

(A free translation of the original in Portuguese)

Raia Drogasil S.A.
Quarterly Information (ITR) at
June 30, 2017
and report on review of
quarterly information

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

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Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Company information/capital composition

Number of shares (units)	Current quarter 6/30/2017
Paid-up share capital	
Common shares	330,386,000
Preferred shares	0
Total	330,386,000
Treasury shares	
Common shares	674,154
Preferred shares	0
Total	674,154

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Quarterly information (ITR) - 6/30/2017 - 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	3/21/2017	Interest on capital	12/1/2017	Common		0.15468
Board of Directors' Meeting	6/21/2017	Interest on capital	12/1/2017	Common		0.14861

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Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Parent company financial information/balance sheet - assets

(R\$ thousand)

Code	Description	Current quarter 6/30/2017	Prior year 12/31/2016
1	Total assets	5,912,081	5,572,454
1.01	Current assets	3,561,073	3,350,002
1.01.01	Cash and cash equivalents	321,140	273,095
1.01.03	Trade receivables	913,592	834,552
1.01.03.01	Customers	738,445	713,841
1.01.03.01.01	Checks receivable	1,927	2,241
1.01.03.01.02	Credit and debit cards	668,172	648,987
1.01.03.01.03	PBM – Medicine benefit program	50,264	41,975
1.01.03.01.04	Agreements with companies	21,539	23,226
1.01.03.01.05	Bank slips/ Online transfer	21	24
1.01.03.01.06	(-) Provision for impairment of trade receivables	-3,478	-2,612
1.01.03.02	Other receivables	175,147	120,711
1.01.03.02.01	Advances to employees	11,151	7,392
1.01.03.02.02	Returns to suppliers	3,543	7,692
1.01.03.02.03	Commercial agreements	109,203	74,154
1.01.03.02.04	Loan receivable	36,863	16,099
1.01.03.02.05	Other	14,387	15,374
1.01.04	Inventory	2,213,180	2,118,428
1.01.04.01	Goods for resale	2,223,785	2,126,550
1.01.04.02	Materials	1,604	2,043
1.01.04.03	(-) Allowance for losses on goods	-12,209	-10,165
1.01.06	Taxes recoverable	86,043	111,513
1.01.06.01	Current taxes recoverable	86,043	111,513
1.01.06.01.01	Taxes on profit	0	11,950
1.01.06.01.02	Other taxes recoverable	86,043	99,563
1.01.07	Prepaid expenses	27,118	12,414
1.02	Non-current assets	2,351,008	2,222,452
1.02.01	Long term receivables	61,987	50,858
1.02.01.03	Trade receivables	2,469	334
1.02.01.03.02	Other receivables	2,469	334
1.02.01.07	Prepaid expenses	5,176	4,553
1.02.01.09	Other non-current assets	54,342	45,971
1.02.01.09.03	Judicial deposits	26,474	23,007
1.02.01.09.04	Taxes recoverable	27,868	22,964
1.02.02	Investments	30,671	29,424
1.02.02.01	Equity interests	30,671	29,424
1.02.02.01.02	Interests in subsidiaries	30,671	29,424
1.02.03	Property and equipment	1,112,579	1,004,891
1.02.04	Intangible assets	1,145,771	1,137,279

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Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Parent company financial information/balance sheet - liabilities and equity

(R\$ thousand)

Code	Description	Current quarter 6/30/2017	Prior year 12/31/2016
2	Total liabilities and equity	5,912,081	5,572,454
2.01	Current liabilities	2,127,865	2,127,912
2.01.01	Social security and labor obligations	220,785	196,600
2.01.01.01	Social security obligations	35,957	37,814
2.01.01.02	Labor obligations	184,828	158,786
2.01.02	Trade payables	1,338,156	1,564,787
2.01.02.01	Domestic suppliers	1,338,156	1,564,787
2.01.03	Tax obligations	114,124	95,088
2.01.03.01	Federal tax obligations	67,758	47,749
2.01.03.01.01	Income tax and social contribution payable	5,058	0
2.01.03.01.02	Other federal tax obligations	62,700	47,749
2.01.03.02	State tax obligations	43,911	44,062
2.01.03.03	Municipal tax obligations	2,455	3,277
2.01.04	Borrowing	240,625	131,804
2.01.04.01	Borrowing	179,625	131,804
2.01.04.01.01	In local currency	179,625	131,804
2.01.04.02	Debentures	61,000	0
2.01.04.02.01	Debentures	61,000	0
2.01.05	Other obligations	190,080	118,228
2.01.05.02	Other	190,080	118,228
2.01.05.02.01	Dividends and interest on capital	87,626	25,546
2.01.05.02.04	Rentals	58,522	56,290
2.01.05.02.05	Other payables	43,932	36,392
2.01.06	Provision	24,095	21,405
2.01.06.01	Provision for tax, social security, labor and civil contingencies	4,337	93
2.01.06.01.01	Tax provision	93	93
2.01.06.01.05	Provision for legal claims	4,244	0
2.01.06.02	Other provisions	19,758	21,312
2.01.06.02.04	Provisions for sundry obligations	19,758	21,312
2.02	Non-current liabilities	788,156	534,755
2.02.01	Borrowing	513,039	281,387
2.02.01.01	Borrowing	268,973	281,387
2.02.01.01.01	In local currency	268,973	281,387
2.02.01.02	Debentures	244,066	0
2.02.01.02.01	Debentures	244,066	0
2.02.02	Other obligations	64,451	60,959
2.02.02.01	Payables to related parties	49,965	45,228
2.02.02.01.02	Payables to subsidiaries	49,965	45,228
2.02.02.02	Other	14,486	15,731
2.02.02.02.03	Tax recovery program (REFIS)	14,486	15,731
2.02.03	Deferred taxes	201,973	189,818
2.02.03.01	Deferred income tax and social contribution	201,973	189,818
2.02.04	Provision	8,693	2,591
2.02.04.01	Provision for tax, social security, labor and civil contingencies	8,693	2,591
2.02.04.01.05	Provision for legal claims	8,693	2,591
2.03	Equity	2,996,060	2,909,787
2.03.01	Paid-up share capital	1,808,639	1,808,639
2.03.02	Capital reserves	144,731	138,553
2.03.03	Revaluation reserves	12,290	12,383
2.03.04	Revenue reserves	919,118	980,442
2.03.04.01	Legal reserve	64,839	64,839
2.03.04.02	Statutory reserve	854,279	854,279
2.03.04.08	Proposed additional dividends	0	61,324
2.03.05	Retained earnings (accumulated deficit)	141,512	0
2.03.06	Carrying value adjustments	-30,230	-30,230

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Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Parent company financial information/statement of income

(R\$ thousand)

Code	Description	Current quarter 4/1/2017 to 6/30/2017	Accumulated - current year 1/1/2017 to 6/30/2016	Same quarter of prior year 4/1/2016 to 6/30/2016	Accumulated - prior year 4/1/2016 to 6/30/2016
3.01	Net sales revenue	3,115,694	6,063,992	2,700,102	5,149,426
3.01.01	Gross sales revenue	3,266,267	6,360,588	2,840,976	5,411,174
3.01.02	Taxes on sales	-115,264	-225,833	-103,160	-195,652
3.01.03	Rebates	-35,309	-70,763	-37,714	-66,096
3.02	Cost of sales and/or services	-2,130,255	-4,169,764	-1,790,306	-3,491,471
3.03	Gross profit	985,439	1,894,228	909,796	1,657,955
3.04	Operating income/expenses	-768,163	-1,514,317	-676,446	-1,295,708
3.04.01	Selling expenses	-608,332	-1,199,463	-541,631	-1,038,099
3.04.02	General and administrative expenses	-160,429	-313,470	-136,998	-259,951
3.04.02.01	Administrative expenses	-79,446	-155,481	-70,845	-131,453
3.04.02.02	Depreciation and amortization	-80,983	-157,989	-66,153	-128,498
3.04.05	Other operating expenses	0	-2,160	0	0
3.04.05.01	Extraordinary expenses	0	-2,160	0	0
3.04.06	Equity in the results of investees	598	776	2,183	2,342
3.05	Profit before finance results and taxes	217,276	379,911	233,350	362,247
3.06	Finance results	-27,893	-56,191	-23,628	-40,076
3.06.01	Finance income	27,564	54,745	22,422	47,218
3.06.02	Finance costs	-55,457	-110,936	-46,050	-87,294
3.07	Profit before income tax and social contribution	189,383	323,720	209,722	322,171
3.08	Income tax and social contribution	-51,902	-82,383	-54,441	-76,889
3.08.01	Current	-45,973	-70,180	-56,144	-69,152
3.08.02	Deferred	-5,929	-12,203	1,703	-7,737
3.09	Profit (loss) from continuing operations	137,481	241,337	155,281	245,282
3.11	Profit/loss for the period	137,481	241,337	155,281	245,282
3.99	Earnings per share - (Reais/share)				
3.99.01	Basic earnings per share - R\$				
3.99.01.01	Common shares	0.41668	0.73144	0.47101	0.74400
3.99.02	Diluted earnings per share - R\$				
3.99.02.01	Common shares	0.41668	0.73144	0.47101	0.74400

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Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Parent company financial information/statement of comprehensive income

(R\$ thousand)

Code	Description	Current quarter 4/1/2017 to 6/30/2017	Accumulated - current year 1/1/2017 to 6/30/2017	Same quarter of prior year 4/1/2016 to 6/30/2016	Accumulated - prior year 1/1/2016 to 6/30/2016
4.01	Profit for the period	137,481	241,337	155,281	245,282
4.03	Comprehensive income for the period	137,481	241,337	155,281	245,282

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Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

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

(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 6/30/2017	Accumulated - prior year 1/1/2016 to 6/30/2016
6.01	Net cash provided by operating activities	121,432	63,777
6.01.01	Cash from operations	537,514	477,900
6.01.01.01	Profit before income tax and social contribution	323,720	322,171
6.01.01.02	Depreciation and amortization	157,989	128,498
6.01.01.03	Share-based compensation plan, net	6,178	4,882
6.01.01.04	Interest on additional stock option	4,737	3,002
6.01.01.05	Result on disposal of property and equipment and intangible assets	2,686	782
6.01.01.06	Provision for legal claims	9,023	2,772
6.01.01.07	(Reversal) provision for inventory losses	2,044	-5,587
6.01.01.08	Provision for impairment of trade receivables	793	830
6.01.01.09	(Reversal) provision for store closures	-553	4,818
6.01.01.10	Interest expenses	31,613	18,074
6.01.01.11	Amortization of transaction cost of debentures	60	0
6.01.01.12	Equity in results of investees	-776	-2,342
6.01.02	Changes in assets and liabilities	-352,779	-348,060
6.01.02.01	Trade receivables and other receivables	-59,060	-100,217
6.01.02.02	Inventory	-96,796	-114,359
6.01.02.03	Other current assets	10,868	-34,347
6.01.02.04	Long term receivables	-11,129	-7,921
6.01.02.05	Trade payables	-215,778	-139,105
6.01.02.06	Salaries and social charges	24,185	43,551
6.01.02.07	Taxes and contributions	-13,377	-12,686
6.01.02.08	Other liabilities	6,076	12,544
6.01.02.09	Rentals payable	2,232	4,480
6.01.03	Other	-63,303	-66,063
6.01.03.01	Interest paid	-11,524	-9,657
6.01.03.02	Income tax and social contribution paid	-51,779	-56,406
6.02	Net cash used in investing activities	-308,514	-225,083
6.02.01	Purchases of property and equipment and intangible assets	-287,850	-210,982
6.02.02	Proceeds from sale of property and equipment	566	436
6.02.03	Loans granted to subsidiaries	-21,230	-14,537
6.03	Net cash used in financing activities	235,127	-48,833
6.03.01	Borrowing	373,365	71,224
6.03.02	Repayments of borrowing	-53,040	-48,568
6.03.03	Interest on capital and dividends paid	-85,198	-71,489
6.05	Increase (decrease) in cash and cash equivalents	48,045	-210,139
6.05.01	Cash and cash equivalents at the beginning of the period	273,095	264,549
6.05.02	Cash and cash equivalents at the end of the period	321,140	54,410

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Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Parent company financial information/statement of changes in equity - 1/1/2017 to 6/30/2017

(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	138,553	992,825	0	-30,230	2,909,787
5.03	Adjusted opening balance	1,808,639	138,553	992,825	0	-30,230	2,909,787
5.04	Equity transactions with owners	0	6,178	-61,324	-99,918	0	-155,064
5.04.07	Interest on capital	0	0	0	-100,000	0	-100,000
5.04.08	Interest on capital of 2017 approved at the AGM of March 29, 2017	0	0	-61,324	0	0	-61,324
5.04.09	Interest on capital prescribed	0	0	0	82	0	82
5.04.10	Restricted share plan – Vesting period	0	6,178	0	0	0	6,178
5.04.11	Restricted share plan – Delivery	0	-4,863	0	0	0	-4,863
5.04.12	Goodwill on sale of shares	0	1,382	0	0	0	1,382
5.04.13	Treasury shares – Delivery	0	3,481	0	0	0	3,481
5.05	Total comprehensive income	0	0	0	241,337	0	241,337
5.05.01	Profit for the period	0	0	0	241,337	0	241,337
5.06	Internal changes in equity	0	0	-93	93	0	0
5.06.02	Realization of revaluation reserve	0	0	-141	141	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	48	-48	0	0
5.07	Closing balance	1,808,639	144,731	931,408	141,512	-30,230	2,996,060

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Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Parent company financial information/statement of changes in equity - 1/1/2016 to 6/30/2016

(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	128,767	726,633	0	-30,230	2,633,809
5.03	Adjusted opening balance	1,808,639	128,767	726,633	0	-30,230	2,633,809
5.04	Equity transactions with owners	0	7,455	-48,243	-95,445	0	-136,233
5.04.07	Interest on capital	0	0	0	-95,500	0	-95,500
5.04.08	Interest on capital of 2015 approved at the AGM of March 31, 2016	0	0	-48,243	0	0	-48,243
5.04.09	Interest on capital prescribed	0	0	0	55	0	55
5.04.10	Restricted share plan – Vesting period	0	6,543	0	0	0	6,543
5.04.11	Restricted share plan – Delivery	0	-890	0	0	0	-890
5.04.12	Restricted shares – Acquisition of 4Bio	0	1,802	0	0	0	1,802
5.05	Total comprehensive income	0	0	0	245,282	0	245,282
5.05.01	Profit for the period	0	0	0	245,282	0	245,282
5.06	Internal changes in equity	0	0	-93	93	0	0
5.06.02	Realization of revaluation reserve	0	0	-141	141	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	48	-48	0	0
5.07	Closing balance	1,808,639	136,222	678,297	149,930	-30,230	2,742,858

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Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Parent company financial information/statement of value added

(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 6/30/2017	Accumulated - prior year 1/1/2016 to 6/30/2016
7.01	Revenue	6,289,479	5,344,425
7.01.01	Sales of products and services	6,289,824	5,345,077
7.01.02	Other income	448	178
7.01.04	Provision for/reversal of impairment of trade receivables	-793	-830
7.02	Inputs acquired from third parties	-4,121,373	-3,451,270
7.02.01	Cost of sales and services	-3,775,200	-3,145,663
7.02.02	Materials, energy, outsourced services and other	-343,592	-299,886
7.02.03	Impairment/recovery of assets	-2,581	-5,721
7.03	Gross value added	2,168,106	1,893,155
7.04	Retentions	-157,989	-128,498
7.04.01	Depreciation, amortization and depletion	-157,989	-128,498
7.05	Net value added generated by the entity	2,010,117	1,764,657
7.06	Value added received through transfer	55,521	49,560
7.06.01	Equity in the results of investees	776	2,342
7.06.02	Finance income	54,745	47,218
7.07	Total value added to distribute	2,065,638	1,814,217
7.08	Distribution of value added	2,065,638	1,814,217
7.08.01	Personnel	643,891	565,605
7.08.01.01	Direct remuneration	516,629	450,523
7.08.01.02	Benefits	89,923	83,491
7.08.01.03	Unemployment compensation fund	37,339	31,591
7.08.02	Taxes and contributions	840,223	733,123
7.08.02.01	Federal	242,803	214,283
7.08.02.02	State	587,381	511,138
7.08.02.03	Municipal	10,039	7,702
7.08.03	Providers of capital	340,187	270,207
7.08.03.01	Interest	110,129	86,923
7.08.03.02	Rentals	230,058	183,284
7.08.04	Stockholders and the Company	241,337	245,282
7.08.04.01	Interest on capital	100,000	95,500
7.08.04.03	Profits reinvested/loss for the period	141,337	149,782

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Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Consolidated financial information/balance sheet - assets

(R\$ thousand)

Code	Description	Current quarter 6/30/2017	Prior year 12/31/2016
1	Total assets	6,008,409	5,659,303
1.01	Current assets	3,649,611	3,427,783
1.01.01	Cash and cash equivalents	324,363	276,632
1.01.03	Trade receivables	957,102	877,353
1.01.03.01	Customers	818,151	772,241
1.01.03.01.01	Checks receivable	82,407	61,386
1.01.03.01.02	Credit and debit cards	667,551	648,386
1.01.03.01.03	PBM – Medicine benefit program	50,264	41,975
1.01.03.01.04	Agreements with companies	21,539	23,226
1.01.03.01.05	Bank slip/ Online transfer	21	24
1.01.03.01.06	(-) Provision for impairment of receivables	-3,631	-2,756
1.01.03.02	Other receivables	138,951	105,112
1.01.03.02.01	Advances to employees	11,196	7,491
1.01.03.02.02	Returns to suppliers	3,543	7,692
1.01.03.02.03	Commercial agreements	109,789	74,532
1.01.03.02.04	Other	14,423	15,397
1.01.04	Inventory	2,254,560	2,149,468
1.01.04.01	Goods for resale	2,265,165	2,157,590
1.01.04.02	Materials	1,604	2,043
1.01.04.03	(-) Provision for losses on goods	-12,209	-10,165
1.01.06	Taxes recoverable	86,415	111,772
1.01.06.01	Current taxes recoverable	86,415	111,772
1.01.06.01.01	Taxes on profit	0	12,049
1.01.06.01.02	Other taxes recoverable	86,415	99,723
1.01.07	Prepaid expenses	27,171	12,558
1.02	Non-current assets	2,358,798	2,231,520
1.02.01	Long term receivables	61,987	50,858
1.02.01.03	Trade receivables	2,469	334
1.02.01.03.02	Other receivables	2,469	334
1.02.01.07	Prepaid expenses	5,176	4,553
1.02.01.09	Other non-current assets	54,342	45,971
1.02.01.09.03	Judicial deposits	26,474	23,007
1.02.01.09.04	Taxes recoverable	27,868	22,964
1.02.03	Property and equipment	1,114,876	1,006,606
1.02.04	Intangible assets	1,181,935	1,174,056

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Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Consolidated financial information/balance sheet - liabilities and equity

(R\$ thousand)

Code	Description	Current quarter 6/30/2017	Prior year 12/31/2016
2	Total liabilities and equity	6,008,409	5,659,303
2.01	Current liabilities	2,193,715	2,184,684
2.01.01	Social security and labor obligations	224,889	199,378
2.01.01.01	Social security obligations	36,533	38,377
2.01.01.02	Labor obligations	188,356	161,001
2.01.02	Trade payables	1,396,475	1,615,587
2.01.02.01	Domestic suppliers	1,396,475	1,615,587
2.01.03	Tax obligations	116,917	96,731
2.01.03.01	Federal tax obligations	68,345	48,175
2.01.03.01.01	Income tax and social contribution payable	5,427	81
2.01.03.01.02	Other federal tax obligations	62,918	48,094
2.01.03.02	State tax obligations	46,116	45,278
2.01.03.03	Municipal tax obligations	2,456	3,278
2.01.04	Borrowing	240,625	132,581
2.01.04.01	Borrowing	179,625	132,581
2.01.04.01.01	In local currency	179,625	132,581
2.01.04.02	Debentures	61,000	0
2.01.04.02.01	Debentures	61,000	0
2.01.05	Other obligations	190,365	118,904
2.01.05.02	Other	190,365	118,904
2.01.05.02.01	Dividends and interest on capital	87,626	25,934
2.01.05.02.04	Rentals	58,522	56,297
2.01.05.02.05	Other payables	44,217	36,673
2.01.06	Provision	24,444	21,503
2.01.06.01	Provision for tax, social security, labor and civil contingencies	4,337	93
2.01.06.01.01	Tax provision	93	93
2.01.06.01.05	Provision for legal claims	4,244	0
2.01.06.02	Other provisions	20,107	21,410
2.01.06.02.04	Provisions for sundry obligations	20,107	21,410
2.02	Non-current liabilities	791,444	538,664
2.02.01	Borrowing	513,039	281,387
2.02.01.01	Borrowing	268,973	281,387
2.02.01.01.01	In local currency	268,973	281,387
2.02.01.02	Debentures	244,066	0
2.02.01.02.01	Debentures	244,066	0
2.02.02	Other obligations	64,889	61,499
2.02.02.01	Payables to related parties	49,965	45,228
2.02.02.01.04	Payables to other related parties	49,965	45,228
2.02.02.02	Other	14,924	16,271
2.02.02.02.03	Tax recovery program (REFIS)	14,924	16,271
2.02.03	Deferred taxes	204,823	193,187
2.02.03.01	Deferred income tax and social contribution	204,823	193,187
2.02.04	Provision	8,693	2,591
2.02.04.01	Provision for tax, social security, labor and civil contingencies	8,693	2,591
2.02.04.01.05	Provision for legal claims	8,693	2,591
2.03	Consolidated equity	3,023,250	2,935,955
2.03.01	Paid-up share capital	1,808,639	1,808,639
2.03.02	Capital reserves	144,731	138,553
2.03.03	Revaluation reserves	12,290	12,383
2.03.04	Revenue reserves	919,118	980,442
2.03.04.01	Legal reserve	64,839	64,839
2.03.04.02	Statutory reserve	854,279	854,279
2.03.04.08	Proposed additional dividends	0	61,324
2.03.05	Retained earnings (accumulated deficit)	141,512	0
2.03.06	Carrying value adjustments	-30,230	-30,230
2.03.09	Noncontrolling interests	27,190	26,168

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Consolidated financial information/statement of income

(R\$ thousand)

Code	Description	Current quarter 4/1/2017 to 6/30/2017	Accumulated - current year 1/1/2017 to 6/30/2017	Same quarter of prior year 4/1/2016 to 6/30/2016	Accumulated - prior year 1/1/2016 to 6/30/2016
3.01	Net sales revenue	3,237,259	6,294,369	2,783,211	5,298,638
3.01.01	Gross sales revenue	3,397,860	6,610,266	2,930,451	5,571,530
3.01.02	Taxes on sales	-121,977	-238,611	-107,198	-202,548
3.01.03	Rebates	-38,624	-77,286	-40,042	-70,344
3.02	Cost of sales and/or services	-2,237,538	-4,373,024	-1,858,386	-3,616,873
3.03	Gross profit	999,721	1,921,345	924,825	1,681,765
3.04	Operating income/expenses	-780,145	-1,537,433	-686,624	-1,313,656
3.04.01	Selling expenses	-616,900	-1,216,042	-546,843	-1,048,476
3.04.02	General and administrative expenses	-163,245	-319,231	-139,781	-265,180
3.04.02.01	Administrative expenses	-81,735	-160,199	-73,172	-135,641
3.04.02.02	Depreciation and amortization	-81,510	-159,032	-66,609	-129,539
3.04.05	Other operating expenses	0	-2,160	0	0
3.04.05.01	Extraordinary expenses	0	-2,160	0	0
3.05	Profit before finance results and taxes	219,576	383,912	238,201	368,109
3.06	Finance results	-29,141	-58,631	-24,636	-41,825
3.06.01	Finance income	28,807	57,026	23,282	48,923
3.06.02	Finance costs	-57,948	-115,657	-47,918	-90,748
3.07	Profit before income tax and social contribution	190,435	325,281	213,565	326,284
3.08	Income tax and social contribution	-52,465	-83,309	-56,498	-79,086
3.08.01	Current	-46,688	-71,627	-58,317	-71,792
3.08.02	Deferred	-5,777	-11,682	1,819	-7,294
3.09	Profit (loss) from continuing operations	137,970	241,972	157,067	247,198
3.11	Consolidated profit/loss for the period	137,970	241,972	157,067	247,198
3.11.01	Attributable to owners of the Company	137,481	241,337	155,281	245,282
3.11.02	Attributable to noncontrolling interests	489	635	1,786	1,916
3.99	Earnings per share - (Reais/share)				

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Consolidated financial information/statement of comprehensive income

(R\$ thousand)

Code	Description	Current quarter 1/1/2017 to 6/30/2017	Accumulated - current year 1/1/2017 to 6/30/2017	Same quarter of prior year 4/1/2016 to 6/30/2016	Accumulated – prior year 1/1/2016 to 6/30/2016
4.01	Consolidated profit for the period	137,970	241,972	157,067	247,198
4.03	Consolidated comprehensive income for the period	137,970	241,972	157,067	247,198
4.03.01	Attributable to owners of the Company	137,481	241,337	155,281	245,282
4.03.02	Attributable to noncontrolling interests	489	635	1,786	1,916

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Consolidated financial information/statement of cash flow - indirect method

(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 6/30/2017	Accumulated - prior year 1/1/2016 to 6/30/2016
6.01	Net cash provided by operating activities	101,493	54,112
6.01.01	Cash from operations	541,370	485,816
6.01.01.01	Profit before income tax and social contribution	325,281	326,285
6.01.01.02	Depreciation and amortization	159,032	129,539
6.01.01.03	Share-based compensation plan	6,192	4,882
6.01.01.04	Interest on additional stock option	4,737	3,002
6.01.01.05	Result on disposal of property and equipment and intangible assets	2,686	782
6.01.01.06	Provision for legal claims	9,023	2,740
6.01.01.07	(Reversal) provision for inventory losses	2,044	-5,587
6.01.01.08	Provision for impairment of trade receivables	802	852
6.01.01.09	(Reversal) provision for store closures	-553	4,818
6.01.01.10	Interest expenses	32,066	18,503
6.01.01.11	Amortization of transaction cost of debentures	60	0
6.01.02	Changes in assets and liabilities	-375,145	-363,586
6.01.02.01	Trade receivables and other receivables	-80,544	-120,549
6.01.02.02	Inventory	-107,136	-121,039
6.01.02.03	Other current assets	10,846	-36,277
6.01.02.04	Long term receivables	-11,129	-7,683
6.01.02.05	Trade payables	-208,260	-128,491
6.01.02.06	Salaries and social charges	25,510	44,209
6.01.02.07	Taxes and contributions	-12,880	-10,580
6.01.02.08	Other liabilities	6,223	12,344
6.01.02.09	Rentals payable	2,225	4,480
6.01.03	Other	-64,732	-68,118
6.01.03.01	Interest paid	-12,157	-10,302
6.01.03.02	Income tax and social contribution paid	-52,575	-57,816
6.02	Net cash used in investing activities	-288,294	-210,725
6.02.01	Purchases of property and equipment and intangible assets	-288,860	-211,161
6.02.02	Proceeds from sale of property and equipment	566	436
6.03	Net cash used in financing activities	234,532	-52,942
6.03.01	Borrowing	393,960	80,665
6.03.02	Repayments of borrowing	-74,230	-62,118
6.03.03	Interest on capital and dividends paid	-85,198	-71,489
6.05	Increase (decrease) in cash and cash equivalents	47,731	-209,555
6.05.01	Cash and cash equivalents at the beginning of the period	276,632	266,051
6.05.02	Cash and cash equivalents at the end of the period	324,363	56,496

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Consolidated financial information/statement of changes in equity - 1/1/2017 to 6/30/2017

(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	138,553	992,825	0	-30,230	2,909,787	26,168	2,935,955
5.03	Adjusted opening balance	1,808,639	138,553	992,825	0	-30,230	2,909,787	26,168	2,935,955
5.04	Equity transactions with owners	0	6,178	-61,324	-99,918	0	-155,064	387	-154,677
5.04.07	Interest on capital	0	0	0	-100,000	0	-100,000	0	-100,000
5.04.08	Interest on capital of 2017 approved at the AGM of March 29, 2017	0	0	-61,324	0	0	-61,324	0	-61,324
5.04.09	Interest on capital prescribed	0	0	0	82	0	82	0	82
5.04.10	Restricted share plan - Vesting period	0	6,178	0	0	0	6,178	0	6,178
5.04.11	Restricted share plan - Delivery	0	-4,863	0	0	0	-4,863	0	-4,863
5.04.12	Goodwill on sale of shares	0	1,382	0	0	0	1,382	0	1,382
5.04.13	Treasury shares – Delivery	0	3,481	0	0	0	3,481	0	3,481
5.04.14	Noncontrolling interest in investment acquired	0	0	0	0	0	0	387	387
5.05	Total comprehensive income	0	0	0	241,337	0	241,337	635	241,972
5.05.01	Profit for the period	0	0	0	241,337	0	241,337	635	241,972
5.06	Internal changes in equity	0	0	-93	93	0	0	0	0
5.06.02	Realization of revaluation reserve	0	0	-141	141	0	0	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	48	-48	0	0	0	0
5.07	Closing balance	1,808,639	144,731	931,408	141,512	-30,230	2,996,060	27,190	3,023,250

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Consolidated financial information/statement of changes in equity - 1/1/2016 to 6/30/2016

(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	128,767	726,633	0	-30,230	2,633,809	22,989	2,656,798
5.03	Adjusted opening balance	1,808,639	128,767	726,633	0	-30,230	2,633,809	22,989	2,656,798
5.04	Equity transactions with owners	0	7,455	-48,243	-95,445	0	-136,233	0	-136,233
5.04.07	Interest on capital	0	0	0	-95,500	0	-95,500	0	-95,500
5.04.08	Interest on capital of 2015 approved at the AGM of March 31, 2016	0	0	-48,243	0	0	-48,243	0	-48,243
5.04.09	Interest on capital prescribed	0	0	0	55	0	55	0	55
5.04.10	Restricted share plan – Vesting period	0	6,543	0	0	0	6,543	0	6,543
5.04.11	Restricted shares – Delivery	0	-890	0	0	0	-890	0	-890
5.04.12	Restricted shares – Acquisition of 4Bio	0	1,802	0	0	0	1,802	0	1,802
5.05	Total comprehensive income	0	0	0	245,282	0	245,282	1,916	247,198
5.05.01	Profit for the period	0	0	0	245,282	0	245,282	1,916	247,198
5.06	Internal changes in equity	0	0	-93	93	0	0	0	0
5.06.02	Realization of revaluation reserve	0	0	-141	141	0	0	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	48	-48	0	0	0	0
5.07	Closing balance	1,808,639	136,222	678,297	149,930	-30,230	2,742,858	24,905	2,767,763

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Consolidated financial information/statement of value added

(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 6/30/2017	Accumulated - prior year 1/1/2016 to 6/30/2016
7.01	Revenue	6,532,633	5,500,510
7.01.01	Sales of products and services	6,532,987	5,501,184
7.01.02	Other income	448	178
7.01.04	Provision for/reversal of impairment of trade receivables	-802	-852
7.02	Inputs acquired from third parties	-4,334,059	-3,583,248
7.02.01	Cost of sales and services	-3,978,461	-3,271,065
7.02.02	Materials, energy, outsourced services and other	-353,017	-306,462
7.02.03	Impairment/recovery of assets	-2,581	-5,721
7.03	Gross value added	2,198,574	1,917,262
7.04	Retentions	-159,032	-129,539
7.04.01	Depreciation, amortization and depletion	-159,032	-129,539
7.05	Net value added generated by the entity	2,039,542	1,787,723
7.06	Value added received through transfer	57,026	48,923
7.06.02	Finance income	57,026	48,923
7.07	Total value added to distribute	2,096,568	1,836,646
7.08	Distribution of value added	2,096,568	1,836,646
7.08.01	Personnel	653,619	572,078
7.08.01.01	Direct remuneration	522,527	454,435
7.08.01.02	Benefits	93,406	85,818
7.08.01.03	Unemployment compensation fund	37,686	31,825
7.08.02	Taxes and contributions	855,862	743,438
7.08.02.01	Federal	245,586	217,664
7.08.02.02	State	600,196	518,043
7.08.02.03	Municipal	10,080	7,731
7.08.03	Providers of capital	345,115	273,932
7.08.03.01	Interest	114,283	90,030
7.08.03.02	Rentals	230,832	183,902
7.08.04	Stockholders and the Company	241,972	247,198
7.08.04.01	Interest on capital	100,000	95,500
7.08.04.03	Profits reinvested/loss for the period	141,337	149,782
7.08.04.04	Noncontrolling interests in retained earnings	635	1,916

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIADROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

2Q17 EARNINGS RELEASE

São Paulo, July 27, 2017. **RD – People, Health and Well-being** (Raiadrogasil S.A. – B3: RADL3) announces today its results for the 2nd quarter of 2017 (2Q17). The quarterly information of RD was prepared in accordance to the Accounting Pronouncement 21 – Intermediate Statements as well as the standards issued by the Brazilian Securities and Exchange Commission – CVM and was reviewed by our independent auditors in accordance with Brazilian intermediate statements standards of auditing. Such information was prepared in Reais and all growth rates relate to the same period of 2016.

HIGHLIGHTS OF THE QUARTER:

- **Drugstores: 1,506 stores in operation (54 openings and 5 closures)**
- **Gross Revenues: R\$ 3.4 billion, 16.0% of growth (6.1% retail same-store sales growth)**
- **Gross Margin: 29.4% of gross revenues, a 2.1 percentage point decrease**
- **EBITDA: R\$ 301.1 million, 8.9% of margin, a 1.5 percentage point margin decrease**
- **Net Income: R\$ 138.0 million, 4.1% of net margin**
- **Cash Flow: R\$ 47.5 million negative free cash flow, R\$ 134.0 million total cash consumption**

Summary	2Q16	3Q16	4Q16	1Q17	2Q17
<i>(R\$ thousand)</i>					
# of Stores - Retail + 4Bio	1,330	1,370	1,420	1,457	1,506
Store Openings	58	53	62	42	54
Store Closures	(2)	(13)	(12)	(5)	(5)
# of Stores (average)	1,303	1,347	1,394	1,435	1,476
Headcount (EoP)	27,767	28,661	29,009	28,952	30,264
Pharmacist Count (EoP)	5,214	5,393	5,515	5,561	5,773
# of Tickets (000)	46,696	47,620	49,302	48,439	51,091
Gross Revenue	2,930,451	3,050,163	3,205,873	3,212,406	3,397,860
Gross Profit	924,825	900,034	922,344	921,624	999,721
% of Gross Revenues	31.6%	29.5%	28.8%	28.7%	29.4%
Ajusted EBITDA	304,811	254,004	235,996	244,018	301,085
% of Gross Revenues	10.4%	8.3%	7.4%	7.6%	8.9%
Adjusted Net Income	157,068	116,884	92,236	105,427	137,970
% of Gross Revenues	5.4%	3.8%	2.9%	3.3%	4.1%
Net Income	157,068	116,884	87,169	104,002	137,970
% of Gross Revenues	5.4%	3.8%	2.7%	3.2%	4.1%
Free Cash Flow	(13,077)	158,866	46,564	(172,734)	(47,500)

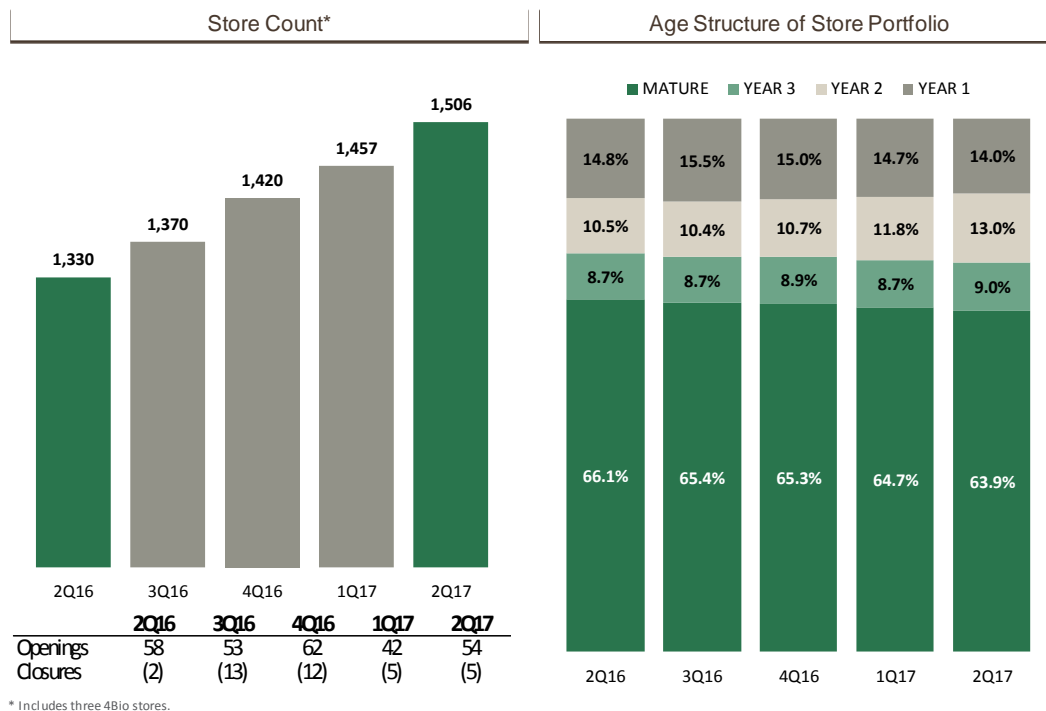
(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAI DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

STORE DEVELOPMENT



We opened 54 new stores in the quarter, reaching a total of 1,506 stores, including three 4Bio units. Considering the last twelve months, we have opened 211 new stores. At the end of the period, 36.1% of our stores were still in the process of maturation and had not yet reached their full potential both in terms of revenue and of profitability. We ended the quarter with the highest percentage of non-mature stores recorded since the 2Q13.

We had 5 store closures in the quarter, two of them due to portfolio optimization of fully matured stores, with positive return expectation associated to them in the case of relocation, and the other 3 as corrections of expansion mistakes. We reiterate our guidance of 200 gross store openings in 2017.

Our average national market share reached 11.7% in the quarter (including 4Bio), a 0.8 percentage point increase when compared to the 2Q16. We have increased our market share in four of the five core regions where we operate. The Northeast was our main highlight, where we recorded a market share of 4.9%, a 1.3 percentage point increase driven by our organic expansion. We recorded a market share of 22.8% in São Paulo, a 0.7 percentage point increase, and of 7.7% in the remaining states of Southeast, a 0.5 percentage point gain. Finally, we recorded a 12.8% market share in the Midwest, a loss of 0.4 percentage point due to a very strong comp base in Brasília due to a competitor who was in distress.

It is important to mention that these numbers represent full market share figures, as new informants to the IMS panel, from this quarter onwards, are no longer excluded from our reporting base. We are also providing on our website the historic unadjusted market share data by region for comparison purposes ([link](#)).

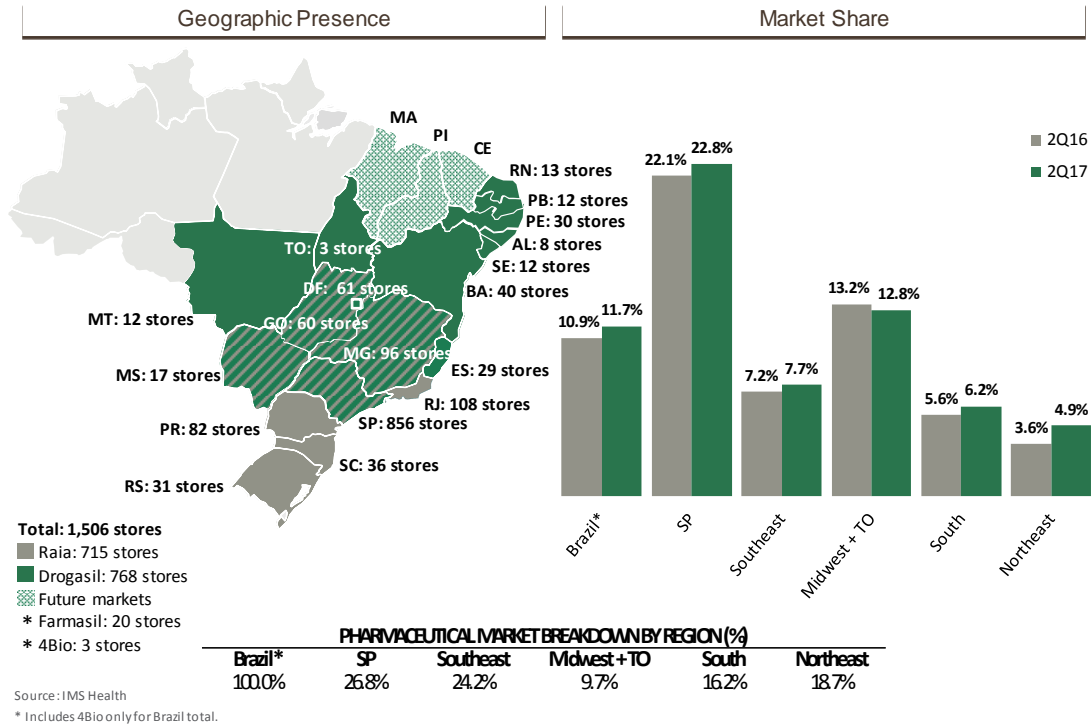
In July, we entered the state of Ceará by opening 4 stores in Fortaleza. We are now present in 19 states that account for 93% of the Brazilian pharmaceutical market. In the upcoming quarters, we will also enter the states of Maranhão and Piauí, which will extend our presence to all nine states in the Northeast (Bahia, Sergipe, Alagoas, Pernambuco, Paraíba, Rio Grande do Norte, Ceará, Maranhão and Piauí).

(A free translation of the original in Portuguese)

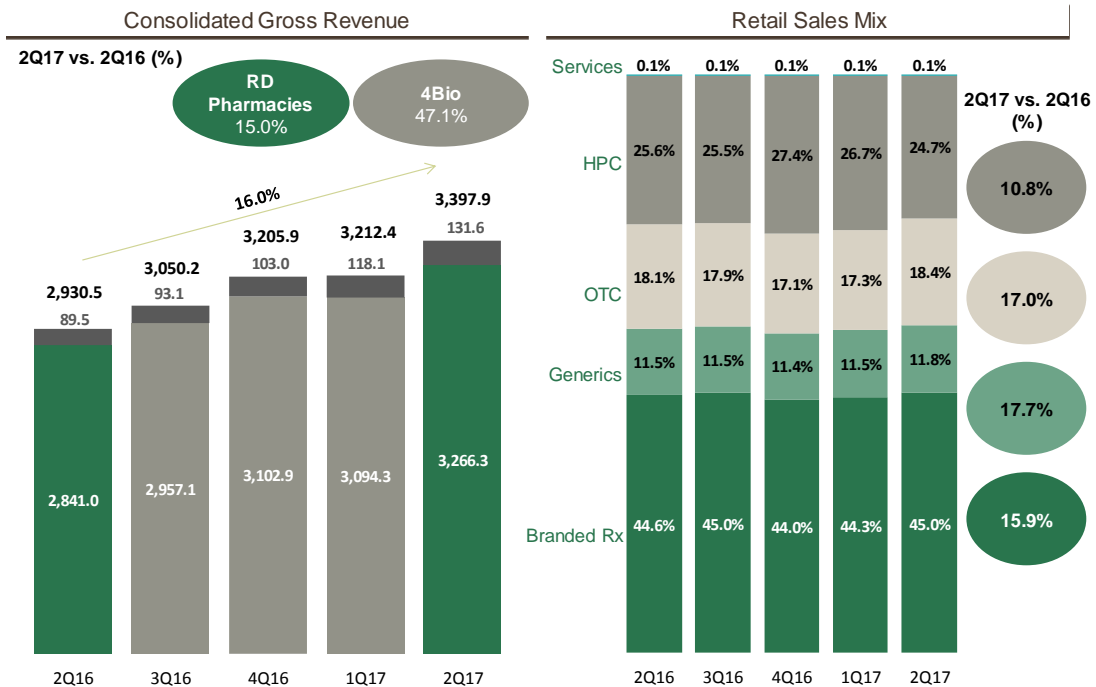
Quarterly information (ITR) - 6/30/2017 - RAI DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated



GROSS REVENUES



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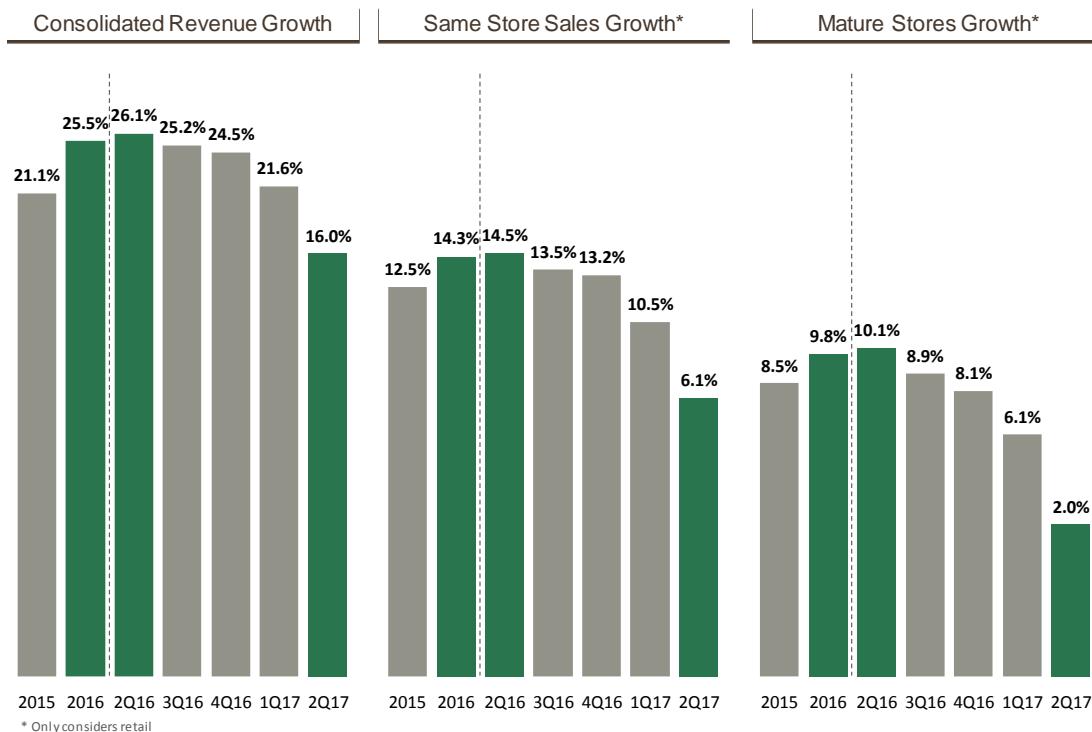
Quarterly information (ITR) - 6/30/2017 - RAI DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

We ended the 2Q17 with gross revenues of R\$ 3,397.9 million, a 16.0% increase over the previous year. Our drugstore revenues increased by 15.0%, while 4Bio grew 47.1% in the period.

Generics were the highlight of the quarter by increasing 17.7% and by gaining 0.3 percentage point of participation in the sales mix, followed by OTC, which grew 17.0% and also gained 0.3 percentage point of participation in the sales mix. Branded Rx grew 15.9% and gained 0.4 percentage point of participation. Finally, HPC grew only 10.8% and lost 0.9 percentage point in the sales mix, mostly due to strong comps from mosquito repellent sales in April.



Considering our retail operations, same store sales increased by 6.1%, while our mature stores recorded 2.0% of growth. We recorded a negative calendar effect of 0.8% for the period.

We note that our growth in the 2Q17 was dragged by weak sales in April, when we recorded a performance of -1.1% for mature stores due to still strong comps given the Zika virus outbreak last year, and to a negative calendar effect of 2.6%, which we believe does not fully account for the impact of three long holidays in a single month, which is highly unusual. However, considering only the months of May and June, we recorded an average consolidated growth of 17.4%, and 3.4% for mature stores with a neutral calendar, which is aligned to the CPI of 3.0% recorded over the last twelve months ended in June.

It is also important to highlight that, because our sector has an annual price cap increase that happens in the end of March, the effects of the sharp inflationary deceleration that happened over the previous quarters has only now been reflected to our prices, causing a deceleration of our nominal revenue growth that was sudden instead of gradual.

Finally, the Brazilian pharmaceutical market grew by 11.6% in the last twelve months ended in June, 2017, according to IMS Health, a testament to the defensive nature of our Industry, but only 8.4% in the 2Q17, also impacted by the unfavorable calendar of the quarter and by the low inflation recorded in the period.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

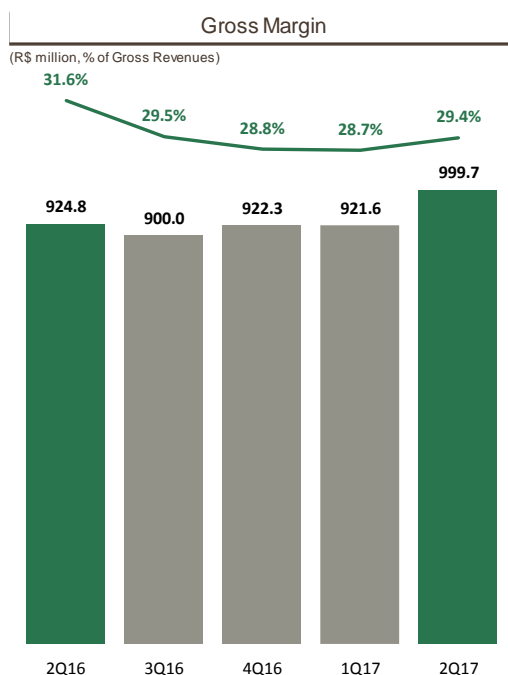
All amounts in thousands of reais unless otherwise stated

GROSS PROFIT

Our gross margin reached 29.4%, a 2.1 percentage point pressure versus the 2Q16. This was mainly due to lower inflationary gains on pharmaceutical inventories. In the case of our retail operations, the price cap increase averaged 3.1%, significantly below the 11.8% recorded last year, representing a margin drag of 1.6 percentage point on the consolidated margin.

In the case of 4Bio, this effect was much more pronounced, since specialty drugs generally belong to categories with low generics penetration, thus getting an average price cap increase of only 1.4% in 2017 versus 11.8% in 2016, when the price increase was linearly applied across all therapeutic segments. This effect, coupled to the negative margin mix effect, since Specialty Drugs have a lower structural gross margin than Retail, represented a drag in the consolidated margin of 0.3 percentage point.

Finally, we also recorded a negative effect of 0.2 percentage point arising from the Net Present Value (NPV) adjustment, mostly due to a lower interest rate versus the 2Q16.



SALES EXPENSES

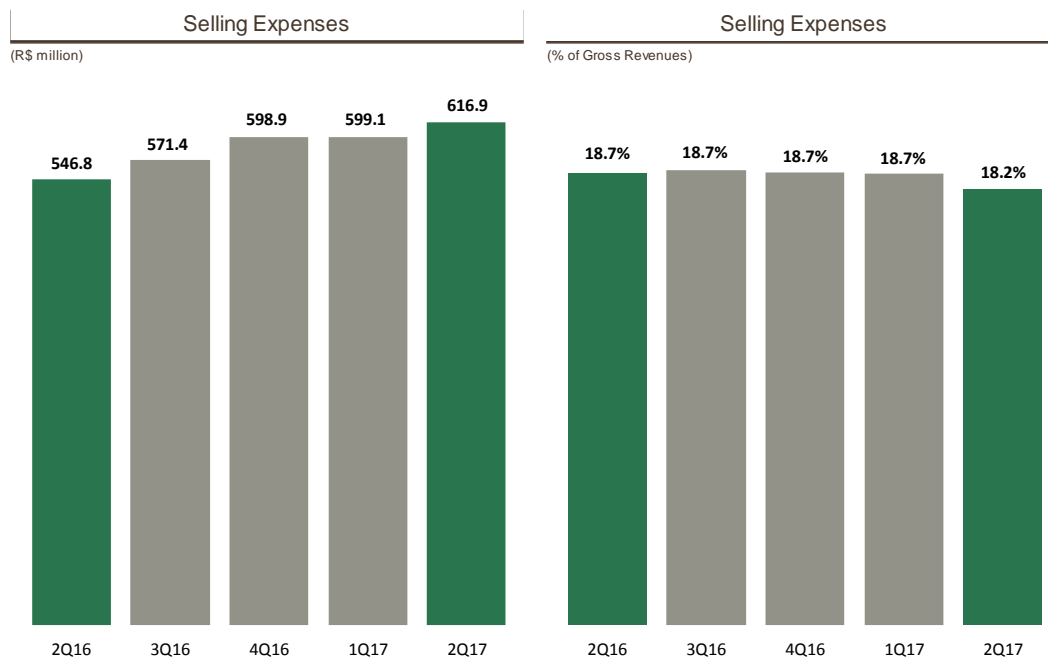
In the 2Q17, sales expenses totaled R\$ 616.9 million, equivalent to 18.2% of gross revenue, a 0.5 percentage point dilution over both the 2Q16 and the 1Q17, and the lowest level recorded since the 2Q15.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

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We believe the 0.5 percentage point dilution achieved in the quarter is a result of an enhanced expense control and of a very disciplined execution carried out by the company throughout the year.

Personnel expenses were diluted by 0.1 percentage point. Additionally, electricity, acquiring fees, pre-operating expenses, marketing expenses, logistics expenses and asset write-offs from store closures also recorded dilutions of 0.1 percentage point each. We also recorded a 0.1 percentage point dilution from 4Bio, which has lower selling expenses than the average for the company. Finally, these dilutions were partially offset by a rental expense pressure of 0.3 percentage point, which was mainly due to the fact that approximately 2/3 of our contracts were last readjusted in the 2H16, when the IGPM was still very high (average of 9.5% in the semester).

GENERAL & ADMINISTRATIVE EXPENSES

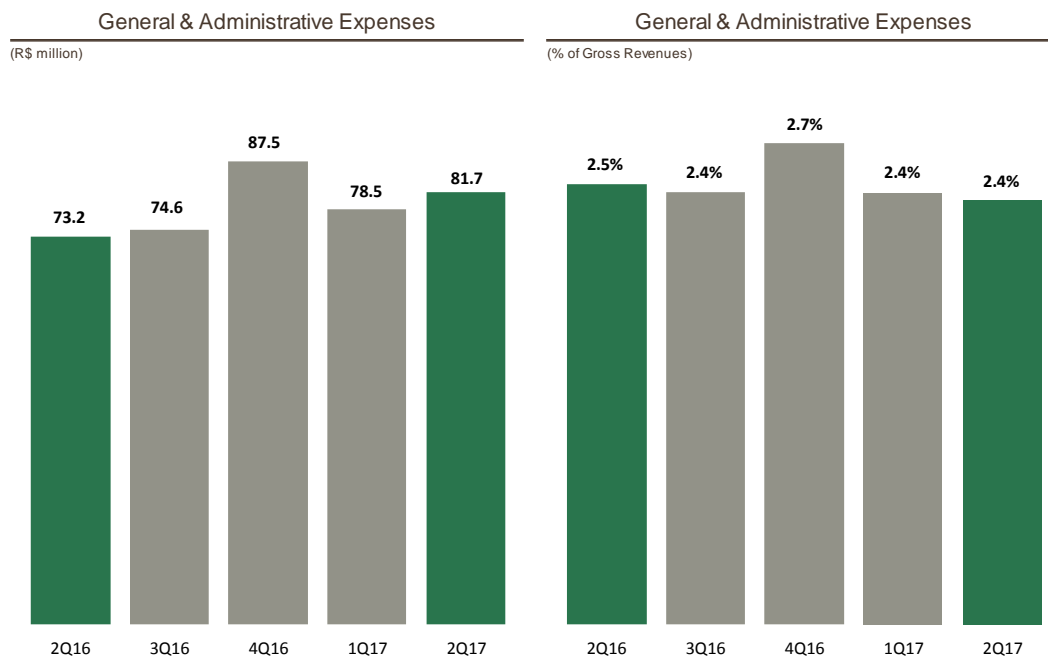
General and administrative expenses amounted to R\$ 81.7 million in the 2Q17, equivalent to 2.4% of gross revenue, a 0.1 percentage point dilution versus 2Q16.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

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EBITDA

Our Adjusted EBITDA reached R\$ 301.1 million in the quarter, a 1.2% decrease over the 2Q16. Our EBITDA margin totaled 8.9%, a 1.5 percentage point fall over the same period of last year.

We faced a gross margin pressure of 2.1 percentage points due to a much lower inflationary gain on inventory. This is a seasonal and short-term effect, with a strong impact in the 2Q17 and a minor one in the 3Q17. This pressure was partially offset by a very strong SG&A dilution that amounted to 0.6 percentage point, a strong efficiency gain that, in contrast to the gross margin pressure, is both structural and recurring, and which is likely to support margin expansion over the next quarters.

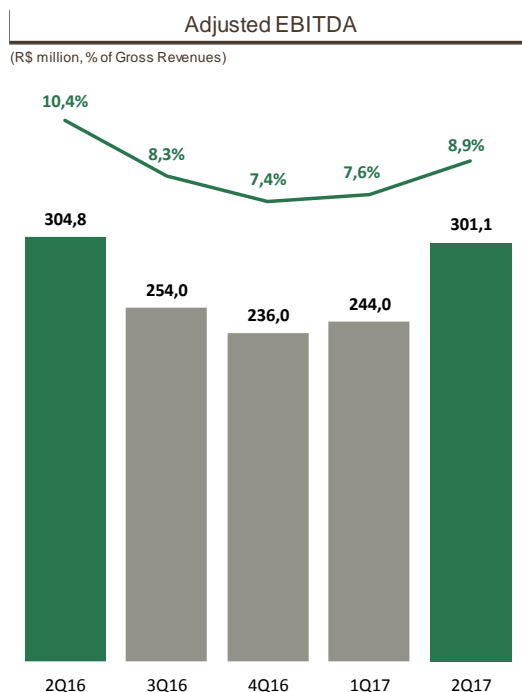
New stores opened in the year, as well as those that were in the opening process, reduced the EBITDA by R\$ 8.5 million in the 2Q17. Therefore, considering only the 1,410 stores in operation since the end of 2016 and the full absorption of logistics as well as of general and administrative expenses by such stores, our adjusted EBITDA would have totaled R\$ 309.5 million, equivalent to an EBITDA margin of 9.3% over gross revenues.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

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Our drugstore operations reached an EBITDA of R\$ 297.7 million and a margin of 9.1% in the 2Q17, a 1.4 percentage point pressure over the same period of last year. This margin contraction came from gross margin pressures experienced in the period, which were partially offset by expense dilutions.

4Bio reached an EBITDA of R\$ 3.4 million and margin of 2.6%, a 5.8 percentage point pressure. This was due to the strong gross margin pressure arising from the low annual price increase for specialty drugs, which fell from an unprecedented 11.8% in 2016 to 1.4% in 2017, as previously noted.

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

Depreciation expenses amounted to R\$ 81.5 million in the quarter, equivalent to 2.4% of gross revenues, a 0.1 percentage point decrease over 2Q16.

Financial expenses represented 0.9% of gross revenues, a 0.1 percentage point increase over the 2Q16. Of the R\$ 29.1 million recorded in the quarter, R\$ 12.4 million refers to the NPV Adjustment while R\$ 2.4 million refers to the interest on the option to acquire 4Bio in 2021. The interest effectively accrued on financial debt amounted to R\$ 14.3 million, equivalent to 0.4% of revenues in the 2Q17, in line with the 2Q16.

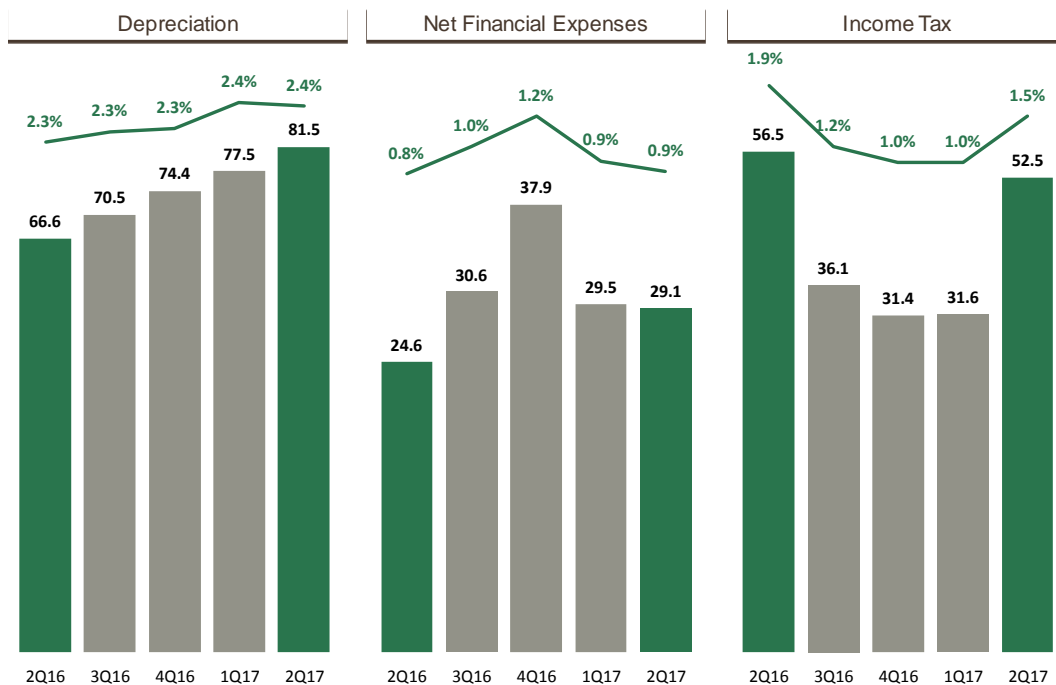
Finally, we booked R\$ 52.5 million in income taxes, equivalent to 1.5% of gross revenues. We highlight that Income Taxes are no longer adjusted for the tax shield on the amortization of the goodwill generated in the merger, which will cease in May 2018.

(A free translation of the original in Portuguese)

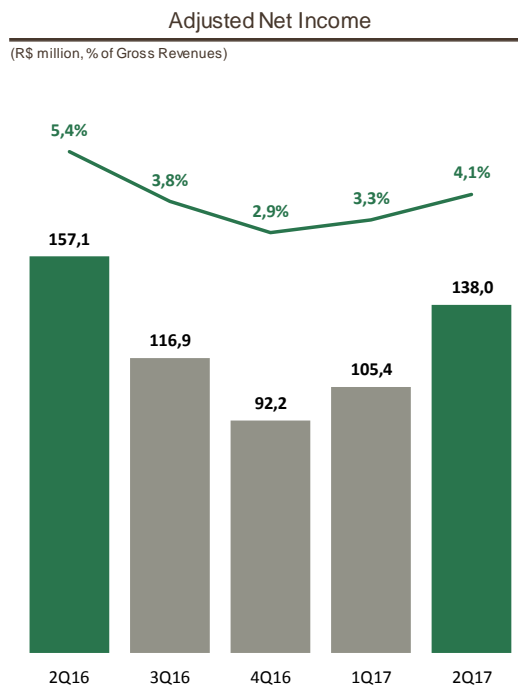
Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated



NET INCOME



Net income totaled R\$ 138.0 million in the quarter, a 12.2% decrease over the same period of the previous year. We achieved a net margin of 4.1%, a 1.3 percentage point pressure stemming from the lower EBITDA margin.

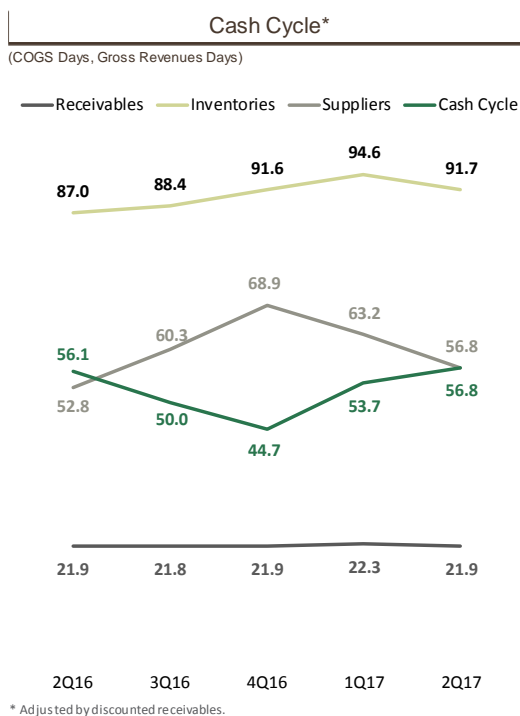
(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

CASH CYCLE



Our cash cycle was 0.7 days higher when compared to the same period of the previous year.

Inventories increased by 4.7 days, which was partially offset by a 4.0 day increase in accounts payable. Lastly, receivables remained stable when compared to the 2Q16.

CASH FLOW

In the 2Q16, we generated a negative free cash flow of R\$ 47.5 million, and a negative total cash flow of R\$ 134.0 million.

Resources from operations amounted to R\$ 223.0 million, equivalent to 6.6% of gross revenues, while we recorded a working capital increase of R\$ 117.3 million (including adjustments to discounted receivables) amounting to a positive operating cash flow of R\$ 105.7 million.

Of the R\$ 153.2 million invested in the quarter, R\$ 90.2 million corresponded to new store openings, R\$ 24.6 million to the renovation or expansion of existing stores, and R\$ 38.4 million to investments in infrastructure.

Net financial expenses totaled R\$ 16.7 million in the quarter, excluding NPV adjustments. These were more than fully offset by the R\$ 25.7 million tax shield related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid in the following quarters.

We accrued R\$ 49.0 million in interest on equity in the 2Q17, reflecting a payout of 35.5%, through the full usage of the legal interest on equity limit.

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Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

Cash Flow	2Q17	2Q16	YTD '17	YTD '16
<i>(R\$ million)</i>				
Adjusted EBIT	219.6	238.2	386.1	368.1
NPV Adjustment	(11.1)	(11.7)	(32.2)	(22.1)
Non-Recurring Expenses	-	-	(2.2)	-
Income Tax (34%)	(70.9)	(77.0)	(119.6)	(117.6)
Depreciation	81.5	66.6	159.0	129.5
Others	3.9	9.2	20.2	8.5
Resources from Operations	223.0	225.3	411.3	366.4
Cash Cycle*	(149.2)	(165.5)	(395.9)	(372.0)
Other Assets (Liabilities)**	31.9	38.9	52.7	32.3
Operating Cash Flow	105.7	98.7	68.1	26.6
Investments	(153.2)	(111.8)	(288.3)	(210.7)
Free Cash Flow	(47.5)	(13.1)	(220.2)	(184.1)
Interest on Equity	(85.1)	(71.5)	(85.2)	(71.5)
Net Financial Expenses***	(16.7)	(12.5)	(27.7)	(17.4)
Income Tax (Tax benefit over financial expenses and interest on equity)	22.3	20.5	43.4	38.4
Total Cash Flow	(134.0)	(83.2)	(296.7)	(241.3)

*Includes adjustments to discounted receivables.

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

***Excludes NPV adjustments.

INDEBTEDNESS

At the end of the quarter, we recorded an adjusted net debt position of R\$ 479.3 million, versus R\$ 447.1 million recorded in the same period of 2016. Adjusted Net Debt to EBITDA totaled 0.5x, in line with the 2Q16.

This net debt includes R\$ 50.0 million in liability related to the exercise of the put option granted and/or call option obtained for the acquisition of the remaining 45% minority stake of 4Bio. This liability reflects the estimated valuation of 4Bio as of December 2016, assuming the pre-agreed multiple, the average forecasted annual EBITDA for 2018, 2019 and 2020 and the forecasted net debt for 2020 as stipulated in the acquisition contracts. This estimate will be revisited annually to reflect changes in the economic outlook of 4Bio. Further, we had none receivables discounted in the quarter.

Net Debt	2Q16	2Q17
<i>(R\$ million)</i>		
Short-term Debt	111.7	240.6
Long-term Debt	211.4	513.0
Total Gross Debt	323.1	753.7
(-) Cash and Equivalents	56.5	324.4
Net Debt	266.6	429.3
Discounted Receivables	145.8	-
Put/Call option to acquire 4Bio (estimated)	34.6	50.0
Adjusted Net Debt	447.1	479.3
Adjusted Net Debt / EBITDA	0.5x	0.5x

On April 19, 2017, we issued R\$ 300 million in debentures, with a 5-year term, with bi-annual principal amortizations and interest payments and a 1-year grace period for the principal amortization. We had a firm commitment of Banco Itaú at a rate of 107.5% of the CDI (the bank interchange rate), but the book building process reduced the interest rate to only 104.75% of the CDI, reflecting our strong balance sheet and cash generation as recognized by a AAA-Br rating granted to RD by Fitch.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

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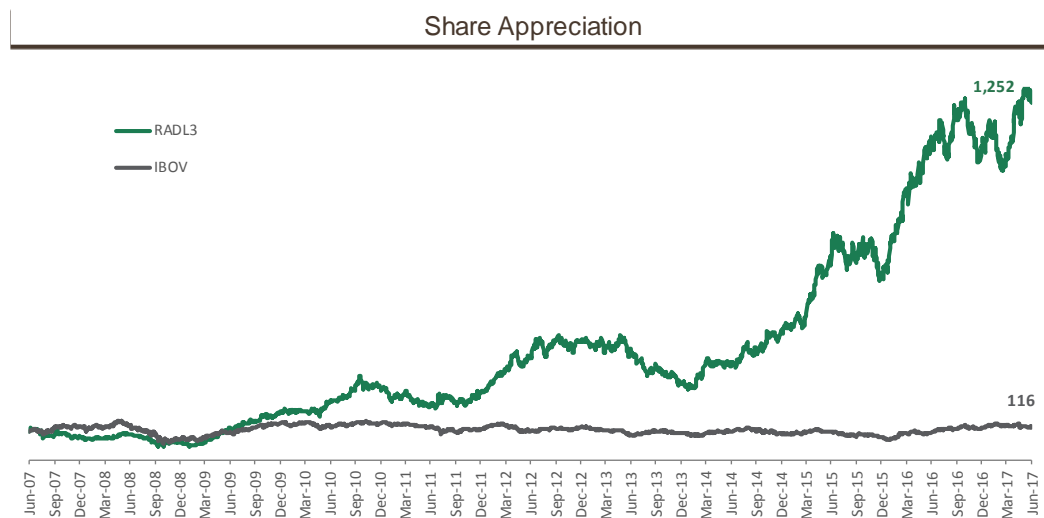
Our gross debt totaled R\$ 473.4 million, of which 59.0% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines, 40.6% correspond to the debentures issued on April of 2017 and 0.4% corresponds to the bank debt related to 4Bio. Of our total debt, 68.1% is long-term, while 31.9% relates 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\$ 324.4 million.

TOTAL SHAREHOLDER RETURN

Our share price appreciated by 19.5% in the 2Q17, while the Ibovespa fell 3.2% in the same period.

Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,152.0% versus a return of 15.6% of the IBOVESPA. Including the payment of interest on equity, we generated an average annual total return to shareholders of 29.1%. Considering the IPO of Raia in December of 2010, the cumulative return amounted to 569.2% versus a decrease of 7.5% by the Ibovespa. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 34.2%.

We recorded an average daily trading volume of R\$ 90.6 million in the quarter.



(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

Adjusted Income Statement <i>(R\$ thousand)</i>	2Q16	2Q17
Gross Revenue	2,930,451	3,397,860
Taxes, Discounts and Returns	(147,240)	(160,602)
Net Revenue	2,783,211	3,237,258
Cost of Goods Sold	(1,858,386)	(2,237,537)
Gross Profit	924,825	999,721
Operational (Expenses) Revenue		
Sales	(546,842)	(616,900)
General and Administrative	(73,172)	(81,735)
Operational Expenses	(620,014)	(698,635)
EBITDA	304,811	301,085
Depreciation and Amortization	(66,609)	(81,510)
Operational Earnings before Financial Results	238,201	219,576
Financial Expenses	(47,918)	(57,947)
Financial Revenue	23,282	28,806
Financial Expenses/Revenue	(24,636)	(29,141)
Earnings before Income Tax and Social Charges	213,565	190,435
Income Tax and Social Charges	(56,498)	(52,465)
Net Income	157,068	137,970

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

Consolidated Income Statement <i>(R\$ thousand)</i>	2Q16	2Q17
Gross Revenue	2,930,451	3,397,860
Taxes, Discounts and Returns	(147,240)	(160,602)
Net Revenue	2,783,211	3,237,258
Cost of Goods Sold	(1,858,386)	(2,237,537)
Gross Profit	924,825	999,721
Operational (Expenses) Revenue		
Sales	(546,842)	(616,900)
General and Administrative	(73,172)	(81,735)
Other Operational Expenses, Net	0	0
Operational Expenses	(620,014)	(698,635)
EBITDA	304,811	301,085
Depreciation and Amortization	(66,609)	(81,510)
Operational Earnings before Financial Results	238,201	219,576
Financial Expenses	(47,918)	(57,947)
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Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

Assets	2Q16	2Q17
<i>(R\$ thousand)</i>		
Current Assets		
Cash and Cash Equivalents	56,496	324,363
Accounts Receivable	702,467	818,151
Inventories	1,777,080	2,254,560
Taxes Receivable	84,579	86,415
Other Accounts Receivable	117,503	138,950
Following Fiscal Year Expenses	20,947	27,172
	<u>2,759,072</u>	<u>3,649,611</u>
Non-Current Assets		
Deposit in Court	23,061	26,474
Taxes Receivable	25,629	30,002
Other Credits	3,489	5,511
Property, Plant and Equipment	888,662	1,114,876
Intangible	1,161,858	1,181,935
	<u>2,102,699</u>	<u>2,358,798</u>
ASSETS	<u>4,861,771</u>	<u>6,008,409</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

Liabilities and Shareholder's Equity <i>(R\$ thousand)</i>	2Q16	2Q17
Current		
Suppliers	1,079,108	1,396,476
Loans and Financing	111,741	240,626
Salaries and Social Charges Payable	209,616	224,889
Taxes Payable	73,495	116,917
Dividend and Interest on Equity	83,318	87,626
Provision for Lawsuits	942	4,244
Other Accounts Payable	108,854	122,939
	<u>1,667,074</u>	<u>2,193,716</u>
Non-Current Assets		
Loans and Financing	211,395	513,038
Provision for Lawsuits	4,928	8,694
Income Tax and Social Charges deferred	173,228	204,823
Other Accounts Payable	37,382	64,889
	<u>426,934</u>	<u>791,443</u>
Shareholder's Equity		
Common Stock	1,808,639	1,808,639
Capital Reserves	136,222	144,731
Revaluation Reserve	12,476	12,290
Income Reserves	665,820	919,117
Accrued Income	149,930	141,512
Equity Adjustments	(30,230)	(30,230)
Non Controller Interest	24,906	27,190
	<u>2,767,763</u>	<u>3,023,250</u>
LIABILITIES AND SHAREHOLDERS' EQUITY	<u>4,861,771</u>	<u>6,008,409</u>

(A free translation of the original in Portuguese)

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All amounts in thousands of reais unless otherwise stated

Cash Flow	2Q16	2Q17
Earnings before Income Tax and Social Charges	213,565	190,435
Adjustments		
Depreciation and Amortization	66,609	81,510
Compensation plan with restricted shares, net	2,962	3,424
Interest over additional stock option	1,535	2,427
P,P&E and Intangible Assets residual value	619	2,257
Provisioned Lawsuits	2,587	(1,511)
Provisioned Inventories Loss	(1,991)	958
Provision for Doubtful Accounts	201	(738)
Provisioned Store Closures	4,818	(462)
Interest Expenses	9,224	19,016
Debenture Emission Costs Amortization		60
	300,129	297,376
Assets and Liabilities variation		
Clients and Other Accounts Receivable	(79,650)	(35,742)
Inventories	689	(34,402)
Other Short Term Assets	(6,800)	10,589
Long Term Assets	(2,801)	(6,840)
Suppliers	(84,532)	(85,001)
Salaries and Social Charges	45,020	31,564
Taxes Payable	(27,747)	(27,835)
Other Liabilities	8,138	5,693
Rent Payable	3,386	579
Cash from Operations	155,832	155,981
Interest Paid	(4,929)	(6,173)
Income Tax and Social Charges Paid	(43,048)	(36,059)
Net Cash from (invested) Operational Activities	107,855	113,749
Investment Activities Cash Flow		
P,P&E and Intangible Acquisitions	(112,232)	(153,282)
P,P&E Sale Payments	436	72
Net Cash from Investment Activities	(111,796)	(153,210)
Financing Activities Cash Flow		
Funding	52,410	314,608
Payments	(27,260)	(47,254)
Interest on Equity and Dividends Paid	(71,483)	(85,131)
Net Cash from Funding Activities	(46,333)	182,223
Cash and Cash Equivalents net increase	(50,274)	142,762
Cash and Cash Equivalents in the beginning of the period	106,770	181,601
Cash and Cash Equivalents in the end of the period	56,496	324,363

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

1. Operations

Raia Drogasil S.A. (the "Company") is a publicly-held company listed on the Novo Mercado ("New Market") listing segment of the BM&FBOVESPA S.A. - São Paulo Stock Exchange, with its headquarters in the capital of the state of São Paulo.

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

The Group performs its sales through 1,506 stores (1,420 stores – Dec-2016), distributed in 18 Brazilian states, as follows:

	Consolidated
	Jun-2017
São Paulo	856
Rio de Janeiro	108
Minas Gerais	96
Paraná	82
Distrito Federal	61
Goiás	60
Bahia	40
Santa Catarina	36
Rio Grande do Sul	31
Pernambuco	30
Espírito Santo	29
Mato Grosso do Sul	17
Mato Grosso	13
Rio Grande do Norte	12
Paraíba	12
Sergipe	12
Alagoas	8
Tocantins	3
	<hr/>
	1,506

Raia Drogasil's stores are supplied by 8 distribution centers located in six States: São Paulo, Rio de Janeiro, Minas Gerais, Paraná, Goiás and Pernambuco.

The subsidiary 4Bio markets its products through telesales and delivery is made directly to the customer's location or through its three call centers in the states of São Paulo and Tocantins.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

2. Presentation of quarterly information

The quarterly information was approved by the Executive Board on July 27, 2017.

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, 2017 and 2016 has been prepared in accordance with technical pronouncement CPC 21 (R1) – "Interim Financial Reporting", the requirements in Official Letter/CVM/SNC/SEP 003/2011 of April 28, 2011, and the International Financial Reporting Standards (IFRS) – IAS 34.

The financial statements for the year ended December 31, 2016 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the Brazilian Securities Commission (CVM) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The 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. Therefore, the consolidated statements of income, comprehensive income, cash flows and value added include three and six months of operations of the Company and its Subsidiary.

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

The quarterly information includes accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies regarding provision for inventory losses, provision for the impairment of trade receivables, appreciation of financial instruments, taxes recoverable, the amortization and depreciation periods for property and equipment and intangible assets, estimate of impairment of intangible assets with indefinite useful life, provision for legal claims, fair value measurement of financial liabilities, determination of provision for taxes, recognition of revenues from commercial agreements, among others. The significant estimates and judgments are disclosed in Note 4(w) to the financial statements for the year ended December 31, 2016.

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. The IFRS do not require the presentation of this statement. Therefore, under the IFRS,

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Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Notes to the Quarterly Information

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such statement is presented as supplementary information, notwithstanding the set of the financial statements.

The Group adopted all standards, revised standards and interpretations issued by the CPC that were effective as at June 30, 2017.

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

a) New and revised accounting standards

New or revised standards issued but not yet effective, i.e., that will become effective for annual periods beginning on or after January 1st, 2018:

- (i) IFRS 9 - Financial Instruments (effective from January 1st, 2018): this standard's aim is to replace IAS 39. The main changes include: (i) all financial assets should be initially recognized at fair value; (ii) the standard divides all financial assets into two classifications: those measured at amortized cost and those measured at fair value; (iii) the concept of embedded derivatives is eliminated; and (iv) smoothing of the requirements for adoption of hedge accounting. Management assessed the new standard and, considering its current transactions, did not identify changes that could have material effects on the Company's quarterly information.
- (ii) IFRS 15 - Revenue from Contracts with Customers (effective from January 1st, 2018): the main objective of IFRS 15 is to provide clear principles for revenue recognition and the preparation of financial statements. Management assessed this new standard and, in its opinion, it will not have material effects on its quarterly information, considering the nature of its retail sale transactions and considering that the transfer of risks and rewards of goods and services occurs on their delivery directly to the end consumer at points of sale and, therefore, there is no complexity in the definition of performance obligations and transfer of control.
- (iii) IFRS 16 - Leases (effective from January 1st, 2019): the new standard requires lessees to recognize the liability of future payments and the right of use of the leased assets for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. Management is evaluating the effects of the adoption of this standard mainly in respect of lease of properties from third parties. This standard requires a careful evaluation and appropriate controls for the definition of contracts that qualify as lease. Given the complexity of the application of the standard, and until it is applied, the conclusions may be changed.
- (iv) Amendments to IFRS 2 – Share-Based Payments (effective from January 1st, 2018): The amendment clarifies the basis of measurement for cash-settled share-based payments and the accounting for modifications that change a cash-settled share based payment to an equity-settled share based payment. It also introduces an exception to the principles of IFRS 2, which will require a grant to be treated as fully equity settled where the employer is required to retain an amount for the employee's tax obligation associated to a share-based payment and pay the amount to the tax authorities. Management is evaluating the effects of these changes for new grants as from their effective date.
- (v) IFRIC 23 – Uncertainties related to the treatment of income tax (effective from January 1st, 2019): the interpretation clarifies how the recognition and measurement requirements of IAS 12 are applied when there are uncertainties about the treatment of income taxes (Corporate Income Tax -

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Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

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IRPJ and Social Contribution on Net Profit - CSLL). Management is assessing the impacts of these amendments.

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

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, 2016.

5. Cash and cash equivalents

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Jun-2017</u>	<u>Dec-2016</u>	<u>Jun-2017</u>	<u>Dec-2016</u>
Cash and banks	47,681	67,518	48,062	68,062
Automatic investment fund		2,936		2,936
Debentures held under repurchase agreements	<u>273,459</u>	<u>202,641</u>	<u>276,301</u>	<u>205,634</u>
	<u>321,140</u>	<u>273,095</u>	<u>324,363</u>	<u>276,632</u>

Investments in investment funds and debentures held under repurchase agreements have high liquidity and are restated based on the variations of the CDI rate, and reflect the realizable value, without risk of change in value or loss of income.

For repurchase debentures, the financial institutions which negotiated these securities guarantee credit risk and immediate liquidity without loss of income. The financial investments are concentrated substantially at Caixa Econômica Federal.

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6. Trade receivables

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Jun-2017</u>	<u>Dec-2016</u>	<u>Jun-2017</u>	<u>Dec-2016</u>
Trade receivables	741,923	716,453	821,782	774,997
(-) Provision for impairment of trade receivables	(3,478)	(2,612)	(3,631)	(2,756)
	<u>738,445</u>	<u>713,841</u>	<u>818,151</u>	<u>772,241</u>

The ageing of trade receivables is as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Jun-2017</u>	<u>Dec-2016</u>	<u>Jun-2017</u>	<u>Dec-2016</u>
Not yet due	718,538	684,445	794,639	738,319
Overdue				
Between 1 and 30 days	18,165	20,284	19,041	24,008
Between 31 and 60 days	555	7,510	1,438	7,956
Between 61 and 90 days	600	1,704	795	2,204
Between 91 and 180 days	4,065	2,508	4,632	2,508
Between 181 and 360 days		2	1,237	2
Provision for impairment of trade receivables	(3,478)	(2,612)	(3,631)	(2,756)
	<u>738,445</u>	<u>713,841</u>	<u>818,151</u>	<u>772,241</u>

Days sales outstanding are approximately 41 days, which is considered part of the normal conditions inherent in the Company's operations.

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

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Jun-2017</u>	<u>Dec-2016</u>	<u>Jun-2017</u>	<u>Dec-2016</u>
Opening balance	(2,612)	(6,893)	(2,756)	(6,910)
Additions	(6,681)	(10,168)	(7,842)	(11,278)
Reversals	5,815	14,449	6,967	15,432
Closing balance	<u>(3,478)</u>	<u>(2,612)</u>	<u>(3,631)</u>	<u>(2,756)</u>

Trade receivables are classified as receivables and are therefore measured as described in Note 4d-i-3 to the financial statements for the year ended December 31, 2016.

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7. Inventories

	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Goods for resale	2,209,109	2,100,621	2,250,489	2,131,661
Goods held by third parties	14,676	25,929	14,676	25,929
Materials	1,604	2,043	1,604	2,043
Provision for inventory losses	<u>(12,209)</u>	<u>(10,165)</u>	<u>(12,209)</u>	<u>(10,165)</u>
Total inventory	<u>2,213,180</u>	<u>2,118,428</u>	<u>2,254,560</u>	<u>2,149,468</u>

Changes in the provision for goods losses are as follows:

	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Opening balance	(10,165)	(24,312)	(10,165)	(24,312)
Additions	(5,730)	(6,015)	(5,730)	(6,015)
Write-offs	<u>3,686</u>	<u>20,162</u>	<u>3,686</u>	<u>20,162</u>
Closing balance	<u>(12,209)</u>	<u>(10,165)</u>	<u>(12,209)</u>	<u>(10,165)</u>

For the period ended June 30, 2017, cost of goods sold recognized in the statement of income was R\$ 2,130,255 (R\$ 1,790,306 – 2nd quarter/2016) for the parent company and R\$ 2,237,538 (R\$ 1,858,386 – 2nd quarter/2016) for the consolidated accounts, including the amount of the write-offs of goods inventories recognized as losses for the year amounting to R\$ 20,693 (R\$ 18,265 – 2nd quarter/2016) for the parent company and R\$ 20,778 (R\$ 18,271 – 2nd quarter/2016) for the consolidated accounts.

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

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8. Taxes recoverable

	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Taxes on profit				
Withholding Income Tax (IRRF)	1,197	537	1,198	537
Corporate Income Tax (IRPJ)	214	9,587	214	9,650
Social Contribution on Net Profit (CSLL)	3	1,826	3	1,862
	<u>1,414</u>	<u>11,950</u>	<u>1,415</u>	<u>12,049</u>
Other taxes				
Value Added Tax on Sales and Services (ICMS) – credit balance	75,317	75,261	75,688	75,362
ICMS – Refund of ICMS withheld in advance (CAT Ruling 17/99)	210	14,027	210	14,027
ICMS on acquisitions of fixed assets	36,409	29,871	36,409	29,871
Social Integration Program (PIS)				10
Social Contribution on Revenue (COFINS)		2,807		2,856
Social Investment Fund - 1982 - securities issued to cover court-ordered debts	561	561	561	561
	<u>112,497</u>	<u>122,527</u>	<u>112,868</u>	<u>122,687</u>
	<u>113,911</u>	<u>134,477</u>	<u>114,283</u>	<u>134,736</u>
Current assets	<u>(86,043)</u>	<u>(111,513)</u>	<u>(86,415)</u>	<u>(111,772)</u>
Non-current assets	<u>27,868</u>	<u>22,964</u>	<u>27,868</u>	<u>22,964</u>

The ICMS credits amounting to R\$ 75,317 and R\$ 210 (R\$ 75,261 and R\$ 14,027 Dec-2016) for the parent company 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 São Paulo, Paraná and Pernambuco, in order to supply its branches located in other Brazilian states. The respective credits have been progressively consumed in the last months, mainly due to goods that are not under the substitute taxpayer regime.

The Group analyzed the use of ICMS credits and concluded that the tax credit balances will be used within 12 months.

9. Investments

(a) Business combinations

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

The Agreement establishes the granting of call and put options for all the remaining shares held by the founding stockholder after January 2021, and the exercise price will be calculated based on the average of the adjusted EBITDA of 4Bio for the years ending December 31, 2018, 2019 and 2020 the fair value of which at June 30, 2017 corresponds to R\$ 49,965 (R\$ 45,228 - Dec-2016).

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Financial liabilities arising from the purchase option were recognized separately from the consideration transferred, through the adoption of the access method, in which the non-controlling interest is already recognized, since the non-controlling stockholder is exposed to risks and has access to the returns associated with their participation, against "carrying value adjustments" in equity.

The fair value of the additional stock option recorded in Parent Company and Consolidated, of R\$ 49,965 (R\$ 45,228 - Dec-2016) is classified as Level 3 in the fair value hierarchy. The main fair value measurements have as reference: (i) a discount rate of 22.04% in Dec-2016 (19.89% - Dec-2015), (ii) an average growth rate of EBITDA of 27.4% in Dec-2016, considering the average of the EBITDAs projected for 2018 to 2020 and the multiple provided for in contract.

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

(b) Changes in investments

At June 30, 2017, the Company's investment balance is as follows:

<u>Company name</u>	<u>Main activity</u>	<u>Interest (%)</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
4Bio Medicamentos S.A.	Retail of special medicines	55%	30,671	27,879

Changes in the investment balance in the subsidiary, presented in the parent company quarterly information, are as follows:

	Parent Company	
	Jun-2017	Jun-2016
At January 1	29,424	23,497
Increase in equity interest in subsidiary	471	
Equity in the results of investees	776	2,342
Adjustment to purchase price		2,040
At June 30	30,671	27,879

For the purposes of calculating the equity of 4Bio Medicamentos S.A., 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 at June 30, 2017:

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	Parent Company	
	Jun-2017	Jun-2016
Result of 4Bio (six-month period)	1,063	2,678
Amortization of surplus arising from the business combination	(287)	(336)
Adjusted profit of 4Bio	<u>776</u>	<u>2,342</u>
Adjusted equity	Jun-2017	Jun-2016
Investment at book value (55%)	14,050	10,684
Allocation of the purchase price (surplus of assets)	5,628	6,497
Deferred income tax liability on allocation adjustments	(1,913)	(2,209)
	<u>17,765</u>	<u>14,972</u>
Goodwill based on expected future profitability	<u>12,906</u>	<u>12,907</u>
	<u>30,671</u>	<u>27,879</u>

(c) Subsidiary's dividend

In conformity with Art. 202 of Law 6,404/76 and the Company's bylaws, a mandatory minimum dividend of 10% of the adjusted profit for the year was calculated and recorded.

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10. Property and equipment and intangible assets

a) Property and equipment

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

							2017	2016	
	Land	Buildings	Furniture, fittings and facilities	Machinery and equipment	Vehicles	Leasehold improvement s	Store renovation and modernization	Total	Total
Cost									
At January 1	27,440	41,917	501,042	300,919	23,224	766,487	3,863	1,664,892	1,320,197
Additions			68,916	32,324	2,488	132,907		236,635	190,650
Disposals and write-offs			(3,368)	(772)	(1,280)	(43,222)		(48,642)	(8,753)
Provision for store closures			1,421	1,814		(2,760)		475	(5,899)
At June 30	<u>27,440</u>	<u>41,917</u>	<u>568,011</u>	<u>334,285</u>	<u>24,432</u>	<u>853,412</u>	<u>3,863</u>	<u>1,853,360</u>	<u>1,496,195</u>
Accumulated depreciation									
Average annual depreciation rates (%)		2.5 – 2.7	7.4 – 10	7.1 – 15.8	20.0 – 23.7	17.0 – 21.6	20.0		
At January 1		(19,872)	(173,655)	(128,644)	(14,378)	(320,186)	(3,266)	(660,001)	(518,914)
Additions		(557)	(24,583)	(20,842)	(1,550)	(78,831)	(322)	(126,685)	(99,570)
Disposals and write-offs			2,267	723	1,163	41,333		45,486	7,558
Provision for store closures			(654)	(809)		1,882		419	2,602
At June 30		<u>(20,429)</u>	<u>(196,625)</u>	<u>(149,572)</u>	<u>(14,765)</u>	<u>(355,802)</u>	<u>(3,588)</u>	<u>(740,781)</u>	<u>(608,324)</u>
Net balance									
At January 1	<u>27,440</u>	<u>22,045</u>	<u>327,387</u>	<u>172,275</u>	<u>8,846</u>	<u>446,301</u>	<u>597</u>	<u>1,004,891</u>	<u>801,283</u>
At June 30	<u>27,440</u>	<u>21,488</u>	<u>371,386</u>	<u>184,713</u>	<u>9,667</u>	<u>497,610</u>	<u>275</u>	<u>1,112,579</u>	<u>887,871</u>

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Changes in the consolidated property and equipment are as follows:

							2017	2016	
	Land	Buildings	Furniture, fittings and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Store renovation and modernization	Total	Total
Cost									
At January 1	27,440	41,917	501,929	301,725	23,511	767,229	3,863	1,667,614	1,321,657
Additions			69,106	32,623	2,488	133,211		237,428	190,825
Disposals and write-offs			(3,368)	(772)	(1,280)	(43,222)		(48,642)	(8,754)
Provision for store closures			1,421	1,814		(2,760)		475	(5,899)
At June 30	<u>27,440</u>	<u>41,917</u>	<u>569,088</u>	<u>335,390</u>	<u>24,719</u>	<u>854,458</u>	<u>3,863</u>	<u>1,856,875</u>	<u>1,497,829</u>
Accumulated depreciation									
Average annual depreciation rates (%)		2,5 – 2,7	7,4 – 10	7,1 – 15,8	20 – 23,7	17 – 21,6	20		
At January 1		(19,872)	(173,916)	(128,970)	(14,596)	(320,388)	(3,266)	(661,008)	(519,672)
Additions		(557)	(24,629)	(20,908)	(1,560)	(78,920)	(322)	(126,896)	(99,656)
Disposals and write-offs			2,267	723	1,163	41,333		45,486	7,559
Provision for store closures			(654)	(809)		1,882		419	2,602
At June 30		<u>(20,429)</u>	<u>(196,932)</u>	<u>(149,964)</u>	<u>(14,993)</u>	<u>(356,093)</u>	<u>(3,588)</u>	<u>(741,999)</u>	<u>(609,167)</u>
Net balance									
At January 1	27,440	22,045	328,013	172,755	8,915	446,841	597	1,006,606	801,985
At June 30	<u>27,440</u>	<u>21,488</u>	<u>372,156</u>	<u>185,426</u>	<u>9,726</u>	<u>498,365</u>	<u>275</u>	<u>1,114,876</u>	<u>888,662</u>

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b) Intangible assets

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

								2017	2016
	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Trademarks	Customer portfolio	Other intangible assets	Total	Total
Cost									
At January 1	245,813	80,305	22,275	780,084	151,700	41,700	6,129	1,328,006	1,331,261
Additions	21,095	19,028					239	40,362	24,553
Disposals and write-offs	(19,049)	(3,709)					(168)	(22,926)	(1,901)
Provision for store closures	(1,605)	(4)						(1,609)	(4,423)
At June 30	<u>246,254</u>	<u>95,620</u>	<u>22,275</u>	<u>780,084</u>	<u>151,700</u>	<u>41,700</u>	<u>6,200</u>	<u>1,343,833</u>	<u>1,349,490</u>
Accumulated amortization									
Average annual amortization rates (%)	17,0 – 23,4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	6,7 - 25	20		
At January 1	(120,982)	(30,181)	(2,387)			(37,177)		(190,727)	(200,858)
Additions	(22,109)	(8,969)				(230)		(31,308)	(28,928)
Disposals and write-offs	19,029	3,678						22,707	1,694
Provision for store closures	1,264	2						1,266	2,904
At June 30	<u>(122,798)</u>	<u>(35,470)</u>	<u>(2,387)</u>			<u>(37,407)</u>		<u>(198,062)</u>	<u>(225,188)</u>
Net balance									
At January 1	<u>124,831</u>	<u>50,124</u>	<u>19,888</u>	<u>780,084</u>	<u>151,700</u>	<u>4,523</u>	<u>6,129</u>	<u>1,137,279</u>	<u>1,130,403</u>
At June 30	<u>123,456</u>	<u>60,150</u>	<u>19,888</u>	<u>780,084</u>	<u>151,700</u>	<u>4,293</u>	<u>6,200</u>	<u>1,145,771</u>	<u>1,124,302</u>

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Changes in the consolidated intangible assets are as follows:

											2017	2016	
	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Goodwill on business acquisition (4BIO)	Raia S.A. brands	4BIO brands	Raia S.A. customers portfolio	4BIO customer relationship	4BIO distribution channel	Other intangible assets	Total	Total
Cost													
At January 1	245,813	80,720	22,275	780,084	25,563	151,700	5,069	41,700	7,928	535	6,197	1,367,584	1,368,746
Additions	21,095	19,246									239	40,580	26,596
Disposals and write-offs	(19,049)	(3,709)									(168)	(22,926)	(1,902)
Provision for store closures	(1,604)	(4)										(1,608)	(4,423)
At June 30	<u>246,255</u>	<u>96,253</u>	<u>22,275</u>	<u>780,084</u>	<u>25,563</u>	<u>151,700</u>	<u>5,069</u>	<u>41,700</u>	<u>7,928</u>	<u>535</u>	<u>6,268</u>	<u>1,383,630</u>	<u>1,389,017</u>
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	7	0,3	20		
At January 1	(120,982)	(30,404)	(2,387)				(1,267)	(37,177)	(708)	(535)	(68)	(193,528)	(201,874)
Additions	(22,109)	(9,011)					(507)	(230)	(283)			(32,140)	(29,884)
Disposals and write-offs	19,029	3,678										22,707	1,694
Provision for store closures	1,264	2										1,266	2,904
At June 30	<u>(122,798)</u>	<u>(35,735)</u>	<u>(2,387)</u>				<u>(1,774)</u>	<u>(37,407)</u>	<u>(991)</u>	<u>(535)</u>	<u>(68)</u>	<u>(201,695)</u>	<u>(227,160)</u>
Net balance													
At January 1	<u>124,831</u>	<u>50,316</u>	<u>19,888</u>	<u>780,084</u>	<u>25,563</u>	<u>151,700</u>	<u>3,802</u>	<u>4,523</u>	<u>7,220</u>		<u>6,129</u>	<u>1,174,056</u>	<u>1,166,872</u>
At June 30	<u>123,457</u>	<u>60,518</u>	<u>19,888</u>	<u>780,084</u>	<u>25,563</u>	<u>151,700</u>	<u>3,295</u>	<u>4,293</u>	<u>6,937</u>		<u>6,200</u>	<u>1,181,935</u>	<u>1,161,857</u>

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c) Goodwill on acquisition of Drogeria Vison Ltda.

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

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

d) Goodwill on acquisition of Raia S.A.

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

e) Goodwill on acquisition of 4Bio Medicamentos S.A.

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

11. Borrowing

	Average annual long term interest rate	Parent Company		Consolidated	
		Jun-2017	Dec-2016	Jun-2017	Dec 2016
Borrowing for acquisition of:					
BNDES – Sub-loan					
Businesses	TJLP + 2.55% (+ 2.75% - Dec/2016) p.a.	165,785	163,895	165,785	163,895
Businesses	SELIC + 2.48% (+ 2.50% - Dec/2016) p.a.	148,349	128,350	148,349	128,350
Machinery, equipment and vehicles	Fixed rate + 3.23% (3.10% - Dec/2016) p.a.	2,530	4,658	2,530	4,658
Machinery, equipment and vehicles	TJLP + 2.02% (+ 2.02% - Dec/2016) p.a.	18,974	12,456	18,974	12,456
Machinery, equipment and vehicles	PSI + 8.65% (8.62% - Dec/2016) p.a.	6,854	8,087	6,854	8,087
Machinery, equipment and vehicles	Selic + 2.42%	78		78	
Working capital	SELIC + 2.64% (+ 2.70% - Dec/2016) p.a.	102,591	92,135	102,591	92,135
Other		3,437	3,610	3,437	3,610
Debentures					
1st issue of debentures	104.75% of CDI	305,066		305,066	
Borrowing					
Other					777
		<u>753,664</u>	<u>413,191</u>	<u>753,664</u>	<u>413,968</u>
Current liabilities		<u>(240,625)</u>	<u>(131,804)</u>	<u>(240,625)</u>	<u>(132,581)</u>
Non-current liabilities		<u>513,039</u>	<u>281,387</u>	<u>513,039</u>	<u>281,387</u>

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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 Social Project, Development of Own Brand and Acquisition of National Software are grouped in the line of other. Part of the Company's borrowing from BNDES has been taken out in the form of sub-loans, totaling R\$ 448,598 (R\$ 413,191 - Dec/2016), 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 June 30, 2017 and December 31, 2016, the Company was in compliance with these covenants.

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

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

Non-current amounts mature as follow:

	Parent company and consolidated
	Jun-2017
2018	113,123
2019	157,184
2020	114,767
2021 and thereafter	<u>127,965</u>
	<u><u>513,039</u></u>

Characteristics of the Debentures

<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>
1st issue – single series	R\$ 300,000	30,000	4/19/2017	2017 - 2022	104.75%	10

On April 19, 2017, the 1st issue of 30,000 simple, nonconvertible, unregistered, single series, debentures was carried out, in the total amount of R\$ 300,000, yielding 104.75% of the CDI. The debentures were used by the Company as an instrument to strengthen its working capital.

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The debentures have maturity of 60 months, counted from their issue date, therefore April 19, 2022, except for the hypotheses of Early Redemption according to clauses contained in the debenture issue indenture.

The costs incurred on the issue of the Company's debentures, including fees, commissions and other costs, totaled R\$ 1,296 and are classified in the line item of the respective debentures and are recognized over the total period of the debt. At June 30, 2017, the amount to be recognized was R\$ 1,224, and is presented net in the debentures balance.

The amortization of the principal will occur in 9 semiannual consecutive installments, the first of which as from the 12nd month after the issue. The remuneration will be paid on a semiannual basis, and the first payment is due on October 19, 2017 and the other payments always on April 19 and October 19 of each year, until the maturity date.

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

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

Covenants are measured quarterly and, at June 30, 2017, the Company was in compliance with these covenants.

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

12. 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 provision for contingencies is necessary.

At June 30, 2017 and December 31, 2016, the Group had the following provision and corresponding judicial deposits relating to legal proceedings:

	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Labor and social security	25,510	16,449	25,510	16,449
Tax	551	655	551	655
Civil	493	426	493	426
	26,554	17,530	26,554	17,530
(-)Corresponding judicial deposits	(13,617)	(14,939)	(13,617)	(14,939)
Total	12,937	2,591	12,937	2,591

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	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Labor and social security	25,510	16,449	25,510	16,449
Current liabilities	(4,244)		(4,244)	
Non-current liabilities	8,693	2,591	8,693	2,591

Changes in the provision are as follows:

	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Opening balance	2,591	6,666	2,591	6,698
Additions	5,038	12,773	5,038	12,773
Write-offs	(13,238)	(10,656)	(13,238)	(10,688)
Favorable outcome	(589)	(1,177)	(589)	(1,177)
Unfavorable outcome	4,642	5,013	4,642	5,013
Change in criterion	(475)	(263)	(475)	(263)
Revaluation of amounts	12,040	(1,528)	12,040	(1,528)
Monetary restatement	1,606	2,536	1,606	2,536
Defense and appeal related deposits	1,322	(10,773)	1,322	(10,773)
Closing balance	12,937	2,591	12,937	2,591

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 by external and internal legal advisors, and a portion of these proceedings is guaranteed by pledged assets (Note 19).

In the first quarter of 2017, there was a revaluation of the contingencies in the amount of R\$ 12,066 related to labor claims with likelihood of loss classified as probable.

Possible losses

At June 30, 2017 and December 31, 2016, the Group was party to legal proceedings of a tax, civil and labor nature, the likelihood of loss in which is estimated as possible by management and its legal advisors, amounting to R\$ 127,040 (R\$ 88,642 Dec-2016) for the parent company and R\$ 127,040 (R\$ 88,642 – Dec-2016) for the consolidated accounts.

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Judicial deposits

At June 30, 2017 and December 31, 2016, the Group had the following judicial deposit amounts, for which no corresponding provision had been set up:

	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Labor and social security	11,036	10,584	11,036	10,584
Tax	11,208	8,969	11,208	8,969
Civil	4,230	3,454	4,230	3,454
Total	<u>26,474</u>	<u>23,007</u>	<u>26,474</u>	<u>23,007</u>

Labor contingencies

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

Tax contingencies

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

Civil contingencies

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

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13. Income tax and social contribution

(a) Income tax and social contribution paid

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

	Parent Company		Consolidated	
	2 nd Quarter- 2017	2 nd Quarter- 2016	2 nd Quarter- 2017	2 nd Quarter- 2016
Profit before income tax and social contribution	189,383	209,722	190,435	213,565
Interest on capital	(49,000)	(47,800)	(49,000)	(47,800)
Taxable profit	140,383	161,922	141,435	165,765
Combined tax rate (25% for income tax and 9% for social contribution)	34	34	34	34
Theoretical tax expense	(47,730)	(55,053)	(48,088)	(56,360)
Permanent additions	(5,232)	(1,168)	(5,259)	(1,178)
Equity in the results of investees	203	742		
Reduction of taxes due to incentives	826	1,009	845	1,009
Other	31	29	37	31
Effective income tax and social contribution expense	(51,902)	(54,441)	(52,465)	(56,498)
Effective tax rate	27.4%	26.0%	27.6%	26.5%

(b) Deferred income tax and social contribution

Deferred income tax and social contribution assets amounting to R\$ 68,991 at June 30, 2017 (R\$ 61,087 – Dec-2016) for the parent company and R\$ 69,620 at June 30, 2017 (R\$ 61,464 – Dec/2016) in 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\$ 270,964 at June 30, 2017 (R\$ 250,905 – Dec-2016) for the parent company and R\$ 274,443 at June 30, 2017 (254,651 - Dec-2016) in the consolidated accounts relate to tax charges on the remaining balances of: (i) the revaluation reserve; and (ii) goodwill on future profitability.

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Deferred income tax and social contribution for the quarters refer to:

	Balance sheet				Statement of income			
	Parent Company		Consolidated		Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016	2 nd Quarter -2017	2 nd Quarter -2016	2 nd Quarter -2017	2 nd Quarter -2016
Revaluation at fair value of land and buildings	(7,114)	(7,162)	(7,114)	(7,162)				
Amortization of the goodwill on future profitability	(205,106)	(183,737)	(205,106)	(183,737)	(10,676)	(10,722)	(10,676)	(10,722)
Non-deductible intangible assets - merger of Raia S.A.	(58,744)	(60,006)	(58,744)	(60,006)	631	631	631	631
Non-deductible intangible assets - acquisition of 4Bio			(3,479)	(3,746)			134	133
Goodwill on profitability of Drogaria Vison Ltda,	365	365	365	365				
Adjustment to present value	456	(1,221)	597	(1,105)	490	173	453	157
Adjustment to present value	6,710	508	6,710	508	825		825	
Provision for inventory obsolescence	30,315	27,500	30,315	27,500	1,289	2,229	1,289	2,229
Provision for sundry obligations	5,362	6,144	5,561	6,205	(601)	2,247	(599)	2,276
Provision for employee profit sharing	7,346	11,111	7,583	11,262	2,745	3,411	2,822	3,395
Provision for contingencies	9,028	5,960	9,028	5,960	(514)	878	(514)	878
Provision for impairment of trade receivables	2,019	1,302	2,071	1,351	(164)	(1,559)	(188)	(1,573)
Provision for commercial leases (renewal action)	1,466	1,806	1,466	1,806	(549)	276	(549)	276
Provision for customer loyalty programs	2,404	2,553	2,404	2,553	(136)	1,163	(136)	1,163
Provision for store closures	823	1,011	823	1,011	(157)	1,638	(157)	1,638
Provision for stock option plan	1,113	2,132	1,113	2,132	328	1,007	328	1,007
Provision for internal campaigns	950	162	950	162	390	262	390	262
Sundry provision	634	1,754	634	1,754	170	69	170	69
Deferred income tax and social contribution expense (benefit)					<u>(5,929)</u>	<u>1,703</u>	<u>(5,777)</u>	<u>1,819</u>
Deferred tax assets (liabilities), net	<u>(201,973)</u>	<u>(189,818)</u>	<u>(204,823)</u>	<u>(193,187)</u>				
Reflected in the balance sheet as follows:								
Deferred tax liabilities	<u>(201,973)</u>	<u>(189,818)</u>	<u>(204,823)</u>	<u>(193,187)</u>				
Deferred tax assets (liabilities), net	<u>(201,973)</u>	<u>(189,818)</u>	<u>(204,823)</u>	<u>(193,187)</u>				
Reconciliation of deferred tax assets (liabilities), net	Jun-2017	Dec-2016	Jun-2017	Dec-2016				
At the beginning of the year	(189,818)	(161,826)	(189,441)	(161,652)				
Taxable revenue recognized in the income statement	(12,204)	(28,087)	(15,431)	(31,630)				
Realization of deferred tax recognized in equity	49	95	49	95				
Balance at the end of the year	<u>(201,973)</u>	<u>(189,818)</u>	<u>(204,823)</u>	<u>(193,187)</u>				

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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 amounting to R\$ 68,991 in the parent company and R\$ 69,620 in the consolidated accounts will be substantially realized by the end of December 2017.

14. 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. At June 30, 2017 and 2016, the Group's shares did not have any dilutive effect, and the profits of basic and diluted shares were equal.

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

	Parent Company	
	2 nd Quarter- 2017	2 nd Quarter- 2016
Basic		
Profit for the period	137,481	155,281
Weighted average number of common shares	329,946	329,679
Basic earnings per share - R\$	<u>0,41668</u>	<u>0,47101</u>
Diluted		
Profit for the period	137,481	155,281
Weighted average number of common shares	329,946	329,679
Weighted average number of common shares adjusted for dilution effect	329,946	329,679
Diluted earnings per share - R\$	<u>0.41668</u>	<u>0.47101</u>

15. Equity

(a) Share capital

At June 30, 2017, the fully paid-up capital amounted to R\$ 1,808,639 (R\$ 1,808,639 – Dec-2016), represented by 330,386,000 common registered book-entry shares with no par value, of which 211,094,455 (205,570,433 common shares - Dec-2016) shares were outstanding.

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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, 2017, the Company's ownership interest was as follows:

	Number of shares		Interest (%)	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Controlling stockholders	118,617,391	123,958,183	37.34	37.52
Shares outstanding	211,094,455	205,570,433	62.46	62.22
Treasury shares	674,154	857,384	0.20	0.26
	<u>330,386,000</u>	<u>330,386,000</u>	<u>100.00</u>	<u>100.00</u>

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

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

	Shares outstanding
At December 31, 2016	205,570,433
(Purchase)/sale of restricted shares, net	<u>5,524,022</u>
At June 30, 2017	<u>211,094,455</u>

At June 30, 2017, the Company's common shares were quoted at R\$ 70.11 (closing quote) (R\$ 61.19 at December 31, 2016).

(b) Treasury shares

On April 24, 2014, 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, 2017 are summarized below:

	Parent Company	
	Number of shares	Shares value
At December 31, 2016	857,384	16,289
Shares delivered to executives according to the grant schedule	(136,391)	(2,591)
Shares delivered in advance to executives relating to their employment termination	(46,839)	(890)
At June 30, 2017	<u>674,154</u>	<u>12,808</u>

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At June 30, 2017, the market value of the treasury shares, having as reference the quotation of R\$ 70.11 per share at that date, corresponds to R\$ 47,265.

(c) Restricted share plan

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

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

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

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

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

The changes of the restricted shares are summarized below:

	Jun-2017		Dec-2016	
	Shares	Amount	Shares	Amount
Opening balance	375,212	11,123	193,640	4,225
Granted shares for the period	129,281	6,178	238,742	7,984
Value of the shares at the delivery date	(183,230)	(3,481)	(57,170)	(1,086)
Closing balance	<u>321,263</u>	<u>13,820</u>	<u>375,212</u>	<u>11,123</u>

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16. Net sales revenue

	Parent Company		Consolidated	
	2 nd Quarter- 2017	2 nd Quarter- 2016	2 nd Quarter- 2017	2 nd Quarter- 2016
Gross sales revenue				
Sales revenue	3,262,905	2,837,788	3,394,466	2,927,222
Service revenue	3,362	3,188	3,394	3,229
	<u>3,266,267</u>	<u>2,840,976</u>	<u>3,397,860</u>	<u>2,930,451</u>
Taxes on sales	(115,264)	(103,160)	(121,977)	(107,198)
Returns, rebates and other	(35,309)	(37,714)	(38,624)	(40,042)
Net sales revenue	<u>3,115,694</u>	<u>2,700,102</u>	<u>3,237,259</u>	<u>2,783,211</u>

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).

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

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

	Parent Company		Consolidated	
	2 nd Quarter- 2017	2 nd Quarter- 2016	2 nd Quarter- 2017	2 nd Quarter- 2016
Cost of sales	(2,130,255)	(1,790,306)	(2,237,538)	(1,858,386)
Personnel expenses	(391,574)	(349,761)	(397,220)	(353,675)
Service provider expenses	(36,694)	(29,731)	(36,851)	(29,918)
Depreciation and amortization (i)	(80,983)	(66,153)	(81,510)	(66,609)
Other (ii)	(259,510)	(232,984)	(264,564)	(236,422)
	<u>(2,899,016)</u>	<u>(2,468,935)</u>	<u>(3,017,683)</u>	<u>(2,545,010)</u>
Classified in the statement of income as:				
Cost of sales	(2,130,255)	(1,790,306)	(2,237,538)	(1,858,386)
Selling expenses	(680,048)	(599,958)	(688,668)	(605,191)
General and administrative expenses	(88,713)	(78,671)	(91,477)	(81,433)
	<u>(2,899,016)</u>	<u>(2,468,935)</u>	<u>(3,017,683)</u>	<u>(2,545,010)</u>

(i) Depreciation and amortization totaled R\$ 80,983 in the second quarter of 2017 (R\$ 66,153 – 2nd Quarter-2016), of which R\$ 71,716 (R\$ 58,328 – 2nd Quarter-2016) correspond to the sales area, and R\$ 9,267 (R\$ 7,825 – 2nd Quarter-2016) to the administrative area.

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- (ii) These refer mostly to property rental expenses, credit and debit card management charges, transportation expenses, the maintenance of assets, utilities bills, consumables and condominium fees.

18. Finance income and costs

(a) Finance income

	Parent Company		Consolidated	
	2 nd Quarter- 2017	2 nd Quarter- 2016	2 nd Quarter- 2017	2 nd Quarter- 2016
Discounts obtained	228	311	237	314
Short-term investment yields	6,741	1,171	6,741	1,171
Interest on intercompany loans	497	473		
Monetary gains	692	509	707	523
Other finance income	1	1	17	35
Taxes thereon (PIS/COFINS)	(383)	(115)	(383)	(115)
Present value adjustment (PVA) – finance income	19,788	20,072	21,488	21,354
Total finance income	27,564	22,422	28,807	23,282

(b) Finance costs

	Parent Company		Consolidated	
	2 nd Quarter- 2017	2 nd Quarter- 2016	2 nd Quarter- 2017	2 nd Quarter- 2016
Discounts granted to customers		(409)	(106)	(519)
Interest, charges and bank fees	(230)	(355)	(282)	(507)
Charges on debentures	(6,362)		(6,362)	
Charges on borrowings	(12,606)	(8,995)	(12,725)	(9,281)
Monetary losses	(1,299)	(2,451)	(2,122)	(2,611)
Interest on additional stock option	(2,427)	(1,534)	(2,427)	(1,534)
PVA – finance costs	(32,533)	(32,306)	(33,924)	(33,466)
Total finance costs	(55,457)	(46,050)	(57,948)	(47,918)
Finance results	(27,893)	(23,628)	(29,141)	(24,636)

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19. Guarantees for lawsuits

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

	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Furniture and facilities	29	32	29	32
Machinery and equipment	85	85	85	85
	114	117	114	117

20. Lease agreement commitments

The Company and its subsidiary have lease agreements with terms ranging from one to 20 years. Annual lease expenses vary depending on the number of agreements entered into or terminated. Total monthly expenses on these lease agreements (including rental, condominium fees and real estate tax amounted to R\$ 41,393 (R\$ 38,710 – Dec-2016) for the parent company and R\$ 41,504 (R\$ 38,810 - Dec-2016) for the consolidated accounts.

At June 30, 2017 and December 31, 2016, the future minimum payments referring to leases of stores (under cancelable lease agreements) were as follows:

	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
From one to 12 months	406,874	385,361	407,577	386,110
From 13 to 60 months	1,020,206	971,035	1,021,541	972,702
Over 60 months	298,542	291,003	298,542	291,003
	1,725,622	1,647,399	1,727,660	1,649,815

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21. Financial instruments and risk management policy

Financial instruments by category

	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Assets as per balance sheet				
<u>Loans and receivables</u>				
Cash and cash equivalents (Note 5)	321,140	273,095	324,363	276,632
Trade receivables (Note 6)	738,445	713,841	818,151	772,241
Other receivables	175,147	120,711	138,951	105,112
Judicial deposits (Note 12)	26,474	23,007	26,474	23,007
	<u>1,261,206</u>	<u>1,130,654</u>	<u>1,307,939</u>	<u>1,176,992</u>
Total assets	<u>1,261,206</u>	<u>1,130,654</u>	<u>1,307,939</u>	<u>1,176,992</u>
Liabilities as per balance sheet				
<u>Liabilities at fair value through profit or loss</u>				
Additional stock option (Note 9)	49,965	45,228	49,965	45,228
	<u>49,965</u>	<u>45,228</u>	<u>49,965</u>	<u>45,228</u>
<u>Other financial liabilities</u>				
Trade payables	1,338,156	1,564,787	1,396,475	1,615,587
Borrowings (Note 11)	753,664	413,191	753,664	413,968
Other payables	186,756	175,046	187,828	175,972
	<u>2,278,576</u>	<u>2,153,024</u>	<u>2,337,967</u>	<u>2,205,527</u>
Total liabilities	<u>2,328,541</u>	<u>2,198,252</u>	<u>2,387,932</u>	<u>2,250,755</u>

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 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 liquidity.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

(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.

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

(b) Credit risk

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

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

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

	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Rating – National Scale				
brAA	9,356	38,036	12,198	41,030
BrA+	264,103	167,541	264,103	167,541
Total – National Scale	<u>273,459</u>	<u>205,577</u>	<u>276,301</u>	<u>208,571</u>

The granting of credit on sales of goods follows a policy that aims at minimizing defaults. For the period ended June 30, 2017, credit sales represented 51% (50% - Dec-2016) and 52% (51% - Dec-2016) for the consolidated accounts of which 91% (91% - Dec-2016) and 86% (86% - Dec-2016) in the consolidated accounts related to credit card sales which, in the opinion of the Group and based on the history of losses, posed an extremely low risk. The remaining 9% (9% - Dec-2016) and 14% (14% - Dec-2016) 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.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

(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	Scenario I (probable)	Scenario II	Scenario III
Short term investments - CDI	0.5% increase	1,367	1,709	2,051
Revenue		1,367	1,709	2,051
REFIS (SELIC)	0.5% increase	6	7	9
Debentures	0.5% increase	3,063	3,829	4,594
Expense		3,069	3,836	4,603
Consolidated				
Operation	Risk	Scenario I (probable)	Scenario II	Scenario III
Short term investments - CDI	0.5% increase	1,381	1,727	2,072
Revenue		1,381	1,727	2,072
REFIS (SELIC)	0.5% increase	6	7	9
Debentures	0.5% increase	3,063	3,829	4,594
Expense		3,069	3,836	4,603

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

(e) Capital management

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

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

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Accordingly, this ratio corresponds to the net debt expressed as a percentage of the 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:

	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Short- and long-term borrowings	753,664	413,191	753,664	413,968
(-) Cash and cash equivalents	(321,140)	(273,095)	(324,363)	(276,632)
Net debt	<u>432,524</u>	<u>140,096</u>	<u>429,301</u>	<u>137,336</u>
Equity attributable to the stockholders of the parent company	2,996,060	2,909,787	2,996,060	2,909,787
Non-controlling interest			27,190	26,168
Total equity	<u>2,996,060</u>	<u>2,909,787</u>	<u>3,023,250</u>	<u>2,935,955</u>
Total capital	<u>3,428,584</u>	<u>3,049,883</u>	<u>3,452,551</u>	<u>3,073,291</u>
Gearing ratio - %	<u>12.62</u>	<u>4.59</u>	<u>12.43</u>	<u>4.47</u>

The increase in the gearing ratio at June 30, 2017 was mainly due to the issue of debentures (Note 11) and consequent use of the resources obtained in the Company's investments and operation.

(f) Fair value estimation

The carrying values of financial investments in the balance sheet approximate their fair values since the remuneration rates are based on the CDI variation. The carrying values of trade receivables and payables are measured at amortized cost and are recorded at their original amount, less the provision for impairment and adjustment to present value, when applicable. The carrying values is 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.

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.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

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All amounts in thousands of reais unless otherwise stated

At June 30, 2017, 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, 2017:

	Parent company and consolidated	
	Additional stock option	
	Jun-2017	Jun-2016
At January 1	45,228	31,632
Expenses recognized in the statement of income:	4,737	3,001
At June 30	49,965	34,633
Total expenses for the period recognized in the statement of income	4,737	3,001
Changes in unrealized expenses for the period included in the statement of income	4,737	3,001

22. Derivative financial instruments

The Group does not operate with derivative instruments, except in specific situations.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

23. Transactions with related parties

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

	Relationship	Parent Company		Consolidated		Parent Company		Consolidated	
		Current assets				Revenues			
		Jun-2017	Dec-2016	Jun-2017	Dec-2016	2 nd Quarter-2017	2 nd Quarter-2016	2 nd Quarter-2017	2 nd Quarter-2016
Receivables									
Special plans (i)									
Regimar Comercial S.A.	Stockholder/Family	6	15	6	15	11	36	11	36
Heliomar S.A.	Stockholder/Board Member	1	1	1	1	6	4	6	4
Rodrigo Wright Pipponzi (Editora Mol Ltda.)	Stockholder/Family		1		1		1		1
		<u>7</u>	<u>17</u>	<u>7</u>	<u>17</u>	<u>17</u>	<u>41</u>	<u>17</u>	<u>41</u>
Other receivables									
Commercial agreements									
Natura Cosméticos S.A. (iv)	Stockholder / Related party	4	22	4	22	193	234	193	234
Loan receivable									
4Bio Medicamentos S.A. (v)	Subsidiary	36,855	15,624			497	473		
		<u>36,859</u>	<u>15,646</u>	<u>4</u>	<u>22</u>	<u>690</u>	<u>707</u>	<u>193</u>	<u>234</u>
		<u>36,866</u>	<u>15,663</u>	<u>11</u>	<u>39</u>	<u>707</u>	<u>748</u>	<u>210</u>	<u>275</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

	Relationship	Parent Company		Consolidated		Parent Company		Consolidated	
		Current liabilities				Expense			
		Jun-2017	Dec-2016	Jun-2017	Dec-2016	2 nd Quarter-2017	2 nd Quarter-2016	2 nd Quarter-2017	2 nd Quarter-2016
Payables									
Rentals (ii)									
Heliomar S.A.	Stockholder/Board Member	19	19	19	19	56	53	56	53
Antonio Carlos Pipponzi	Stockholder/Board Member	7	7	7	7	22	21	22	21
Rosalia Pipponzi Raia	Stockholder/Board Member	7	7	7	7	22	21	22	21
Estate of Franco Maria David Pietro Pipponzi	Stockholder/Board Member	7	7	7	7	22	21	22	21
		<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>122</u>	<u>116</u>	<u>122</u>	<u>116</u>
Service providers									
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire Advogados (ii)	Stockholder/Family		12		12	1,774	1,521	1,774	1,521
Rodrigo Wright Pipponzi (Editora Mol Ltda.) (iii)	Stockholder/Family	869	790	869	790	2,300	2,024	2,300	2,024
		<u>869</u>	<u>802</u>	<u>869</u>	<u>802</u>	<u>4,074</u>	<u>3,545</u>	<u>4,074</u>	<u>3,545</u>
Suppliers									
Natura Cosméticos S.A. (iv)	Stockholder / Related party	1,113	1,433	1,113	1,433	1,665	1,776	1,665	1,776
		<u>1,113</u>	<u>1,433</u>	<u>1,113</u>	<u>1,433</u>	<u>1,665</u>	<u>1,776</u>	<u>1,665</u>	<u>1,776</u>
		<u>2,022</u>	<u>2,275</u>	<u>2,022</u>	<u>2,275</u>	<u>5,861</u>	<u>5,437</u>	<u>5,861</u>	<u>5,437</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

- (i) Sales carried out through special plans. These transactions have been entered into under commercial conditions equivalent to those adopted with other companies.
- (ii) Store rental and rendering of legal advisory services. These transactions are carried out under normal market conditions.
- (iii) These balances and transactions refer 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 monthly magazine. The agreements are valid for an indefinite period of time and may be terminated by either party at any time without cost or penalties.
- (iv) On September 1st, 2015, Raia Drogasil S.A. and Natura Cosméticos S.A. entered into a purchase and sale agreement and other covenants to permit the sale of products of line "SOU" in 29 stores of the Raia and Drogasil in Campinas and region. Some members of the control block of Natura Cosméticos S.A. indirectly hold equity interests in Raia Drogasil S.A.

The parties decided to expand the project scope for sale in the entire State of São Paulo as from February 20, 2016 and for the entire national territory as from July 1st, 2016, by signing an Amendment to the agreement.

Raia Drogasil will receive five percent (5%) of the products sold, considering the amount indicated on the sale invoice of Natura Cosméticos S.A. to Raia Drogasil, and it is not possible to define a total value for the contract.

- (v) During 2016 and 2017, loan transactions were entered into between Raia Drogasil S.A. (Lender) and 4Bio Medicamentos S.A. (Borrower) in the amounts of R\$14,000 and R\$20,100, respectively. In June 2017, these amounts started being monetarily restated by 110% of the CDI, previously the rate used was 101.5% of the CDI. The amount of R\$14,100 matures in September 2017 and the remaining amount in February 2018.

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

(b) Key management compensation

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

	Parent Company		Consolidated	
	2nd Quarter- 2017	2nd Quarter- 2016	2nd Quarter- 2017	2nd Quarter- 2016
Fees and social charges	3,572	3,482	3,964	3,829
Bonuses and social charges	6,924	4,817	6,991	4,916
Fringe benefits	1,644	39	1,644	39
	<u>12,140</u>	<u>8,338</u>	<u>12,599</u>	<u>8,784</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

24. Insurance coverage

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

The Group had the following insurance coverage at June 30, 2017:

	Parent Company		Consolidated	
	Jun-2017	Dec-2016	Jun-2017	Dec-2016
Inventory loss risks	153,427	145,248	174,055	161,304
Permanent assets	229,632	193,964	235,452	199,062
Loss of profits	237,873	171,500	262,052	195,679
Civil liability risks	33,602	27,150	34,500	27,150
	<u>654,534</u>	<u>537,862</u>	<u>706,059</u>	<u>583,195</u>

25. Non-cash transactions

At June 30, 2017, the main transactions that did not involve the Group's cash were:

- (i) the installment purchase of property and equipment items in the amount of R\$ 9,324 (R\$ 20,177 - Dec-2016).

* * *

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Comment on the Behavior of Business Projections

In this section, in accordance with CVM Instruction No. 480/09, we compare the projections of store openings for 2016 and 2017, which we disclosed to the market through a Material Fact on July 28, 2016, with the data on the store openings every year, through the end of the current quarter.

YEAR	PRIOR PROJECTION	CURRENT PROJECTION	ACTUAL ACCUMULATED ¹
2016	165 openings	200 openings	212 openings
2017	195 openings	200 openings	96 openings

¹ For 2017, accumulated through 6/30/2017.

On July 28, 2016, we revised our prior projection of 165 store openings in 2016 and 195 store openings in 2017 to 200 store openings for both 2016 and 2017, as properly announced to the market. The Company ended 2016 with 212 store openings and reiterates the projection of 200 openings for 2017.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

Reports and Statements / Report on Special Review – Without Exceptions

Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Raia Drogasil S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2017, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and six-month period then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

Conclusion on the interim information

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

Reports and Statements / Report on Special Review – Without Exceptions

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2017. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo, July 27, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Renato Barbosa Postal
Contador CRC 1SP187382/O-0

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - 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, 2017 and, based on the examinations performed and on clarifications provided by management, and also considering the Report on Special Review without exceptions, issued by the independent auditor PricewaterhouseCoopers Auditores Independentes, the Supervisory Board members concluded that the documents above are fairly presented, in all material respects.

São Paulo, July 27, 2017.

Gilberto Lério
Supervisory Board member

Fernando Carvalho Braga
Supervisory Board member

Mário Antonio Luiz Corrêa
Supervisory Board member

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIÁ DROGASIL S.A.

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 Instruction 480/09, the Company's officers represent that they have reviewed, discussed and agree with the conclusions expressed in the favorable Special Review Report without exceptions issued by the independent auditors for the quarter ended June 30, 2017.

São Paulo, July 27, 2017.

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
Accountant in charge CRC-1SP215445/O-0

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 6/30/2017 - RAIA DROGASIL S.A.

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 Instruction 480/09, the Company's officers represent that they have reviewed, discussed and agree with the conclusions expressed in the favorable Special Review Report without exceptions issued by the independent auditors for the quarter ended June 30, 2017.

São Paulo, July 27, 2017.

Marcilio D'Amico Pousada
Chief Executive Officer

Fernando Kozel Varela

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
Accountant in charge CRC-1SP215445/O-0