINAME			
Ventures	TJLP + 3.70% (+ 3.70% - Dec/2013) p.a.		266
BNDES - FINEM			
Ventures	TJLP + 2.80% (+ 2.76% - Dec/2013) p.a.	8,525	16,298
Ventures	IPCA + 7.49% + 1.55% (+ 7.51% + 1.46% - Dec/2013) p.a.	11,875	17,734
Machinery and equipment	TJLP + 2.21% (+ 2.07% - Dec/2013) p.a.	341	816
BNDES – Sub-credit			
Ventures	TJLP + 2.85% (+ 3.04% - Dec/2013) p.a.	124,925	106,168
Ventures	SELIC + 2.37% (+ 2.37% - Dec/2013) p.a.	31,987	33,552
Machinery, equipment and vehicles	Prefixed 3.26% (3,18% - Dec/2013) p.a.	17,045	11,568
Machinery, equipment and vehicles	TJLP + 1.79% (+ 1.79% - Dec/2013) p.a.	2,091	2,524
Working capital	TJLP + 4.15% (+ 4.15% - Dec/2013) p.a.	2,869	4,017
Working capital	SELIC + 3.07% (+ 3.07% - Dec/2013) p.a.	45,116	51,882
		244,774	244,825
Current liabilities		(99,838)	(83,944)
Noncurrent liabilities		144,936	160,881

In FINAME operations of the Company, financed assets were offered as collateral, while bank guarantees were offered for part of FINEM operations.

Loans taken from BNDES are for expansion of stores, acquisition of machinery/equipment, vehicles and also to finance the Company working capital.

The agreements enable the Company to replace bank guarantees with other guarantees of first-tier financial institutions at any time.

The Company is a party to the financing with BNDES, substantially taken out under sub-credits, totaling R$226,834 (R$ 214,206 - Dec/2013) subject to the fulfillment of two covenants:

(i) EBITDA margin (EBITDA/net operating revenue): equal or higher than 3.6%; and

(ii) Total net debt/total assets: equal or higher 20%.

Measurement of covenants is made on an annual basis and, at June 30, 2014 and December 31, 2013, such requirements were met.

If these requirements were not met, the Company would provide BNDES with bank guarantee for the fulfillment of the agreement.

The Company has no contingent contracts to comply with nonfinancial "covenants".

Notes to interim financial statements

Long-term amounts have the following payment flows:

	Jun-2014
2015	38,126
2016	58,366
2017	37,214
2018	11,230
	144,936

11. Provision for legal proceedings and judicial deposits

In the ordinary course of business, the Company is subject to tax, labor and civil claims. Supported by the opinion of its legal advisors and by specific opinions issued by experts, where applicable, management assesses the likelihood of loss regarding ongoing litigation and determines whether or not setting up a provision for contingencies is necessary.

At June 30, 2014 and December 31, 2013, the Company had the following liabilities and corresponding judicial deposits relating to legal proceedings:

	Jun-2014	Dec-2013
Labor and social security	15,621	12,668
Tax	480	457
Civil	4,706	4,801
	20,807	17,926
Corresponding judicial deposits	(5,662)	(4,993)
Total	15,145	12,933
Current liabilities	(5,219)	(4,912)
Noncurrent liabilities	9,926	8,021

The change in the provision is as follows:

	Jun-2014	Dec-2013
Opening balance	12,933	13,850
Additions	4,753	8,681
Write-offs	(2,382)	(4,650)
Revaluation of amounts	(1,302)	(4,295)
Monetary restatement	1,812	3,120
Defense and appeal-related deposits	(669)	(3,773)
Closing balance	15,145	12,933

The provision for legal proceedings took into consideration the best estimate of the amounts involved, for the cases in which the likelihood of loss is estimated as probable by external and internal legal advisors, and a portion of these proceedings is guaranteed by pledged assets or judicial deposits (Note 19).

Possible loss

At June 30, 2014 and December 31, 2013, the Company is a party to tax, civil and labor claims, whose likelihood of loss is estimated as possible by management and its legal advisors, amounting to R$ 44,344 (R$ 41,417 - Dec/2013).

Judicial deposits

At June 30, 2014 and December 31, 2013, the Company had the following judicial deposit amounts for which no corresponding provision was set up:

	Jun-2014	Dec-2013
Labor and social security	3,771	3,005
Tax	7,447	7,135
Civil	623	623
Total	11,841	10,763

Labor contingencies

The labor claims, in general, refer to proceedings filed by former employees, questioning unpaid overtime and severance pay. The Company is also party to proceedings assumed upon acquisition of Raia S.A. filed by former employees of companies providing outsourced services, claiming to have an employment relationship directly with the Company or that the Company receive a joint enforcement order for the payment of the labor rights claimed. The subsidiary is also a party to proceedings filed by workers' unions regarding workers' union dues, by virtue of the jurisdictional legitimacy issue.

Tax contingencies

These refer to various administrative fines, rate differences on interstate transfers and tax collection proceedings.

Civil contingencies

The Company is a defendant to claims that discuss usual and unique matters deriving from Company activity, most of which seek indemnification for property damage and pain and suffering from consumption relations, such as indemnification claims due to undue protest of notes and consumption relations.

Notes to interim financial statements

12. Income and social contribution taxes

(a) Effective income and social contribution taxes

Effective income and social contribution taxes for the quarters refer to:

	2Q-2014	2Q-2013
Income before income and social contribution taxes	83,136	53,286
Interest on equity	(21,329)	(16,000)
Taxable profit	61,807	37,286
Combined rate (income tax – 25% and social contribution tax – 9%)	34	34
Theoretical expenses	(21,014)	(12,677)
Permanent additions	(463)	(436)
Tax reduction in connection with incentives	329	149
Other	132	(52)
Effective income and social contribution tax expenses	(21,016)	(13,016)
Effective rate (%)	25.3	24.4

(b) Deferred income and social contribution taxes

Deferred income and social contribution tax assets amounting to R$ 45,124 at June 30, 2014 (R$ 38,314 - Dec/2013), derive from temporarily nondeductible expenses, to which statute of limitations is not applicable and with realization provided for by item (c) below.

Deferred income and social contribution tax liabilities amounting to R$ 153,330 at June 30, 2014 (R$ 132,294 - Dec/2013), comprise the tax charges levied on the remaining balances: (i) the revaluation reserve; (ii) goodwill on future profitability.

Notes to interim financial statements

Deferred effective income and social contribution taxes for the quarters refer to:

	Balance sheet		P&L	
	Jun-2014	Dec-2013	2Q-2014	2Q-2013
Revaluation at fair value of land and buildings	(7,401)	(7,449)		
Amortization of goodwill on future profitability	(75,668)	(51,842)	(10,838)	(10,972)
Appreciation of intangible assets – Raia S,A, acquisition	(70,261)	(73,003)	1,369	1,373
Other	345	(1,969)	(3)	(82)
Provision for contingencies	7,074	6,095	405	339
Allowance for doubtful accounts	2,551	1,590	452	(747)
Provision for discretionary bonuses				
Provision for officers' bonuses	3,826	1,636	1,514	
Provision for internal campaigns	604	523	(113)	163
Provision for obsolete inventories	11,922	8,900	2,249	2,193
Provision for employees' profit sharing	5,650	2,955	2,877	499
Goodwill on profitability of Drogaria Vison Ltda,	365	365		
Sundry provisions	3,567	5,191	258	(137)
Tax losses to be offset against future taxable profits	2,963	5,934	(5,826)	(1,446)
Provision for extraordinary expenses	2,061	101	1,349	(71)
Provision for losses on loans to employees				478
Tax benefit from goodwill on merger	4,196	6,993	(1,399)	(1,398)
Deferred income and social contribution tax expense (revenue)			(7,706)	(9,808)
Deferred tax assets (liabilities), net	(108,206)	(93,980)		

Reconciliation of deferred tax assets (liabilities), net	**Jun-2014**	**Dez-2013**
Opening balance	(93,980)	(64,021)
Taxable revenue / (expense) recognized in the income statement	(14,274)	(30,055)
Deferred tax recorded in equity	48	96
Closing balance	(108,206)	(93,980)

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

Projections on future taxable profits take into consideration estimates relating to Company performance, as well as the behavior of the market in which the Company operates and certain economic aspects, among others. Actual results may differ from the estimates adopted. In accordance with these projections, tax credit amounting to R$45,124 will be fully realized until the end of 2014.

(d) Provisional Executive Order No. 627/13 signed into Law Nº 12973/14

Provisional Executive Order N° 627 published in November 2013 provided for non-levy of taxes on income and dividends calculated on the results for the period spanning January 1, 2008 and December 31, 2013 by legal entities which determine their taxable profits based on accounting records, as a percentage of gross sales or on a reconstructed basis, actually paid until the date the aforesaid Provisional Executive Order was published, for amounts higher than those determined in view of the accounting methods and criteria in force on December 31, 2007, provided that the Company which paid income or dividends opts for adopting the new tax regime as early as 2014.

In May 2014, such Provisional Executive Order was signed into Law Nº 12973, with amendments to some provisions, including as it relates to the treatment of the dividends, interest on equity and valuation of investments for the equity value. Unlike the provisions of Provisional Executive Order, Law Nº 12973 required that taxes shall not be unconditionally levied on income and dividends calculated on the results determined between January 1, 2008 and December 31, 2013.

The Company considered the effects which might arise from the application of the provisions of Law Nº 12973, concluding that there are no significant effects on its financial statements at June 30, 2014 and December 31, 2013 and whether or not it shall opt for early adopting its effects, which shall be reported in the Federal Tax Debt and Credit Return (DCTF) regarding the triggering events in the month to be set by the Brazilian Internal Revenue Service (SRFB).

13. Earnings per share

Information used for calculating basic and diluted earnings per share is as follows:

	2Q-2014	2Q-2013
Basic		
Net income	62,120	40,270
Weighted average number of common shares	329,798	330,386
Earnings per share (R$) - basic	**0.18836**	**0.12189**
Diluted		
Net income	62,120	40,270
Weighted average number of common shares	329,798	330,386
Weighted average number of common shares adjusted by dilution effect	329,798	330,386
Earnings per share (R$) – diluted	**0.18836**	**0.12189**

Notes to interim financial statements

14. Equity

(a) Capital

At June 30, 2014, fully paid-in capital of R$908,639 was divided into 330,386,000 uncertificated registered common shares with no par value, 191,062,645 of which were outstanding (192,804,770 units at December 31, 2013).

Pursuant to Company Articles of Incorporation, the Board of Directors is authorized to increase capital up to the limit of R$400,000,000 common shares.

Changes in the number of outstanding shares are as follows:

	Outstanding shares
At December 31, 2013	192,804,770
(Purchase)/sale of restricted shares, net	(642,125)
Repurchase of shares between May and June 2014	(1,100,000)
Position at June 30, 2014	191,062,645

At June 30, 2014, Company common shares were traded at R$ 18.24(closing price).

(b) Treasury stock

On April 24, 2014 the Board of Directors authorized, for a 365-day period, the purchase of 1,100,000 registered common shares with no par value in stock for later sale.

	Number of shares (in units)
At December 31, 2013	
Share repurchase from May to June 2014	1,100,000
At June 30, 2014	1,100,000

Treasury stock at June 30, 2014 was as follows:

		Unit cost of shares			
Shares purchased (in units)	Total paid for shares (**)	Minimum	Maximum	Medium	Market value of shares at June 30, 2014 (*)
1,100,000	20,898	18.39	19.30	18.96	20,064

(*) Share traded at R$ 18.24

(**) Includes brokerage expenses and fees

15. Net sales revenue

	2Q-2014	2Q-2013
Gross sales revenue		
Sales revenue	1,854,169	1,601,823
Service revenue	2,407	2,268
	1,856,576	1,604,091
Sales taxes	(53,981)	(56,666)
Sales returns	(11,783)	(8,456)
Net sales revenue	1,790,812	1,538,969

Sales taxes comprise primarily ICMS at rates between 17% and 18%, Service Tax (ISS) at 5%, as well as PIS (1.65%) and COFINS (7.65%).

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

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

	2Q-2014	2Q-2013
Cost of sales	(1,268,559)	(1,115,931)
Personnel expenses	(229,529)	(182,501)
Service provider expenses	(16,943)	(17,777)
Depreciation and amortization	(44,020)	(39,005)
Other (i)	(144,487)	(119,289)
	(1,703,538)	(1,474,503)

Classified in the income statement as:

	2Q-2014	2Q-2013
Cost of sales	(1,268,559)	(1,115,931)
Selling expenses	(338,209)	(278,613)
General and administrative expenses	(52,750)	(40,954)
Depreciation and amortization	(44,020)	(39,005)
	(1,703,538)	(1,474,503)

(i) These refer mostly to expenses with property rental, credit and debit card administration charges, customer accounts, store and supplies and condo fees.

17. Other operating expenses

Other operating expenses in the second quarter of 2014 totaled R$ 1,518 (2nd quarter of 2013 - R$ 8,132). These amounts comprise nonrecurring expenses, most of which was generated in Company merger process and due to bonuses paid to management members.

18. Financial income and expenses

(a) Financial income

	2Q-2014	2Q-2013
Discounts obtained	52	158
Gains from (losses on) short-term investments	3,227	1,495
Interest received		14
Monetary variation gains	449	172
Other financial income	1	1
Total financial income	3,729	1,840

(b) Financial expenses

	2Q-2014	2Q-2013
Discounts granted – customers	(9)	
Interest, charges and bank fees	(217)	(331)
Loan and financing charges	(6.065)	(4.323)
Monetary variation losses	(58)	(234)
Total financial expenses	(6.349)	(4.888)
Financial income (expenses)	(2.620)	(3.048)

19. Procedural guarantees

Tax, social security and labor claims were guaranteed by the following property and equipment items:

	Jun-2014	Dec-2013
Furniture and facilities	51	108
Machinery and equipment	88	126
	139	234

Notes to interim financial statements

20. Lease agreement commitments

The Company has entered into lease agreements with terms ranging from one to twenty years. Lease expenses vary depending on the number of stores opened. Total monthly expenses on these lease agreements (including lease, condo fees and Property Tax – IPTU) were R$ 21,231 (Dec/2013 - R$ 19,163) for the Company.

At June 30, 2014 and December 31, 2013, future minimum payments referring to lease of stores (revocable lease agreements) are as follows:

From:	Jun-2014	Dec-2013
1 to 12 months	175,105	165,421
13 to 60 months	432,729	401,971
Over 60 months	159,020	159,110
	766,854	726,502

21. Financial instruments and risk management policy

Book value of Company financial instruments approximates fair value, as shown in the tables below.

At June 30, 2014 and December 31, 2013, the Company has short-term investments measured at fair value through profit or loss, which is classified as “level 1”, according to Note 4c-iii to the financial statements for the year ended December 31, 2013.

Financial assets

Significant financial assets are cash and cash equivalents, short-term investments and trade accounts receivable:

	Jun-2014	Dec-2013
Fair value through profit or loss - held for trading		
Cash and cash equivalents (Note 5)	143,508	241,885
	143,508	241,885
Receivables		
Trade accounts receivable (Note 6)	414,588	373,259
Other accounts receivable	120,686	108,953
	535,274	482,212
Total	678,782	724,097

Financial liabilities

Significant financial liabilities are trade accounts payable, loans and financing and other accounts payable:

	Jun-2014	Dec-2013
Other financial liabilities		
Trade accounts payable	623,887	671,455
Loans and financing (Note 10)	244,774	244,825
Other accounts payable	68,179	72,181
Total	936,840	988,461

The Company is exposed to various financial risks arising from its operations, such as market risk, credit risk and liquidity risk. The risk management program adopted by the Company focuses on the unpredictability of financial markets and of those markets where the Company operates, while aiming at minimizing potential adverse effects on Company financial performance.

The Board of Directors establishes risk management principles, including specific areas such as interest rate risk, credit risk, as well as use of non-derivative financial instruments and investment of cash surplus.

(a) Market risk

Currency risk

All funding and investment operations of the Company are denominated in Reais (R$); therefore, the Company is not exposed to risk arising from exchange fluctuation.

Interest rate risk

The Company is exposed to interest rate risk, basically referring to obligations subject to rate variation. The understanding of Company management is that the sole risk to which the Company is exposed refers to the mismatch between BNDES financing (R$ 11,875) in IPCA + interest and investments in CDI.

Most of the BNDES operations are entered into based on the Long-term Interest Rate (TJLP) + interest and on the SELIC rate. Short-term investments are entered into based on CDI variation, which does not result in higher interest rate risk, since these variations are not significant. Management understands that the risk of significant changes in P&L and in cash flows is low.

(b) Credit risk

Credit risks are related to financial assets, i.e. cash and cash equivalents, short-term investments and trade accounts receivable.

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

Notes to interim financial statements

The granting of credit upon sales of goods follows a policy that aims at minimizing default. For the period ended June 30, 2014, credit sales represented 49%, 87% of which refer to credit card sales that, in the opinion of the Company and based on historical losses, pose extremely low risk. The remaining 13%, which are credits from Drug Benefit Programs (PBMs), special plans with companies and postdated checks pose low risk, due to customer selectivity and adoption of individual limits.

(c) Liquidity risk

Management continuously monitors Company cash needs in order to ensure cash is sufficient to carry out its operations. Cash surplus is invested in financial assets with adequate maturity in order to ensure the liquidity necessary to honor its obligations.

(d) Sensitivity analysis

Sensitivity analysis of Company financial instruments, from which losses may arise, is as follows:

The most probable scenario (scenario I), according to assessment by Management, is based on a three-month horizon. In addition, two other scenarios are presented, pursuant to CVM Rule 475/08, in order to state an additional 25% and 50% impairment, respectively (scenarios II and III).

Operation	Risk	Scenario I (probable)	Scenario II	Scenario III
Short-term investments - CDI	0.5% increase	538	673	807
Revenue		538	673	807
BNDES financing (IPCA + interest)	1% mismatch	119	149	179
REFIS (SELIC rate)	0.5% increase	8	11	13
Expenses		127	160	192

The risk of variations in the Long-Term Interest Rate (TJLP) on BNDES operations which could result in material losses for the Company is not estimated as probable by management.

(e) Capital management

Company objective relating to capital management is to maintain its investment capacity, thus allowing its growth as well as the generation of return on investments.

The Company adopts the policy of not leveraging its capital structure with loans and financing, except for long-term credit lines from BNDES (FINEM/FINAME), with interest rates that are commensurate with Company profit levels.

Accordingly, the financial leverage ratio results from the net debt divided by equity. Net debt represents total financing less total cash and cash equivalents, as shown below:

	Jun-2014	Dec-2013
Financing	244,774	244,825
Cash and cash equivalents	(143,508)	(241,885)
Net debt	101,266	2,940
Equity	2,360,175	2,326,983
Financial leverage ratio (%)	4.29	0.13

(f) Fair value estimate

The book value of trade accounts receivable and trade accounts payable is deemed to approximate fair value, taking into consideration these balances' realization and settlement terms, within 60 days.

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

Short-term investments, represented by investments in CDB and secured debentures (Note 5) and measured at fair value through profit or loss, were valued based on the remuneration rate agreed upon with the respective financial institution, treated as a usual market rate.

22. Derivative financial instruments

The Company adopts the policy of not engaging in transactions involving derivative financial instruments.

Notes to interim financial statements

23. Transactions with related parties

(a) Transactions with related parties consist of operations with Company shareholders and people associated therewith that carried out the following transactions:

	Relationship	Current assets		Revenue	
		Jun-2014	Dec-2013	2Q-2014	2Q-2013
Receivables					
Agreements (i)					
Regimar Comercial S.A.	Shareholder/Family	8	9	19	17
Heliomar S.A.	Shareholder/Board Member		1	2	2
Rodrigo Wright Pipponzi (Editora Mol Ltda.)	Shareholder/Family				1
		8	10	21	20
		8	10	21	20

Notes to interim financial statements

	Relationship	Current liabilities		Revenue	
		Jun-2014	**Dec-2013**	**2Q-2014**	**2Q-2013**
Payables					
Rent (ii)					
Heliomar S.A.	Shareholder/Board Member	16	13	48	41
Antonio Carlos Pipponzi	Shareholder/Board Member	5	5	18	14
Rosalia Pipponzi Raia	Shareholder/Board Member	5	5	18	14
Estate of Franco Maria David Pietro Pipponzi	Shareholder/Board Member	5	5	18	14
		31	28	102	83
Service providers (ii)					
Capullo Publicidade Ltda.	Shareholder/Family			78	76
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire - Advogados	Shareholder/Family	13	45	866	812
Associação Obra do Berço (Literat Editora Ltda.) (iii)	Shareholder/Family			420	420
Rodrigo Wright Pipponzi (Editora Mol Ltda.) (iii)	Shareholder/Family	70	131	1,461	1,002
		83	176	2,825	2,310
		114	204	2,927	2,393

Notes to interim financial statements

(i) Sales carried out through agreements and store space lease agreements. These transactions are taken out in business conditions equivalent to those adopted with other companies.

(ii) Store lease, rendering of marketing and legal advisory services. These transactions are taken out under usual market conditions.

(iii) These balances and transactions refer to service provision agreements relating to the development, creation and production of disclosure material for the corporate sales area and concept of the Company internal monthly magazine. The agreements are valid for an indefinite period of time and may be terminated at any time by any of the parties without cost or penalties.

Additionally, there are no transactions other than the amounts presented above and referred to related parties comprise Company key management personnel.

(b) Key management personnel compensation

Key management personnel comprises Officers, Directors and Supervisory Board members. Compensation paid or payable for services rendered is as follows:

	2Q-2014	2Q-2013
Fees and social charges	2,569	2,191
Bonuses and social charges	7,183	731
Reversal of provision for bonuses	(1,100)	(731)
	8,651	2,191

24. Insurance coverage

The Company adopts the policy of taking out insurance coverage in amounts deemed sufficient by management to cover any losses on assets or civil liability attributed thereto. Considering the nature of its activities and the guidance of its insurance advisors, at June 30, 2014, the Company maintains the following insurance coverage:

	Jun-2014	Dec-2013
Inventory loss risk	114,786	106,878
Permanent asset items	115,215	121,522
Loss of profits	74,917	24,100
Civil liability risks	14,410	12,423
	319,328	264,923

25. Noncash transactions

In the second quarter of 2014, there were no transactions not involving the Company's cash.

Notes to interim financial statements

A free translation from Portuguese into English of Review Report on interim financial information in accordance with accounting practices adopted in Brazil

Independent Auditor's Report on Review of Quarterly Information (ITR)

The
Shareholders, Board of Directors and Officers
Raia Drogasil S.A.
São Paulo - SP

Introduction

We have reviewed the interim financial information contained in the Quarterly Information Form (ITR) of Raia Drogasil S.A. ("Company") as of June 30, 2014, comprising the balance sheet as of June 30, 2014 and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the three-month and six-month period then ended, and other explanatory notes.

Management is responsible for the preparation of the interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) – Interim Financial Reporting, as well as for the fair presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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.

Notes to interim financial statements

Conclusion on interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21(R1) applicable to the preparation of Quarterly Information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission.

Other matters

Statements of value added

We have also reviewed the Statements of Value Added for the six-month period ended June 30, 2014, prepared under the responsibility of Company management, the presentation of which in the interim information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information (ITR). This statement has been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, consistently with the overall interim financial statements.

São Paulo, August 6, 2014.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Alexandre Rubio
Accountant CRC-1SP223361/O-2

Notes to interim financial statements

Opinions and Representations – Report of Audit Committee or Equivalent Body

The Shareholders, Board of Directors and Officers
Raia Drogasil S.A.

The Company's Supervisory Board, in exercise of its duties and legal responsibilities, has examined the Quarterly Financial Information (ITR), for the quarter ended June 30, 2014. Based on the examination carried out, clarification provided by management, and also considering the favorable and unqualified Special Review Report from Independent Auditor Ernst & Young Auditores Independentes, the Supervisory Board members concluded that the documents above are fairly presented, in all material respects.

São Paulo, August 6, 2014.

Gilberto Lério
Supervisory Board member

Fernando Carvalho Braga
Supervisory Board member

Mário Antonio Luiz Corrêa
Supervisory Board member

Notes to interim financial statements

Opinions and Representations – Officers' Representation on Financial Statements

Raia Drogasil S.A.

In accordance with article 25, paragraph 1st, items V and VI, of CVM Rule No. 480/09, Company officers represent that they have reviewed, discussed and agreed upon the Quarterly Financial Information (ITR) for the quarter ended June 30, 2014.

São Paulo, August 6, 2014.

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Marcilio Pousada

Chief Executive Officer

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Antonio Carlos Coelho

Director and Accountant in charge – CRC 1SP166428/O-9

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Antonio Carlos de Freitas – Director

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Eugênio De Zagottis – Director

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Fernando Varela – Director

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Marcello De Zagottis – Director

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Renato Cepollina Raduan – Director

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Maria Susana de Souza – Director

Notes to interim financial statements

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

Raia Drogasil S.A.

In accordance with article 25, paragraph 1st, items V and VI, of CVM Rule No. 480/09, Company officers represent that they have reviewed, discussed and agreed upon the unqualified opinion expressed in the Independent Auditor's Special Review Report referring to the Quarterly Financial Information (ITR) for the quarter ended June 30, 2014.

São Paulo, August 6, 2014.

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Marcilio Pousada

Chief Executive Officer

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Antonio Carlos Coelho

Director and Accountant in charge – CRC 1SP166428/O-9

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Antonio Carlos de Freitas – Director

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Eugênio De Zagottis – Director

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Fernando Varela – Director

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Marcello De Zagottis – Director

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Renato Cepollina Raduan – Director

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Maria Susana de Souza – Director