

(A free translation of the original in Portuguese)

Raia Drogasil S.A.

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

**and report on review of quarterly
information**

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

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Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Company information/capital composition

Number of shares (units)	Current quarter 6/30/2020
Paid-up share capital	
Common shares	330,386,000
Preferred shares	0
Total	330,386,000
Treasury shares	
Common shares	508,589
Preferred shares	0
Total	508,589

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Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Company information/dividends

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

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Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Parent company financial information/balance sheet - assets

(R\$ thousand)

Code	Description	Current quarter 6/30/2020	Prior year 12/31/2019
1	Total assets	12,499,733	12,075,866
1.01	Current assets	5,833,816	5,518,934
1.01.01	Cash and cash equivalents	241,982	294,863
1.01.03	Trade receivables	1,388,485	1,291,174
1.01.03.01	Customers	1,158,698	1,049,906
1.01.03.01.01	Checks receivable	1,730	2,383
1.01.03.01.02	Credit and debit cards	1,105,063	996,163
1.01.03.01.03	PBM - Medicine benefit program	35,100	31,003
1.01.03.01.04	Agreements with companies	17,861	21,607
1.01.03.01.05	(-) Provision for impairment of trade receivables	-1,056	-1,250
1.01.03.02	Other receivables	229,787	241,268
1.01.03.02.01	Advances to employees	12,213	10,158
1.01.03.02.02	Returns to suppliers	6,510	5,206
1.01.03.02.03	Commercial agreements	161,673	177,835
1.01.03.02.04	Receivables from subsidiaries	188	86
1.01.03.02.05	Other	49,203	47,983
1.01.04	Inventory	4,016,165	3,771,335
1.01.04.01	Goods for resale	4,037,170	3,783,236
1.01.04.02	Materials	12,701	1,215
1.01.04.03	(-) Allowance for losses on goods	-33,706	-13,116
1.01.06	Taxes recoverable	132,551	135,771
1.01.06.01	Current taxes recoverable	132,551	135,771
1.01.06.01.01	Taxes on profit	3,956	33,501
1.01.06.01.02	Other taxes recoverable	128,595	102,270
1.01.07	Prepaid expenses	54,633	25,791
1.02	Non-current assets	6,665,917	6,556,932
1.02.01	Long term receivables	490,814	478,815
1.02.01.04	Trade receivables	57,853	56,996
1.02.01.04.02	Other receivables	666	893
1.02.01.04.03	Receivables from subsidiaries	57,187	56,103
1.02.01.08	Prepaid expenses	1,143	587
1.02.01.10	Other non-current assets	431,818	421,232
1.02.01.10.03	Judicial deposits	30,595	30,001
1.02.01.10.04	Taxes recoverable	62,625	58,304
1.02.01.10.05	Credits of subsidiaries	338,598	332,927
1.02.02	Investments	66,262	60,263
1.02.02.01	Equity interests	66,262	60,263
1.02.02.01.02	Interests in subsidiaries	66,262	60,263
1.02.03	Property and equipment	4,888,148	4,805,939
1.02.03.01	Property and equipment in use	1,775,794	1,773,335
1.02.03.02	Right-of-use lease	3,112,354	3,032,604
1.02.04	Intangible assets	1,220,693	1,211,915

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Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Parent company financial information/balance sheet - liabilities and equity

(R\$ thousand)

Code	Description	Current quarter 6/30/2020	Prior year 12/31/2019
2	Total liabilities and equity	12,499,733	12,075,866
2.01	Current liabilities	3,815,568	3,941,458
2.01.01	Social security and labor obligations	408,373	291,073
2.01.01.01	Social security obligations	128,748	58,918
2.01.01.02	Labor obligations	279,625	232,155
2.01.02	Trade payables	2,068,013	2,532,293
2.01.02.01	Domestic suppliers	2,068,013	2,532,293
2.01.03	Tax obligations	111,540	96,435
2.01.03.01	Federal tax obligations	51,576	31,952
2.01.03.01.01	Income tax and social contribution payable	9,180	8,309
2.01.03.01.02	Other federal tax obligations	42,396	23,643
2.01.03.02	State tax obligations	49,982	61,361
2.01.03.03	Municipal tax obligations	9,982	3,122
2.01.04	Borrowing	522,212	228,661
2.01.04.01	Borrowing	364,622	69,083
2.01.04.01.01	In local currency	364,622	69,083
2.01.04.02	Debentures	157,590	159,578
2.01.04.02.01	Debentures	157,590	159,578
2.01.05	Other obligations	638,012	735,681
2.01.05.02	Other	638,012	735,681
2.01.05.02.01	Dividends and interest on capital	85,259	68,255
2.01.05.02.04	Rentals	60,680	60,814
2.01.05.02.05	Other payables	44,865	41,408
2.01.05.02.06	Lease liabilities	447,208	565,204
2.01.06	Provision	67,418	57,315
2.01.06.01	Provision for tax, social security, labor and civil contingencies	28,870	26,008
2.01.06.01.05	Provision for legal claims	28,870	26,008
2.01.06.02	Other provisions	38,548	31,307
2.01.06.02.04	Provisions for sundry obligations	38,548	31,307
2.02	Non-current liabilities	4,620,470	4,109,395
2.02.01	Borrowing	1,191,068	897,815
2.02.01.01	Borrowing	100,345	27,564
2.02.01.01.01	In local currency	100,345	27,564
2.02.01.02	Debentures	1,090,723	870,251
2.02.01.02.01	Debentures	1,090,723	870,251
2.02.02	Other obligations	3,254,615	3,001,656
2.02.02.02	Other	3,254,615	3,001,656
2.02.02.02.03	Tax recovery program (REFIS)	5,973	11,192
2.02.02.02.04	Payables to Subsidiary's shareholders	44,531	42,113
2.02.02.02.05	Lease liabilities	2,865,660	2,615,451
2.02.02.02.06	Payables of subsidiaries	338,451	332,900
2.02.03	Deferred taxes	102,242	142,810
2.02.03.01	Deferred income tax and social contribution	102,242	142,810
2.02.04	Provision	72,545	67,114
2.02.04.01	Provision for tax, social security, labor and civil contingencies	72,545	67,114
2.02.04.01.05	Provision for legal claims	72,545	67,114
2.03	Equity	4,063,695	4,025,013
2.03.01	Paid-up share capital	2,500,000	2,500,000
2.03.02	Capital reserves	137,813	129,768
2.03.04	Revenue reserves	1,371,984	1,413,627
2.03.04.01	Legal reserve	154,131	154,131
2.03.04.02	Statutory reserve	1,080,637	1,080,637
2.03.04.08	Proposed additional dividends	0	41,643
2.03.04.10	Tax incentive reserve	137,216	137,216
2.03.05	Retained earnings (accumulated deficit)	72,366	0
2.03.06	Carrying value adjustments	-18,468	-18,382

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Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Parent company financial information/statement of income

(R\$ thousand)

Code	Description	SCE*-	SCE*-	SCE*-	SCE*-
		4/1/2020 to 6/30/2020	1/1/2020 to 6/30/2020	4/1/2019 to 6/30/2019	1/1/2019 to 6/30/2019
3.01	Net sales revenue	4,221,166	8,931,057	4,026,401	7,790,218
3.01.01	Gross sales revenue	4,444,624	9,382,478	4,216,727	8,158,069
3.01.02	Taxes on sales	-189,180	-382,729	-158,159	-305,337
3.01.03	Rebates	-34,278	-68,692	-32,167	-62,514
3.02	Cost of sales and/or services	-2,920,832	-6,209,473	-2,757,832	-5,375,495
3.03	Gross profit	1,300,334	2,721,584	1,268,569	2,414,723
3.04	Operating income/expenses	-1,179,736	-2,360,288	-1,034,219	-2,025,016
3.04.01	Selling expenses	-1,019,249	-2,039,551	-909,028	-1,785,276
3.04.02	General and administrative expenses	-161,304	-310,047	-114,945	-223,743
3.04.02.01	Administrative	-161,304	-310,047	-114,945	-223,743
3.04.04	Other operating expenses	32,167	33,506	0	0
3.04.05	Other operating expenses	-33,234	-46,955	-13,058	-21,225
3.04.05.01	Extraordinary expenses	-33,234	-46,955	-13,058	-21,225
3.04.06	Equity in the results of investees	1,884	2,759	2,812	5,228
3.05	Profit before finance results and taxes	120,598	361,296	234,350	389,707
3.06	Finance results	-72,370	-145,856	-58,386	-112,881
3.06.01	Finance income	14,000	28,889	14,778	31,184
3.06.02	Finance costs	-86,370	-174,745	-73,164	-144,065
3.07	Profit before income tax and social contribution	48,228	215,440	175,964	276,826
3.08	Income tax and social contribution	-3,553	-47,444	-37,521	-49,880
3.08.01	Current	-30,937	-87,967	-44,964	-55,483
3.08.02	Deferred	27,384	40,523	7,443	5,603
3.09	Profit from continuing operations	44,675	167,996	138,443	226,946
3.11	Profit for the period	44,675	167,996	138,443	226,946
3.99	Earnings per share - (Reais/share)				
3.99.01	Basic earnings per share - R\$				
3.99.01.01	Common shares	0.13553	0.50973	0.42011	0.68868
3.99.02	Basic earnings per share - R\$				
3.99.02.01	Common shares	0.13493	0.50601	0.42039	0.68914

*SCE – Statement of Changes in Equity

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Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Parent company financial information/statement of comprehensive income

(R\$ thousand)

Code	Description	SCE*- 4/1/2020 to 6/30/2020	SCE*- 1/1/2020 to 6/30/2020	SCE*- 4/1/2019 to 6/30/2019	SCE*- 1/1/2019 to 6/30/2019
4.01	Profit for the period	44,675	167,996	138,443	226,946
4.03	Comprehensive income for the period	44,675	167,996	138,443	226,946

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Quarterly information (ITR) - 6/30/2020 - RAIÁ DROGASIL S.A.

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

(R\$ thousand)

Code	Description	SCE - 1/1/2020 to 6/30/2020	SCE - 1/1/2019 to 6/30/2019
6.01	Net cash provided by operating activities	99,477	469,140
6.01.01	Cash from operations	954,733	880,099
6.01.01.01	Profit before income tax and social contribution	215,440	276,826
6.01.01.02	Depreciation and amortization	564,418	517,626
6.01.01.03	Share-based compensation plan, net	7,991	6,432
6.01.01.04	Interest on additional stock option	2,418	1,787
6.01.01.05	Result on disposal of property and equipment and intangible assets	1,225	6,514
6.01.01.06	Provision (reversal) for legal claims	6,060	-6,198
6.01.01.07	Provision (reversal) for inventory losses	20,590	-221
6.01.01.08	Provision (reversal) for impairment of trade receivables	-192	621
6.01.01.09	Provision (reversal) for store closures	-1,198	-3,540
6.01.01.10	Interest expenses	30,190	30,454
6.01.01.11	Amortization of transaction costs of debentures	1,705	1,343
6.01.01.12	Equity in results of investees	-2,759	-5,228
6.01.01.13	Interest expenses – leases	108,625	53,704
6.01.01.14	Provision (reversal) for impairment of other assets	220	-21
6.01.02	Changes in assets and liabilities	-729,630	-286,386
6.01.02.01	Trade receivables and other receivables	-96,121	-186,182
6.01.02.02	Inventory	-265,420	75,927
6.01.02.03	Other current assets	-25,621	-33,862
6.01.02.04	Long term receivables	-11,995	-11,258
6.01.02.05	Trade payables	-462,317	-163,316
6.01.02.06	Salaries and social charges	117,300	60,901
6.01.02.07	Taxes and contributions	1,415	13,459
6.01.02.08	Other liabilities	13,362	-16,749
6.01.02.09	Rentals payable	-133	-25,306
6.01.03	Other	-220,316	-124,573
6.01.03.01	Interest paid	-24,621	-24,490
6.01.03.02	Income tax and social contribution paid	-87,070	-46,379
6.01.03.03	Interest paid – leases	-108,625	-53,704
6.02	Net cash used in investing activities	-290,759	-337,200
6.02.01	Purchases of property and equipment and intangible assets	-286,395	-335,850
6.02.02	Proceeds from sale of property and equipment	8	50
6.02.03	Loans granted to subsidiaries	-1,083	-1,400
6.02.04	Investments in associates	-3,289	0
6.03	Net cash used in financing activities	233,091	-227,620
6.03.01	Borrowing	696,392	243,712
6.03.02	Repayments of borrowing	-116,862	-134,056
6.03.03	Interest on capital and dividends paid	-107,605	-93,597
6.03.04	Leases paid	-238,834	-243,679
6.05	Increase (decrease) in cash and cash equivalents	-52,881	-95,680
6.05.01	Cash and cash equivalents at the beginning of the period	294,863	238,153
6.05.02	Cash and cash equivalents at the end of the period	241,982	142,473

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Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Parent company financial information/statement of changes in equity - 1/1/2020 to 6/30/2020

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity
5.01	Opening balance	2,500,000	129,768	1,413,627	0	-18,382	4,025,013
5.03	Adjusted opening balance	2,500,000	129,768	1,413,627	0	-18,382	4,025,013
5.04	Equity transactions with owners	0	8,045	-41,643	-95,716	0	-129,314
5.04.07	Interest on capital	0	0	0	-96,000	0	-96,000
5.04.08	Interest on capital of 2019 approved at the AGM of March 23, 2020	0	0	-41,643	0	0	-41,643
5.04.09	Interest on capital expired	0	0	0	284	0	284
5.04.10	Restricted share plan - Vesting period	0	7,991	0	0	0	7,991
5.04.11	Restricted share plan - Delivery	0	-11,958	0	0	0	-11,958
5.04.12	Goodwill on sale of shares	0	817	0	0	0	817
5.04.13	Treasury shares - Delivery - RD	0	11,141	0	0	0	11,141
5.04.14	Restricted shares - 4Bio	0	8	0	0	0	8
5.04.15	Treasury shares - Delivery - 4Bio	0	46	0	0	0	46
5.05	Total comprehensive income	0	0	0	167,996	0	167,996
5.05.01	Profit for the period	0	0	0	167,996	0	167,996
5.06	Internal changes in equity	0	0	0	86	-86	0
5.06.02	Realization of revaluation reserve	0	0	0	130	-130	0
5.06.03	Taxes on realization of revaluation reserve	0	0	0	-44	44	0
5.07	Closing balance	2,500,000	137,813	1,371,984	72,366	-18,468	4,063,695

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Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Parent company financial information/statement of changes in equity - 1/1/2019 to 6/30/2019

(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	6,470	-762,351	-110,248	0	-174,768
5.04.01	Capital increases	691,361	0	-691,361	0	0	0
5.04.07	Interest on capital	0	0	0	-110,501	0	-110,501
5.04.08	Interest on capital of 2018 approved at the AGM of April 10, 2019	0	0	-70,990	0	0	-70,990
5.04.09	Interest on capital expired	0	0	0	253	0	253
5.04.10	Restricted share plan – Vesting period	0	6,432	0	0	0	6,432
5.04.11	Restricted share plan - Delivery	0	-13,429	0	0	0	-13,429
5.04.12	Goodwill on sale of shares	0	-2,208	0	0	0	-2,208
5.04.13	Treasury shares – Delivery - RD	0	15,637	0	0	0	15,637
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	226,946	0	226,946
5.05.01	Profit for the period	0	0	0	226,946	0	226,946
5.06	Internal changes in equity	0	0	0	87	-87	0
5.06.02	Realization of revaluation reserve	0	0	0	132	-132	0
5.06.03	Taxes on realization of revaluation reserve	0	0	0	-45	45	0
5.07	Closing balance	2,500,000	122,833	830,713	116,785	-18,295	3,552,036

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Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Parent company financial information/statement of value added

(R\$ thousand)

Code	Description	SCE -	
		1/1/2020 to 6/30/2020	1/1/2019 to 6/30/2019
7.01	Revenue	9,316,052	8,095,530
7.01.01	Sales of products and services	9,313,786	8,095,557
7.01.02	Other income	2,294	573
7.01.04	Provision for/reversal of impairment of trade receivables	-28	-600
7.02	Inputs acquired from third parties	-6,253,730	-5,330,323
7.02.01	Cost of sales and services	-5,608,257	-4,848,273
7.02.02	Materials, energy, outsourced services and other	-645,473	-482,079
7.02.03	Impairment/recovery of assets	0	29
7.03	Gross value added	3,062,322	2,765,207
7.04	Retentions	-550,675	-517,626
7.04.01	Depreciation, amortization and depletion	-550,675	-517,626
7.05	Net value added generated by the entity	2,511,647	2,247,581
7.06	Value added received through transfer	34,577	38,289
7.06.01	Equity in the results of investees	2,758	5,228
7.06.02	Finance income	32,785	31,394
7.06.03	Other	-966	1,667
7.07	Total value added to distribute	2,546,224	2,285,870
7.08	Distribution of value added	2,546,224	2,285,870
7.08.01	Personnel	970,911	843,352
7.08.01.01	Direct remuneration	753,587	648,447
7.08.01.02	Benefits	154,222	133,143
7.08.01.03	Unemployment compensation fund	63,102	61,762
7.08.02	Taxes and contributions	1,193,349	1,028,712
7.08.02.01	Federal	277,763	255,761
7.08.02.02	State	897,720	759,181
7.08.02.03	Municipal	17,866	13,770
7.08.03	Providers of capital	213,968	186,860
7.08.03.01	Interest	174,296	143,191
7.08.03.02	Rentals	39,672	43,669
7.08.04	Stockholders and the Company	167,996	226,946
7.08.04.01	Interest on capital	96,000	110,501
7.08.04.03	Profits reinvested/loss for the period	71,996	116,445

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Consolidated financial information/balance sheet - assets

(R\$ thousand)

Code	Description	Current quarter 6/30/2020	Prior year 12/31/2019
1	Total assets	12,755,168	12,248,255
1.01	Current assets	6,139,883	5,756,046
1.01.01	Cash and cash equivalents	266,416	299,226
1.01.03	Trade receivables	1,563,822	1,433,446
1.01.03.01	Customers	1,330,446	1,189,019
1.01.03.01.01	Checks receivable	162,551	134,644
1.01.03.01.02	Credit and debit cards	1,118,208	1,005,195
1.01.03.01.03	PBM - Medicine benefit program	35,100	31,003
1.01.03.01.04	Agreements with companies	17,861	21,607
1.01.03.01.05	(-) Provision for impairment of receivables	-3,274	-3,430
1.01.03.02	Other receivables	233,376	244,427
1.01.03.02.01	Advances to employees	12,246	10,302
1.01.03.02.02	Returns to suppliers	6,510	5,206
1.01.03.02.03	Commercial agreements	164,460	180,319
1.01.03.02.04	Other	50,160	48,600
1.01.04	Inventory	4,114,636	3,851,388
1.01.04.01	Goods for resale	4,135,641	3,863,289
1.01.04.02	Materials	12,701	1,215
1.01.04.03	(-) Allowance for losses on goods	-33,706	-13,116
1.01.06	Taxes recoverable	140,085	145,617
1.01.06.01	Current taxes recoverable	140,085	145,617
1.01.06.01.01	Taxes on profit	3,956	33,501
1.01.06.01.02	Other taxes recoverable	136,129	112,116
1.01.07	Prepaid expenses	54,924	26,369
1.02	Non-current assets	6,615,285	6,492,209
1.02.01	Long term receivables	462,175	432,508
1.02.01.04	Trade receivables	666	894
1.02.01.04.02	Other receivables	666	894
1.02.01.07	Deferred taxes	19,678	0
1.02.01.07.01	Deferred income tax and social contribution	19,678	0
1.02.01.08	Prepaid expenses	1,143	587
1.02.01.10	Other non-current assets	440,688	431,027
1.02.01.10.03	Judicial deposits	30,595	30,001
1.02.01.10.04	Taxes recoverable	71,495	68,099
1.02.01.10.05	Credits of subsidiaries	338,598	332,927
1.02.02	Investments	3,289	0
1.02.02.01	Equity interest	3,289	0
1.02.02.01.04	Interest in joint ventures	3,289	0
1.02.03	Property and equipment	4,896,157	4,814,260
1.02.03.01	Property and equipment in use	1,780,197	1,777,735
1.02.03.02	Right-of-use lease	3,115,960	3,036,525
1.02.04	Intangible assets	1,253,664	1,245,441

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Consolidated financial information/balance sheet - liabilities and equity

(R\$ thousand)

Code	Description	Current quarter 6/30/2020	Prior year 12/31/2019
2	Total liabilities and equity	12,755,168	12,248,255
2.01	Current liabilities	4,014,825	4,078,485
2.01.01	Social security and labor obligations	415,427	296,674
2.01.01.01	Social security obligations	130,592	59,686
2.01.01.02	Labor obligations	284,835	236,988
2.01.02	Trade payables	2,232,218	2,653,236
2.01.02.01	Domestic suppliers	2,232,218	2,653,236
2.01.03	Tax obligations	119,333	102,671
2.01.03.01	Federal tax obligations	51,911	32,419
2.01.03.01.01	Income tax and social contribution payable	9,180	8,309
2.01.03.01.02	Other federal tax obligations	42,731	24,110
2.01.03.02	State tax obligations	57,439	67,122
2.01.03.03	Municipal tax obligations	9,983	3,130
2.01.04	Borrowing	537,353	228,661
2.01.04.01	Borrowing	379,763	69,083
2.01.04.01.01	In local currency	379,763	69,083
2.01.04.02	Debentures	157,590	159,578
2.01.04.02.01	Debentures	157,590	159,578
2.01.05	Other obligations	643,076	739,928
2.01.05.02	Other	643,076	739,928
2.01.05.02.01	Dividends and interest on capital	85,259	68,255
2.01.05.02.04	Rentals	60,680	60,814
2.01.05.02.05	Other payables	48,469	44,213
2.01.05.02.06	Lease liabilities	448,668	566,646
2.01.06	Provision	67,418	57,315
2.01.06.01	Provision for tax, social security, labor and civil contingencies	28,870	26,008
2.01.06.01.05	Provision for legal claims	28,870	26,008
2.01.06.02	Other provisions	38,548	31,307
2.01.06.02.04	Provisions for sundry obligations	38,548	31,307
2.02	Non-current liabilities	4,622,986	4,093,351
2.02.01	Borrowing	1,191,068	897,815
2.02.01.01	Borrowing	100,345	27,564
2.02.01.01.01	In local currency	100,345	27,564
2.02.01.02	Debentures	1,090,723	870,251
2.02.01.02.01	Debentures	1,090,723	870,251
2.02.02	Other obligations	3,257,131	3,004,436
2.02.02.02	Other	3,257,131	3,004,436
2.02.02.02.03	Tax recovery program (REFIS)	6,227	11,436
2.02.02.02.04	Payables to Subsidiary's shareholder	44,531	42,113
2.02.02.02.05	Lease liabilities	2,867,922	2,617,987
2.02.02.02.06	Payables of subsidiaries	338,451	332,900
2.02.03	Deferred taxes	102,242	123,986
2.02.03.01	Deferred income tax and social contribution	102,242	123,986
2.02.04	Provision	72,545	67,114
2.02.04.01	Provision for tax, social security, labor and civil contingencies	72,545	67,114
2.02.04.01.05	Provision for legal claims	72,545	67,114
2.03	Consolidated equity	4,117,357	4,076,419
2.03.01	Paid-up share capital	2,500,000	2,500,000
2.03.02	Capital reserves	137,813	129,768
2.03.04	Revenue reserves	1,371,984	1,413,627
2.03.04.01	Legal reserve	154,131	154,131
2.03.04.02	Statutory reserve	1,080,637	1,080,637
2.03.04.08	Proposed additional dividends	0	41,643
2.03.04.10	Tax incentive reserve	137,216	137,216
2.03.05	Retained earnings (accumulated deficit)	72,366	0
2.03.06	Carrying value adjustments	-18,468	-18,382
2.03.09	Noncontrolling interests	53,662	51,406

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Consolidated financial information/statement of income

(R\$ thousand)

Code	Description	SCE*-	SCE*-	SCE*-	SCE*-
		4/1/2020 to 6/30/2020	1/1/2020 to 6/30/2020	4/1/2019 to 6/30/2019	1/1/2019 to 6/30/2019
3.01	Net sales revenue	4,469,774	9,419,646	4,225,493	8,178,845
3.01.01	Gross sales revenue	4,721,872	9,928,193	4,440,683	8,594,606
3.01.02	Taxes on sales	-212,057	-427,956	-177,498	-343,286
3.01.03	Rebates	-40,041	-80,591	-37,692	-72,475
3.02	Cost of sales and/or services	-3,149,652	-6,657,673	-2,936,209	-5,727,897
3.03	Gross profit	1,320,122	2,761,973	1,289,284	2,450,948
3.04	Operating income/expenses	-1,197,994	-2,398,019	-1,053,232	-2,058,526
3.04.01	Selling expenses	-1,031,431	-2,065,774	-921,370	-1,809,123
3.04.02	General and administrative expenses	-165,514	-318,738	-118,746	-231,082
3.04.02.01	Administrative	-165,514	-318,738	-118,746	-231,082
3.04.04	Other operating income	32,167	33,506	0	0
3.04.05	Other operating expenses	-33,216	-47,013	-13,116	-18,321
3.04.05.01	Extraordinary expenses	-33,216	-47,013	-13,116	-18,321
3.05	Profit before finance results and taxes	122,128	363,954	236,052	392,422
3.06	Finance results	-72,884	-147,111	-59,666	-114,907
3.06.01	Finance income	14,936	30,795	15,903	33,557
3.06.02	Finance costs	-87,820	-177,906	-75,569	-148,464
3.07	Profit before income tax and social contribution	49,244	216,843	176,386	277,515
3.08	Income tax and social contribution	-3,027	-46,590	-35,641	-46,291
3.08.01	Current	-30,937	-87,967	-44,964	-55,483
3.08.02	Deferred	27,910	41,377	9,323	9,192
3.09	Profit from continuing operations	46,217	170,253	140,745	231,224
3.11	Consolidated profit for the period	46,217	170,253	140,745	231,224
3.11.01	Attributable to owners of the Company	44,675	167,996	138,443	226,946
3.11.02	Attributable to noncontrolling interests	1,542	2,257	2,302	4,278
3.99	Earnings per share - (Reais/share)				
3.99.01	Basic earnings per share - R\$				
3.99.01.01	Common shares	0.13553	0.50973	0.42011	0.68868
3.99.02	Basic earnings per share - R\$				
3.99.02.01	Common shares	0.13493	0.50601	0.42039	0.68914

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Consolidated financial information/statement of comprehensive income

(R\$ thousand)

Code	Description	SCE*- 4/1/2020 to 6/30/2020	SCE*- 1/1/2020 to 6/30/2020	SCE*- 4/1/2019 to 6/30/2019	SCE*- 1/1/2019 to 6/30/2019
4.01	Consolidated profit for the period	46,217	170,253	140,745	231,224
4.03	Consolidated comprehensive income for the period	46,217	170,253	140,745	231,224
4.03.01	Attributable to owners of the Company	44,675	167,996	138,443	226,946
4.03.02	Attributable to noncontrolling interests	1,542	2,257	2,302	4,278

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Consolidated financial information/statement of cash flow - indirect method

(R\$ thousand)

Code	Description	SCE - 1/1/2020 to 6/30/2020	SCE - 1/1/2019 to 6/30/2019
6.01	Net cash provided by operating activities	105,212	448,558
6.01.01	Cash from operations	961,581	889,112
6.01.01.01	Profit before income tax and social contribution	216,843	277,515
6.01.01.02	Depreciation and amortization	566,805	519,689
6.01.01.03	Share-based compensation plan	8,010	6,450
6.01.01.04	Interest on additional stock option	2,418	1,787
6.01.01.05	Result on disposal of property and equipment and intangible assets	1,225	6,497
6.01.01.06	Provision (reversal) for legal claims	6,060	-6,198
6.01.01.07	Provision (reversal) for inventory losses	20,590	-221
6.01.01.08	Provision (reversal) for impairment of trade receivables	-154	985
6.01.01.09	Provision (reversal) for store closures	-1,198	-3,540
6.01.01.10	Interest expenses	30,304	31,054
6.01.01.11	Amortization of transaction costs of dividends	1,705	1,343
6.01.01.12	Interest expenses – leases	108,753	53,772
6.01.01.13	Provision (reversal) for impairment of other assets	220	-21
6.01.02	Changes in assets and liabilities	-730,615	-315,030
6.01.02.01	Trade receivables and other receivables	-129,227	-190,500
6.01.02.02	Inventory	-283,838	71,109
6.01.02.03	Other current assets	-23,021	-39,037
6.01.02.04	Long term receivables	-11,070	-10,995
6.01.02.05	Trade payables	-419,054	-178,871
6.01.02.06	Salaries and social charges	118,754	61,439
6.01.02.07	Taxes and contributions	2,973	14,216
6.01.02.08	Other liabilities	14,001	-17,050
6.01.02.09	Rentals payable	-133	-25,341
6.01.03	Other	-220,444	-125,524
6.01.03.01	Interest paid	-24,621	-25,373
6.01.03.02	Income tax and social contribution paid	-87,070	-46,379
6.01.03.03	Interest paid – leases	-108,753	-53,772
6.02	Net cash used in investing activities	-290,741	-336,475
6.02.01	Purchases of property and equipment and intangible assets	-287,460	-336,508
6.02.02	Proceeds from sale of property and equipment	8	33
6.02.03	Investments in associates	-3,289	0
6.03	Net cash used in financing activities	247,409	-208,264
6.03.01	Borrowing	711,420	354,414
6.03.02	Repayments of borrowing	-116,862	-224,878
6.03.03	Interest on capital and dividends paid	-107,605	-93,597
6.03.04	Leases paid	-239,544	-244,203
6.05	Increase (decrease) in cash and cash equivalents	-32,810	-96,181
6.05.01	Cash and cash equivalents at the beginning of the period	299,226	241,568
6.05.02	Cash and cash equivalents at the end of the period	266,416	145,387

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Consolidated financial information/statement of changes in equity - 1/1/2020 to 6/30/2020

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening balance	2,500,000	129,768	1,413,627	0	-18,382	4,025,013	51,405	4,076,418
5.03	Adjusted opening balance	2,500,000	129,768	1,413,627	0	-18,382	4,025,013	51,405	4,076,418
5.04	Equity transactions with owners	0	8,045	-41,643	-95,716	0	-129,314	0	-129,314
5.04.07	Interest on capital	0	0	0	-96,000	0	-96,000	0	-96,000
5.04.08	Interest on capital of 2019 approved at the AGM of March 23, 2020	0	0	-41,643	0	0	-41,643	0	-41,643
5.04.09	Interest on capital expired	0	0	0	284	0	284	0	284
5.04.10	Restricted share plan - Vesting period	0	7,991	0	0	0	7,991	0	7,991
5.04.11	Restricted share plan - Delivery	0	-11,958	0	0	0	-11,958	0	-11,958
5.04.12	Goodwill on sale of shares	0	817	0	0	0	817	0	817
5.04.13	Treasury shares - Delivery - RD	0	11,141	0	0	0	11,141	0	11,141
5.04.14	Restricted shares - 4Bio	0	8	0	0	0	8	0	8
5.04.15	Treasury shares - Delivery - 4Bio	0	46	0	0	0	46	0	46
5.05	Total comprehensive income	0	0	0	167,996	0	167,996	2,257	170,253
5.05.01	Profit for the period	0	0	0	167,996	0	167,995	2,257	170,253
5.06	Internal changes in equity	0	0	0	86	-86	0	0	0
5.06.02	Realization of revaluation reserve	0	0	0	130	-130	0	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	0	-44	44	0	0	0
5.07	Closing balance	2,500,000	137,813	1,371,984	72,366	-18,468	4,063,695	53,662	4,117,357

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Consolidated financial information/statement of changes in equity - 1/1/2019 to 6/30/2019

(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	34,910	3,534,768
5.03	Adjusted opening balance	1,808,639	116,363	1,593,064	0	-18,208	3,499,858	34,910	3,534,768
5.04	Equity transactions with owners	691,361	6,470	-762,351	-110,248	0	-174,768	0	-174,768
5.04.01	Capital increases	691,361	0	-691,361	0	0	0	0	0
5.04.07	Interest on capital	0	0	0	-110,501	0	-110,501	0	-110,501
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	6,432	0	0	0	6,432	0	6,432
5.04.11	Restricted share plan - Delivery	0	-13,429	0	0	0	-13,429	0	-13,429
5.04.12	Goodwill on sales of shares	0	-2,208	0	0	0	-2,208	0	-2,208
5.04.13	Treasury shares - Delivery - RD	0	15,637	0	0	0	15,637	0	15,637
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	226,946	0	226,946	4,278	231,224
5.05.01	Profit for the period	0	0	0	226,946	0	226,946	4,278	231,224
5.06	Internal changes in equity	0	0	0	87	-87	0	0	0
5.06.02	Realization of revaluation reserve	0	0	0	132	-132	0	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	0	-45	45	0	0	0
5.07	Closing balance	2,500,000	122,833	830,713	116,785	-18,295	3,552,036	39,188	3,591,224

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Consolidated financial information/statement of value added

(R\$ thousand)

Code	Description	SCE - 1/1/2020 to 6/30/2020	SCE - 1/1/2019 to 6/30/2019
7.01	Revenue	9,849,828	8,521,750
7.01.01	Sales of products and services	9,847,600	8,522,141
7.01.02	Other income	2,294	573
7.01.04	Provision for/reversal of impairment of trade receivables	-66	-964
7.02	Inputs acquired from third parties	-6,714,798	-5,692,179
7.02.01	Cost of sales and services	-6,055,995	-5,200,389
7.02.02	Materials, energy, outsourced services and other	-658,803	-491,819
7.02.03	Impairment/recovery of assets	0	29
7.03	Gross value added	3,135,030	2,829,571
7.04	Retentions	-553,062	-519,689
7.04.01	Depreciation, amortization and depletion	-553,062	-519,689
7.05	Net value added generated by the entity	2,581,968	2,309,882
7.06	Value added received through transfer	33,735	35,434
7.06.02	Finance income	34,701	33,767
7.06.03	Other	-966	1,667
7.07	Total value added to distribute	2,615,703	2,345,316
7.08	Distribution of value added	2,615,703	2,345,316
7.08.01	Personnel	986,457	856,499
7.08.01.01	Direct remuneration	762,702	655,591
7.08.01.02	Benefits	159,865	138,531
7.08.01.03	Unemployment compensation fund	63,890	62,377
7.08.02	Taxes and contributions	1,241,362	1,065,967
7.08.02.01	Federal	280,243	254,893
7.08.02.02	State	943,017	797,175
7.08.02.03	Municipal	18,102	13,899
7.08.03	Providers of capital	217,631	191,626
7.08.03.01	Interest	177,221	147,428
7.08.03.02	Rentals	40,410	44,198
7.08.04	Stockholders and the Company	170,253	231,224
7.08.04.01	Interest on capital	96,000	110,501
7.08.04.03	Profits reinvested/loss for the period	71,996	116,445
7.08.04.04	Noncontrolling interests in retained earnings	2,257	4,278

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020- RAIÁ DROGASIL S.A.

Comments on company performance

São Paulo, August 11, 2020. RD – People, Health and Well-being (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 2nd quarter of 2020 (2Q20). The parent company and consolidated quarterly financial statements for the periods ended June 30, 2020 and 2019 have been prepared and are being presented in accordance with technical pronouncement NBC TG 21 (R4) – “Interim Financial Reporting”, the requirements in Official Letter/CVM/SNC/SEP 003/2011 of April 28, 2011, and the International Financial Reporting Standards (IFRS) – IAS 34, and discloses all material information specific to the individual and consolidated quarterly information, which is consistent with the information used by management. The financial statements were prepared in Reais and all growth rates, unless otherwise stated, relate to the same period of 2019.

Since 2019, our financial statements have been prepared in accordance with IFRS 16. In order to better represent the economics of the business, the figures in this report are presented under IAS 17 / CPC 06, the previous reporting standard. Reconciliation with IFRS 16 can be found on pages 12 and 13.

QUARTERLY HIGHLIGHTS:

- › **DRUGSTORES:** 2,162 stores in operation (55 openings and no closures)
- › **MARKET SHARE:** 13.0% national market share, with a 0.8 percentage point gain in São Paulo
- › **GROSS REVENUE:** R\$ 4.7 billion, a 6.3% growth over the 2Q19
- › **GROSS MARGIN:** 28.0% of gross revenues, a 1.0 percentage point decrease
- › **EBITDA:** R\$ 231.8 million, a 4.9% EBITDA margin and a 3.3 percentage point pressure
- › **NET INCOME:** R\$ 61.7 million, 1.3% of net margin and a 2.3 percentage point reduction
- › **CASH FLOW:** R\$ 437.5 million negative free cash flow, R\$ 544.8 million of cash consumption

RADL3

R\$ 115.90/share

NUMBER OF SHARES

330,386,000

MARKET CAP

R\$ 38,292 (million)

CLOSING

August 10th, 2020

IR CONTACTS:

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Summary	2Q19	3Q19	4Q19	1Q20	2Q20
<i>(R\$ thousand)</i>					
# of Stores - Retail + 4Bio	1,917	1,995	2,073	2,107	2,162
Organic Openings	47	52	79	39	55
Onofre Stores		42			
Store Closures	(3)	(16)	(1)	(5)	0
# of Stores (average)	1,897	1,960	2,044	2,094	2,133
Headcount (EoP)	37,395	39,029	41,450	42,250	42,115
Pharmacist Count (EoP)	7,389	7,663	7,840	8,125	8,414
# of Tickets (000)	62,840	66,270	68,156	67,173	52,308
Gross Revenue	4,440,683	4,771,280	5,030,160	5,206,320	4,721,872
Gross Profit	1,289,285	1,321,350	1,411,003	1,441,851	1,320,122
% of Gross Revenues	29.0%	27.7%	28.1%	27.7%	28.0%
Adjusted EBITDA	363,688	359,420	350,431	369,356	231,811
% of Gross Revenues	8.2%	7.5%	7.0%	7.1%	4.9%
Adjusted Net Income	160,486	152,476	168,692	152,753	61,688
% of Gross Revenues	3.6%	3.2%	3.4%	2.9%	1.3%
Net Income	151,334	146,247	143,275	145,840	60,210
% of Gross Revenues	3.4%	3.1%	2.8%	2.8%	1.3%
Free Cash Flow	42,872	120,717	48,400	(48,149)	(437,520)

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020- RAIÁ DROGASIL S.A.

Comments on company performance

IMPACTS OF COVID-19

The COVID-19 pandemic continued to exert an impact upon RD's operations in the 2Q20. With the first cases of the virus reaching Brazil in March, social isolation started in the last week of the month, leading to a second quarter with a reduction in consumer traffic and overall consumption, and also in the number of elective medical consultations and surgeries, which in turn resulted in a lower demand for non-urgent acute treatment drugs.

The main impact observed was in our 124 shopping mall stores, which had to cope with temporary closures as well as with shorter working hours and severely diminished customer traffic after reopening.

Our freestanding stores were also affected by the diminished consumer traffic, although the impact changed remarkably across different income segments as the compliance with the social isolation measures in upscale regions was much higher than that of popular regions. There were also very significant discrepancies across different geographies, given the timing of the outbreak in each region, contention measures implemented by the local authorities as well as the level of enforcement undertaken and the compliance achieved in each city.

As we previously mentioned in the 1Q20 earnings release, we have taken significant measures to safeguard the health and the financial well-being of our employees, given the sanitary and economic threats arising from the pandemic, and to become a safe harbor for health access in the neighborhoods we serve.

Our main concern has been in guaranteeing that our stores remain a safe environment for our employees and customers. We made extensive physical adaptations to create physical separation between our staff and customers. We provided protection equipment and educated our staff to prevent contamination. We intensified store cleaning, introduced store traffic limitations, provided hand sanitizers for every incoming customer and adopted special hours for seniors to shop in isolation from younger people.

Every staff member who is pregnant, above 60, or has a vulnerable chronic condition was put on leave, and at the same time, we made sure that their total income was preserved, including the cases in which the government assumed part of their pay.

We also implemented home office for our administrative staff and have done extensive adaptations at our headquarters to allow their gradual return to the office on a part-time basis, which started in July, while safeguarding everybody's health.

As part of becoming a safe harbor for health and wellbeing in the communities we serve, we ramped up the offering of health services in our stores, transforming them into a local health hub. In March, we began our seasonal offering of flu shots to customers, including partnerships with municipal governments to provide free vaccination at our stores, and began offering serological COVID-19 testing through a robust protocol and with online scheduling to prevent agglomerations at our stores.

The COVID-19 testing at our stores started in May, and we progressively ramped-up the number of stores offering this service ever since. In the 2Q20 we administered 66 thousand serological tests. We now have more than 800 stores offering COVID-19 testing in 22 states and 213 cities and, in July alone, the number of administered tests surpassed 150 thousand. We believe we have become one of the largest serological testers for COVID-19 in the Brazilian healthcare sector.

In the context of social distancing, we accelerated the expansion of our digital channels and ended the quarter with 345 stores in 161 cities with store shipping, and currently deliver in 1 to 4 hours in 72 cities. We also introduced free neighborhood deliveries to customers up to 500 meters of our stores, with direct ordering to the stores either by phone or social network, as well as free instant pedestrian deliveries by our own staff. This service complements Click and Collect, which is also available in 100% of our stores, as well as the 1-hour to 4-hours motorized ship-from-store deliveries to provide unparalleled convenience and increase our loyalty and share of wallet from existing customers.

Taking a step further, RD proposed, along with ABRAFARMA (Brazilian Association of Drugstore Chains), negotiations with the federal government to adjourn the annual pharmaceutical price cap increase, which ended up being postponed from the end of March to the end of May, an important relief measure to support our population at a time of dire health and financial pressure.

Finally, we instituted in the end of May the *"Todo Cuidado Conta (Every Care Counts)"* grant, with a donation of R\$ 25,000,000.00 to support the fight against the COVID-19 pandemic in Brazil. This amount was capitalized on the *"Fundo Emergencial para Saúde – Coronavírus Brasil"* fund, which is managed by *Sitawi Finanças do Bem* (CNPJ/MF nº 09.607.915/0001-34), a non-profit civil society organization of public interest, which is responsible for forwarding the financial resources to the institutions as well as to support us in providing accountability for its employment.

The goal of the project is to support circa 50 non-profit hospitals that serve SUS, Brazil's publicly funded health care system, and are preferably located in small and medium-sized cities outside large urban centers to which the virus has now started to spread. Together, these hospitals serve tens of millions of people living in these regions, free of any charge. The project also seeks to leave a legacy that can contribute to the quality of health care provided in each region, even after the pandemic is contained.

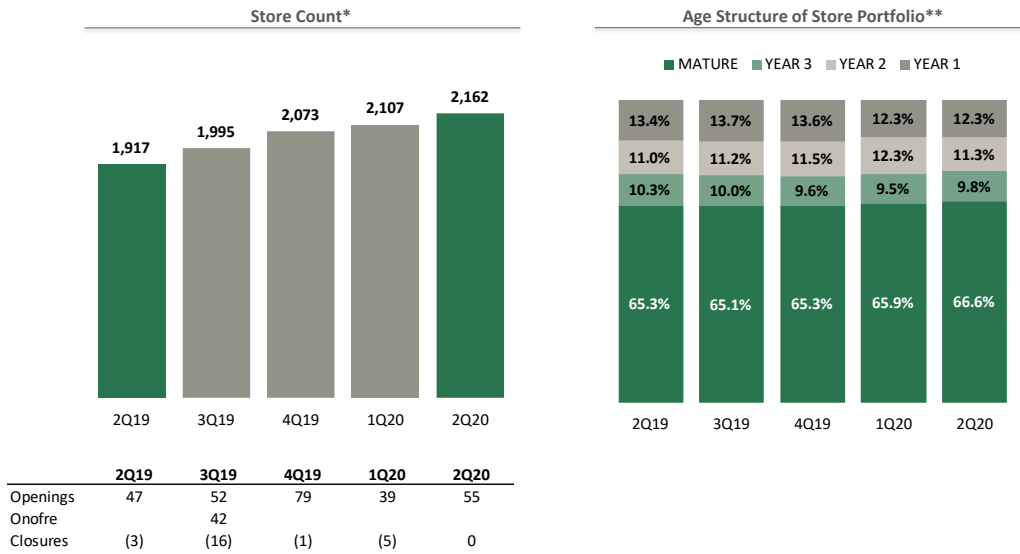
The initial selection of institutions and projects has been carried out with the technical consultancy of the Institute for the Development of Social Investment – IDIS, with the program's managing committee, which includes directors and executives from RD, IDIS professionals and independent experts, taking the final decisions. Up to this date, the *Todo Cuidado Conta* grant has funded 33 hospitals in 33 cities and 14 states in Brazil, with a total donated amount of R\$ 16 million. For detailed information on the donations and on the receiving institutions, please access TodoCuidadoConta.com.br.

Comments on company performance

STORE DEVELOPMENT

We opened 55 stores in the 2Q20, 8 more than in the same period of 2019, with no store closures, ending the quarter with a total of 2,162 locations. Despite the delay, especially in March, of some store openings due to the pandemic, we recorded a total of 94 store openings in the first semester of 2020, versus 109 in the same period of 2019.

At the end of the period, 33.4% of our stores were still in the process of maturation and had not yet reached their full potential both in terms of revenue and profitability.

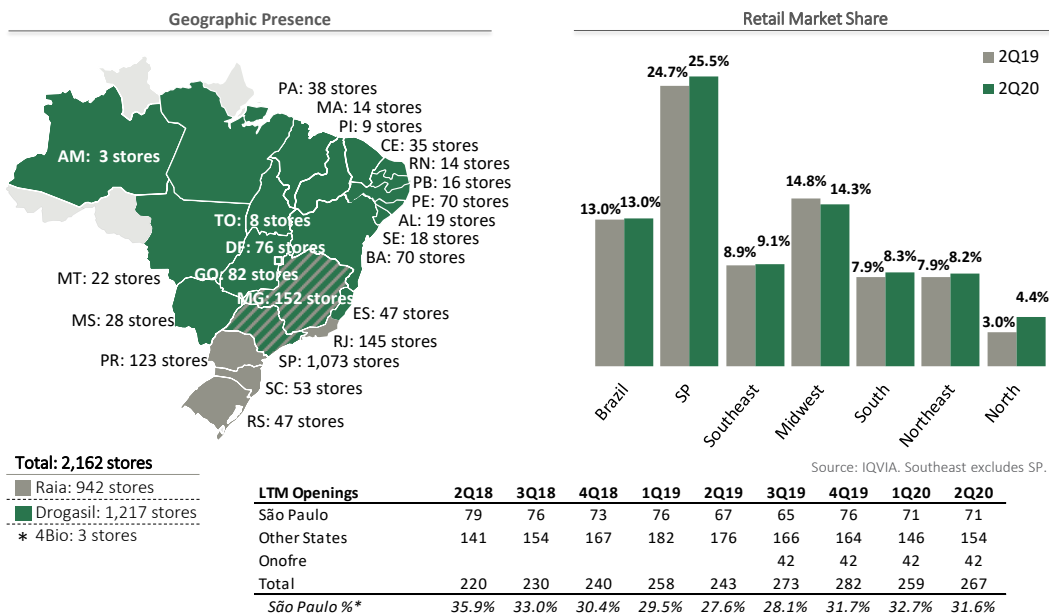


*Includes three 4Bio units.

**Stores acquired from Onofre were added to our base as Year 1.

We reiterate our guidance of 240 gross store openings for the year, since we have a very robust new store pipeline that will allow us to maintain our long-term expansion strategy unhindered by the pandemic.

This accelerated expansion pace is only possible due to the first-mover advantage we enjoyed and to the strong brand awareness that we developed in 23 states of Brazil over the last decade, which allowed us to triple our store base since the merger while expanding our margins, as well as to operate in all of these markets with similar mature store profitability and marginal returns.



Comments on company performance

We continue to diversify our store network, both geographically and demographically. Excluding the Onofre acquisition, 68.4% of our openings in the last twelve months were outside our home market, the state of São Paulo. Also, while 64% of our stores have popular or hybrid formats, 82% of the openings in the period were in this group, increasing our reach into the extended middle class.

We closed in the quarter our oldest distribution center (DC), which was located in our headquarters in the city of São Paulo, as part of a planned capacity rebalancing. Our stores in the city will be serviced by the Embu and by the recently opened Guarulhos DCs. Finally, we are in the process of opening a new DC in Gravataí, in the greater region of Porto Alegre (RS), which will be fully operational in September to support the acceleration of our expansion into Rio Grande do Sul, which is delivering excellent results.

Our national retail market share totaled 13.0%, in line with the 2Q19. São Paulo was our highlight, with a share of 25.5%, a 0.8 percentage point gain. We recorded strong gains in the North, reaching a market share of 4.4%, with a 1.4 percentage point gain. We recorded a market share of 8.3% in the South, a 0.4 percentage point gain, 8.2% in the Northeast, a 0.3 percentage point gain and a 9.1% in the Southeast, a 0.2 percentage point gain. Finally, we recorded 14.3% in the Midwest, a 0.5 percentage point loss due to a more stringent social isolation.

Social distancing measures had a very different impact on demand across different income segments. According to IQVIA, high income regions, where RD concentrates a disproportionate share of its store base, saw significant a decrease in market representativeness when compared to low income regions due to a higher level of compliance. Considering a constant demand by income segment, our market share would have been an estimated 13.8%, with 26.3% in São Paulo.

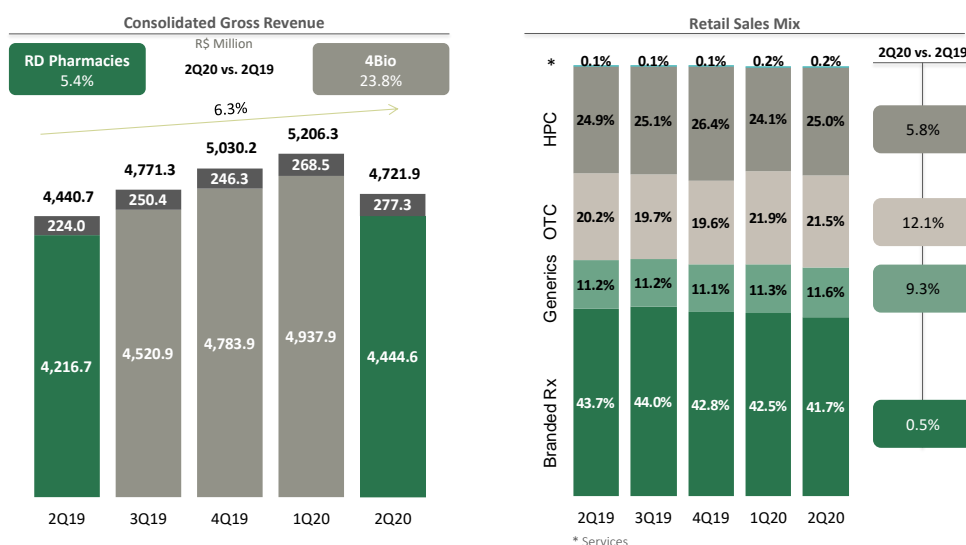
The table below illustrates the performance gap between premium stores in relation to hybrid and popular stores in the quarter, which penalized our overall market share considering the higher relevance of the premium stores as a percentage of our store base in comparison to the average of the Brazilian market

Retail Sales 2Q20	All Stores	Premium Stores	Hybrid Stores	Popular Stores
Total	+5.4%	-1.6%	+9.1%	+15.5%
Same Stores	-2.6%	-6.9%	-0.1%	+3.3%
Mature Stores	-6.9%	-10.1%	-4.4%	-3.5%

It is also important to mention that the bulk of the shopping mall stores, which were significantly affected from temporary closures, shorter working hours and diminished customer traffic in the quarter, are located in premium regions.

GROSS REVENUES

We ended the 2Q20 with consolidated gross revenues of R\$ 4,721.9 million, a 6.3% increase over the same period of the previous year. Our drugstore revenues increased by 5.4%, while 4Bio grew 23.8% in the period.



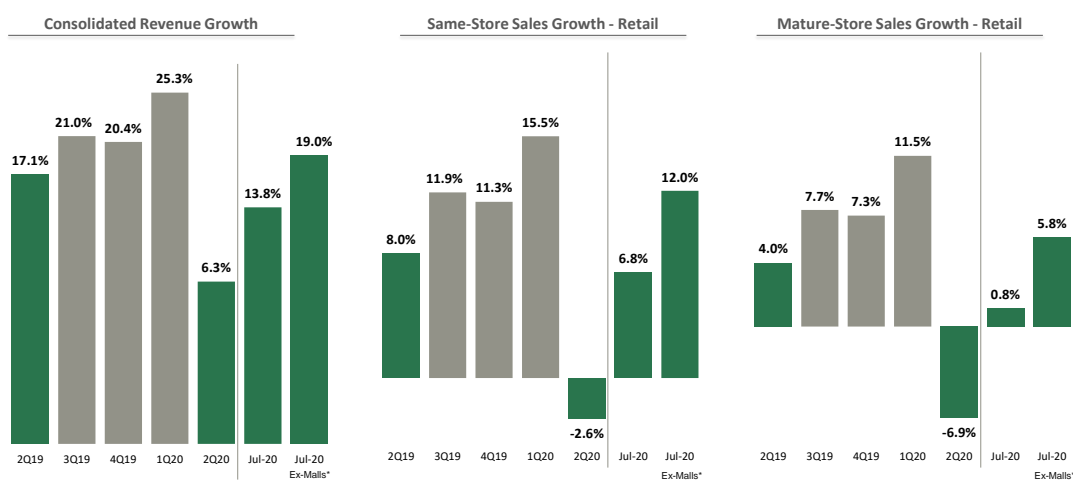
OTC was the highlight of the quarter growing 12.1% and gaining 1.3 percentage point in the mix. Generics grew 9.3% and gained 0.4 percentage point in the mix, whereas HPC grew 5.8% and gained 0.1 percentage point in the mix. On the other hand, Branded Rx grew only 0.5% with a loss of 2.0 percentage points in the mix, driven by a reduction in prescriptions and overall medical activity of non-urgent acute treatment due to social distancing and to the demand anticipation observed in the 1Q20.

Comments on company performance

Our same store sales declined by 2.6% and our mature store sales declined by 6.9%, with a negative calendar effect of 0.4%. This deceleration comes from five major effects: the sales loss in our shopping mall stores, the 60-day postponement in the annual price cap increase, the stockpiling by customers in the previous quarter prior to lockdowns, the reduced demand for non-urgent acute treatment drugs and the temporary shift of market activity to lower income regions.

If we exclude the 124 shopping mall stores from our store base, which had to cope with temporary closures, shorter working hours and severely diminished customer traffic during the quarter, our total consolidated sales in the 2Q20 grew by 12.3%, with same-store sales growth of 3.2% and a mature store sales loss of 1.2%.

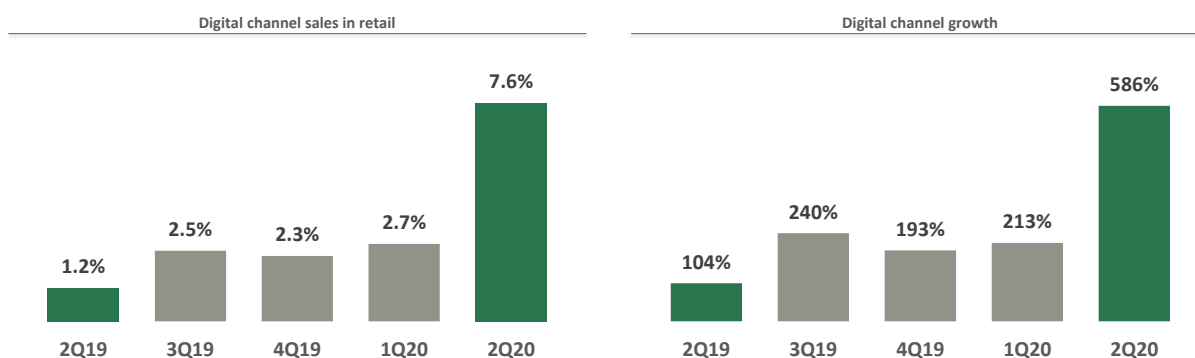
Finally, we recorded in July a total consolidated growth of 13.8%, with mature-store sales growth of 0.8%, signalling a strong recovery over the 2Q20 that we expect to subsist in the 3Q20. Excluding the 124 shopping mall stores, total consolidated growth was 19.0% and mature-stores sales growth was 5.8%, a real growth of 3.5% considering the 2.3% CPI for the previous twelve months.



* Excludes 124 shopping mall stores which had to cope with temporary closures as well as with shorter working hours and severely diminished customer traffic in the quarter

DIGITAL

Our digital channel penetration reached 7.6% of RD's retail revenues, an increase of 6.4 percentage points versus the previous year. We recorded a growth of almost seven times in the 2Q20 when compared to the same period of the previous year and of almost six times when excluding the Onofre e-commerce operation.



The relevance of our digital channels increased not only because of the new customer habits emerging from the COVID-19 pandemic, but also because our strategic planning developed in 2018, which set a robust ambition for RD in digital, setting in motion from the beginning of 2019 a significant enhancement in our apps and websites, the deployment of several agile teams and an upgrade in our IT and logistics infrastructures, which was also accelerated due to the Onofre acquisition. It is important to highlight that our digital channels deliver a profitability comparable to the rest of the Company.

Since the outset of the pandemic, we have further strengthened our fulfillment capacity to meet this increased demand. Our ship-from-store network increased from 127 stores in January to 345 stores in June, spreading throughout 161 cities which concentrate 87% of RD's store sales. We now offer deliveries in 1 to 4 hours in 72 different cities, up from 28 cities in August of 2019, with an accelerated plan to increase this number to other cities. We also offer Click and Collect in 100% of our store network since 2019.

We also launched in the quarter a new neighborhood delivery service in 100% of our locations, with ordering directly to stores, pedestrian

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Quarterly information (ITR) - 6/30/2020- RAIA DROGASIL S.A.

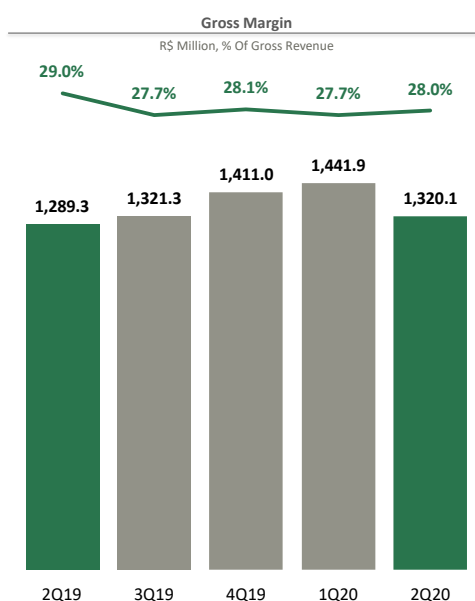
Comments on company performance

deliveries by our store personnel and free shipping to customers within a radius of up to 500 meters. This new service allows us to leverage the unique capillarity of our 2,162-store network in more than 370 cities in 23 states to better service our customers nationwide and significantly accelerate our digital growth, a synergy evidenced by the fact that 68% of digital sales are already serviced by the stores.

Our digital initiatives led to an increase in the number of our app downloads. We ended the 2Q20 with an additional 1.4 million app downloads, 12 times more than in the 2Q19. Total downloads since the beginning of 2019 reached 4.1 million, including 0.8 million in July alone.

It is important to note that RD's national scope results in very diverse environments when considering digital penetration. Although our national average represents 7.6% of retail sales, penetration by market ranges from 2.6% in lower-penetration state capitals all the way to double-digit penetration in other capitals while peaking at 18.6% in our highest-penetrated capital. As we enhance our execution in low-penetration areas, the national average is expected to increase.

GROSS PROFIT



Our gross profit in the quarter totaled R\$ 1.3 billion, an increase of 2.4%. Our gross margin was 28.0% in the period, a 1.0 percentage point pressure versus the 2Q19, mainly as a result of the two-month postponement of the price cap increase, which transferred part of the inflationary gains on inventories from the 2Q20 to the 3Q20, albeit having a neutral expected effect within the year. Other impacts recorded include a 0.3 percentage point pressure from the Net Present Value (NPV) adjustment, which is a non-cash effect, due to the much higher cash cycle than normal and lower interest rates, and a 0.1 percentage point pressure from higher inventory losses.

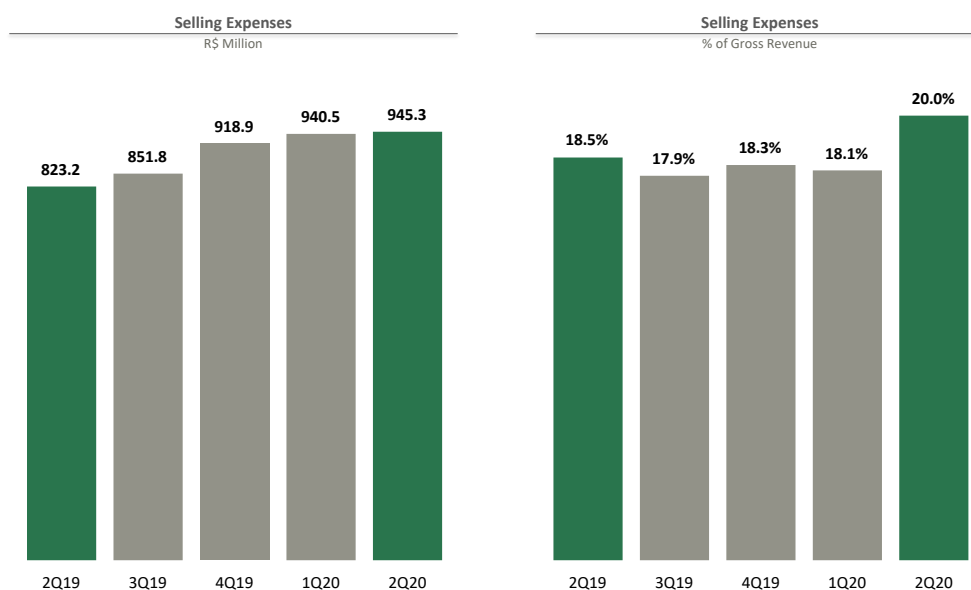
SELLING EXPENSES

Selling expenses totaled R\$ 945.3 million in the 2Q20, equivalent to 20.0% of gross revenues, and a 1.5 percentage point pressure when compared to the same period of the previous year, mainly driven by the loss in operating leverage as a result of the lower mature store sales recorded in the quarter due to the pandemic.

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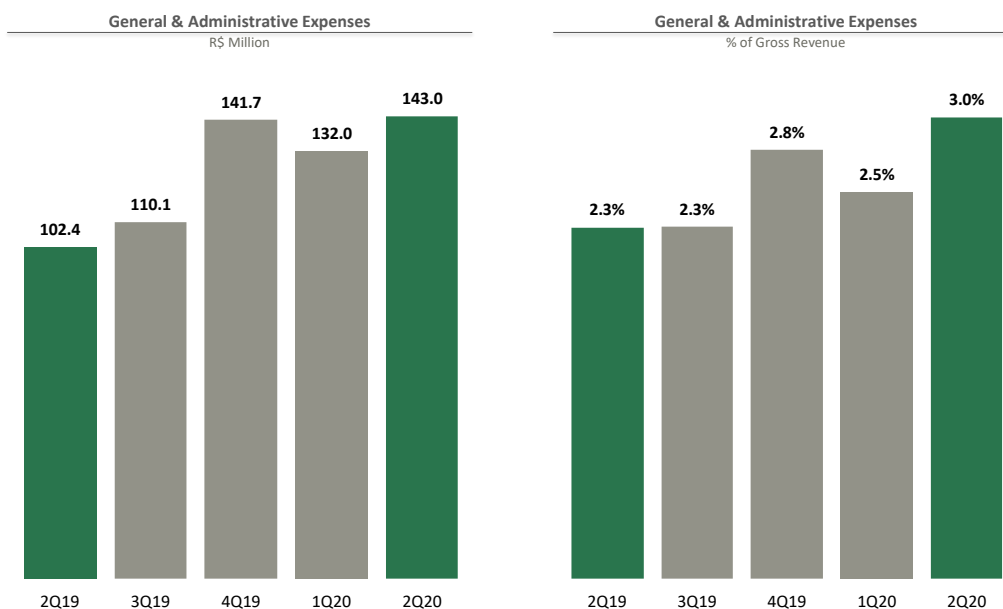
Quarterly information (ITR) - 6/30/2020- RAIA DROGASIL S.A.

Comments on company performance



We recorded an estimated a 0.2 percentage point pressure due to additional expenses related to the pandemic, including personal protection equipment, additional store cleaning expenses and others. These pressures were more than offset by 0.3 percentage point in savings, especially in rentals related to shopping mall stores and in reduced payroll expenses due to temporary leaves granted to employees with COVID-19 or who are part of a risk group whose salaries are being partly paid by the government. Finally, we also recorded an 0.2 percentage point pressure in delivery and marketing expenses related to digital growth.

GENERAL & ADMINISTRATIVE EXPENSES



General and Administrative expenses amounted to R\$ 143.0 million in the 2Q20, equivalent to 3.0% of gross revenues and a 0.7 percentage point pressure over the same period of 2019, mainly driven by the loss in operating leverage as a result of the lower mature store sales recorded in the quarter due to the pandemic. We recorded a 0.2 percentage point pressure from COVID-19 related expenses, mostly due to home-office set-up and institutional marketing related to the pandemic, partly offset by 0.1 percentage point in savings in travelling and training expenses.

We also recorded a 0.1 percentage point pressure due to the structure enhancement made to support our digital efforts, including our agile teams as well as our IT conversion to microservices and migration the cloud. Finally, we recorded a 0.2 percentage point pressure from labor contingencies and a 0.1 percentage point dilution from consulting expenses.

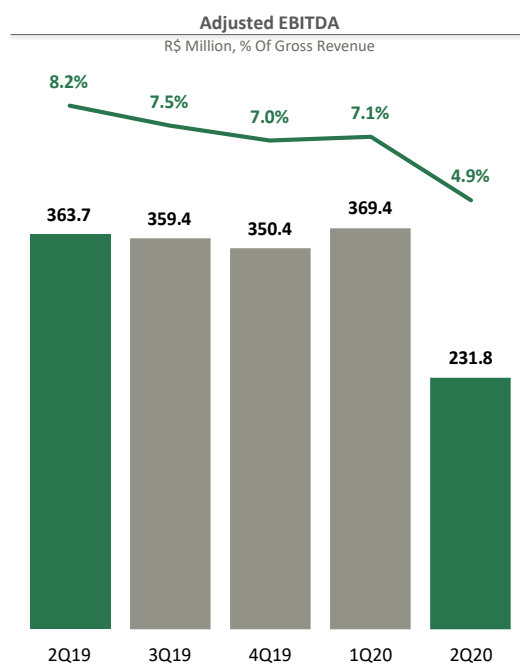
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Quarterly information (ITR) - 6/30/2020- RAIA DROGASIL S.A.

Comments on company performance

EBITDA

Our adjusted EBITDA totaled R\$ 231.8 million in the quarter, with an adjusted EBITDA margin of 4.9%, a 3.3 percentage point contraction, mainly driven by the loss of operating leverage in the period.



RD Pharmacies reached an EBITDA of R\$ 227.6 million and a margin of 5.1% in the 2Q20, a contraction of 3.4 percentage point over the same period of the last year. New stores opened in the quarter, as well as those in the opening process, reduced the EBITDA by R\$ 6.5 million in the 2Q20. Therefore, considering only the 2,065 stores in operation since the end of 2019 and full logistics, general and administrative expenses, RD Pharmacies EBITDA would have totaled R\$ 234.1 million, equivalent to 5.4% of gross revenue.

Finally, 4Bio reached an EBITDA of R\$ 4.2 million, with a margin of 1.5%, a 0.9 percentage point contraction.

EBITDA RECONCILIATION AND NON-RECURRING EXPENSES

EBITDA Reconciliation	2Q20	2Q19
<i>(R\$ million)</i>		
Net Income	60.2	151.3
(+) Income Tax	10.2	41.3
(+) Financial Result	20.2	32.8
EBIT	90.6	225.4
(+) Depreciation and Amortization	138.9	124.4
EBITDA	229.6	349.8
(+) COVID-19 Donations	25.9	
(+) Consulting, Advisory and Restructuring Expenses	8.0	5.5
(+) Distribution Center Closure - Barra Mansa		7.8
(-) INSS, Pis and Cofins Credits from Previous Years	(32.0)	
(+) Other non-recurring / non-operating net expenses	0.3	0.6
Total non-recurring / non-operating Expenses	2.2	13.9
Adjusted EBITDA	231.8	363.7

In the 2Q20 we recorded R\$ 2.2 million in net non-recurring/non-operating expenses. In April, we set a grant named "Every Care Counts" to support circa 50 public and not-for-profit hospitals in vulnerable cities in the interior of Brazil to help them in getting equipped to fight the pandemic. This donation totaled R\$ 25.9 million including R\$ 0.9 million in administrative costs. We also recorded R\$ 8.0 million in consulting expenses mostly to support the development of new projects and R\$ 0.3 million in other non-recurring/non-operating net expenses.

Finally, we booked R\$ 32.0 million in non-recurring income mostly related to retroactive Social Security credits based on recent interpretations

Comments on company performance

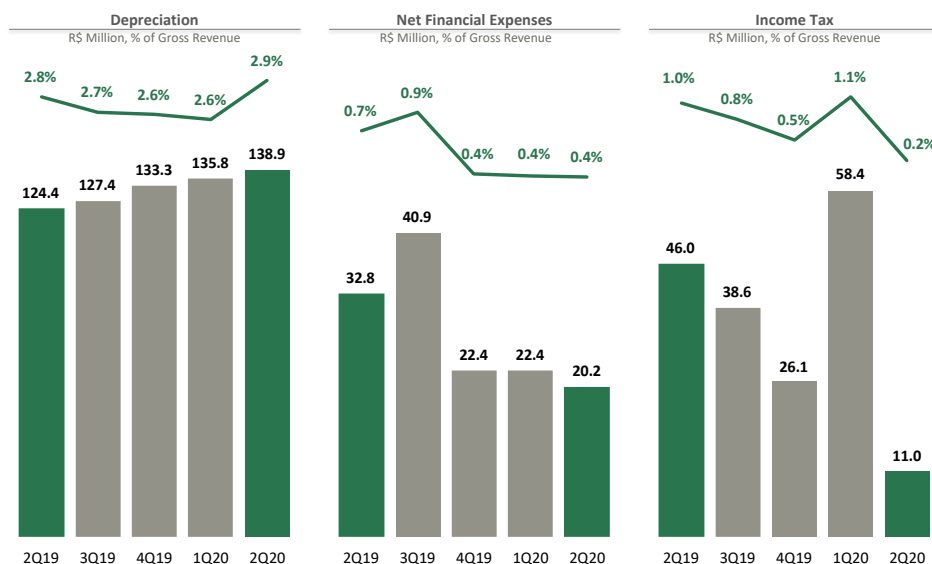
of Brazilian labor law by the federal revenue service agency. The new level of expenses with personnel in the 2Q20 onwards is already reflected in our regular statements.

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

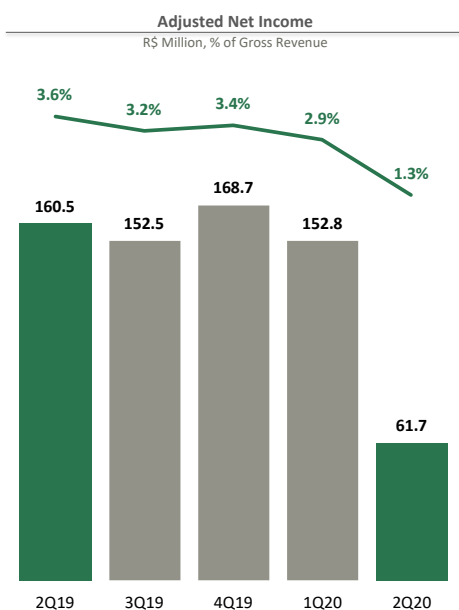
Depreciation expenses amounted to R\$ 138.9 million in the 2Q20, equivalent to 2.9% of gross revenue, a 0.1 percentage point increase when compared to the previous year. This increase comes from lower revenues in the quarter.

Net Financial expenses represented 0.4% of gross revenue, a 0.3 percentage point dilution over the 2Q19. Of the R\$ 20.2 million recorded in the quarter, R\$ 2.7 million refers to the NPV adjustment while other R\$ 1.2 million refers to interests on the options to acquire the remaining 45% of 4Bio. Excluding these, the interest accrued on net debt amounted to R\$ 16.2 million in the 2Q20, equivalent to 0.3% of gross revenue and a 0.1 percentage point dilution when compared to the 2Q19.

Lastly, we booked R\$ 11.0 million in income taxes, equivalent to 0.2% of gross revenue, a 0.8 percentage point decrease. This decrease is related mostly to the lower EBIT margin and the interest on equity accrued in the quarter.



NET INCOME



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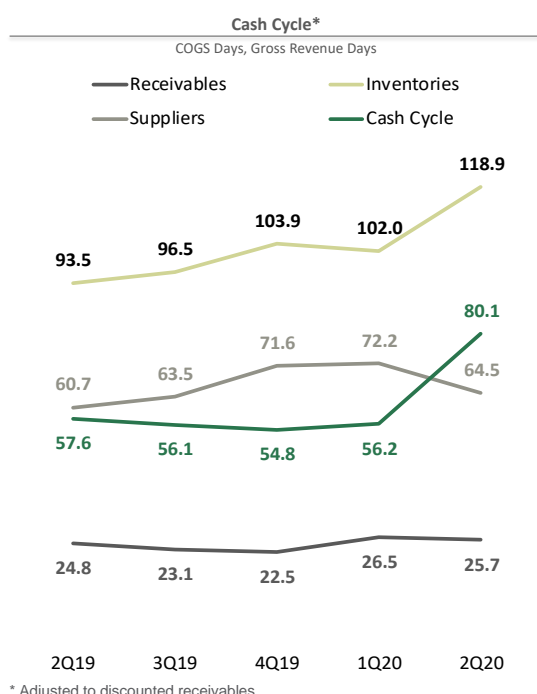
Comments on company performance

Our adjusted net income totaled R\$ 61.7 million in the quarter. We recorded a net margin of 1.3%, a 2.3 percentage point contraction over the 2Q19.

CASH CYCLE

Our cash cycle in the 2Q20 was 22.5 days higher when compared to the same period of the previous year. Our inventories increased by 25.4 days, while receivables increased 0.9 day. Finally, accounts payable increased by 3.8 days when compared to the same period of 2019.

This peak in cash cycle reflects a loss in operating leverage due to the mature stores sales decrease, as well as higher inventories as an insulation to potential shortages due to the effect of the pandemic on our supply chain, which relies on imported raw materials, as well as to the postponement of the price cap increase, which urged us to sustain inventory levels at a higher level from March to May in order to capture the inflationary gains on inventories.



CASH FLOW

We recorded a negative free cash flow of R\$ 437.5 million and a total cash consumption of R\$ 544.8 million in the 2Q20. Our operating cash flow consumed R\$ 286.3 million in the quarter.

Resources from operations totaled R\$ 202.6 million, equivalent to 4.3% of gross revenue, while we recorded a working capital consumption of R\$ 488.8 million.

Of the R\$ 151.3 million invested in the quarter, R\$ 67.1 million corresponded to new store openings, R\$ 32.0 million to the renovation or expansion of existing stores and R\$ 52.2 million to investments in infrastructure.

Net financial expenses totaled R\$ 17.5 million in the 2Q20, excluding the NPV adjustments. These were more than fully offset by the R\$ 22.6 million in tax shield related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid in the following quarters. In the 2Q20 we accrued R\$ 49.0 million in interest on equity versus R\$ 53.5 million in the 2Q19, reflecting a payout of 81.4% over the Net Income, through the full usage of the legal interest on equity limit.

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Comments on company performance

Cash Flow	2Q20	2Q19
<i>(R\$ million)</i>		
Adjusted EBIT	92.9	239.2
NPV Adjustment	(1.8)	(10.7)
Non-Recurring Expenses	(2.2)	(13.9)
Income Tax (34%)	(30.2)	(73.0)
Depreciation	138.9	124.4
Others	5.0	(2.3)
Resources from Operations	202.6	263.8
Cash Cycle*	(532.1)	(133.5)
Other Assets (Liabilities)**	43.3	71.2
Operating Cash Flow	(286.3)	201.6
Investments	(151.3)	(158.7)
Free Cash Flow	(437.5)	42.9
Interest on Equity	(107.0)	(92.4)
Income Tax Paid over Interest on Equity	(5.4)	(8.5)
Net Financial Expenses***	(17.5)	(19.8)
Income Tax (Tax benefit over financial expenses and interest on equity)	22.6	24.9
Total Cash Flow	(544.8)	(52.9)

*Includes adjustments to discounted receivables.

**Includes NPV adjustments.

***Excludes NPV adjustments.

INDEBTEDNESS

At the end of the quarter, we recorded an adjusted net financial debt position of R\$ 1,508.9 million, versus R\$ 990.8 million recorded in the same period of 2019. The Adjusted Net Debt to EBITDA ratio equaled 1.2x, 0.4 higher than the same period of last year, mainly as a result of the cash consumption caused by the working capital investments in the quarter.

It is important to mention that we expect to reduce our net debt to EBITDA ratio to historical levels within the year by normalizing our cash cycle.

We contracted R\$ 700 million in new debt between March and April to withstand the working capital pressures from the pandemic, and these were raised at competitive conditions given our AAA(bra) rating by Fitch. We currently do not see the need for additional debt in the short-term and expect our leverage to return to historical figures in the upcoming quarters.

This net debt includes R\$ 44.5 million in liabilities related to the exercise of the put option granted and/or call option obtained for the acquisition of the remaining 45% minority stake of 4Bio. This liability reflects the estimated valuation of 4Bio considering the amendment to 4Bio's purchase and sale agreement, as announced to the market in September 24, 2019, which will now occur in two different stages: the 1st call/put option on 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. In addition, we had R\$ 2.4 million in discounted receivables recorded in the quarter.

Net Debt	2Q20	1Q20	4Q19	3Q19	2Q19
<i>(R\$ million)</i>					
Short-term Debt	537.4	533.5	228.7	247.5	274.7
Long-term Debt	1,191.1	879.7	897.8	989.9	705.0
Total Gross Debt	1,728.4	1,413.2	1,126.5	1,237.4	979.7
(-) Cash and Equivalents	266.4	533.7	299.2	406.7	145.4
Net Debt	1,462.0	879.5	827.3	830.7	834.3
Discounted Receivables	2.4	41.4	54.1	-	118.3
Put/Call options to acquire 4Bio (estimated)	44.5	43.3	42.1	46.2	38.2
Adjusted Net Debt	1,508.9	964.2	923.4	876.9	990.8
Adjusted Net Debt / EBITDA	1.2x	0.7x	0.7x	0.7x	0.8x

Our gross debt totaled R\$ 1,728.4 million, of which 54.9% corresponds to the debentures issued in 2017, 2018 and 2019, as well as a Certificate of Real Estate Receivables, 3.4% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines and the remaining 41.7% corresponds to other credit lines. Of our total debt, 68.9% is long-term, while 31.1% relates to its short-term parcels. We ended the quarter with

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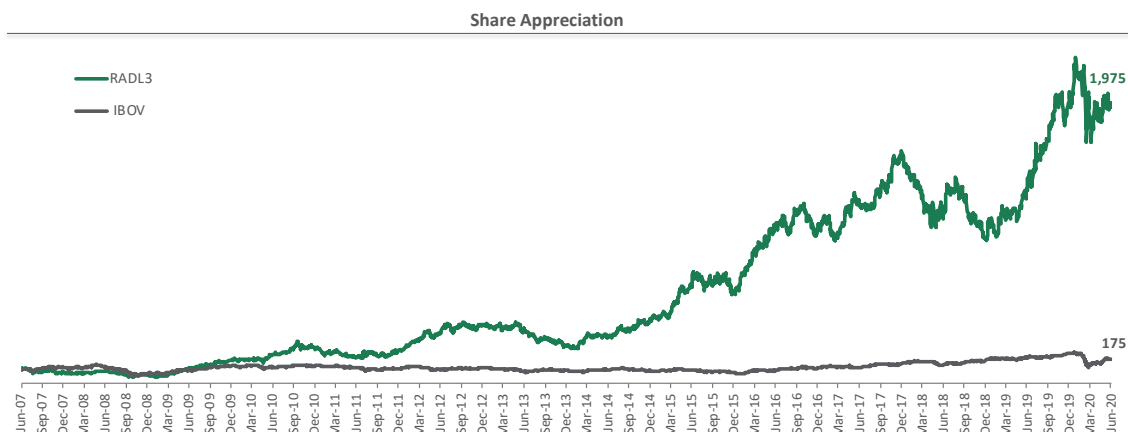
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Comments on company performance

a total cash position (cash and marketable securities) of R\$ 266.4 million.

TOTAL SHAREHOLDER RETURNS

Our share price increased by 8.6% during the quarter, 21.6 percentage points below the IBOVESPA, which increased by 30.2%. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,875.4% versus a return of only 74.8% for the IBOVESPA. Including the payment of interest on equity, we generated an average annual total return to shareholders of 27.6%.



Considering the IPO of Raia in December of 2010, the cumulative return amounted to 659.4% versus an increase of only 39.8% of the IBOVESPA. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 24.9%. Lastly, our shares recorded an average daily trading volume of R\$ 197.0 million in the quarter.

SUSTAINABILITY

In the 2Q20 we concluded our 2019 Annual Sustainability Report, which follows GRI (Global Reporting Initiative) criteria. This is the fourth edition of the report, was audited by KPMG and is available at www.rd.com.br/sustentabilidade/relatorio-de-sustentabilidade.

We also concluded our carbon inventory following the GHG Protocol methodology for scopes 1, 2 and 3, which has also been audited by an independent party (KPMG). As part of RD's climate agenda, we defined the first goal for the reduction of Scope 2 emissions for 2021 and also adhered to the collaborative Platform *Compromisso com Clima* ("Commitment to Climate") aiding the offset of carbon emissions from RD's operations.

Another highlight in the quarter is the expanded presence of renewable energy sources in stores throughout Brazil. By the end of 2019, 117 stores had access to energy supplied by photovoltaic and small hydroelectric plants. By December 2020, we expect to conclude the expansion to more than 1,700 stores. From 2021 onwards, about 77% of the store network will be served by distributed energy plants from renewable sources.

RD's reverse drug logistics program began in 2010 and today is present in 552 stores, distributed throughout 98 municipalities with more than 64 tons of drugs received in 2019 that were disposed of in an environmentally friendly way. Our goal for 2020 is to have 1,700 collection points in the 23 states in which we are currently present.

Finally, RD participated in a campaign against domestic violence called "*Sinal Vermelho*" (red signal), created in partnership with ABRAFARMA, the National Council for Justice (CNJ) and Brazilian Magistrate Association (AMB), in which mistreated customers could signal our store employees with a red "X" drawn on the palm of their hand, for instance with lipstick, and our team would mobilize the authorities.

IFRS 16

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

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020- RAIÁ DROGASIL S.A.

Comments on company performance

Income Statement (R\$ million)	2Q20		Change
	IAS 17	IFRS 16	Δ 2Q20
Gross Revenue	4,721.9	4,721.9	0.0
Gross Profit	1,320.1	1,320.1	0.0
Gross Margin	28.0%	28.0%	0.0%
Selling Expenses	(945.3)	(779.3)	166.0
G&A	(143.0)	(142.5)	0.5
Total Expenses	(1,088.3)	(921.8)	166.5
as % of Gross Revenue	23.0%	19.5%	-3.5%
Adjusted EBITDA	231.8	398.3	166.5
as % of Gross Revenue	4.9%	8.4%	3.5%
Non-Recurring Expenses / Revenues	(2.2)	(1.0)	1.2
Depreciation and Amortization	(138.9)	(275.1)	(136.2)
Financial Results	(20.2)	(72.9)	(52.7)
Income Tax	(10.2)	(3.0)	7.2
Net Income	60.2	46.2	(14.0)
as % of Gross Revenue	1.3%	1.0%	-0.3%

Balance Sheet (R\$ million)	2Q20		Change
	IAS 17	IFRS 16	Δ 2Q20
Assets	9,639.8	12,755.2	3,115.4
Current Assets	6,140.0	6,139.9	(0.1)
Taxes Receivable	140.1	140.1	0.0
Other Accounts Receivable	233.5	233.4	(0.1)
Non-Current Assets	3,499.8	6,615.3	3,115.5
Income Tax and Social Charges deferred	19.7	19.7	0.0
Other Credits	340.9	340.4	(0.5)
Investments	3.3	3.3	(0.0)
Property, Plant and Equipment	1,780.2	4,896.2	3,116.0
Liabilities and Shareholder's Equity	9,639.8	12,755.2	3,115.4
Current Liabilities	3,613.3	4,014.8	401.6
Financial Leases	0.0	448.7	448.7
Dividend and Interest on Equity	110.0	85.3	(24.7)
Other Accounts Payable	170.1	147.7	(22.4)
Non-Current Liabilities	1,815.7	4,623.0	2,807.2
Financial Leases	0.0	2,867.9	2,867.9
Income Tax and Social Charges Deferred	162.9	102.2	(60.7)
Shareholder's Equity	4,210.8	4,117.4	(93.4)
Income Reserves	1,429.6	1,372.0	(57.6)
Accrued Income	108.1	72.4	(35.8)
Non Controller Interest	53.7	53.7	(0.0)

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020- RAIA DROGASIL S.A.

Comments on company performance

Cash Flow (R\$ million)	2Q20		Change
	IAS 17	IFRS 16	Δ 2Q20
Adjusted EBIT	92.9	123.2	30.3
NPV Adjustment	(1.8)	(1.8)	0.0
Non-Recurring Expenses	(2.2)	(2.2)	0.0
Income Tax (34%)	(30.2)	(30.2)	0.0
Depreciation	138.9	275.1	136.2
Rental Expenses	0.0	(167.7)	(167.7)
Others	5.0	6.2	1.2
Resources from Operations	202.6	202.6	0.0
Cash Cycle*	(532.1)	(532.1)	0.0
Other Assets (Liabilities)**	43.3	43.3	0.0
Operating Cash Flow	(286.3)	(286.3)	0.0
Investments	(151.3)	(151.3)	0.0
Free Cash Flow	(437.5)	(437.5)	0.0
Interest on Equity	(107.0)	(107.0)	0.0
Income Tax Paid over Interest on Equity	(5.4)	(5.4)	0.0
Net Financial Expenses***	(17.5)	(17.5)	0.0
Income Tax (Tax benefit over financial expenses and interest on equity)	22.6	22.6	0.0
Total Cash Flow	(544.8)	(544.8)	0.0

*Includes adjustments to discounted receivables.

**Includes NPV adjustments

***Excludes NPV adjustments

2Q20 Results Conference Calls – August 12th, 2020

Portuguese

at 10:00 am (Brasília)

Dial in access:

+55 (11) 2188-0155

Conference ID: RD

Replay (available for 7 days):

+55 (11) 2188-0400

English

at 12:00 pm (Brasília)

Dial in access:

+1 (646) 843-6054

+55 (11) 2188-0155

Conference ID: RD

Replay (available for 7 days):

+55 (11) 2188-0400

Live broadcast through the internet at: ir.rd.com.br.

For more information, please contact our Investor Relations department.

E-mail: ri@rd.com.br

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020- RAIA DROGASIL S.A.

Comments on company performance

Consolidated Adjusted Income Statement <i>(R\$ thousand)</i>	2Q19	2Q20
Gross Revenue	4,440,683	4,721,872
Taxes, Discounts and Returns	(215,189)	(252,098)
Net Revenue	4,225,494	4,469,774
Cost of Goods Sold	(2,936,209)	(3,149,652)
Gross Profit	1,289,285	1,320,122
Operational (Expenses) Revenues		
Sales	(823,210)	(945,308)
General and Administrative	(102,388)	(143,003)
Operational Expenses	(925,598)	(1,088,312)
EBITDA	363,688	231,811
Depreciation and Amortization	(124,442)	(138,934)
Operational Earnings before Financial Results	239,245	92,877
Financial Expenses	(48,678)	(35,124)
Financial Revenue	15,903	14,936
Financial Expenses/Revenue	(32,776)	(20,187)
Earnings before Income Tax and Social Charges	206,469	72,690
Income Tax and Social Charges	(45,983)	(11,002)
Net Income	160,486	61,688

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020- RAIA DROGASIL S.A.

Comments on company performance

Consolidated Income Statement <i>(R\$ thousand)</i>	2Q19	2Q20
Gross Revenue	4,440,683	4,721,872
Taxes, Discounts and Returns	(215,189)	(252,098)
Net Revenue	4,225,494	4,469,774
Cost of Goods Sold	(2,936,209)	(3,149,652)
Gross Profit	1,289,285	1,320,122
Operational (Expenses) Revenues		
Sales	(823,210)	(945,308)
General and Administrative	(102,388)	(143,003)
Other Operational Expenses, Net	(13,867)	(2,240)
Operational Expenses	(939,465)	(1,090,552)
EBITDA	349,821	229,571
Depreciation and Amortization	(124,442)	(138,934)
Operational Earnings before Financial Results	225,378	90,637
Financial Expenses	(48,678)	(35,124)
Financial Revenue	15,903	14,936
Financial Expenses/Revenue	(32,776)	(20,187)
Earnings before Income Tax and Social Charges	192,602	70,450
Income Tax and Social Charges	(41,269)	(10,240)
Net Income	151,334	60,210

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020- RAIA DROGASIL S.A.

Comments on company performance

Assets <i>(R\$ thousand)</i>	2Q19	2Q20
Current Assets		
Cash and Cash Equivalents	145,387	266,416
Accounts Receivable	1,092,726	1,330,446
Inventories	3,016,387	4,114,635
Taxes Receivable	104,623	140,053
Other Accounts Receivable	192,867	233,490
Anticipated Expenses	41,118	54,925
	<u>4,593,108</u>	<u>6,139,964</u>
Non-Current Assets		
Deposit in Court	26,034	30,595
Taxes Receivable	54,937	71,494
Income Tax and Social Charges deferred	0	19,678
Other Credits	2,009	340,901
Investments	0	3,289
Property, Plant and Equipment	1,659,838	1,780,196
Intangible	1,204,452	1,253,664
	<u>2,947,270</u>	<u>3,499,817</u>
ASSETS	<u>7,540,378</u>	<u>9,639,782</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020- RAIA DROGASIL S.A.

Comments on company performance

Liabilities and Shareholder's Equity <i>(R\$ thousand)</i>	2Q19	2Q20
Current Liabilities		
Suppliers	1,959,370	2,232,219
Loans and Financing	274,744	537,353
Salaries and Social Charges Payable	298,981	415,427
Taxes Payable	132,658	119,333
Dividend and Interest on Equity	96,150	109,951
Provision for Lawsuits	9,583	28,870
Other Accounts Payable	128,920	170,099
	<u>2,900,407</u>	<u>3,613,253</u>
Non-Current Liabilities		
Loans and Financing	704,966	1,191,067
Provision for Lawsuits	36,990	72,545
Income Tax and Social Charges deferred	240,169	162,925
Other Accounts Payable	44,533	389,209
	<u>1,026,659</u>	<u>1,815,746</u>
Shareholder's Equity		
Common Stock	2,500,000	2,500,000
Capital Reserves	122,833	137,813
Revaluation Reserve	11,935	11,762
Income Reserves	830,713	1,429,597
Accrued Income	138,837	108,150
Equity Adjustments	(30,230)	(30,230)
Non Controller Interest	39,224	53,691
	<u>3,613,312</u>	<u>4,210,782</u>
LIABILITIES AND SHAREHOLDERS' EQUITY	<u>7,540,378</u>	<u>9,639,782</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020- RAIA DROGASIL S.A.

Comments on company performance

Cash Flow	2Q19	2Q20
<i>(R\$ thousand)</i>		
Earnings before Income Tax and Social Charges	192,602	70,450
Adjustments		
Depreciation and Amortization	124,442	138,933
Compensation plan with restricted shares, net	3,319	4,533
Interest over additional stock option	905	1,226
P,P&E and Intangible Assets residual value	(3,019)	233
Provisioned Lawsuits	(4,026)	2,976
Provisioned Inventory Loss	1,222	(2,610)
Provision for Doubtful Accounts	170	(85)
Interest Expenses	16,264	17,829
Debt Issuance Costs Amortization	736	991
Provision for Estimated Losses on other Assets	0	(29)
	332,616	234,447
Assets and Liabilities variation		
Clients and Other Accounts Receivable	(10,118)	161,169
Inventories	(9,371)	(179,298)
Other Short Term Assets	9,430	(15,532)
Long Term Assets	(3,018)	(6,976)
Suppliers	(61,636)	(553,015)
Salaries and Social Charges	59,139	121,906
Taxes Payable	(13,179)	(36,496)
Other Liabilities	(10,039)	11,530
Rents Payable	609	(118)
Cash from Operations	294,433	(262,383)
Interest Paid	(2,733)	(17,809)
Income Tax and Social Charges Paid	(25,997)	(43,064)
Net Cash from (invested) Operational Activities	265,703	(323,256)
Investment Activities Cash Flow		
P,P&E and Intangible Acquisitions	(158,738)	(151,252)
P,P&E Sale Payments	50	0
Net Cash from Investment Activities	(158,688)	(151,252)
Financing Activities Cash Flow		
Funding	89,169	411,599
Payments	(202,015)	(97,362)
Interest on Equity and Dividends Paid	(92,378)	(107,020)
Net Cash from Funding Activities	(205,224)	207,217
Cash and Cash Equivalents net increase	(98,209)	(267,291)
Cash and Cash Equivalents in the beginning of the period	243,596	533,708
Cash and Cash Equivalents in the end of the period	145,387	266,416

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020- RAIA DROGASIL S.A.

Comments on company performance

Relationship with Independent Auditors

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

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

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

1. Operations

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

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

The Group conducts its sales through 2,162 stores (2,073 stores - 2019), distributed in 23 Brazilian states (23 states - 2019), as presented below:

State	Consolidated	
	Jun/2020	Dec/2019
São Paulo	1,073	1,049
Minas Gerais	152	143
Rio de Janeiro	145	142
Paraná	123	112
Goiás	82	73
Distrito Federal	76	72
Pernambuco	70	67
Bahia	70	68
Santa Catarina	53	49
Espírito Santo	47	46
Rio Grande do Sul	47	42
Pará	38	35
Ceará	35	31
Mato Grosso do Sul	28	25
Mato Grosso	22	22
Alagoas	19	18
Sergipe	18	18
Paraíba	16	15
Rio Grande do Norte	14	14
Maranhão	14	13
Piauí	9	9
Tocantins	8	7
Amazonas	3	3
Total	2,162	2,073

Raia Drogasil's stores are supplied by eleven distribution centers located in eight States: São Paulo, Rio de Janeiro, Minas Gerais, Paraná, Goiás, Pernambuco, Bahia and Ceará. The Group's e-commerce demand is met by the Distribution Centers located in Butantã (São Paulo State), Guarulhos (São Paulo State), Embu (São Paulo State), as well as in the Paraná, Bahia, Minas Gerais and Rio de Janeiro States.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

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

2. Presentation of quarterly information

The quarterly information was approved by the Executive Board on August 11, 2020.

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

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

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

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

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

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

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

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

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

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

Impacts of COVID-19

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

The Company adopted the assessment of trade receivables at June 30, 2020 as the calculation basis. On this date, the Company's receivables with respect to total accumulated sales were represented by: (i) Cards (80.6%), (ii) Cash (15.7%) and others (3.8%).

Trade receivables at June 30, 2020 are presented below:

Trade receivables	Jun-2020	%
Credit / debit cards	1,105,177	95.4%
Popular Pharmacy	23,568	2.1%
Agreements with companies – Univers	17,829	1.5%
Medicine Benefit Program – PBM	11,452	1.0%
Trade receivables - Checks (cash/post-dated)	1,728	0.1%
Provision for impairment of trade receivables	(1,056)	(0.1%)
Total	1,158,698	100.0%

It is worth emphasizing that regarding trade receivables items with greater representation: (i) Credit / debit cards (95.4%) are concentrated on card administrators (Getnet, Cielo and Rede), where, of this amount, the Company received 25.1% and should receive 24.9% in July 2020, and the remaining amount is substantially scheduled to be received in August and September 2020; and (ii) for the Popular Pharmacy Program (2.1%), there are no indicators that would justify any impact on the provision in Management's understanding.

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

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

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

A total of 94 stores were opened and 5 stores were closed in the quarter. All store closures were carried out for the optimization of our store portfolio, with positive return expectations associated to them. Therefore, the Company maintains its plan of opening 240 stores for 2020, as it continues to implement the long-term strategies, despite the COVID-19 pandemic.

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

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

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

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

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

(b) CVM Ruling 854/2020

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

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

4. Significant accounting practices

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

5. Cash and cash equivalents

Cash and cash equivalents items	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Cash and banks	83,917	121,382	85,735	123,597
Automatic investments ⁽ⁱ⁾	5,323	45,766	5,866	47,156
Bank Deposit Certificates - CDB ⁽ⁱⁱ⁾	52,403	2,892	52,403	2,892
Debentures held under repurchase agreements ⁽ⁱⁱⁱ⁾	100,339	124,823	122,412	125,581
Total	241,982	294,863	266,416	299,226

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

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

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

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

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

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

6. Trade receivables

Trade receivables items	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Trade receivables	1,162,044	1,055,053	1,336,414	1,196,895
(-) Provision for impairment of trade receivables	(1,056)	(1,250)	(3,274)	(3,430)
(-) Adjustment to present value	(2,290)	(3,897)	(2,694)	(4,446)
Total	1,158,698	1,049,906	1,330,446	1,189,019

The aging of trade receivables is presented below:

Maturities	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Not yet due	1,148,519	1,050,277	1,311,735	1,178,374
Overdue				
Between 1 and 30 days	11,815	1,745	15,187	8,612
Between 31 and 60 days	837	2,077	2,748	4,469
Between 61 and 90 days	339	178	2,467	1,041
Between 91 and 180 days	534	776	2,203	2,774
Between 181 and 360 days	-	-	2,074	1,625
Provision for impairment of trade receivables	(1,056)	(1,250)	(3,274)	(3,430)
(-) Adjustment to present value	(2,290)	(3,897)	(2,694)	(4,446)
Total	1,158,698	1,049,906	1,330,446	1,189,019

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

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

Changes in the provision for impairment of trade receivables	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Opening balance	(1,250)	(892)	(3,430)	(1,355)
Additions	(3,231)	(8,196)	(5,532)	(12,607)
Reversals	1,013	3,097	3,184	5,261
Losses	2,412	4,741	2,504	5,271
Closing balance	(1,056)	(1,250)	(3,274)	(3,430)

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

7. Inventory

Inventory items	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Goods for resale	4,041,041	3,792,148	4,139,621	3,872,374
Consumables	12,701	1,215	12,701	1,215
(-) Provision for inventory losses ⁽ⁱ⁾	(33,706)	(13,116)	(33,706)	(13,116)
(-) Adjustment to present value	(3,871)	(8,912)	(3,980)	(9,085)
Total inventory	4,016,165	3,771,335	4,114,636	3,851,388

(i) The changes in amounts of provision for inventory losses are due to changes in estimates, as from January 1, 2020, for the provision for inventory losses of stores and DCs, the effect of which in the current period is R\$ 14,033.

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

Changes in the provision for inventory losses	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Opening balance	(13,116)	(11,140)	(13,116)	(11,140)
Additions	(26,604)	(8,737)	(26,604)	(8,737)
Write-offs	6,014	6,761	6,014	6,761
Closing balance	(33,706)	(13,116)	(33,706)	(13,116)

For the quarter ended June 30, 2020, cost of sales recognized in the statement of income was R\$ 2,920,832 (R\$ 2,757,832 – 2nd Quarter-2019) for the Parent Company and R\$ 3,149,652 (R\$ 2,936,209 - 2nd Quarter-2019) for the consolidated accounts, including the amount of the write-offs of goods inventories recognized as losses for the quarter amounting to R\$ 34,450 (R\$ 29,634 - 2nd Quarter-2019) for the Parent Company and R\$ 34,765 (R\$ 29,677 - 2nd Quarter-2019) for the consolidated accounts.

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

8. Taxes recoverable

	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Taxes recoverable items				
Taxes on profit recoverable				
Withholding Income Tax (IRRF)	1,515	2,022	1,934	2,022
Corporate Income Tax (IRPJ)	298	1,557	6,847	8,763
Social Contribution on Net Profit (CSLL)	90	-	2,554	2,974
Subtotal	1,903	3,579	11,335	13,759
Other taxes recoverable				
Value Added Tax on Sales and Services (ICMS) – credit balance	45,595	78,044	48,865	83,812
ICMS – Refund of ICMS withheld in advance	25,878	25,519	25,878	25,519
ICMS on acquisitions of fixed assets	82,687	77,023	82,687	77,023
Social Integration Program (PIS)	1,277	1,535	1,959	2,219
Social Contribution on Revenue (COFINS)	6,622	7,814	9,642	10,823
Social Investment Fund - 1982 - securities issued to cover court-ordered debts	561	561	561	561
National Institute of Social Security (INSS)	30,653	-	30,653	-
Subtotal	193,273	190,496	200,245	199,957
Total	195,176	194,075	211,580	213,716
Current assets	132,551	135,771	140,085	145,617
Non-current assets	62,625	58,304	71,495	68,099

The ICMS credits amounting to R\$ 45,595 and R\$ 25,878 (R\$ 78,044 and R\$ 25,519 - Dec/2019) for the Parent Company and R\$ 48,865 and R\$ 25,878 (R\$ 83,812 and R\$ 25,519 - Dec/2019) for the consolidated accounts are the result of applying different ICMS rates and of refunds of ICMS-ST (the substitute taxpayer regime) on goods receiving and shipping operations carried out by the Company's distribution centers in the states of Pernambuco and Rio de Janeiro, in order to supply their branches located in other Brazilian states. The respective tax credits have been progressively consumed in the last months, mainly due to goods that are not under the substitute taxpayer regime.

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

On March 15, 2017, the Federal Supreme Court (STF) concluded the judgment on the merits of Appeal to Supreme Court No. 574.706, with general repercussion effects, thereby entitling taxpayers to the right of excluding ICMS from the PIS and COFINS tax bases.

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

It should be highlighted that the effects of this ruling also apply to COFINS since the proceeding acknowledges FINSOCIAL succession by COFINS. It is worth remembering that the criteria for calculating the credits and the

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modulation of the effects of the decision of the aforementioned Appeal are still awaiting the judgment of the Appeal for Clarification filed by the General Prosecution Unit of the National Treasury in RE 574,706.

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

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

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

Undue payment of social security contributions on payroll discounts

A review of the payments made in the last 5 years related to social security contribution on the payroll was performed and it was identified an undue payment of the contributions on amounts discounted from the payroll that would qualify as not subject to tax levy or as exemption. Accordingly, based on the analyses and opinions prepared by our lawyers and advisors, we determined an amount of tax credit of R\$ 32,728, of which the amount of R\$ 2,075 was used, referring to May 2015, compensated on the June/20 payroll.

9. Investments

(a) Business combination – 4Bio

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

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

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

From:

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

To:

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

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

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

The fair value of the financial liability at June 30, 2020 was remeasured to R\$ 44,531 (R\$ 42,113 - Dec/2019).

The fair value of the additional stock options recorded in Parent Company and consolidated accounts, of R\$ 44,531 (R\$ 42,113 - Dec/2019), is classified as Level 3 in the fair value hierarchy. The main fair value measurements have as reference: (i) a discount rate of 11.81% in December 2019 (10.07% - Dec/2018), (ii) an average growth rate of EBITDA of 39.01% in December 2019 (38.38% - Dec/2018), considering the average of the EBITDAs projected for 2018 to 2020 and the multiple provided for in contract.

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

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

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

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

The program will be launched from the 2nd half of 2020, for customers who make their purchases at Droga Raia, Drogasil, Extra and Pão de Açúcar stores, accumulating Stix points.

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

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

Changes in investments – 4Bio and Stix

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

<u>Company name</u>	<u>Main activity</u>	<u>Interest (%)</u>	<u>Jun-2020</u>	<u>Jun-2019</u>
4Bio Medicamentos S.A.	Retail of special medicines Platform of products and services for the accumulation and redemption of points	55%	62,973	45,331
Stix Fidelidade S.A.		33%	3,289	-
Total			66,262	45,331

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

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Changes in investments	Parent Company	
	Jun-2020	Jun-2019
Balance at January 1	60,263	40,108
Capital contribution Stix (33%)	3,289	-
Equity in the results of subsidiary – 4Bio	2,759	5,228
Restricted share compensation plan – 4Bio	(49)	(5)
Closing balance	66,262	45,331

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 period of 4Bio for the purposes of determining the equity in the period of subsidiaries for the periods ended June 30, 2020 and 2019:

Equity in the results of subsidiary – 4Bio	Parent Company	
	Jun-2020	Jun-2019
Profit for the period	3,045	5,515
Amortization of surplus arising from the business combination	(286)	(287)
Adjusted profit of 4Bio	2,759	5,228
Adjusted equity	Jun-2020	Jun-2019
Investment at book value (55%)	48,127	29,863
Allocation of the purchase price (surplus of assets)	3,020	3,888
Deferred income tax liability on allocation adjustments	(1,027)	(1,322)
Restricted share compensation plan	(54)	(5)
Total adjusted equity	50,066	32,424
Goodwill based on expected future profitability	12,907	12,907
Investment balance	62,973	45,331

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10. Property, plant and equipment and intangible assets

a) Property and equipment

Changes in the consolidated property and equipment are presented below:

							2020	2019
Changes	Land	Buildings	Furniture, fittings and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Total	Total
Cost								
Opening balance at January 1	35,646	71,422	967,400	597,668	68,061	1,330,927	3,071,124	2,594,349
Additions	-	-	59,537	52,426	4,237	113,561	229,761	314,654
Disposals and write-offs	-	-	(4,314)	(4,077)	-	(65,887)	(74,278)	(46,505)
(Provision) / Reversal for store closures	-	-	957	-	-	1,722	2,679	6,014
Closing balance at June 30	35,646	71,422	1,023,580	646,017	72,298	1,380,323	3,229,286	2,868,512
Accumulated depreciation								
Average annual depreciation rates (%)		2,5 – 2,7	7,4 - 10	7,1 – 15,8	20 – 23,7	13 – 20		
Opening balance at January 1	-	(25,216)	(361,231)	(288,631)	(31,308)	(591,403)	(1,297,789)	(1,050,664)
Additions	-	(951)	(46,772)	(39,565)	(3,823)	(136,119)	(227,230)	(199,754)
Disposals and write-offs	-	-	3,919	3,871	-	65,370	73,160	41,278
Provision / (Reversal) for store closures	-	-	(368)	-	-	(1,265)	(1,633)	(2,822)
Closing balance at June 30	-	(26,167)	(404,452)	(324,325)	(35,131)	(663,417)	(1,453,492)	(1,211,962)
Net balance								
At January 1	35,646	46,206	606,169	309,037	36,753	739,524	1,773,335	1,543,685
At June 30	35,646	45,255	619,128	321,692	37,167	716,906	1,775,794	1,656,550

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Changes in the consolidated property and equipment are presented below:

							2020	2019
Changes	Land	Buildings	Furniture, fittings and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Total	Total
Cost								
Opening balance at January 1	35,646	71,422	969,119	600,255	68,408	1,333,498	3,078,348	2,599,651
Additions	-	-	59,662	52,673	4,237	113,744	230,316	315,032
Disposals and write-offs	-	-	(4,313)	(4,077)	-	(65,887)	(74,277)	(46,505)
(Provision) / Reversal for store closures	-	-	957	-	-	1,722	2,679	6,014
Closing balance at June 30	35,646	71,422	1,025,425	648,851	72,645	1,383,077	3,237,066	2,874,191
Accumulated depreciation								
Average annual depreciation rates (%)		2,5 – 2,7	7,4 – 10	7,1 – 15,8	20 – 23,7	13 – 20		
Opening balance at January 1	-	(25,216)	(361,850)	(289,592)	(31,460)	(592,495)	(1,300,613)	(1,052,691)
Additions	-	(951)	(46,851)	(39,775)	(3,843)	(136,363)	(227,783)	(200,118)
Disposals and write-offs	-	-	3,919	3,871	-	65,370	73,160	41,278
Provision / (Reversal) for store closures	-	-	(368)	-	-	(1,265)	(1,633)	(2,822)
Closing balance at June 30	-	(26,167)	(405,150)	(325,496)	(35,303)	(664,753)	(1,456,869)	(1,214,354)
Net balance								
At January 1	35,646	46,206	607,269	310,663	36,948	741,003	1,777,735	1,546,960
At June 30	35,646	45,255	620,275	323,355	37,342	718,324	1,780,197	1,659,837

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b) Intangible assets

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

							2020	2019
Changes	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Trademarks	Customers portfolio	Total	Total
Cost								
At January 1	288,139	205,506	22,275	780,084	176,553	41,700	1,514,257	1,422,829
Additions	16,164	37,933	-	-	577	-	54,674	45,113
Disposals and write-offs	(19,939)	(14,857)	-	-	-	-	(34,796)	(17,254)
(Provision) / Reversal for store closures	1,000	4	-	-	-	-	1,004	931
At June 30	285,364	228,586	22,275	780,084	177,130	41,700	1,535,139	1,451,619
Accumulated amortization								
Average annual amortization rates (%)	17 - 23.4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	6.7 - 25		
At January 1	(171,093)	(90,012)	(2,387)	-	(293)	(38,557)	(302,342)	(254,887)
Additions	(23,113)	(22,201)	-	-	(351)	(230)	(45,895)	(41,144)
Disposals and write-offs	19,788	14,856	-	-	-	-	34,644	15,682
Provision / (Reversal) for store closures	(850)	(3)	-	-	-	-	(853)	(581)
At June 30	(175,268)	(97,360)	(2,387)	-	(644)	(38,787)	(314,446)	(280,930)
Net balance								
At January 1	117,046	115,494	19,888	780,084	176,260	3,143	1,211,915	1,167,942
At June 30	110,096	131,226	19,888	780,084	176,486	2,913	1,220,693	1,170,689

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Changes in the consolidated intangible assets are presented below:

									2020	2019
Changes	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Goodwill on business acquisition (4BIO)	Trademarks	Raia S.A. customers portfolio	4BIO customer relationship	Total	Total
Cost										
At January 1	288,139	208,238	22,275	780,084	25,563	181,622	41,700	7,928	1,555,549	1,463,056
Additions	16,164	38,444	-	-	-	577	-	-	55,185	45,393
Disposals and write-offs (Provision) / Reversal for store closures	(19,938)	(14,857)	-	-	-	-	-	-	(34,795)	(17,254)
	1,000	4	-	-	-	-	-	-	1,004	931
At June 30	285,365	231,829	22,275	780,084	25,563	182,199	41,700	7,928	1,576,943	1,492,126
Accumulated amortization										
Average annual amortization rates (%)	17 - 23.4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	Indefinite useful life	20	6.7 - 25		
At January 1	(171,092)	(91,064)	(2,387)	-	-	(4,602)	(38,557)	(2,406)	(310,108)	(260,668)
Additions	(23,113)	(22,477)	-	-	-	(858)	(230)	(283)	(46,961)	(42,107)
Disposals and write-offs Provision / (Reversal) for store closures	19,788	14,855	-	-	-	-	-	-	34,643	15,683
	(850)	(3)	-	-	-	-	-	-	(853)	(581)
At June 30	(175,267)	(98,689)	(2,387)	-	-	(5,460)	(38,787)	(2,689)	(323,279)	(287,673)
Net balance										
At January 1	117,407	117,174	19,888	780,084	25,563	177,020	3,143	5,522	1,245,441	1,202,388
At June 30	110,098	133,140	19,888	780,084	25,563	176,739	2,913	5,239	1,253,664	1,204,453

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(i) Goodwill on the acquisition of companies

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

Goodwill on the acquisition of Drogaria Vison Ltda.

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

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

Goodwill on the acquisition of Raia S.A.

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

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

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

11. Employees benefits

(a) Profit sharing program

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

(b) Other benefits

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

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

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12. Trade payables

Trade payables items	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Goods suppliers	1,973,591	2,460,616	2,135,111	2,579,860
Materials suppliers	12,845	10,196	13,066	10,400
Assets suppliers	9,964	11,926	10,301	12,359
Service providers	76,987	63,817	79,475	65,267
(-) Adjustment to present value	(5,374)	(14,262)	(5,735)	(14,650)
Total	2,068,013	2,532,293	2,232,218	2,653,236

Certain suppliers have the option to assign Company notes, totaling R\$ 2,749,446 (R\$ 963,125 - Dec/2019), without right of subrogation, to financial institutions. In this operation, the supplier can have a reduction of its finance costs since the financial institution takes into consideration the credit risk of the buyer (in the Company's case). In these operations, there is no change in the average payment period, additionally, there is no obligation that results in expenses for the Company.

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13. Borrowing and debentures

(a) Breakdown

Borrowing items	Average annual long-term interest rate	Parent Company		Consolidated	
		Jun-2020	Dec-2019	Jun-2020	Dec-2019
BNDES – Subloan		58,780	96,646	58,780	96,646
Businesses	TLP + 2.04% (+ 2.09% - Dec/2019) p.a.	23,554	38,915	23,554	38,915
Businesses	SELIC + 2.41% (2.37% - Dec/2019) p.a.	29,520	48,406	29,520	48,406
Machinery, equipment and vehicles	TLP + 2.02% (+2.02% - Dec/2019) p.a.	4,735	7,107	4,735	7,107
Machinery, equipment and vehicles	PSI + 9.54% (+9.54% - Dec/2019) p.a.	137	956	137	956
Machinery, equipment and vehicles	SELIC + 2.42% (2.42% - Dec/2019) p.a.	23	33	23	33
Other		811	1,229	811	1,229
Debentures		948,367	1,029,830	948,367	1,029,830
1 st issue of debentures	104.75% of CDI	133,642	167,696	133,642	167,696
2 nd issue of debentures	104.50% of CDI	268,358	314,709	268,358	314,709
3 rd issue of debentures – Certificate of Real Estate					
Receivables	98.50% of CDI	246,512	247,356	246,512	247,356
4 th issue of debentures	106.99% of CDI	299,855	300,069	299,855	300,069
Borrowing		406,186	-	421,327	-
Direct loans Law 4,131	100% of CDI + 3.50%	304,758	-	304,758	-
Direct loans Law 4,131	100% of CDI + 3.55%	101,428	-	101,428	-
Other	100% of CDI + 2.95%	-	-	15,141	-
Promissory Notes		299,947	-	299,947	-
1 st issue of promissory notes	100% of CDI + 3.00%	299,947	-	299,947	-
Total		1,713,280	1,126,476	1,728,421	1,126,476
Current liabilities		522,212	228,661	537,353	228,661
Non-current liabilities		1,191,068	897,815	1,191,068	897,815

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

Payment forecast	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
2021	77,469	154,458	77,469	154,458
2022	522,531	121,358	522,531	121,358
2023	44,225	71,578	44,225	71,578
2024 and thereafter	546,843	550,421	546,843	550,421
Total	1,191,068	897,815	1,191,068	897,815

(b) Characteristics of BNDES borrowing

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

The subloans for the Social Project, Development of Own Brand and Acquisition of National Software are grouped in the Other line. Part of the Company's borrowing from BNDES has been taken out in the form of subloans, totaling R\$ 58,780 (R\$ 96,646 - Dec/2019), subject to the following restrictive covenants:

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

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

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

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

(c) Characteristics of the Debentures and Promissory notes

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

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

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On June 17, 2019, the Company carried out the 4th issue of non-convertible, simple unsecured debentures in a single series in the total amount of R\$ 300,000 for public distribution with restricted efforts (CVM476), with settlement on July 12, 2019, with remuneration of 106.99% of CDI and payment term of 8 years. Interest payments will be semiannual 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.

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

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

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

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

<u>Type of issue</u>	<u>Issue amount</u>	<u>Quantity outstanding</u>	<u>Issue</u>	<u>Maturity</u>	<u>Annual charges</u>	<u>Unit price</u>
2 th 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:

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

The costs incurred on the issues of the Company's debentures (2017 - 1st issue, 2018 - 2nd issue and 2019 - 3rd and 4th issues) and 1st issue of promissory notes, including fees, commissions and other costs, totaled R\$ 14,027 and are classified in line item of the respective debentures and promissory notes, and are being recognized over the total period of the debt. At June 30, 2020, the amount to be recognized was R\$ 10,115 (R\$ 7,626 - Dec/2019), and is presented net part in the debentures and promissory notes balance.

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

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

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

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

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

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

(d) Characteristics of borrowings

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

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

(e) Reconciliation of net debt

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

Analysis of net debt	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Short-term borrowings	522,212	228,661	537,353	228,661
Long-term borrowing	1,191,068	897,815	1,191,068	897,815
Total debt	1,713,280	1,126,476	1,728,421	1,126,476
(-) Cash and cash equivalents	(241,982)	(294,863)	(266,416)	(299,226)
Net debt	1,471,298	831,613	1,462,005	827,250

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Changes in net debt	Parent Company		
	Borrowing	Cash and cash equivalents	Net debt
Net debt at January 1, 2020	1,126,476	(294,863)	831,613
Funding	696,392	-	696,392
Accrued interest	30,190	-	30,190
Payment of interest	(24,621)	-	(24,621)
Amortization of principal	(116,862)	-	(116,862)
Transaction cost	1,705	-	1,705
(Increase) decrease in cash and cash equivalents	-	52,881	52,881
Net debt at June 30, 2020	1,713,280	(241,982)	1,471,298

Changes in net debt	Consolidated		
	Borrowing	Cash and cash equivalents	Net debt
Net debt at January 1, 2020	1,126,476	(299,226)	827,250
Funding	711,420	-	711,420
Accrued interest	30,303	-	30,303
Payment of interest	(24,621)	-	(24,621)
Amortization of principal	(116,862)	-	(116,862)
Transaction cost	1,705	-	1,705
(Increase) decrease in cash and cash equivalents	-	32,810	32,810
Net debt at June 30, 2020	1,728,421	(266,416)	1,462,005

14. Leases

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

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

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

Information on the Group's leases are presented below:

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As a lessee

Right-of-use asset

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

						2020	2019
	Operating real estate	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	Total	Total
At January 1 st	2,749,100	8,980	271,770	2,662	92	3,032,604	3,659,594
New agreements	209,956	4,227	6	45	-	214,234	195,200
Remeasurements	152,651	(431)	14,302	(1,359)	(12)	165,151	36,501
Termination of agreements	(7,503)	(777)	-	(58)	-	(8,338)	34,023
Depreciation	(264,064)	(863)	(26,105)	(256)	(9)	(291,297)	(275,113)
At June 30	2,840,140	11,136	259,973	1,034	71	3,112,354	3,582,159

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

						2020	2019
	Operating real estate is	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	Total	Total
At January 1 st	2,749,100	9,101	275,570	2,662	92	3,036,525	3,663,759
New agreements	209,956	4,227	703	45	-	214,931	196,563
Remeasurements	152,651	(435)	14,062	(1,359)	(12)	164,907	36,501
Termination of agreements	(7,503)	(777)	-	(58)	-	(8,338)	(34,023)
Depreciation	(264,064)	(890)	(26,846)	(256)	(9)	(292,065)	(275,815)
At June 30	2,840,139	11,226	263,489	1,034	71	3,115,960	3,586,985

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Lease liabilities

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

						2020	2019
	Operating real estate	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	Total	Total
At January 1 st	(2,882,824)	(8,401)	(286,616)	(2,711)	(103)	(3,180,655)	(3,659,594)
New agreements	(209,956)	(4,227)	(6)	(45)	-	(214,234)	(195,200)
Remeasurements	(152,651)	431	(14,302)	1,359	12	(165,151)	(36,501)
Interest Payments / Compensations	(100,815)	(409)	(7,359)	(40)	(2)	(108,625)	(53,704)
	328,349	5,361	21,055	984	48	355,797	330,833
At June 30	(3,017,897)	(7,245)	(287,228)	(453)	(45)	(3,312,868)	(3,614,166)

The changes in the consolidated lease liabilities are presented below:

						2020	2019
	Operating real estate	Residential real estate	Distribution/ administrative centers	Vehicles	Equipment	Total	Total
At January 1 st	(2,882,824)	(8,537)	(290,458)	(2,711)	(103)	(3,184,633) ³	(3,663,759)
New agreements	(209,956)	(4,227)	(703)	(45)	-	(214,931)	(196,563)
Remeasurements	(152,651)	435	(14,062)	1,359	12	(164,907)	(36,501)
Interest Payments / Compensations	(100,816)	(413)	(7,483)	(40)	(2)	(108,753)	(53,772)
	328,349	5,392	21,861	984	48	356,634	331,424
At June 30	(3,017,897)	(7,350)	(290,845)	(453)	(45)	(3,316,590)	(3,619,171)

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

Analysis of maturities - Lease liabilities	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Less than 1 year	(447,208)	(565,204)	(448,668)	(566,645)
1 – 5 years	(1,735,974)	(2,255,718)	(1,738,236)	(2,258,255)
Over 5 years	(1,129,686)	(359,733)	(1,129,686)	(359,733)
Total	(3,312,868)	(3,180,655)	(3,316,590)	(3,184,633)
Lease liabilities in the balance sheet				
At June 30				
Current	(447,208)	(565,204)	(448,668)	(566,645)
Non-current	(2,865,660)	(2,615,451)	(2,867,922)	(2,617,988)

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

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

Future considerations	Parent Company/Consolidated	Potential PIS / COFINS (9.25%)
Less than 1 year	389,271	36,008
1 – 2 years	749,974	69,373
2 – 3 years	630,481	58,319
3 – 4 years	373,468	34,546
4 – 5 years	168,861	15,620
Over 5 years	73,403	6,790
Total	2,385,458	220,656

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

Year	Net present value	Embedded interest (future)	Amounts of installments not yet discounted
2 nd half of 2020	492,839	210,890	703,729
2,021	474,493	167,640	642,133
2,022	477,250	133,528	610,778
2,023	443,293	100,862	544,155
2,024	393,383	70,667	464,050
2,025	318,318	44,841	363,159
2026 and thereafter	717,014	80,727	797,741
Total	3,316,590	809,155	4,125,745

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Amount recognized in the statement of income

Amount recognized in the statement of income	Parent Company		Consolidated	
	June - 2020	June - 2019	June - 2020	June - 2019
Depreciation of right-of-use asset	291,297	276,727	292,065	277,062
Interest on lease liabilities	108,625	53,704	108,753	53,772
Adjustment for lease write-off	794	-	794	-
Variable payments not included in the measurement of lease liabilities	(13,303)	7,238	(13,792)	7,396
Revenue on subleases of right-of-use assets	(1,668)	(1,100)	(1,668)	(1,100)
Expenses related to short-term and/or low-value leases	7,331	10,654	7,331	10,654

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

Statement of Cash Flows	Parent Company		Consolidated	
	June-2020	June-2019	June-2020	June-2019
Non-cash items:	464,775	3,820,771	371,500	3,826,299
Initial recognition of lease agreements	-	3,659,594	-	3,663,759
New agreements	260,708	195,200	214,931	196,563
Remeasurement	212,405	-	164,907	-
Termination of agreements	(8,338)	(34,023)	(8,338)	(34,023)
In operating activities:	291,297	275,113	292,065	275,815
Interest on lease expenses	108,625	53,704	108,753	53,772
Interest paid on lease	(108,625)	(53,704)	(108,753)	(53,772)
Depreciations	291,297	275,113	292,065	275,815
In lease activities:	(238,834)	(243,679)	(239,544)	(244,203)
Payment of lease liabilities	(238,834)	(243,679)	(239,544)	(244,203)

(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 June 30, 2020 amounted to R\$ 2,420 (R\$ 3,871 in June-2019) for Parent Company and consolidated accounts.

(ii) Leases fitting into exceptions and practical expedients

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

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

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As a lessor

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

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

	Parent Company/Consolidated	
	Jun-2020	
Undiscounted lease payments		
Less than 1 year	1,625	
1 - 2 years	1,485	
2- 3 years	1,154	
3- 4 years	776	
4- 5 years	726	
Total	5,766	

15. Provision for contingencies and judicial deposits

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

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

	Parent Company/Consolidated	
	Jun-2020	Dec-2019
Judicial deposits items		
Labor and social security	99,853	94,101
Tax	16,256	15,380
Civil	1,832	1,818
Subtotal	117,941	111,299
(-) Corresponding judicial deposits	(16,526)	(18,177)
Total	101,415	93,122
Current liabilities	28,870	26,008
Non-current liabilities	72,545	67,114

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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 Onofre, which were filed by former employees of service providers claiming to have employment relationships directly with the Group, or in which the Group received a joint enforcement order for the payment of the labor rights claimed. There are also proceedings filed by professional unions for the payment of union dues, under the dispute regarding the legitimacy of the territorial base.

Tax contingencies

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

Civil contingencies

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

Changes in the provision are as follows:

Changes in the provision	Parent Company/Consolidated	
	Jun-2020	Dec-2019
At January 1	111,299	74,488
Additions of new lawsuits and review of estimate ⁽ⁱ⁾	30,289	83,880
Write-offs for concluded lawsuits	(38,750)	(58,267)
Constitution/(Reversals) due to changes in lawsuits	(5,088)	(14,262)
Revaluation of amounts	13,288	18,527
Monetary restatement	6,902	6,933
Closing balance	117,941	111,299

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

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

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Possible losses

As of June 30, 2020 and December 31, 2019, the Group has tax and civil lawsuits related to fines applied by the relevant administrative authorities, tax rate difference in interstate transfers and tax enforcements as well as of civil nature due to indemnity claims for losses and pain and suffering arising from consumer relations, involving possible loss as assessed by Management and its legal advisors in the amount of R\$ 33,883 (R\$ 33,138 - Dec/2019) for Parent Company and Consolidated, of which R\$ 1,930 (R\$ 551 - Dec/ 2019) corresponds to the civil contingencies and R\$ 31,953 (R\$ 32,587 - Dec/2019) to tax contingencies.

Judicial deposits

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

Analysis of judicial deposits	Parent Company/Consolidated	
	Jun-2020	Dec-2019
Labor and social security	14,193	14,353
Tax	13,162	12,572
Civil	3,240	3,076
Total	30,595	30,001

16. Arbitration restricted asset/liability

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

The arbitration asset/liability is presented below:

Arbitration asset/liability items	Parent Company/ Consolidated	
	Jun-2020	Dec-2019
Arbitration restricted asset	338,598	332,927
Financial investment	205,725	202,357
Letter of guarantee/indemnification asset	132,873	130,571
Arbitration restricted liability	(338,451)	(332,900)
Obligations with former shareholders	(339,133)	(333,294)
Exclusion of operation effects	682	394
Total	147	27

The net position of the arbitration asset/liability of R\$ 147 (R\$ 27 - Dec/2019) represents the amount in excess for the guarantee of settlement in order to comply with the existing obligation.

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17. Income tax and social contribution

(a) Income tax and social contribution paid

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

Income tax and social contribution paid items	Parent Company		Consolidated	
	Jun-2020	Jun -2019	Jun-2020	Jun -2019
Profit before income tax and social contribution	215,440	276,826	216,843	277,516
Interest on capital	(96,000)	(110,501)	(96,000)	(110,501)
Taxable profit	119,440	166,325	120,843	167,015
Combined tax rate (25% for income tax and 9% for social contribution)	34	34	34	34
Theoretical tax expense	(40,610)	(56,551)	(41,087)	(56,785)
Permanent additions	(19,971)	(4,603)	(20,073)	(4,655)
Equity in the results of subsidiary	938	1,778	-	-
Reduction of taxes due to incentives (P.A.T)	1,581	997	1,581	997
Investment grant ⁽ⁱ⁾	10,562	8,443	19,721	14,095
Tax loss and negative CSLL basis	-	-	(6,788)	-
Other (revaluation reserve + additional income tax exemption ceiling)	56	56	56	56
Result of current income tax and social contribution	(87,967)	(55,483)	(87,967)	(55,483)
Result of deferred income tax and social contribution	40,523	5,603	41,377	9,191
Income tax and social contribution expense	(47,444)	(49,880)	(46,590)	(46,292)
Effective tax rate ⁽ⁱⁱ⁾	22.02%	18.02%	21.49%	16.68%

(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 June 30, 2020 was R\$ 31,065 (R\$ 24,832 June/2019).

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

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

Deferred income tax and social contribution assets amounting to R\$ 295,160 at June 30, 2020 (R\$ 265,670 – Dec/2019) for the Parent Company and R\$ 314,838 at June 30, 2020 (R\$ 286,630 – Dec/2019) for the consolidated accounts arose from temporarily non-deductible expenses that may be carried forward indefinitely, with estimated realization as disclosed in item (c) below.

Deferred income tax and social contribution liabilities amounting to R\$ 397,402 at June 30, 2020 (R\$ 408,480 - Dec/2019) for the Parent Company and R\$ 397,402 at June 30, 2020 (R\$ 410,616 - Dec/2019) for the consolidated accounts relate to tax charges on the remaining balances of: (i) the revaluation reserve; (ii) surplus value PPA (Purchase Price Allocation) Raia; and (iii) gain on bargain purchase.

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

	Balance sheet				Statement of income			
	Parent Company		Consolidated		Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019	Jun-2020	Jun -2019	Jun -2020	Jun -2019
Temporary differences								
Revaluation at fair value of land and buildings	(6,842)	(6,886)	(6,842)	(6,886)	-	-	-	-
Amortization of the goodwill on future profitability	(242,287)	(241,934)	(242,287)	(241,934)	353	122	353	122
Non-deductible intangible assets - merger of Raia	(54,037)	(54,115)	(54,037)	(54,115)	(78)	1,262	(78)	1,262
Non-deductible intangible assets - acquisition of 4Bio	-	-	(1,867)	(2,136)	-	-	(269)	268
Gain on bargain purchase – acquisition of Onofre	(94,236)	(105,545)	(94,236)	(105,545)	(11,308)	-	(11,308)	-
Tax losses to be offset against future taxable profits	-	-	19,607	19,607	-	-	-	3,168
Adjustment to present value	268	(494)	320	(380)	(762)	-	(700)	-
Adjustment to fair value	4,862	4,040	4,862	4,040	(822)	608	(822)	608
Provision for inventory losses	11,460	4,459	11,460	4,459	(7,001)	(5,428)	(7,001)	(5,428)
Provision for sundry obligations	105,747	14,200	105,776	14,217	7,166	1,767	7,154	1,734
Provision for employee profit sharing	59,284	18,324	59,522	18,785	1,625	(1,134)	1,848	(1,122)
Provision for contingencies	36,923	34,747	36,923	34,747	(2,043)	(2,155)	(2,043)	(2,155)
Provision for impairment of trade receivables	1,024	1,014	2,623	1,755	(10)	205	(868)	329
Lease (depreciation x consideration)	62,236	38,536	62,256	38,556	(23,699)	10,356	(23,699)	10,405
Recording of deferred taxes – LALUR part B Onofre	-	141,213	-	141,213	-	-	-	-
Other adjustments	13,356	9,631	13,356	9,631	(3,944)	-	(3,944)	-
Deferred income tax and social contribution expense (benefit)					(40,253)	5,603	(41,377)	9,191
Deferred tax liabilities, net	(102,242)	(142,810)	(82,564)	(123,986)				
Reflected in the balance sheet as follows:								
Deferred tax assets	295,160	265,670	295,160	286,630				
Deferred tax liabilities	(397,402)	(408,480)	(397,402)	(410,616)				
Deferred tax liabilities, net	(102,242)	(142,810)	(102,242)	(123,986)				
Deferred tax assets – Parent Company	-	-	19,678	-				
Deferred tax assets, net	-	-	19,678	-				
Reconciliation of deferred tax assets (liabilities), net								
At the beginning of the period	(142,810)	(239,102)	(123,986)	(237,756)				
Expense recognized in the statement of income	40,523	96,202	41,377	113,680				
Realization of deferred tax recognized in equity	45	90	45	90				
Balance at the end of the period	(102,242)	(142,810)	(82,564)	(123,986)				

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

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

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

	Parent Company	Consolidated
	Jun-2020	Jun-2020
Forecast of usage		
2 nd half of 2020	94,674	100,579
2021	45,381	51,311
2022	32,231	38,113
2023	25,753	27,714
2024 and thereafter	97,121	97,121
Total	295,160	314,838

18. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential common diluted shares.

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

	Parent Company/ Consolidated	
	2nd Quart-2020	2nd Quart- 2019
Earnings per share items		
Basic		
Profit for the period	44,675	138,443
Weighted average number of common shares	329,623	329,537
Basic earnings per share - R\$	0.13553	0.42011
Diluted		
Profit for the period	44,675	138,443
Weighted average number of common shares adjusted for dilution effect	331,091	329,317
Diluted earnings per share - R\$	0.13493	0.42039

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19. Equity

(a) Capital

At June 30, 2020, the fully paid-up capital amounted to R\$ 2,500,000 (R\$ 2,500,000 - Dec/2019), represented by 330,386,000 common registered book-entry shares with no par value, of which 214,368,685 shares were outstanding (214,036,654 - Dec/2019).

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

At June 30, 2020, the Company's ownership interest was as follows:

Ownership interest	Number of shares		Interest (%)	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Controlling stockholders	115,508,726	115,619,912	34.96	35.00
Shares outstanding	214,368,685	214,036,654	64.88	64.78
Treasury shares	508,589	729,434	0.15	0.22
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 is presented below:

Changes	Shares outstanding
At December 31, 2019	214,036,654
(Purchase)/sale of restricted shares, net	332,031
At June 30, 2020	214,368,685

At June 30, 2020, the Company's common shares were quoted at R\$ 110.62 (closing quote) (R\$ 111.64 at December 31, 2019).

(b) Tax incentive reserve

These refer to ICMS tax benefits obtained in the States of Bahia, Goiás and Pernambuco, as regulated by complementary law 160/17, ICMS 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 Corporate Law (as amended by Law 11,638/07), this reserve receives the portion of government subsidy recognized in profit for the period, as a deduction from sales taxes and allocated to it from the retained earnings account, accordingly, they are not included in the calculation basis of the minimum mandatory dividend.

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(c) Treasury shares

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

Changes in treasury shares	Parent Company	
	Number of shares	Amount of shares
At December 31, 2019	729,434	38,141
Shares delivered to executives related to the 3 rd tranche of the 2016 grant, 2 nd tranche of the 2017 grant and 1 st tranche of the 2018 grant	(219,992)	(11,141)
Shares delivered to executives related to the 1 st tranche of 2018, 2 nd tranche of 2017 and 3 rd tranche of 2016 of 4Bio	(853)	(45)
At June 30, 2020	508,589	26,955

At June 30, 2020, the market value of the treasury shares, having as reference the quotation of R\$ 110.62 per share at that date, corresponds to R\$ 56,260.

(d) Restricted share plan

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

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

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

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

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

The changes of the restricted shares are summarized below:

Change in restricted shares	Jun-2020		Dec-2019	
	Shares	Amount	Shares	Amount
Opening balance	397,329	21,977	500,778	23,940
Granted shares for the period	99,642	7,991	213,689	13,367
Value of the shares at the delivery date	(220,845)	(11,950)	(317,138)	(15,330)
Closing balance	276,126	18,018	397,329	21,977

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20. Net sales revenue

	Parent Company		Consolidated	
	2 nd Quart- 2020	2 nd Quart- 2019	2 nd Quart- 2020	2 nd Quart- 2019
Net revenue items				
Gross sales revenue				
Sales revenue	4,434,449	4,213,303	4,711,736	4,437,197
Service revenue	10,175	3,424	10,136	3,485
Total gross sales revenue	4,444,624	4,216,727	4,721,872	4,440,682
Taxes on sales	(189,180)	(158,159)	(212,057)	(177,497)
Returns, rebates and other	(34,278)	(32,167)	(40,041)	(37,692)
Net sales revenue	4,221,166	4,026,401	4,469,774	4,225,493

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

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

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

Nature of expenses	Parent Company		Consolidated	
	2 nd Quart- 2020	2 nd Quart- 2019	2 nd Quart- 2020	2 nd Quart- 2019
Personnel expenses	(578,135)	(512,318)	(587,314)	(520,368)
Occupancy expenses ⁽ⁱ⁾	(64,647)	(56,701)	(65,068)	(57,084)
Service provider expenses	(78,872)	(49,493)	(79,577)	(49,886)
Depreciation and amortization ⁽ⁱⁱ⁾	(273,943)	(264,655)	(275,143)	(265,710)
Expenses on card operator fees	(56,243)	(51,079)	(56,679)	(51,570)
Discount on property rental ⁽ⁱⁱⁱ⁾	9,371	-	9,371	-
Other ^(iv)	(138,586)	(89,727)	(143,037)	(95,498)
Total	(1,181,055)	(1,023,973)	(1,197,447)	(1,040,116)
Classified in the statement of income as:				
Function of expenses	2nd Quart- 2020	2nd Quart- 2019	2nd Quart- 2020	2nd Quart- 2019
Selling expenses	(1,019,249)	(909,028)	(1,031,431)	(921,370)
General and administrative expenses	(161,806)	(114,945)	(166,016)	(118,746)
Total	(1,181,055)	(1,023,973)	(1,197,447)	(1,040,116)

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

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(ii) Depreciation and amortization totaled R\$ 273,943 in the second quarter of 2020 (R\$ 264,930 - 2nd Quart-2019) for the Parent Company, of which R\$ 251,861 (R\$ 248,876 - 2nd Quart-2019) refers to the sales area and R\$ 22,082 (R\$ 16,054 - 2nd Quart-2019) to the administrative area, and R\$ 275,144 (R\$ 265,985 - 2nd Quart-2019) for the consolidated accounts, of which R\$ 252,144 (R\$ 249,061 - 2nd Quart-2019) refers to the sales area and R\$ 23,000 (R\$ 16,924 - 2nd Quart-2019) to the administrative area. These amounts are net of PIS and COFINS credits on right-of-use leases, which generated a reduction in expenses in the amount of R\$ 7,319 in 2020.

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

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

22. Other operating (income)/expenses - consolidated

Other operating income (expenses) totaled (R\$1,050) in the 2nd quarter of 2020 (R\$ 13,116 in the 2nd quarter of 2019) for the Consolidated accounts. These amounts comprise non-recurring expenses/ revenues, as presented below:

Nature of expenses / revenues	Consolidated	
	2 nd Quart-2020	2 nd Quart-2019
Consulting, advisory and restructuring expenses	(8,075)	(5,452)
Credits from prior years, mainly PIS and COFINS	1,108	-
Credits from prior years, mainly INSS ⁽ⁱ⁾	31,059	-
Additional expenses due to the closure of the Barra Mansa distribution center	-	(7,098)
Write-off of property and equipment and intangible assets due to the stores closure.	959	(566)
Provision for inventory losses from previous years	(16)	-
Losses on Popular Pharmacy Program	(252)	-
Cancellation of software maintenance agreement	57	-
Donations ⁽ⁱⁱ⁾	(25,890)	-
Total	(1,050)	(13,116)

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

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

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23. Finance income and costs

(a) Finance income

	Parent Company		Consolidated	
	2 nd Quart- 2020	2 nd Quart- 2019	2 nd Quart- 2020	2 nd Quart- 2019
Finance income items				
Discounts obtained	985	515	1,009	520
Short term investment yields	1,769	312	1,769	312
Interest on intercompany loans	458	712	-	-
Monetary gains	509	380	545	411
Other finance income	-	-	63	19
Present Value Adjustment (PVA) - finance income	10,279	12,859	11,550	14,641
Total finance income	14,000	14,778	14,936	15,903

(b) Finance costs

	Parent Company		Consolidated	
	2 nd Quart- 2020	2 nd Quart- 2019	2 nd Quart- 2020	2 nd Quart- 2019
Finance cost items				
Discounts granted to customers	-	(10)	(69)	(54)
Interest, charges and bank fees	(190)	(250)	(252)	(1,050)
Charges on debentures	(11,064)	(12,888)	(11,064)	(12,888)
Amortization of transaction costs	(860)	(443)	(860)	(443)
Charges on borrowings	(6,720)	(3,084)	(6,720)	(3,084)
Interest on leases ⁽ⁱ⁾	(55,128)	(26,848)	(55,191)	(26,883)
Monetary gains	2,138	(2,598)	1,827	(2,673)
Interest on payables to subsidiary's shareholder	(1,226)	(905)	(1,226)	(905)
PVA - finance costs	(13,320)	(26,138)	(14,265)	(27,589)
Total finance costs	(86,370)	(73,164)	(87,820)	(75,569)
Finance income (costs), net	(72,370)	(58,386)	(72,884)	(59,666)

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

24. Guarantees for lawsuits

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

Guarantees for lawsuits	Consolidated	
	Jun-2020	Dec-2019
Furniture and facilities	16	18
Machinery and equipment	85	85
Total guarantees for lawsuits	101	103

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25. Financial instruments and risk management policy

Financial instruments by category

Financial instruments items	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Assets				
<u>At amortized cost</u>				
Cash and cash equivalents (Note 5)	241,982	294,863	266,416	299,226
Trade receivables (Note 6)	1,158,698	1,049,906	1,330,446	1,189,019
Other receivables	288,305	298,372	234,707	245,428
Judicial deposits (Note 15)	30,595	30,001	30,595	30,001
Arbitration restricted asset	338,598	332,927	338,598	332,927
Subtotal	2,058,178	2,006,069	2,200,762	2,096,601
Total assets	2,058,178	2,006,069	2,200,762	2,096,601
Liabilities				
<u>Liabilities at fair value through profit or loss</u>				
Payables to subsidiary's shareholder (Note 9)	44,531	42,113	44,531	42,113
Subtotal	44,531	42,113	44,531	42,113
Other liabilities				
Trade payables	2,068,013	2,532,293	2,232,218	2,653,236
Borrowing (Note 13)	1,713,280	1,126,476	1,728,421	1,126,476
Other payables	150,066	144,721	153,924	147,771
Leases payable	3,312,868	3,180,655	3,316,589	3,184,633
Arbitration liability	338,451	332,900	338,451	332,900
Subtotal	7,582,678	7,317,045	7,769,603	7,445,016
Total liabilities	7,627,209	7,359,158	7,814,134	7,487,129

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.

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(b) Credit risk

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

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

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

Risk rating	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Rating - National Scale				
brAAA	110,585	127,810	134,351	130,655
brAA+	43,176	16,454	43,298	16,578
brA	1,258	401	1,258	401
(*) n/a - Automatic investments	5,323	45,766	5,866	47,156
Total - National Scale	160,342	190,431	184,773	194,790

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

The granting of credit on sales of goods follows a policy that aims at minimizing defaults. For the quarter ended June 30, 2020, credit sales represented 54% (53% - Dec/2019) for the Parent Company and 56% (55% - Dec/2019) for the consolidated accounts of which 93% (93% - Dec/2019) for the Parent Company and 86% (86% - Dec/2019) for the consolidated accounts related to credit card sales which, based on the history of losses, posed an extremely low risk. The remaining 7% (7% in Dec/2019) for the Parent Company and 14% (14% in Dec/2019) 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	158,065	790	988	1,185
Revenue			790	988	1,185
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	180,681	903	1,129	1,355
Revenue			903	1,129	1,355
REFIS (SELIC)	0.5% increase	1,156	6	7	9
Expense			6	7	9

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

(e) Capital management

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

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

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

Capital management items	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Short - and long-term borrowing	1,713,280	1,126,476	1,728,421	1,126,476
(-) Cash and cash equivalents	(241,982)	(294,863)	(266,416)	(299,226)
Net debt	1,471,298	831,613	1,462,005	827,250
Equity attributable to the stockholders of the parent company	4,063,695	4,025,013	4,063,694	4,025,013
Non-controlling interest	-	-	53,663	51,406
Total equity	4,063,695	4,025,013	4,117,357	4,076,419
Total capital	5,534,993	4,856,626	5,579,362	4,903,669
Gearing ratio	26.58	17.12	26.20	16.87

Adjusted net debt with lease liabilities	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Net debt	1,471,298	831,613	1,462,005	827,250
Lease liabilities	3,312,868	3,180,655	3,316,588	3,184,633
Adjusted net debt	4,784,166	4,012,268	4,778,593	4,011,883
Total equity	4,063,695	4,025,013	4,117,357	4,076,419
Total adjusted capital	8,847,861	8,037,281	8,895,950	8,088,302
Adjusted gearing ratio (%)	54.07	49.92	53.72	49.60

As described in Note 14, as from January 1, 2019, the Group recognized in its balance sheet the obligations associated with lease agreements where it has control. At June 30, 2020, the balance of lease liabilities in the Parent Company and consolidated accounts, corresponded to R\$ 3,312,868 and R\$ 3,316,588, respectively. Considering the lease

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liability in the capital management calculation, the gearing ratio of the Company and the Group would be 54.07% for the Parent Company and 53.72% for consolidated accounts.

(f) Fair value estimation

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

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

Fair value estimation	Parent Company				Consolidated			
	Carrying amount		Fair value		Carrying amount		Fair value	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019	Jun-2020	Dec-2019	Jun-2020	Dec-2019
BNDES Debentures and promissory notes	58,780	96,647	58,762	96,342	58,780	96,647	58,762	96,342
Other	1,248,314	1,029,829	1,248,313	1,029,829	1,248,314	1,029,829	1,248,313	1,029,829
	406,186	-	406,186	-	421,327	-	421,327	-
Total	1,713,280	1,126,476	1,713,261	1,126,171	1,728,421	1,126,476	1,728,402	1,126,171

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

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

Changes in payables to subsidiary's shareholder	Parent Company/Consolidated	
	Jun-2020	Dec-2019
Opening balance	42,113	36,380
Expenses/(revenues) recognized in the statement of income:	2,418	1,788
Closing balance	44,531	38,168
Total expenses/(revenues) for the period recognized in the statement of income	2,418	1,788
Changes in unrealized expenses/(revenues) for the period included in the statement of income	2,418	1,788

26. Derivative financial instruments

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

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

27. Transactions with related parties

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

Related parties	Relationship	Parent Company		Consolidated		Parent Company		Consolidated	
		Assets				Transacted amount			
		Jun-2020	Dec-2019	Jun-2020	Dec-2019	Jun-2020	Jun -2019	Jun-2020	Jun-2019
Receivables									
Special plans (i)									
Regimar Comercial S.A.	Stockholder/Family	11	22	11	22	38	46	38	46
Heliomar Ltda.	Stockholder/Board Member	3	1	3	1	12	6	12	6
Rodrigo Wright Pipponzi (Editora Mol Ltda.)	Stockholder/Family	-	-	-	-	-	3	-	3
Natura Cosméticos S.A. (ii)	Stockholder/Related party	109	138	109	138	693	712	693	712
4Bio Medicamentos S.A. (v)	Subsidiary	32	39	32	39	141	163	141	163
Subtotal		155	200	155	200	884	930	884	930
Other receivables from related parties									
Commercial agreements									
Natura Cosméticos S.A. (iii)	Stockholder/Related party	34	148	34	148	197	336	197	336
Advances to suppliers									
Cfly Consultoria e Gestão Empresarial Ltda. (iii)	Family	508	261	508	261	-	-	-	-
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire – Advogados (iv)	Stockholder/Family	65	90	65	90	-	-	-	-
Loan and other receivables									
4Bio Medicamentos S.A. (v)	Subsidiary	57,375	56,189	-	-	1,336	1,412	-	-
Subtotal		57,982	56,688	607	499	1,533	1,748	197	336
Total receivables from related parties		58,137	56,888	762	699	2,417	2,678	1,081	1,266

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

Related parties	Relationship	Parent Company		Consolidated		Parent Company		Consolidated	
		Liabilities				Transacted amount			
		Jun-2020	Dec-2019	Jun-2020	Dec-2019	Jun-2020	Jun -2019	Jun -2020	Jun -2019
Payables									
Rentals (ii)									
Heliomar Ltda.	Stockholder/Board Member	21	21	21	21	122	119	122	119
Antonio Carlos Pipponzi	Stockholder/Board Member	8	8	8	8	48	47	48	47
Rosalia Pipponzi Raia	Stockholder/Board Member	8	8	8	8	48	47	48	47
Cristiana Almeida Pipponzi	Stockholder/Board Member	3	3	3	3	16	16	16	16
André Ameida Pipponzi	Stockholder/Board Member	3	2	3	2	16	16	16	16
Marta Almeida Pipponzi	Stockholder/Board Member	2	2	2	2	16	16	16	16
Subtotal		45	44	45	44	266	261	266	261
Service providers									
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire Advogados (iv)	Stockholder/Family	0	1	0	1	2,725	4,951	2,725	4,951
Rodrigo Wright Pipponzi (Editora Mol Ltda.) (vii)	Stockholder/Family	1,034	1,972	1,034	1,972	4,809	5,390	4,809	5,390
Cfly Consultoria e Gestão Empresarial Ltda. (iii)	Family	160	154	160	154	1,157	1,159	1,157	1,159
FMA Assessoria e Consultoria (viii)	Stockholder/Board Member	-	-	-	-	-	40	-	40
Cristina Ribeiro Sobral Sarian (Anthea Consultoria Empresarial) (ix)	Stockholder/Board Member	-	-	-	-	250	-	250	-
Subtotal		1,194	2,127	1,194	2,127	8,941	11,540	8,941	11,540
Goods suppliers									
Natura Cosméticos S.A. (ii)	Stockholder / Related party	-	-	-	-	-	810	-	810
Subtotal		-	-	-	-	-	810	-	810
Total payables to related parties		1,239	2,171	1,239	2,171	9,207	12,611	9,207	12,611

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

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

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

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

(iv) Transaction related to Legal Advisory.

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

Other receivables comprises commissions on Raia Drogasil S.A. referrals (R\$ 188).

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

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

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

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

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

(b) Key management compensation

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

Compensation items	Parent Company		Consolidated	
	Jun-2020	Jun-2019	Jun-2020	Jun-2019
Fees and social charges	9,980	8,850	11,358	9,771
Bonuses and social charges	11,969	11,100	12,132	11,212
Fringe benefits	206	210	206	210
Total	22,155	20,160	23,696	21,193

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

28. Insurance coverage

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

The Group had the following insurance:

Insurance items	Parent Company		Consolidated	
	Jun-2020	Dec-2019	Jun-2020	Dec-2019
Inventory loss risks	382,850	361,907	454,928	420,223
Permanent assets	443,679	417,859	454,284	427,766
Loss of profits	63,020	242,556	166,333	335,743
Civil liability risks	38,424	38,424	40,000	40,000

29. Non-cash transactions

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

- (i) the restatement of the financial liability arising from payables to subsidiary's shareholder (Note 9);
- (ii) part of the compensation of key management personnel associated with the restricted share plan (Note 27);
- (iii) the installment purchase of property and equipment items in the amount of R\$ 9,964 (R\$ 11,926 - Dec/ 2019);
- (iv) recognition of lease liability with a balancing item in right-of-use asset, which additions of new agreements in the amount of R\$ 214,931 (R\$ 357,247 – Dec/2019), remeasurements of R\$ 164,907 (R\$ 60,290 – Dec/2019) and termination of agreements in the amount of (R\$ 8,338) (R\$ 5,553 – Dec/2019).

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020- RAIA DROGASIL S.A.

Comments on the Business Projection Performance

In this section, pursuant to CVM Instruction 480/09, we compare the store opening projections for the Company with the data on store openings actually conducted every year, until the end of the current year. The 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	240 openings
2020		240 openings	94 openings

¹ For 2020, accumulated until 3/31/2020.

On July 28, 2016, we revised the prior projection of 165 openings in 2016 and 195 openings in 2017 to 200 store openings for both years. The Company has ended 2019 with 240 store openings and reiterates the projection of 240 openings for 2020.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Reports and Statements / Report on Special Review - Without Exceptions

Report on review of quarterly information

The Shareholders and Officers

Raia Drogasil S.A.

São Paulo – SP - Brazil

Introduction

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

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

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Reports and Statements / Report on Special Review - Without Exceptions

Other matters

Statements of value added

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

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

The audit of the individual and consolidated statement of financial position as of December 31, 2019 and the review of the individual and consolidated interim financial information for the six-month period ended June, 2019, presented for comparison purposes, were conducted under the responsibility of other independent auditors, who issued unmodified audit and review reports thereon dated February 19, 2020 and August 6, 2019, respectively.

São Paulo, August 11, 2020.

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

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Opinions and Representations / Opinion of Supervisory Board or Equivalent Body

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

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

São Paulo, August 11, 2020.

Gilberto Lério
Supervisory Board member

Fernando Carvalho Braga
Supervisory Board member

Mário Antonio Luiz Corrêa
Supervisory Board member

Robert Juenemann
Supervisory Board member

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

Opinions and Representations / Officers' Representation on Financial Statements

RAIA DROGASIL S.A.

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

São Paulo, August 11, 2020.

Marcilio D'Amico Pousada
Chief Executive Officer

Fernando Kozel Varela
Officer

Antonio Carlos Coelho
Officer

Renato Cepollina Raduan
Officer

Eugênio De Zagottis
Officer

Maria Susana de Souza
Officer

Marcello De Zagottis
Officer

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2020 - RAIA DROGASIL S.A.

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

RAIA DROGASIL S.A.

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

São Paulo, August 11, 2020.

Marcilio D'Amico Pousada
Chief Executive Officer

Fernando Kozel Varela
Officer

Antonio Carlos Coelho
Officer

Renato Cepollina Raduan
Officer

Eugênio De Zagottis
Officer

Maria Susana de Souza
Officer

Marcello De Zagottis
Officer

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