ITR – Quarterly Information

RAIA DROGASIL S.A.

March 31, 2014

Contents

Company information – Capital breakdown

Number of shareholders (Units)	Current quarter 3/31/2014
Paid-in capital	
Common shares	330,386,000
Preferred shares	0
Total	330,386,000
Treasury	
Common shares	0
Preferred shares	0
Total	0

Company information – Cash proceeds

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

Individual quarterly information – Balance sheet – Assets

(In thousands of reais)

Account code	Account description	Current quarter 3/31/2014	Prior year 12/31/2013
1	Total assets	3,533,231	3,614,093
1.01	Current assets	1,813,989	1,903,575
1.01.01	Cash and cash equivalents	139,143	241,885
1.01.03	Accounts receivable	507,101	482,212
1.01.03.01	Trade accounts receivable	385,242	373,259
1.01.03.01.01	Checks receivable	5,497	5,870
1.01.03.01.02	Debit/credit cards	327,636	325,634
1.01.03.01.03	Medicine Benefit Program (PBM)	34,444	23,932
1.01.03.01.04	Agreements with companies	18,836	19,003
1.01.03.01.08	(-) Allowance for doubtful accounts	-1,171	-1,180
1.01.03.02	Other accounts receivable	121,859	108,953
1.01.03.02.01	Advances to employees	4,517	4,329
1.01.03.02.02	Returns to suppliers	20,299	20,608
1.01.03.02.03	Sales agreements	91,093	80,628
1.01.03.02.08	Other	5,950	3,388
1.01.04	Inventories	1,116,980	1,132,620
1.01.04.01	Goods for resale	1,133,241	1,150,175
1.01.04.02	Materials	7,621	8,626
1.01.04.03	(-) Provision for inventory losses	-23,882	-26,181
1.01.06	Taxes recoverable	34,191	38,658
1.01.06.01	Current taxes recoverable	34,191	38,658
1.01.07	Prepaid expenses	16,574	8,200
1.02	Non-current assets	1,719,242	1,710,518
1.02.01	Long-term receivables	24,416	23,350
1.02.01.03	Accounts receivable	341	355
1.02.01.03.02	Other accounts receivable	341	355
1.02.01.07	Prepaid expenses	531	373
1.02.01.09	Other noncurrent assets	23,544	22,622
1.02.01.09.04	Judicial deposits	10,992	10,763
1.02.01.09.05	Taxes recoverable	11,991	11,298
1.02.01.09.06	Court-ordered debt payments	561	561
1.02.03	Property and equipment	554,050	536,629
1.02.04	Intangible assets	1,140,776	1,150,539

Individual quarterly information – Balance sheet – Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 3/31/2014	Prior year 12/31/2013
2	Total liabilities	3,533,231	3,614,093
2.01	Current liabilities	908,480	1,020,004
2.01.01	Social and labor liabilities	127,748	116,352
2.01.01.01	Social obligations	31,349	32,051
2.01.01.02	Labor obligations	96,399	84,301
2.01.02	Trade accounts payable	548,706	671,455
2.01.02.01	Local suppliers	548,706	671,455
2.01.03	Tax obligations	52,801	65,920
2.01.03.01	Federal tax obligations	12,697	10,605
2.01.03.01.01	Income and social contribution taxes paid	685	1,963
2.01.03.01.02	Other federal tax obligations	12,012	8,642
2.01.03.02	State tax liabilities	38,164	54,547
2.01.03.03	Municipal tax liabilities	1,940	768
2.01.04	Loans and financing	97,601	83,944
2.01.04.01	Loans and financing	97,601	83,944
2.01.04.01.01	Local currency	97,601	83,944
2.01.05	Other liabilities	69,168	68,597
2.01.05.02	Other	69,168	68,597
2.01.05.02.01	Dividends and interest on equity payable	15,725	9,464
2.01.05.02.04	Rent	21,348	22,022
2.01.05.02.05	Key money	504	604
2.01.05.02.06	Other accounts payable	31,591	36,507
2.01.06	Provisions	12,456	13,736
2.01.06.01	Tax, social security, labor and civil provisions	4,928	5,005
2.01.06.01.01	Tax provisions	93	93
2.01.06.01.05	Provisions for contingencies	4,835	4,912
2.01.06.02	Other provisions	7,528	8,731
2.01.06.02.06	Provisions for sundry obligations	7,528	8,731
2.02	Noncurrent liabilities	276,367	267,106
2.02.01	Loans and financing	162,301	160,881
2.02.01.01	Loans and financing	162,301	160,881
2.02.01.01.01	Local currency	162,301	160,881
2.02.02	Other liabilities	4,015	4,224
2.02.02.02	Other	4,015	4,224
2.02.02.02.03	Tax recovery program	4,015	4,224
2.02.03	Deferred taxes	100,525	93,980
2.02.03.01	Deferred income and social contribution taxes	100,525	93,980
2.02.04	Provisions	9,526	8,021
2.02.04.01	Tax, social security, labor and civil provisions	9,526	8,021
2.02.04.01.05	Provisions for contingencies	9,526	8,021
2.03	Equity	2,348,384	2,326,983
2.03.01	Paid-in capital	908,639	908,639
2.03.02	Capital reserves	1,039,935	1,039,935
2.03.03	Valuation reserves	12,895	12,941
2.03.04	Income reserve	365,468	365,468
2.03.04.01	Legal reserve	14,375	14,375

Individual quarterly information – Balance sheet – Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 3/31/2014	Prior year 12/31/2013
2.03.04.02	Statutory reserve	342,795	342,795
2.03.04.08	Proposed additional dividend	8,298	8,298
2.03.05	Retained earnings (accumulated losses)	21,447	0

Individual financial statements – Income statements

(R$ thousands)

Account code	Account description	Accumulated in current year 01/01/2014 to 3/31/2014	Accumulated in prior year 01/01/2013 to 3/31/2013
3.01	Revenue from sale of products and/or services	1,658,694	1,388,442
3.01.01	Gross revenue from sale of products and/or services	1,718,910	1,438,405
3.01.02	Sales taxes	-49,806	-43,066
3.01.03	Discounts	-10,410	-6,897
3.02	Cost of goods sold and/or services rendered	-1,196,585	-1,007,501
3.03	Gross profit	462,109	380,941
3.04	Operating income/expenses	-419,780	-356,540
3.04.01	Selling expenses	-326,250	-266,660
3.04.02	General and administrative expenses	-92,180	-79,717
3.04.02.01	Administrative	-48,536	-43,652
3.04.02.03	Depreciation and amortization	-43,644	-36,065
3.04.05	Other operating expenses	-1,350	-10,163
3.04.05.01	One-off expenses	-1,350	-10,163
3.05	Income before financial income (expenses) and taxes	42,329	24,401
3.06	Financial income (expenses)	-1,692	-3,615
3.06.01	Financial income (expenses)	4,870	2,010
3.06.02	Financial expenses	-6,562	-5,625
3.07	Income before income taxes	40,637	20,786
3.08	Income and social contribution taxes	-11,506	-6,507
3.08.01	Current taxes	-4,937	14
3.08.02	Deferred taxes	-6,569	-6,521
3.09	Net income from continuing operations	29,131	14,279
3.11	Income/loss for the period	29,131	14,279
3.99	Earnings per share (Reais/Share)		
3.99.01	Basic earnings per share		
3.99.01.01	Common shares (ON)	0.08817	0.04322
3.99.02	Diluted earnings per share		
3.99.02.01	Common shares (ON)	0.08817	0.04322

Individual financial statements – Statements of other comprehensive income

(In thousands of reais)

Account code	Account description	Accumulated in the current year 01/01/2014 to 3/31/2014	Accumulated in the prior year 01/01/2013 to 3/31/2013
4.01	Net income for the period	29,131	14,279
4.03	Comprehensive income for the period	29,131	14,279

Individual financial statements – Cash flow statements – Indirect method

(In thousands of reais)

Account Code	Account description	Accumulated in the current year 01/01/2014 to 3/31/2014	Accumulated in the prior year 01/01/2013 to 3/312013
6.01	Net cash from operating activities	-58,682	6,699
6.01.01	Cash from operations	90,524	66,076
6.01.01.01	Net income before IR and CSLL	40,637	20,786
6.01.01.02	Depreciation and amortization	43,644	36,065
6.01.01.03	Gain from sale or disposal of P&E or intangible asset	1,137	859
6.01.01.04	Provision (reversal) for legal proceedings	1,691	1,218
6.01.01.05	Provision for inventory losses	-2,298	3,197
6.01.01.06	Allowance (reversal) for doubtful accounts	-587	-519
6.01.01.07	Interest expenses	6,300	4,470
6.01.02	Changes in assets and liabilities	-142,303	-51,644
6.01.02.01	Accounts receivable	-24,303	999
6.01.02.02	Inventories	17,940	62,731
6.01.02.03	Other current assets	-1,120	6,374
6.01.02.04	Assets under long-term receivables	-20,290	5,492
6.01.02.05	Trade accounts payable	-122,748	-119,123
6.01.02.06	Salaries and social charges	11,396	370
6.01.02.07	Taxes, charges and contributions	4,189	-2,582
6.01.02.08	Other liabilities	-6,693	-7,050
6.01.02.09	Rent payable	-674	1,145
6.01.03	Other	-6,903	-7,733
6.01.03.01	IR and social contribution payable	-6,903	-7,733
6.02	Net cash used in investing activities	-52,459	-51,949
6.02.01	Fixed and intangible acquisitions	-52,460	-51,992
6.02.02	Proceeds from disposal of P&E items	1	43
6.03	Net cash from financing activities	8,399	5,295
6.03.01	Financing raised	37,703	26,121
6.03.02	Payment of financing	-23,142	-16,831
6.03.03	Interest paid	-5,785	-3,996
6.03.04	Interest on equity and dividends paid	-377	1
6.05	Increase (decrease) in cash and cash equivalents	-102,742	-39,955
6.05.01	Opening balance of cash and cash equivalents	241,885	166,963
6.05.02	Closing balance of cash and cash equivalents	139,143	127,008

Individual financial statements – Statements of changes in equity (SCE) – 1/1/2014 to 3/31/2014

Account code	Account description	Capital paid-in	Capital reserves, options granted and treasury shares	Income reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	908,639	1,039,935	378,409	0	0	2,326,983
5.03	Adjusted opening balances	908,639	1,039,935	378,409	0	0	2,326,983
5.04	Capital transactions with shareholders	0	0	0	-7,730	0	-7,730
5.04.07	Interest on equity	0	0	0	-7,730	0	-7,730
5.05	Total comprehensive income	0	0	0	29,131	0	29,131
5.05.01	Net income for the period	0	0	0	29,131	0	29,131
5.06	Internal changes in equity	0	0	-46	46	0	0
5.06.02	Realization of valuation reserve	0	0	-70	70	0	0
5.06.03	Taxes on realization of valuation reserve	0	0	24	-24	0	0
5.07	Closing balances	908,639	1,039,935	378,363	21,447	0	2,348,384

Individual financial statements – Statements of changes in equity (SCE) – 1/1/2013 to 3/31/2013

Account Code	Account description	Capital paid in	Capital reserves, options granted and treasury shares	Income reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	908,639	1,039,935	316,085	0	0	2,264,659
5.03	Adjusted opening balances	908,639	1,039,935	316,085	0	0	2,264,659
5.04	Capital transactions with shareholders	0	0	0	-3,400	0	-3,400
5.04.07	Interest on equity	0	0	0	-3,400	0	-3,400
5.05	Total comprehensive income	0	0	0	14,279	0	14,279
5.05.01	Net income for the period	0	0	0	14,279	0	14,279
5.06	Internal changes in equity	0	0	-70	70	0	0
5.06.02	Realization of valuation reserve	0	0	-70	70	0	0
5.07	Closing balances	908,639	1,039,935	316,015	10,949	0	2,275,538

Individual financial statements – Statement of value added

(In thousands of reais)

Account Code	Account description	Accumulated in current years 01/01/2014 to 3/31/2014	Accumulated in prior year 01/01/2013 to 3/31/2013
7.01	Revenues	1,709,094	1,431,830
7.01.01	Sales of goods, products and services	1,708,506	1,431,479
7.01.02	Other revenues	1	-168
7.01.04	Provision/reversal of tax credits Doubtful accounts	587	519
7.02	Inputs acquired from third parties	-1,195,230	-1,015,750
7.02.01	Cost of products, goods and services sold Sold	-1,131,584	-946,769
7.02.02	Materials, energy, third-party services and other	-63,480	-68,411
7.02.03	Loss/recovery of asset values	-166	-570
7.03	Gross value added	513,864	416,080
7.04	Retentions	-43,644	-36,065
7.04.01	Depreciation, amortization and depletion	-43,644	-36,065
7.05	Net value added produced by the entity	470,220	380,015
7.06	Value added received in transfer	4,870	2,010
7.06.02	Financial income	4,870	2,010
7.07	Total value added to be distributed	475,090	382,025
7.08	Distribution of value added	475,090	382,025
7.08.01	Personnel	189,326	156,076
7.08.01.01	Direct compensation	147,884	129,915
7.08.01.02	Benefits	30,975	16,351
7.08.01.03	FGTS	10,467	9,810
7.08.02	Taxes, charges and contributions	166,107	136,985
7.08.02.01	Federal	70,773	47,861
7.08.02.02	State	93,450	86,783
7.08.02.03	Municipal	1,884	2,341
7.08.03	Debt remuneration	90,526	74,685
7.08.03.01	Interest	28,882	23,638
7.08.03.02	Rent	61,644	51,047
7.08.04	Equity remuneration	29,131	14,279
7.08.04.01	Interest on equity	7,730	3,400
7.08.04.03	Retained earnings/ accumulated losses for the period	21,401	10,879

EARNINGS RELEASE 1Q14

São Paulo, May 8th, 2014. RaiaDrogasil S.A. (BM&FBovespa: RADL3) announces today its results for the 1st quarter of 2014 (1Q14). The consolidated quarterly information of RaiaDrogasil S.A. for the period ended March 31st, 2014 was prepared in accordance with IFRS and was reviewed by our independent auditors in accordance with Brazilian and international standards of auditing. Such quarterly information was prepared in Reais and all growth rates are related to the same period of 2013.

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

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

HIGHLIGHTS:

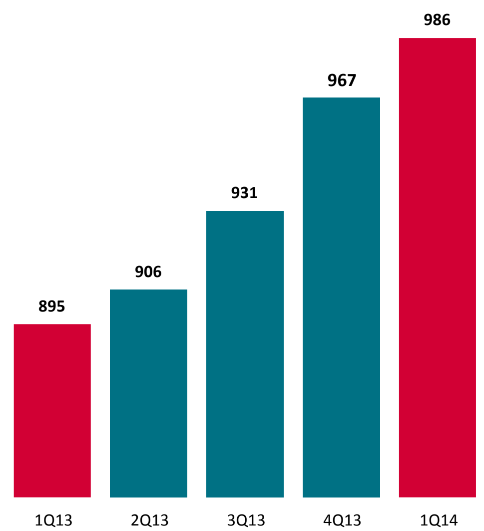
- **Drugstores: 986 stores in operation (18 openings and one closure)**
- **Gross Revenues: R$ 1.7 billion, 19.5% of growth (12.7% for same-store sales)**
- **Gross Margin: 26.9% of gross revenues, a 0.3 percentage point margin increase**
- **Adjusted EBITDA: R$ 87.3 million, an EBITDA margin of 5.1% and an increase of 31.9%**
- **Adjusted Net Income: R$ 40.7 million, a net margin of 2.4% and an increase of 53.7%**
- **Cash Flow: R$ 119.0 million negative free cash flow, R$ 117.8 million of total cash consumption**

Summary	1Q13	2Q13	3Q13	4Q13	1Q14
(R$ thousand)					
# of Stores (end of period)	895	906	931	967	986
Store Openings	36	25	29	41	18
Store Closures	(4)	(10)	(6)	(4)	(1)
Net Reopenings/(Suspensions)	(1)	(4)	2	(1)	2
# of Stores (average)	879	897	920	950	977
Head Count	20,274	21,195	21,268	21,482	21,578
Pharmacist Count	3,073	3,207	3,260	3,322	3,451
# of Tickets	30,958	33,596	34,567	34,803	34,078
Gross Revenues	1,438,405	1,604,091	1,682,958	1,738,649	1,718,910
Gross Profit (Adjusted)	382,340	433,760	451,785	464,412	462,109
% of Gross Revenues	26.6%	27.0%	26.8%	26.7%	26.9%
EBITDA (Adjusted)	66,165	103,472	90,791	96,607	87,323
% of Gross Revenues	4.6%	6.5%	5.4%	5.6%	5.1%
Net Income (Adjusted)	26,486	58,634	42,623	48,067	40,720
% of Gross Revenues	1.8%	3.7%	2.5%	2.8%	2.4%
Free Cash Flow	(82,990)	(34,819)	57,736	70,849	(118,953)

STORE DEVELOPMENT

We opened a total of 18 new stores and closed one, ending the quarter with 986 stores in operation, including the net opening of two stores that had been temporarily suspended for rebranding.

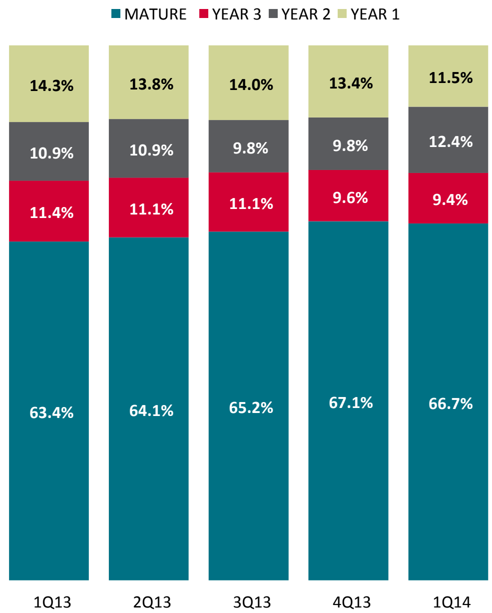
Store Count*



	1Q13	2Q13	3Q13	4Q13	1Q14
Opened	36	25	29	41	18
Closed	(4)	(10)	(6)	(4)	(1)
Reopened/(Suspended)	(1)	(4)	2	(1)	2

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

Age Structure of Store Portfolio



At the end of the period, 33.3% of our stores were still in the process of maturation, and had not yet reached their full potential in terms of revenues and profitability.

We reiterate our guidance of 130 gross openings, which will be more concentrated in the 2H14. Additionally, we are expanding further in the Northeast by entering in the state of Pernambuco already in May, with our first store in Recife, as well as in Sergipe and Alagoas, with stores in Aracaju and Maceió that shall be opened in the upcoming months.

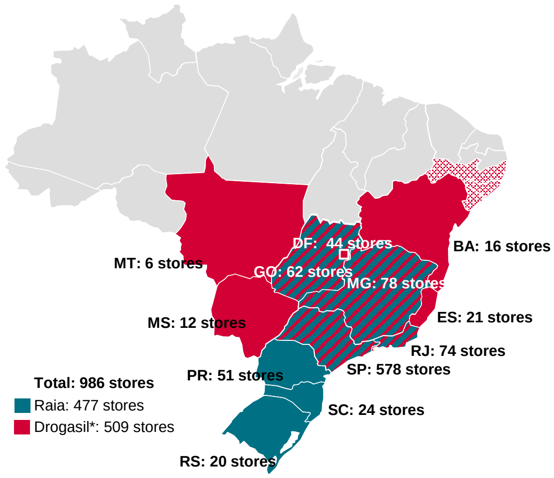
We ended the 1Q14 with a comparable market share of 9.4%, a 0.6 percentage point increase versus the previous year. Our market share figures have been adjusted by IMS Health in order to preserve historical comparability by excluding new informants who have been added to the panel during the last twelve months. Considering the inclusion of the new informants, our national market share totaled 9.1%.

Our main highlight was the Midwest region, where we recorded a 0.9 percentage point increase leveraged by the maturation of our acquired stores in Goiás as well as by a strong performance in the Federal District, in Mato Grosso and in Mato Grosso do Sul.

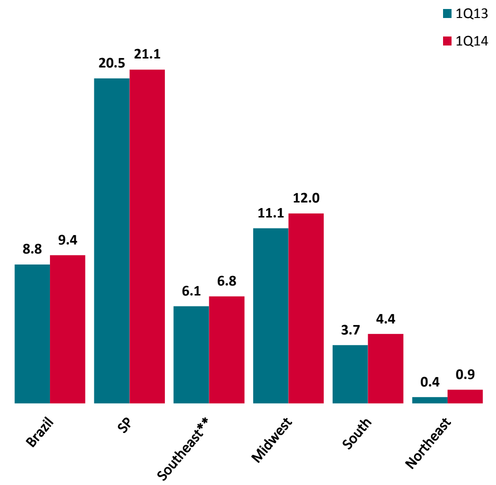
We also recorded a 0.7 percentage point gain in the South due to the store maturation in Paraná and in Santa Catarina, a 0.7 percentage point gain the Southeast (not including São Paulo), leveraged by our growth in Rio de Janeiro and in Espírito Santo, and 0.6 percentage point increase in São Paulo, leveraged by our organic expansion.

Finally, we gained 0.5 percentage point of market share in the Northeast through our growth in Bahia, the only state where we currently compete.

Geographic Presence



Market Share (March '14)***



PHARMACEUTICAL MARKET DISTRIBUTION BY REGION (MARCH '14)

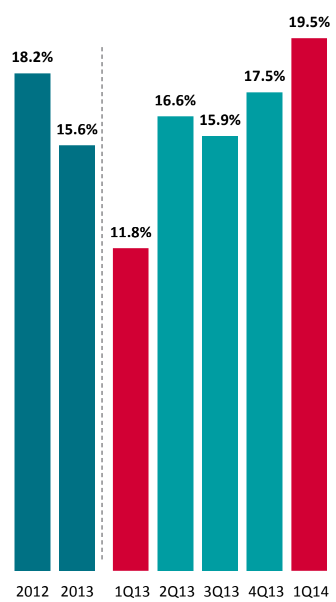
Brazil	SP	Southeast**	Midwest	South	Northeast
100.0%	27.3%	23.7%	8.9%	17.1%	17.9%

Source: IMS Health
* Includes Farmasil stores
** Excludes São Paulo
*** Comparable Market Share, excluding new informants added to the panel during the last twelve months. Our national market share including the full panel was of 9.1%

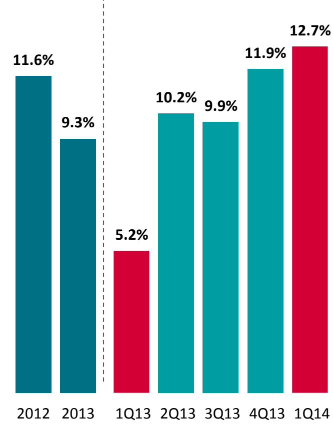
GROSS REVENUES

We ended the quarter with gross revenues of R$ 1,718.9 million, a 19.5% increase over 2013.

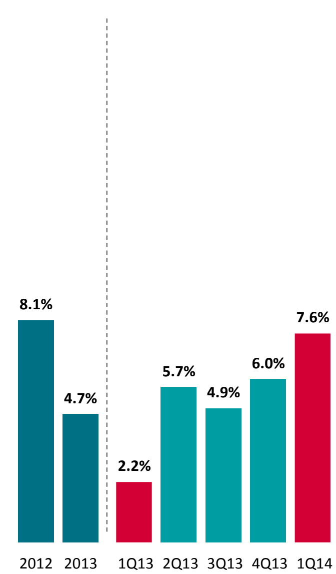
Growth – Total Sales



Growth – Same Store Sales



Growth – Mature Stores

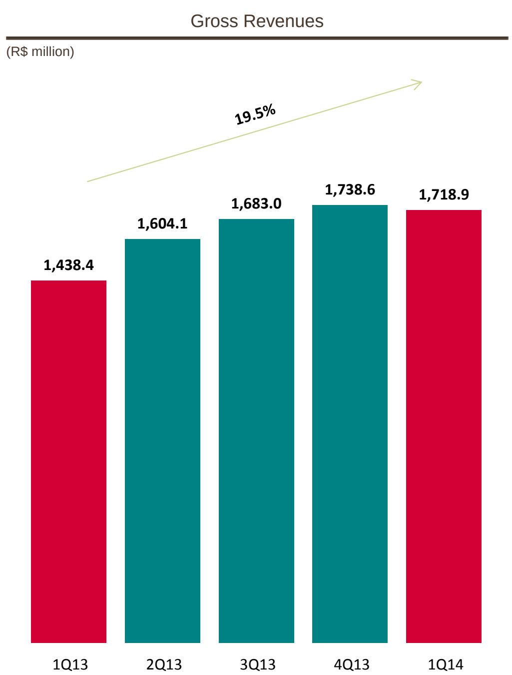


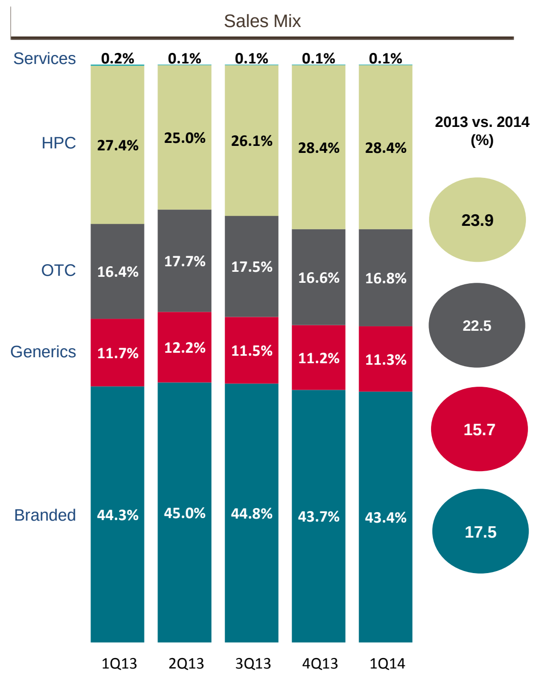
Excluding from the comp base the stores closed or temporarily suspended over the last twelve months, our revenues increased by 21.7%, an increase of 2.3 percentage points.

We had in the 1Q14 a significant improvement over the 1Q13, as we recorded a growth of 12.7% for our same-store sales and of 7.6% for our mature stores, approximately 1.4 percentage point above inflation. We experienced a positive calendar effect of 0.4% in the quarter when compared to the previous year.

It is important to mention that the growth recorded in the 1Q14 benefited from a very weak sales performance registered in the 1Q13, when mature stores had grown by only 2.2%. Additionally, we experienced the warmest January of the last 71 years, which boosted our HPC and overall sales and penalized our pharma growth.

As a result, HPC was the main highlight of the quarter by growing 23.9%, which amounted to an increase in the sales mix of 1.0 percentage point. The absence of new relevant launches has penalized the participation of generics in our sales mix when compared to the 1Q13 and maintained it in line with the previous quarters.

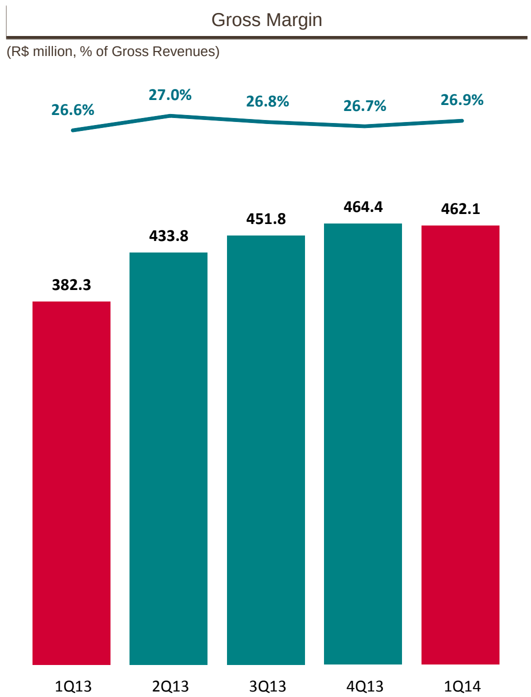




GROSS PROFIT

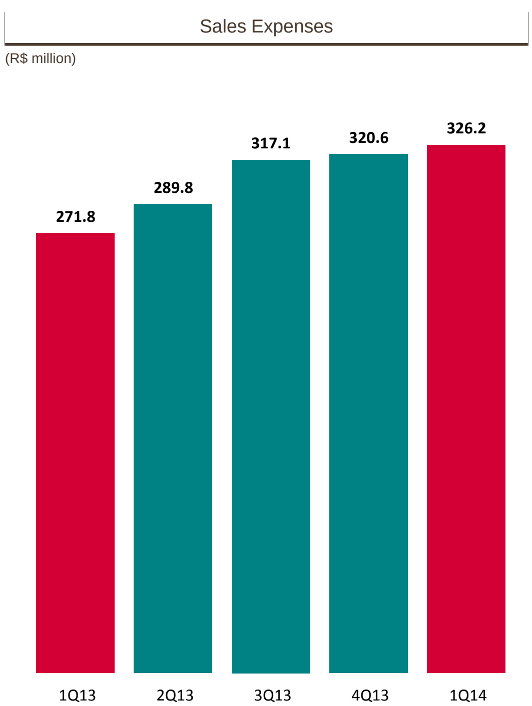
We achieved in the 1Q14 a gross margin of 26.9%, a 0.3 percentage point increase when compared to the previous year. The gross margin gain is primarily explained by a reduction in our tax burden arising from a change in tax regime that occurred in the 4Q13.

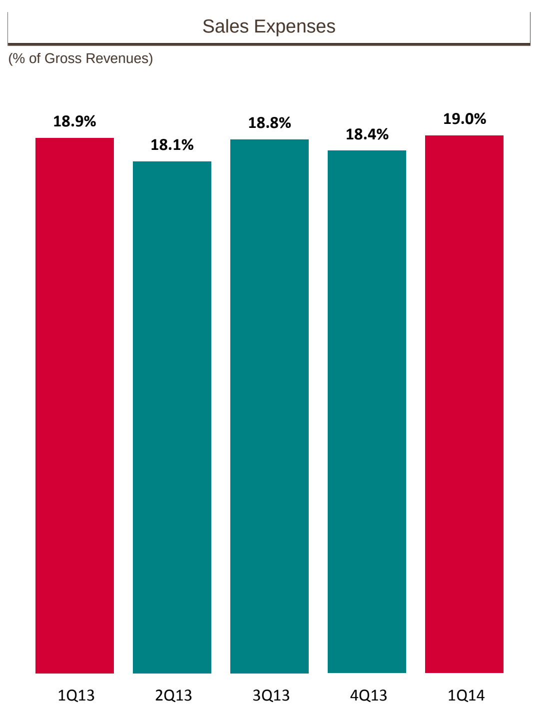
In December 2013, we returned to the tax substitution regime in São Paulo. As a result, we started to revert a gross margin loss of approximately 0.4 percentage point that had been recorded since the 3Q12, when the adoption of a special tax regime aimed at converting accumulated tax credit in excess of R$ 100 million into cash ended up increasing our tax burden. In the 1Q14, the recovery amounted to approximately 0.2 percentage point. We estimate that our gross margins will be fully recovered in the 2Q14 upon the full rotation of our inventories.



SALES EXPENSES

Sales expenses totaled R$ 326.2 million in the 1Q14, amounting to 19.0% of gross revenues.



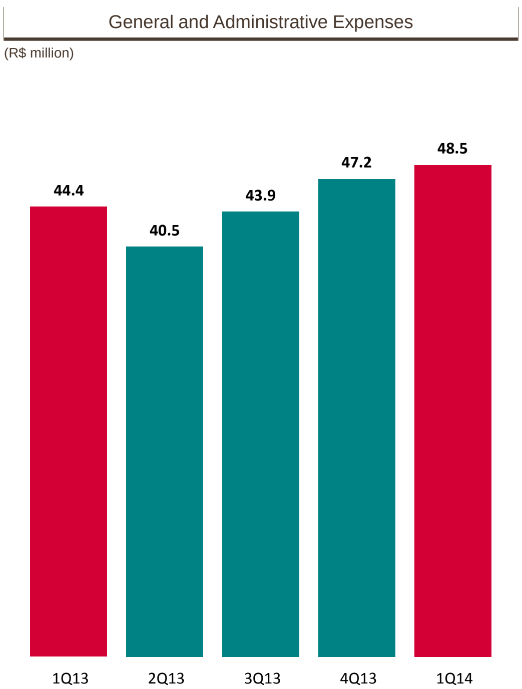


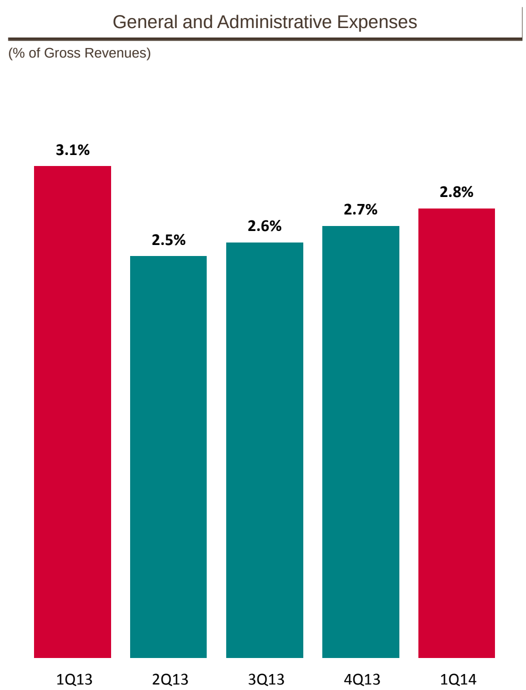
We experienced inflationary pressures of approximately 0.1 percentage point both on rentals and on labor, which were partially offset by a slower new store opening pace, which reduced the pressure from new stores by 0.1 percentage point. It is important to highlight that our mature store growth in the quarter exceeded inflation by approximately 1.4 percentage point, which had a significant impact in mitigating further inflationary pressures on sales expenses.

Finally, we opened only 18 new stores in the 1Q14 versus a total of 36 stores in the 1Q13, since 24 stores acquired in Goiás were opened in that quarter. This led to a dilution of 0.1 percentage point in the pre-operational expenses when compared to the same period of 2013 that is expected to be reverted during the year as our growth normalizes.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R$ 48.5 million in the 1Q14, equivalent to 2.8% of gross revenues, a 0.3 percentage point dilution when compared to the previous year.

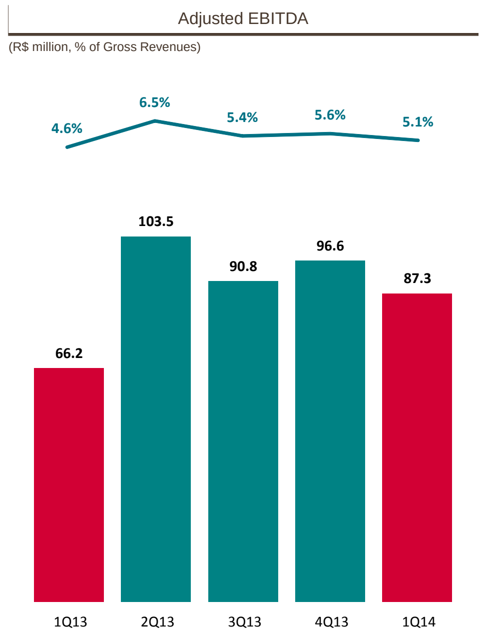




This expense dilution reflects the operating leverage achieved through the growth of our operations, which have been intensified since the formation of Raia Drogasil in the 4Q11, as our store portfolio increased by 27.1% while general and administrative expenses have remained constant in real terms due to back-office synergies achieved in our integration.

EBITDA

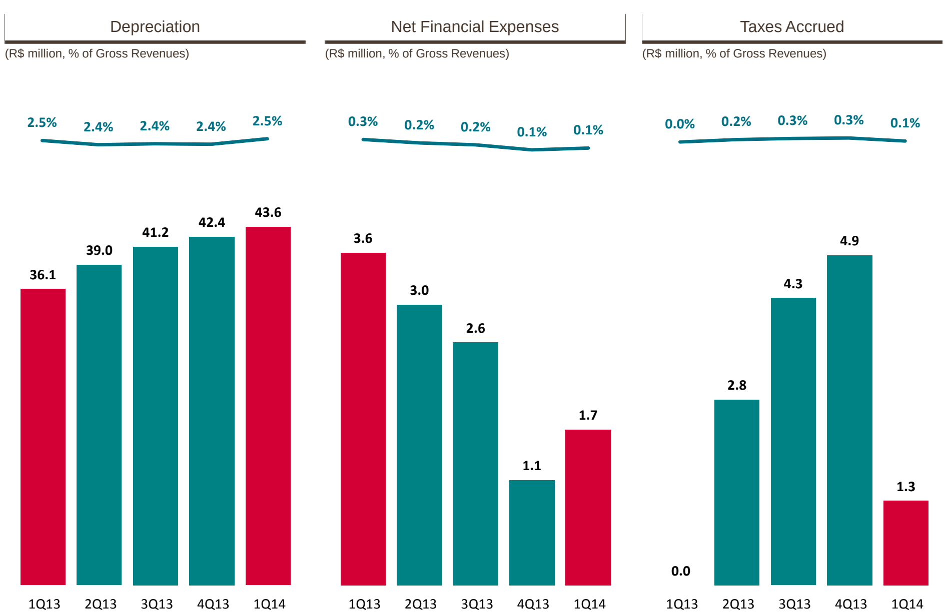
We recorded an EBITDA of R$ 87.3 million in the 1Q14, a 31.9% increase and a margin increase of 0.5 percentage point. The 0.1 percentage point increase in selling expenses was totally offset by a 0.3 percentage point increase in gross margins and by a 0.3 percentage point dilution in general and administrative expenses.



New stores opened in the year, as well as those that were already in the opening process, reduced the EBITDA by R$ 6.7 million in the 1Q14. Therefore, if we considered only the 968 stores in operation since the end of 2013 and the full absorption of logistics as well as of general and administrative expenses by such stores, our adjusted EBITDA would have totaled R$ 94.0 million, equivalent to an EBITDA margin of 5.5% over the respective gross revenues.

It is important to highlight that the EBITDA margin of the first quarter is not comparable with any other quarter, since the effects of vacation in January and of a shorter February penalizes our sales and our expense absorption.

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES



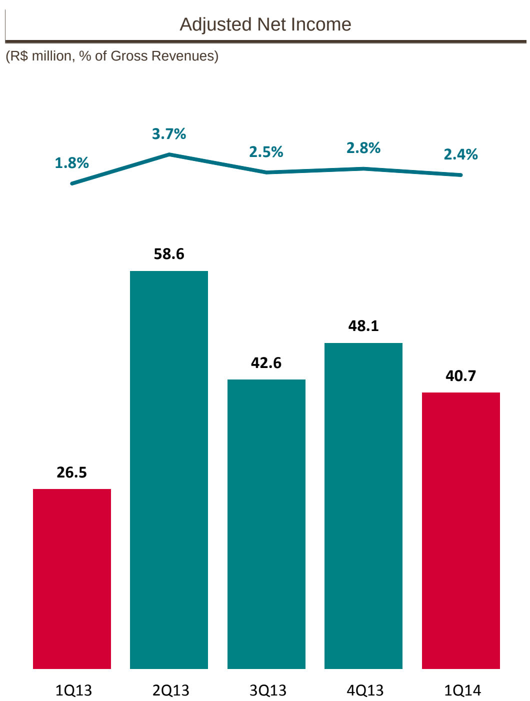
Depreciation expenses totaled R$ 43.6 million in the 1Q14, equivalent to 2.5% of gross revenues, in line with the same period of the previous year.

We recorded a reduction in net financial expenses of 0.2 percentage point due to a reduction in the quarter´s average net debt of approximately R$ 32.9 million (adjusted to reflect R$ 34.5 million of receivables discounted in the 1Q13) when compared to the same period of the previous year.

Although the tax shield from the goodwill amortization amounted R$ 10.7 million in the quarter compared to R$ 8.4 million in the 1Q13, the tax accrued was 0.1 percentage point higher, thus reflecting the improvement in our profitability when compared to the previous year.

ADJUSTED NET INCOME

In the 1Q14 we recorded an adjusted net income of R$ 40.7 million, a net margin of 2.4% and an increase of 53.6% over the 1Q13. Our lower financial expenses (0.2 percentage point) and the increase in our EBITDA margin (0.5 percentage point) have contributed to the improvement in our net margin.



Finally, our reported net income (after non-recurring expenses and not including the tax shield from goodwill amortization) increased 104.0% over the previous year.

NON-RECURRING EXPENSES

We incurred a total of R$ 1.4 million in non-recurring expenses in the quarter.

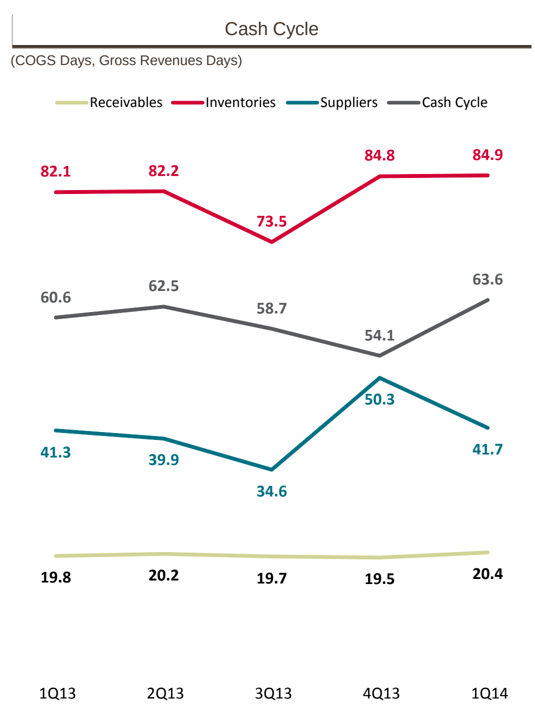
As we recovered Farmácia Popular licenses for all previously licensed Droga Raia stores and ceased to grant consumer subsidies and as we concluded our store portfolio optimization program as well as our management changes and the expenses arising from those initiatives, we achieved a significant reduction when compared to the level recorded in 2013, according to the table below:

Adjustments *(R$ million)*	1Q13	2Q13	3Q13	4Q13	1Q14
Integration Expenses	**(10.2)**	**(8.1)**	**(12.3)**	**(17.5)**	**(1.4)**
Legal and Accounting	(1.6)	(0.8)	(0.5)	(0.2)	0.0
Consulting	(0.7)	(1.9)	(0.7)	(3.7)	(0.7)
Store and Raia Office Closures	(2.2)	(1.6)	(4.4)	(7.3)	0.0
Farmácia Popular Program	(5.5)	(3.7)	(2.2)	(1.8)	0.0
Severance	(0.1)	(0.0)	(4.5)	(4.4)	0.0
System Integration	0.0	0.0	0.0	0.0	(0.6)
Expenses from Previous Years	**4.5**	**0.0**	**(7.8)**	**3.0**	**0.0**
Losses (Gains) from Previous Years	4.5	0.0	(7.8)	3.0	0.0
Total	**(5.7)**	**(5.7)**	**(20.2)**	**(14.5)**	**(1.4)**

In the 1Q14 we recorded R$ 0.7 million in consulting expenses related to the PMO (project management office) of our integration and R$ 0.6 million in various systems integration expenses related to the full roll-out of our corporate systems, that was concluded in February 28th, 2014.

We expect to maintain a low level of non-recurring expenses in the remaining quarters of 2014 as we plan to conclude the unification of our store IT platform by year-end.

CASH CYCLE



We ended the 1Q14 with an increase of 3.0 days when compared to the same period of the previous year. It is important to highlight that in the 1Q13 we discounted receivables to fulfill short-term financing needs, which artificially reduced our days of receivables by 2.2 days. Additionally, the return to the tax substitution regime in December, 2013 increased inventories by 4.5 days, due to the required payment of taxes on inventories.

Therefore, on a comparable basis, we recorded a reduction of 3.6 days when compared to 2013, reflecting efficiency gains in our inventory management.

CASH FLOW

In the 1Q14, we generated a negative free cash flow of R$ 119.0 million versus a negative R$ 83.0 million in the 1Q13. It is important to highlight that the first quarter always brings an unfavorable cash cycle seasonality, while the fourth quarter has the most favorable seasonality of the year, therefore resulting every year in a big cash outlay in the quarter.

Cash Flow *(R$ million)*	**1Q14**	**1Q13**
Adjusted EBIT	**43.7**	**30.1**
Non-Recurring Expenses	(1.4)	(5.7)
Income Tax (34%)	(14.4)	(8.3)
Taxshield from Goodwill Amortization	10.7	3.6
Depreciation	43.6	36.1
Others	(6.5)	(0.6)
Resources from Operations	**75.8**	**55.1**
Cash Cycle*	(129.1)	(55.4)
Discounted Receivables	-	(34.5)
Other Assets (Liabilities)	(13.2)	3.7
Operating Cash Flow	**(66.5)**	**(31.0)**
Investments	**(52.5)**	**(51.9)**
Free Cash Flow	**(119.0)**	**(83.0)**
Interest on Equity	(0.4)	0.0
Net Financial Expenses	(1.7)	(3.6)
Income Tax (Tax benefit over financial expenses and interest on equity)	3.2	2.4
Total Cash Flow	**(117.8)**	**(84.2)**

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

** Does not include financing cash flow

*** Net debt of R$ 25.2 million at the end of the 4Q12 and of R$ 109.4 million on the 1Q13, considering as debt the R$ 34.5 million of the receivables discounted

Resources from operations amounted to R$ 75.8 million, equivalent to 4.4% of our gross revenues, while working capital employed totaled R$ 142.3 million, resulting in a negative operating cash flow of R$ 66.5 million in the period.

Fixed asset investments amounted to R$ 52.5 million versus R$ 51.9 million in the same period of 2013, including R$ 35.1 million in new store openings, R$ 7.9 million in existing stores renovation, and R$ 9.5 million in infrastructure.

We employed a total cash flow, including net financial expenses and interest on own equity, of R$ 117.8 million in the 1Q14, versus a cash consumption of R$ 84.2 million recorded in 2013. We booked R$ 1.7 million in net financial expenses and paid R$ 0.4 million in interest on equity, which were offset by the respective tax shield of R$ 3.2 million in the period.

The higher cash consumption in 2014 (both for the Free Cash Flow and for the Total Cash Flow) is due to mainly to a much stronger comp base of the 4Q13 when compared to the one of the 4Q12.

Finally, we accrued R$ 7.7 million in interest on own equity in in the quarter.

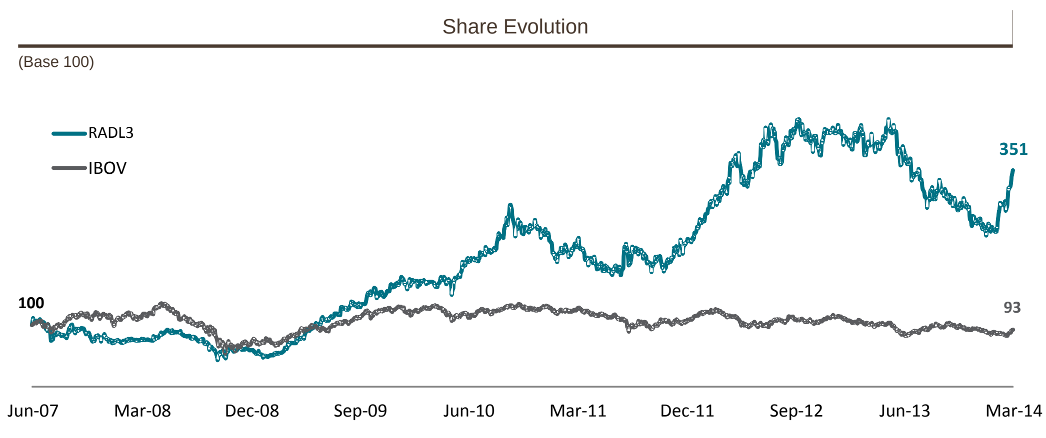
INDEBTEDNESS

At the end of the quarter our net debt amounted to R$ 120.8 million versus R$ 109.4 million in the same period of the previous year (including the receivables discounted in the 1Q13).

Our total gross debt totaled R$ 259.9 million, of which 100% is comprised by BNDES (Brazilian Economic and Social Development Bank) lines. Of our total indebtedness, 62.4% is long-term and 37.6% relates to the short-term parcels of our long-term debt. We ended the quarter with a total cash position (cash and marketable securities) of R$ 139.1 million.

CAPITAL MARKETS

Considering our share price on March 31st of R$ 19.63, we have posted a return of 32.8% in the year, 34.9 percentage points above the IBOVESPA, that was down by 2.1% over the same period.



In the 1Q14, our average daily trading volume was of R$ 24.8 million.

Since the IPO of Drogasil, we achieved a cumulative increase of 250.5% when compared to a negative return of 7.3% of the IBOVESPA over the same period, a compound annual return of 20.1% in the period.

Considering the IPO of Raia in December of 2010, the cumulative return in the period amounted to 87.4% when compared to a decrease of 25.8% by the IBOVESPA, a compounded annual return of 21.0%. These figures do not include dividends and interest on own capital paid over the period.

Adjusted Income Statement	**1Q13**	**1Q14**
(R$ thousand)		
Gross Revenues	**1,438,405**	**1,718,910**
Taxes, Discounts and Returns	(49,963)	(60,216)
Net Revenues	**1,388,441**	**1,658,694**
Cost of Goods Sold	(1,006,102)	(1,196,585)
Gross Profit	**382,340**	**462,109**
Operational (Expenses) Revenues		
Sales	(271,761)	(326,250)
General and Administrative	(44,414)	(48,536)
Other Operational Expenses, Net		
Operational Expenses	**(316,175)**	**(374,785)**
EBITDA	**66,165**	**87,323**
Depreciation and Amortization	(36,065)	(43,644)
Operational Earnings before Financial Results	**30,100**	**43,679**
Financial Expenses	(5,625)	(6,562)
Financial Revenues	2,010	4,870
Financial Expenses/Revenues	**(3,614)**	**(1,692)**
Earnings before Income Tax and Social Charges	**26,486**	**41,988**
Income Tax and Social Charges	0	(1,267)
Net Income	**26,486**	**40,720**

Income Statement	**1Q13**	**1Q14**
(R$ thousand)		
Gross Revenues	**1,438,405**	**1,718,910**
Taxes, Discounts and Returns	(49,963)	(60,216)
Net Revenues	**1,388,442**	**1,658,694**
Cost of Goods Sold	(1,007,501)	(1,196,585)
Gross Profit	**380,941**	**462,109**
Operational (Expenses) Revenues		
Sales	(266,660)	(326,250)
General and Administrative	(43,652)	(48,536)
Other Operational Expenses, Net	(10,163)	(1,350)
Operational Expenses	**(320,475)**	**(376,136)**
EBITDA	**60,466**	**85,973**
Depreciation and Amortization	(36,065)	(43,644)
Operational Earnings before Financial Results	**24,401**	**42,329**
Financial Expenses	(5,625)	(6,562)
Financial Revenues	2,010	4,870
Financial Expenses/Revenues	**(3,615)**	**(1,692)**
Earnings before Income Tax and Social Charges	**20,786**	**40,637**
Income Tax and Social Charges	(6,507)	(11,506)
Net Income	**14,279**	**29,131**

Assets	**1Q13**	**1T14**
(R$ thousand)		
Current Assets		
Cash and Cash Equivalents	127,007	139,143
Accounts Receivable	313,176	385,242
Inventories	907,468	1,116,979
Taxes Receivable	82,370	34,191
Other Accounts Receivable	138,885	121,859
Following Fiscal Year Expenses	12,578	16,574
	1,581,484	1,813,988
Non-Current Assets		
Deposit in Court	10,782	10,992
Taxes Receivable	10,223	12,552
Other Credits	1,146	872
Property, Plant and Equipment	475,099	554,050
Intangible	1,164,348	1,140,776
	1,661,599	1,719,243
ASSETS	3,243,082	3,533,231

Liabilities and Shareholder's Equity	**1Q13**	**1Q14**
(R$ thousand)		
Current		
Suppliers	456,464	548,706
Loans and Financing	61,551	97,601
Salaries and Social Charges Payable	93,267	127,748
Taxes Payable	36,772	52,800
Dividend and Interest on Equity	8,378	15,725
Provision for Lawsuits	4,396	4,835
Other Accounts Payable	79,352	61,064
	740,179	908,480
Non-Current Assets		
Loans and Financing	140,386	162,301
Provision for Lawsuits	9,765	9,526
Income Tax and Social Charges deferred	70,542	100,525
Other Accounts Payable	6,673	4,015
	227,365	276,367
Shareholder's Equity		
Common Stock	908,639	908,639
Capital Reserves	1,039,935	1,039,935
Revaluation Reserve	13,057	12,895
Income Reserves	294,720	357,169
Accrued Income	10,949	21,447
Additional Dividend Proposed	8,237	8,298
	2,275,538	2,348,384
LIABILITIES AND SHAREHOLDERS' EQUITY	3,243,082	3,533,231

	1Q13	1Q14
Cash Flow		
Earnings before Income Tax and Social Charges	**20,786**	**40,637**
Adjustments		
Depreciations and Amortization	36,065	43,644
P,P&E and Intangible Assets residual value	859	1,137
Provisioned Lawsuits	1,218	1,691
Provisioned Inventories Loss	3,197	(2,298)
Allowance for Doubtful Accounts	(519)	(587)
Interest Expenses	4,470	6,300
	66,076	**90,524**
Assets and Liabilities variation		
Accounts Receivable	999	(24,303)
Inventories	62,731	17,940
Other Short Term Assets	6,374	(1,120)
Long Term Assets	5,492	(20,290)
Suppliers	(119,123)	(122,748)
Salaries and Social Charges	370	11,396
Taxes Payable	(2,582)	4,189
Other Liabilities	(7,050)	(6,693)
Rent Payable	1,145	(674)
Cash from Operations	**14,432**	**(51,779)**
Income Tax and Social Charges Paid	(7,733)	(6,903)
Net Cash from (invested) Operational Activities	**6,699**	**(58,682)**
Investment Activities Cash Flow		
P,P&E and Intangible Acquisitions	(51,992)	(52,460)
P,P&E Sale Payments	43	1
Net Cash from Investment Activities	**(51,949)**	**(52,459)**
Financing Activities Cash Flow		
Funding	26,121	37,703
Payments	(16,831)	(23,142)
Interest Paid	(3,996)	(5,785)
Interest on Equity and Dividends Paid	1	(377)
Net Cash from Funding Activities	**5,295**	**8,399**
Cash and Cash Equivalents net increase	**(39,955)**	**(102,742)**
Cash and Cash Equivalents in the beggining of the period	**166,963**	**241,885**
Cash and Cash Equivalents in the end of the period	**127,008**	**139,143**

Notes to interim financial statements

1. Operations

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

The Company is primarily engaged in retail sales of medications, perfumery, personal care and beauty products, cosmetics and dermocosmetics. Sales are carried out by 986 stores located in the states of São Paulo, Minas Gerais, Rio de Janeiro, Goiás, Paraná, Distrito Federal, Santa Catarina, Rio Grande do Sul, Espírito Santo, Bahia, Mato Grosso do Sul and Mato Grosso as follows:

	March 2014
São Paulo	**578**
Minas Gerais	**78**
Rio de Janeiro	**74**
Goiás	**62**
Paraná	**51**
Distrito Federal	**44**
Santa Catarina	**24**
Espírito Santo	**21**
Rio Grande do Sul	**20**
Bahia	**16**
Mato Grosso do Sul	**12**
Mato Grosso	**6**
	986 (*)

(*) The number of stores does not form part of our audit scope.

2. Presentation of the quarterly information

Individual quarterly information was approved by the Executive Board on May 7, 2013.

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

The Company’s quarterly information for the periods ended March 31, 2014 and 2013 were prepared and are being presented in accordance with accounting pronouncement CPC 21 (R1) (interim financial statements) in accordance with the provisions included in the Circular/CVM/SNC/SEP 003/2011 dated April 28, 2011.

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

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

The Company adopted all standards, amendments of standards and interpretations issued by the CPC in force at March 31, 2014.

3. New accounting standards, amendments and interpretations

For the period ended March 31, 2014, CPC pronouncements and interpretations still not in force up to the Company's quarterly information reporting date are disclosed in Note 3 of the financial statements for the year ended December 31, 2013.

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

4. Summary of significant accounting practices

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

5. Cash and cash equivalents

	March 2014	**December 2013**
Cash and cash equivalents	**35,245**	37,875
Bank deposit certificate	**84,895**	64,181
Secured debentures	**19,003**	109,100
Time deposit with special guarantee of the Credit Guarantee Fund (FGC)		30,729
	139,143	241,885

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

6. Trade accounts receivable

The aging list of trade accounts receivable is as follows:

	March 2014	**December 2013**
Falling due	**375,804**	365,350
Past due between:		
1 - 30 days	**7,828**	7,570
31 - 60 days	**1,312**	340
61 - 90 days	**73**	347
91 - 180 days	**391**	577
181 - 360 days	**757**	160
Over 360 days	**248**	95
Allowance for doubtful accounts	**(1,171)**	(1,180)
	385,242	373,259

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

Changes in allowance for doubtful accounts are as follows:

	March 2014	December 2013
Opening balance	**(1,180)**	(738)
Additions	**(3,046)**	(3,175)
Reversals	**3,055**	2,733
Closing balance	**(1,171)**	(1,180)

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

7. Inventories

	March 2014	December 2013
Goods for resale	**1,133,241**	1,150,176
Materials	**7,621**	8,624
Inventory valuation allowance	**(23,882)**	(26,180)
Total inventories	**1,116,980**	1,132,620

The Company inventories are stated at average cost.

Changes in provision for inventory losses are as follows:

	March 2014	December 2013
Opening balance	**(26,180)**	(10,913)
Additions	**(3,810)**	(26,937)
Reversals	**6,108**	11,670
Closing balance	**(23,882)**	(26,180)

Cost of goods sold referring to continued operations recognized in P&L for the quarter ended March 31, 2014 was R$1,179,439 (R$ 990,661 in the 1^{st} quarter of 2013).

The amount of inventory losses recognized as losses in the quarter amounted to R$17,146 ($1^{st}$ quarter 2013 – R$16,840) recognized in the cost of goods sold.

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

8. Taxes recoverable

	March 2014	December 2013
Current		
State VAT (ICMS) - credit balance	**5,349**	8,322
ICMS - Refund of ICMS withheld in advance (CAT Ruling 17/99)	**21,978**	22,234
ICMS on acquisition of property and equipment	**3,685**	3,725
ICMS - Other	**104**	205
Contribution tax on gross revenue for social integration program (PIS)	**1**	1
Social Contribution Tax on Gross Revenues for Social Security Financing (COFINS)	**2**	2
Withholding Income Tax (IRRF)	**1,869**	3,642
Corporate Income Tax (IRPJ)	**676**	
Social contribution tax on net profit (CSLL)	**527**	527
	34,191	38,658
Noncurrent		
ICMS on acquisition of property and equipment	**11,991**	11,298
Social Security Funding Tax (FINSOCIAL) - 1982 - securities issued to cover court-ordered debts	**561**	561
	12,552	11,859
Total	**46,743**	50,517

Notes to interim financial statements

The ICMS credits amounting to R$5,349 and R$ 21,978 (Dec/2013 – R$8,322 and R$22,234) arise from the differentiated rates applicable to ICMS-ST (tax substitution) refund in goods receipt and shipment operations conducted by its distribution centers in São Paulo and Paraná States to supply its branches located in other Brazilian states.

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

Notes to interim financial statements

9. Property and equipment and intangible assets

a) Property and equipment

Changes in the Company property and equipment are as follows:

	Land	Buildings	Furniture, fixtures and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Refits and store modernization	Total
Cost								
Balance at December 31, 2013	27,725	42,053	264,236	122,745	21,200	381,174	10,979	870,112
Additions			12,016	5,161	1,566	28,490		47.233
Transfers			(16,998)	17,066		(68)		
Disposals			(792)	(2,118)	(74)	(3,584)		(6,568)
Balances at March 31, 2014	27,725	42,053	258,462	142,854	22,692	406,012	10,979	910,777
Accumulated depreciation								
Average annual depreciation rates (%)		2,5 - 2,7	7,4 - 10	7,1 - 15,8	20 - 23,7	17 - 21,6	20	
Balance at December 31, 2013		(16,596)	(103,362)	(57,035)	(11,878)	(138,296)	(6,316)	(333,483)
Additions		(279)	(5,777)	(3,523)	(969)	(17,874)	(546)	(28,968)
Transfers			4,948	(4,983)		35		
Disposals			545	1,985	64	3,130		5.724
Balances at March 31, 2014		(16,875)	(103,646)	(63,556)	(12,783)	(153,005)	(6,862)	(356,727)
Net balance								
At December 31, 2013	27,725	25,457	160,874	65,710	9,322	242,878	4,663	536,629
At March 31, 2014	27,725	25,178	154,816	79,298	9,909	253,007	4,117	554,050

Notes to interim financial statements

b) Intangible assets

Changes in the Company intangible assets are as follows:

	Point of sale	and implementation of systems	Goodwill on the acquisition of company (Vison)	Goodwill on the acquisition of company (Raia S.A.)	Trademarks	Customer portfolio	Other intangible assets	Total
Cost								
Balance at December 31, 2013	230,207	64,985	22,275	780,084	151,700	41,700	4,440	1,295,391
Additions	2,912	1,949					366	5,227
Disposals	(795)	(5)					(3)	(803)
Balances at March 31, 2014	232,324	66,929	22,275	780,084	151,700	41,700	4,803	1,299,815
Accumulated amortization								
Average annual amortization rates (%)	17 - 23,4	20	Infinite useful life	Infinite useful life	Infinite useful life	6,7 - 25	20	
Balance at December 31, 2013	(85,733)	(36,164)	(2,387)			(19,847)	(721)	(144,852)
Additions	(9,892)	(2,420)				(2,290)	(74)	(14,676)
Disposals	484	5						489
Balances at March 31, 2014	(95,141)	(38,579)	(2,387)			(22,137)	(795)	(159,039)
Net balance								
At December 31, 2013	144,474	28,821	19,888	780,084	151,700	21,853	3,719	1,150,539
At March 31, 2014	137,183	28,350	19,888	780,084	151,700	19,563	4,008	1,140,776

Notes to interim financial statements

c) Goodwill on acquisition of Drogaria Vison Ltda.

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

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

d) Goodwill on acquisition of Raia S.A.

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

10. Loans and financing

Financing for acquisition of	Average long-term interest rate	March 2014	December 2013
BNDES – FINAME			
Ventures	TJLP + 3.70% (+ 3.70% in Dec/2013) p.a.	**66**	266
BNDES – FINEM			
Ventures	TJLP + 2.79% (+ 2.76% in Dec/2013) p.a.	**11,984**	16,298
Ventures	IPCA + 7.49% + 1.55% (+7.51% + 1.46% - Dec/ 2013) p.a.	**11,396**	17,734
Machinery and equipment	TJLP + 2.21% (+ 2.07% in Dec/2013) p.a.	**522**	816
BNDES – Sub-credit			
Ventures	TJLP + 2.88% (+ 3.04% in Dec/2013) p.a.	**130,799**	106,168
Ventures	SELIC + 2.37% (+ 2.37% in Dec/2012) p.a.	**32,808**	33,552
Machinery, equipment and vehicles	Floating 3.29% (3.18% - Dec 2013) p.a.	**17,962**	11,568
Machinery, equipment and vehicles	TJLP + 1.79% (+ 1.79% in Dec/2013) p.a.	**2,307**	2,524
Working capital	TJLP + 4.15% (+ 4.15% in Dec/2013) p.a.	**3,442**	4,017
Working capital	SELIC + 3.07% (+ 3.07% in Dec/2012) p.a.	**48,616**	51,882
		259,902	244,825
Current liabilities		**(97,601)**	(83,944)
Noncurrent liabilities		**162,301**	160,881

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

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

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

The Company is a party to the financing with BNDES, substantially taken out under sub-credits, totaling R$239,100 (Dec/2013 – R$214,206) subject to the fulfillment of two covenants:

(i) Adjusted EBITDA margin (adjusted EBITDA/net operating revenue): equal or superior to 3.6%; and

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

Notes to interim financial statements

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

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

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

Long-term amounts have the following payment flows:

	March 2014
2015	**65,045**
2016	**54,018**
2017	**31,778**
2018	**11,460**
	162,301

11. Provision for legal proceedings and judicial deposits

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

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

	March 2014	December 2013
Labor and social security	**14,317**	12,668
Tax	**468**	457
Civil	**4,831**	4,801
	19,616	17,926
Corresponding judicial deposits	**(5.255)**	(4.993)
Total	**14.361**	12.933
Current liabilities	**(4.835)**	(4.912)
Noncurrent liabilities	**9.526**	8.021

Changes in provisions are as follows:

	March 2014	December 2013
Opening balance	**12,933**	13,850
Additions	**2,427**	8,681
Write-offs	**(1,003)**	(4,650)
Revaluation of amounts	**(720)**	(4,295)
Monetary restatement	**986**	3,120
Appeal-related deposits	**(262)**	(3,773)
Closing balance	**14,361**	12,933

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

Possible loss

At March 31, 2014 and December 31, 2013, the Company is a party to tax, civil and labor claims, whose likelihood of loss is estimated as possible by management and its legal advisors, amounting to R$45,098 (Dec/2013 – R$41,417).

Notes to interim financial statements

Judicial deposits

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

	March 2014	December 2013
Labor and social security	**3,304**	3,005
Tax	**7,065**	7,135
Civil	**623**	623
Total	**10,992**	10,763

Labor contingencies

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

Tax contingencies

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

Civil contingencies

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

12. Income and social contribution taxes

a) Effective income and social contribution taxes

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

	1Q14	1Q13
Income before income and social contribution taxes	40,637	20,786
Interest on equity	(7,730)	(3,400)
Taxable profit	32,907	17,386
Combined rate (income tax – 25% and social contribution tax – 9%)	34	34
Theoretical expenses	(11,188)	(5,911)
Permanent additions	(387)	(518)
Other	69	(78)
Effective income and social contribution tax expenses	(11,506)	(6,507)
Effective rate (%)	28.3	31.3

b) Deferred income and social contribution taxes

Deferred income and social contribution tax assets amounting to R$43,360 at March 31, 2014 (Dec/2013 – R$38,314) derive from temporarily nondeductible expenses, to which statute of limitations is not applicable and with realization provided for by item (c) below.

Notes to interim financial statements

Deferred income and social contribution tax liabilities amounting to R$ 143,885 at March 31, 2014 (Dec/2013 - R$ 132,294) comprise the tax charges levied on the remaining balances: (i) the revaluation reserve; (ii) goodwill on future profitability.

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

	Balance sheet		P&L	
	March 2014	December2013	1Q 2014	1Q 2013
Revaluation at fair value of land and buildings	(7,425)	(7,449)		
Amortization of goodwill on future profitability	(64,830)	(51,842)	(12,988)	(10,973)
Appreciation of intangible assets – Raia S.A. acquisition	(71,630)	(73,003)	1,373	1,373
Other	348	(1,969)	2,317	(75)
Provision for contingencies	6,669	6,095	574	483
Allowance for doubtful accounts	2,099	1,590	509	(19)
Provision for bonuses				(2,506)
Provision for officers' bonuses	2,312	1,636	676	(244)
Provision for internal campaigns	717	523	194	130
Provision for obsolete inventories	9,673	8,900	773	1,088
Provision for employees' profit sharing	2,773	2,955	(182)	(1,119)
Goodwill on profitability of Drogaria Vison Ltda.	365	365		
Sundry provisions	3,307	5,191	(1,884)	74
Tax losses to be offset against future taxable profits	8,790	5,934	2,855	6,708
Provision for extraordinary expenses	712	101	611	(1,193)
Provision for losses on loans to employees				1,150
Tax benefit from goodwill on merger	5,595	6,993	(1,398)	(1,398)
Deferred income and social contribution tax expense (revenue)			(6,569)	(6,521)
Deferred tax assets (liabilities), net	(100,525)	(93,980)		

Reconciliation of deferred tax assets (liabilities), net	**March 2014**	**Dec 2013**
Opening balance	**(93,980)**	(64,021)
Taxable revenue / (expense) recognized in the income statement	**(6,569)**	(30,055)
Tax expense recognized in equity	**24**	96
Closing balance	**(100,525)**	(93,980)

c) Estimated recovery of income and social contribution tax credits

Projections on future taxable profits take into consideration estimates relating to Company performance, as well as the behavior of the market in which the Company operates and certain economic aspects, among others. Actual results may differ from the estimates adopted. In accordance with these projections, tax credit amounting to R$43,360 will be fully realized until the end of 2014.

d) Brazilian IRS Revenue Procedure (IN RFB) No. 1397 of November 12, 2013 (Provisional Executive Order No. 627)

On September 17, 2013 and November 12, 2013, respectively, Brazilian IRS (RFB) Revenue Procedure No. 1397 (IN 1.397) and Provisional Executive Order (MP) No. 627 were published, to: (i) repeal the Transition Tax Regime (RTT) as from 2015 and create a new tax model; (ii) amend Decree Law No. 1598/77 with respect to income tax calculation for legal entities and to the legislation concerning social contribution on net profit. The new tax regime instituted by MP No. 627 is effective as from 2014, for entities electing to adopt such model. Worth stressing, among the provisions of MP No. 627, those that address the distribution of profits and dividends, interest on equity calculation base and the equity pickup calculation criterion while RTT remains effective.

Notes to interim financial statements

The Company analyzed the potential effects of MP No. 627 and IN No. 1397 and concluded that these effects are immaterial on Company operations and quarterly information as at March 31, 2014, based on our best understanding of referred to MP. A possible signing into law of MP No. 627 may result in a change in our conclusion. The Company awaits any amendments to MP No. 627 in order to decide on its elective adoption as from 2014.

13. Earnings per share

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

	1Q14	1Q13
Basic		
Net income	29,131	14,279
Weighted average number of common shares	330,386	330,386
Earnings per share (R$) - basic	**0.08817**	**0.04322**
Diluted		
Net income	29,131	14,279
Weighted average number of common shares	330,386	330,386
Weighted average number of common shares adjusted by dilution effect	330,386	330,386
Earnings per share (R$) – diluted	**0.08817**	**0.04322**

14. Equity

At March 31, 2014, fully paid-in capital of R$908,639 was divided into 330,386,000 registered common book shares with no par value, 192,489,980 of which were outstanding (192,804,770 at December 31, 2013).

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

Changes in the number of outstanding shares are as follows:

	Outstanding shares
At December 31, 2013	192,804,770
Purchase of shares through exercise of the stock option plan	(314,790)
At March 31, 2014	192,489,980

At March 31, 2014, Company common shares were quoted at R$ 19.63 (closing price).

15. Net sales revenue

	1Q14	1Q13
Gross sales revenue		
Sales revenue	1,716,662	1,436,131
Service revenue	2,248	2,274
	1,718,910	1,438,405
Sales taxes	(49,806)	(43,066)
Sales returns	(10,410)	(6,897)
Net sales revenue	1,658,694	1,388,442

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

Notes to interim financial statements

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

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

	1Q14	1Q13
Cost of sales	(1.196.585)	(1.007.501)
Personnel expenses	(225.473)	(179.425)
Service provider expenses	(17.898)	(17.212)
Depreciation and amortization	(43.644)	(36.065)
Other (i)	(131.415)	(113.675)
	(1.615.015)	(1.353.878)

Classified in the income statement as:

	1Q14	1Q13
Cost of sales	(1.196.585)	(1.007.501)
Selling expenses	(326.250)	(266.660)
General and administrative expenses	(48.536)	(43.652)
Depreciation and amortization	(43.644)	(36.065)
	(1.615.015)	(1.353.878)

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

17. Other operating expenses

Other operating expenses in the first quarter of 2014 totaled R$1,350 (1Q13 – R$10,163). These amounts comprise nonrecurring expenses, most of which was generated in Company merger process and due to bonuses paid to management members.

18. Financial income and expenses

a) Financial income

	1Q14	1Q13
Discounts obtained	97	198
Gains from (losses on) short-term investments	4,619	1,647
Interest received	8	127
Monetary variation gains	143	37
Other financial income	3	1
Total financial income	4,870	2,010

c) Financial expenses

	1Q14	1Q13
Discounts granted – customers		(3)
Interest, charges and bank fees	(217)	(1,052)
Loan and financing charges	(6,300)	(4,473)
Monetary variation losses	(45)	(97)
Total financial expenses	(6,562)	(5,625)
Financial income (expenses)	(1,692)	(3,615)

Notes to interim financial statements

19. Procedural guarantees

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

	March 2014	December 2013
Furniture and facilities	99	108
Machinery and equipment	125	126
	224	234

20. Lease agreement commitments

The Company has entered into lease agreements with terms ranging from one to twenty years. Lease expenses vary depending on the number of stores opened. Total monthly expenses on these lease agreements (including lease, condo fees and Property Tax – IPTU) were R$20,375 (Dec/2013 – R$19,163) for the Company.

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

From:	March 2014	December 2013
1 to 12 months	170,585	165,421
13 to 60 months	413,754	401,971
Over 60 months	156,693	159,110
	741,032	726,502

21. Financial instruments and risk management policy

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

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

Financial assets

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

	March 2014	December 2013
Fair value through profit or loss - held for trading		
Cash and cash equivalents (Note 5)	139,143	241,885
	139,143	241,885
Receivables		
Trade accounts receivable (Note 6)	385,242	373,259
Other accounts receivable	121,859	108,953
	507,101	482,212
Total	646,244	724,097

Notes to interim financial statements

Financial liabilities

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

	March 2014	December 2013
Other financial liabilities		
Trade accounts payable	548,706	671,455
Loans and financing (Note 10)	259,902	244,825
Other accounts payable	65,079	72,181
Total	873,687	988,461

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

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

a) Market risk

Currency risk

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

Interest rate risk

The Company is exposed to interest rate risk, basically referring to obligations subject to rate variation. The understanding of Company management is that the sole risk to which the Company is exposed refers to the mismatch between BNDES financing (R$11,396) in IPCA + interest and investments in CDI.

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

Notes to quarterly information

b) Credit risk

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

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

The granting of credit upon sales of goods follows a policy that aims at minimizing default. For the period ended March 31, 2014, credit sales represented 48%, 88% of which refer to credit card sales that, in the opinion of the Company and based on historical losses, pose extremely low risk. The remaining 12%, which are credits from Drug Benefit Programs (PBMs), special plans with companies and postdated checks pose low risk, due to customer selectivity and adoption of individual limits.

Notes to interim financial statements

c) Liquidity risk

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

d) Sensitivity analysis

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

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

Operation	Risk	Scenario I (probable)	Scenario II	Scenario III
Short-term investments - CDI	0.5% increase	519	649	779
Revenue		519	649	779
BNDES financing (IPCA + interest)	1% mismatch	114	143	171
REFIS (SELIC rate)	0.5% increase	8	11	13
Expenses		122	154	184

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

e) Capital management

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

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

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

	March 2014	December 2013
Financing	259,902	244,825
Cash and cash equivalents	(139,143)	(241,885)
Net debt	120,759	2,940
Equity	2,348,384	2,326,983
Financial leverage ratio (%)	5.14	0.13

f) Fair value estimate

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

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

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

22. Derivative financial instruments

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

Notes to interim financial statements

23. Transactions with related parties

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

	Relationship	Current assets		Revenue	
		March 2014	Dec 2013	1Q14	1Q13
Receivables					
Agreements (i)					
Regimar Comercial S.A.	Shareholder/Family	6	9	13	13
Heliomar S.A.	Shareholder/Board member	1	1	2	2
		7	10	15	15
Lease of store space (i)					
Enox Publicidade S.A.	Shareholder/Board member				25
					25
		7	10	15	40

Notes to interim financial statements

	Relationship	Current liabilities		Expenses	
		March 2014	Dec-2013	1Q14	1Q13
Payables					
Rent (ii)	Shareholder/Board member				
Heliomar S.A.	Shareholder/Board member	15	13	41	38
	Shareholder/Board member				
Antonio Carlos Pipponzi	Shareholder/Board member	5	5	17	17
Rosalia Pipponzi Raia		5	5	17	17
Estate of Franco Maria David Pietro Pipponzi	Shareholder/Family	5	5	17	17
	Shareholder/Family	30	28	92	89
Service providers (ii)					
Capullo Publicidade Ltda.	Shareholder/Family			79	95
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire – Advogados	Shareholder/Family	19	45	673	496
Obra do Berço Association					
(Literat Editora Ltda.) (iii)	Shareholder/Family			210	210
Rodrigo Wright Pipponzi					
(Editora Mol Ltda.) (iii)	Shareholder/Family	70	131	932	1,701
		89	176	1.894	2.502
		119	204	1,986	2,591

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

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

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

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

b) Key management personnel compensation

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

	1Q14	**1Q13**
Fees and social charges	2,651	2,306
Bonuses and social charges	7,726	6,003
Reversal of provision for bonuses	(2,869)	(3,144)
	7,508	5,165

24. Insurance coverage

The Company adopts the policy of taking out insurance coverage in amounts deemed sufficient by management to cover any losses on assets or civil liability attributed thereto. Considering the nature of its activities and the guidance of its insurance advisors, at March 31, 2014, the Company maintains the following insurance coverage:

	March 2014	**December 2013**
Inventory loss risk	115,535	106,878
Permanent asset items	114,466	121,522
Loss of profits	74,917	24,100
Civil liability risks	14,410	12,423
	319,328	264,923

25. Noncash transactions

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

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

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

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

Introduction

We have reviewed the interim financial information contained in the Quarterly Information Form (ITR) of Raia Drogasil S.A. ("Company") as of March 31, 2014, comprising the balance sheet as of March 31, 2014 and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, and other explanatory notes.

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

Scope of the review

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

Conclusion on interim financial information

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

Other matters

Statements of value added

We have also reviewed the Statements of Value Added for the three-month period ended March 31, 2014, prepared under the responsibility of Company management, the presentation of which in the interim information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information (ITR). This statement has been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, consistently with the overall interim financial statements.

São Paulo, May 7, 2014.

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

Alexandre Rubio	Patricia Nakano Ferreira
Accountant CRC-1SP223361/O-2	Accountant CRC-1SP234620/O-4

Notes to interim financial statements

Opinions and Representations – Report of Audit Committee or Equivalent Body

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

The Company's Supervisory Board, in exercise of its duties and legal responsibilities, has examined the Quarterly Financial Information (ITR), for the quarter ended March 31, 2014. Based on the examination carried out, clarification provided by management, and also considering the favorable and unqualified Special Review Report from Independent Auditor Ernst & Young Auditores Independentes, the Supervisory Board members concluded that the documents above are fairly presented, in all material respects.

São Paulo, May 7, 2014.

Gilberto Lério
Supervisory Board member

Fernando Carvalho Braga
Supervisory Board member

Mário Antonio Luiz Corrêa
Supervisory Board member

Notes to interim financial statements

Opinions and Representations – Officers' Representation on Financial Statements

Raia Drogasil S.A.

In accordance with article 25, paragraph 1st, items V and VI, of CVM Rule No. 480/09, Company officers represent that they have reviewed, discussed and agreed upon the Quarterly Financial Information (ITR) for the quarter ended March 31, 2014.

São Paulo, May 7, 2014.

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Marcilio Pousada

Chief Executive Officer

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Antonio Carlos Coelho

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

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Antonio Carlos de Freitas – Director

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Eugênio De Zagottis – Director

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Fernando Varela – Director

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Marcello De Zagottis – Director

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Renato Cepollina Raduan – Director

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Rosângela Lutti – Director

Notes to interim financial statements

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

Raia Drogasil S.A.

In accordance with article 25, paragraph 1st, items V and VI, of CVM Rule No. 480/09, Company officers represent that they have reviewed, discussed and agreed upon the unqualified opinion expressed in the Independent Auditor's Special Review Report referring to the Quarterly Financial Information (ITR) for the quarter ended March 31, 2014.

São Paulo, May 7, 2014.

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Marcilio Pousada

Chief Executive Officer

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Antonio Carlos Coelho

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

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Antonio Carlos de Freitas – Director

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Eugênio De Zagottis – Director

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Fernando Varela – Director

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Marcello De Zagottis – Director

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Renato Cepollina Raduan – Director

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Rosângela Lutti – Director