Table of Contents

Company Information / Capital Breakdown

Number of Shares (in thousands)	Current Quarter 9/30/2019
Paid-in Capital	
Common	123,813
Preferred	0
Total	123,813
Treasury Shares	
Common	1,202
Preferred	0
Total	1,202

Individual Financial Statements / Balance Sheet - Assets

R$ (in thousands)

Code	Description	Current quarter 9/30/2019	Previous year 12/31/2018
1	Total Assets	2,566,330	2,477,948
1.01	Current Assets	1,870,942	1,801,165
1.01.01	Cash and Cash Equivalents	194,828	171,171
1.01.03	Trade Receivables	657,267	636,359
1.01.03.01	Trade Receivables	657,267	636,359
1.01.04	Inventories	661,595	662,967
1.01.06	Recoverable Taxes	269,165	263,386
1.01.06.01	Current Recoverable Taxes	269,165	263,386
1.01.08	Other Current Assets	88,087	67,282
1.01.08.03	Other	88,087	67,282
1.01.08.03.01	Advances	6,385	5,832
1.01.08.03.02	Other Trade Receivables	73,666	54,538
1.01.08.03.03	Financial Instruments	8,036	6,912
1.02	Noncurrent Assets	695,388	676,783
1.02.01	Long-Term Assets	76,661	70,529
1.02.01.04	Trade Receivables	6,327	6,585
1.02.01.04.02	Other Receivables	6,327	6,585
1.02.01.07	Deferred Taxes	46,917	43,702
1.02.01.07.01	Deferred Income Tax and Social Contribution	46,917	43,702
1.02.01.09	Due from Related Parties	0	341
1.02.01.09.02	Due from Subsidiaries	0	341
1.02.01.10	Other Noncurrent Assets	23,417	19,901
1.02.01.10.01	Noncurrent Assets for Sale	5,000	5,000
1.02.01.10.03	Escrow Deposits	12,185	11,623
1.02.01.10.05	Financial Instruments	3,147	265
1.02.01.10.06	Recoverable Taxes	3,085	3,013
1.02.02	Investments	482,633	522,879
1.02.02.01	Equity Interest	482,633	522,879
1.02.02.01.02	Interest in Subsidiaries	482,633	522,879
1.02.03	Property, Plant and Equipment	73,339	77,563
1.02.03.01	Property, Plant and Equipment in Use	65,988	72,106
1.02.03.03	Construction in Progress	7,351	5,457
1.02.04	Intangible Assets	62,755	5,812
1.02.04.01	Intangible Assets	62,755	5,812
1.02.04.01.02	Trademarks and Patents	14	14
1.02.04.01.03	Software	425	773
1.02.04.01.04	Goodwill	3,985	3,985
1.02.04.01.07	Right of Use	57,312	0
1.02.04.01.08	Other	1,019	1,040

Individual Financial Statements / Balance Sheet – Liabilities

R$ (in thousands)

Code	Description	Current quarter 9/30/2019	Previous year 12/31/2018
2	Total Liabilities	2,566,330	2,477,948
2.01	Current Liabilities	1,244,913	1,182,836
2.01.02	Trade Payables	938,401	938,955
2.01.02.01	Domestic Suppliers	938,401	938,955
2.01.03	Taxes	37,126	34,164
2.01.03.01	Federal Tax	3,749	3,304
2.01.03.01.02	Social Security Contribution (INSS) Payable	99	94
2.01.03.01.03	Federal Tax Debt Refinancing Program (Refis)/ Special Tax Regularization Program (Pert)	2,536	1,846
2.01.03.01.04	Withholding Taxes	742	1,345
2.01.03.01.07	Other	372	19
2.01.03.02	State Tax	33,248	30,732
2.01.03.03	Municipal Tax	129	128
2.01.04	Borrowings and Financing	226,618	188,229
2.01.04.01	Borrowings and Financing	226,618	188,229
2.01.04.01.01	In Domestic Currency	121,979	106,906
2.01.04.01.02	In Foreign Currency	104,639	81,323
2.01.05	Other Liabilities	42,768	21,488
2.01.05.02	Other	42,768	21,488
2.01.05.02.04	Payroll and Related Taxes	22,241	14,425
2.01.05.02.06	Other Trade Payables	10,190	7,063
2.01.05.02.07	Lease Liabilities	10,337	0
2.02	Noncurrent Liabilities	337,128	273,901
2.02.01	Borrowings and Financing	263,357	256,258
2.02.01.01	Borrowings and Financing	263,357	256,258
2.02.01.01.01	In Domestic Currency	226,825	180,595
2.02.01.01.02	In Foreign Currency	36,532	75,663
2.02.04	Provisions	73,771	17,643
2.02.04.01	Provisions for Tax, Private Pension, Labor and Civil Risks	11,077	9,270
2.02.04.01.01	Provisions for Tax	622	546
2.02.04.01.02	Provisions for Private Pension and Labor Risks	10,105	8,097
2.02.04.01.04	Provision for Civil Risks	350	627
2.02.04.02	Other Provisions	62,694	8,373
2.02.04.02.04	Due to related parties	0	60
2.02.04.02.06	Other Trade Payables	259	261
2.02.04.02.07	Taxes and Fees	5,513	8,052
2.02.04.02.09	Lease Liabilities	56,922	0
2.03	Equity	984,289	1,021,211
2.03.01	Paid-in Capital	1,159,065	1,159,065
2.03.02	Capital Reserves	-26,866	-26,866
2.03.02.04	Granted Options	7,040	7,040
2.03.02.05	Treasury Shares	-16,367	-16,367
2.03.02.07	Inflation Adjustment of Capital	43	43
2.03.02.09	Capitalization Cost	-17,582	-17,582
2.03.04	Earnings Reserve	186,825	186,825
2.03.04.07	Tax Incentive Reserve	186,825	186,825
2.03.05	Retained Earnings/Accumulated Losses	-322,568	-285,646

Individual Financial Statements / Balance Sheet – Liabilities

R$ (in thousands)

Code	Description	Current quarter 9/30/2019	Previous year 12/31/2018
2.03.06	Asset Valuation Adjustment	-12,167	-12,167
2.03.06.01	Goodwill in Capital Transactions	-12,167	-12,167

Individual Financial Statements / Statement of Income

R$ (in thousands)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Year-to-date 1/1/2019 to 9/30/2019	Same quarter of previous year 7/1/2018 to 9/30/2018	Previous year 1/1/2018 to 9/30/2018
3.01	Revenue from Sales and/or Services	1,179,039	3,271,623	1,003,157	2,799,760
3.02	Cost of Sales and/or Services	-1,078,520	-2,985,442	-917,716	-2,555,575
3.02.02	Cost of Sales and/or Services	-1,078,520	-2,985,442	-917,716	-2,555,575
3.03	Gross Profit	100,519	286,181	85,441	244,185
3.04	Operating Expense/Income	-82,690	-248,630	-78,085	-211,706
3.04.02	General and Administrative Expenses	-75,583	-220,631	-72,514	-206,768
3.04.02.01	General and Administrative	-24,628	-71,314	-24,000	-69,681
3.04.02.02	Selling and Marketing	-17,336	-51,169	-17,826	-46,134
3.04.02.03	Logistics and Distribution	-33,619	-98,148	-30,688	-90,953
3.04.04	Other Operating Income	4,093	6,115	451	6,665
3.04.04.02	Other Operating Income	4,093	6,115	451	6,665
3.04.05	Other Operating Expenses	-5,923	-17,902	-2,846	-8,656
3.04.05.01	Depreciation and Amortization	-5,923	-17,902	-2,846	-8,656
3.04.06	Equity Income	-5,277	-16,212	-3,176	-2,947
3.05	Profit Before Finance Income (Costs) and Taxes	17,829	37,551	7,356	32,479
3.06	Finance Income (Costs)	-17,458	-45,426	-17,920	-49,656
3.06.01	Finance Income	2,602	7,034	2,515	9,249
3.06.02	Finance Costs	-20,060	-52,460	-20,435	-58,905
3.07	Profit/(Loss) Before Income Taxes	371	-7,875	-10,564	-17,177
3.08	Income Tax and Social Contribution	-408	503	3,015	5,234
3.08.02	Deferred	-408	503	3,015	5,234
3.09	Profit/(Loss) from Continuing Operations	-37	-7,372	-7,549	-11,943
3.11	Profit (Loss) for the Period	-37	-7,372	-7,549	-11,943
3.99	Earnings per Share - (Reais/Share)				
3.99.01	Basic Earnings per Share				
3.99.01.01	Common	-0.00100	-0.18500	-0.18470	-0.10360

Individual Financial Statements / Statement of Comprehensive Income

R$ (in thousands)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Year-to-date 1/1/2019 to 9/30/2019	Same quarter of previous year 7/1/2018 to 9/30/2018	Previous year 1/1/2018 to 9/30/2018
4.01	Profit for the Period	-37	-7,372	-7,549	-11,943
4.03	Comprehensive Income for the Period	-37	-7,372	-7,549	-11,943

Individual Financial Statements / Statement of Cash Flows – Indirect Method

R$ (in thousands)

Code	Description	Year-to-date 1/1/2019 to 9/30/2019	Previous year 1/1/2018 to 9/30/2018
6.01	Net Cash provided by (used in) Operating Activities	17,482	-29,948
6.01.01	Cash Provided by Operating Activities	59,389	41,911
6.01.01.01	Profit/Loss before Income Tax and Social Contribution	-7,876	-17,177
6.01.01.02	Provision for Risks	1,807	-231
6.01.01.04	Depreciation and Amortization	8,976	8,659
6.01.01.08	Equity Income	16,064	2,949
6.01.01.09	Interest on Borrowings	33,019	28,871
6.01.01.10	Other Adjustments to Profit	-1,532	13,196
6.01.01.11	Allowance for Doubtful Debts	6,812	5,644
6.01.01.14	Effect from IFRS 16 / CPC 06R2	2,119	0
6.01.02	Changes in Assets and Liabilities	-41,907	-71,859
6.01.02.01	Accounts Receivable	-27,764	-66,826
6.01.02.02	Inventories	1,201	-46,586
6.01.02.03	Recoverable Taxes	-5,972	3,135
6.01.02.05	Other Operating Assets	-19,648	-8,587
6.01.02.06	Trade Payables	1,169	55,147
6.01.02.07	Payroll and Related Taxes	7,817	6,822
6.01.02.09	Taxes Payable	-1,775	-13,750
6.01.02.10	Other Operating Liabilities	3,065	-1,214
6.02	Net Cash provided by (used in) Investing Activities	-4,631	-187,166
6.02.01	Additions to Property, Plant and Equipment and Intangible Assets	-4,424	-2,805
6.02.02	Write-off – Property, Plant and Equipment	43	970
6.02.03	Increase in Investments	-250	-222,119
6.02.04	Proceeds from Divestment	0	36,850
6.02.05	Additions to Intangible Assets	0	-62
6.03	Net Cash Provided by (Used in) Financing Activities	10,806	233,649
6.03.01	New Borrowings and Financing	203,925	140,186
6.03.04	Capital Increase	0	318,434
6.03.08	Payment of Interest	-26,148	-34,233
6.03.09	Borrowings and Financing - Repayment	-166,971	-190,738
6.05	Increase (Decrease) in Cash and Cash Equivalents	23,657	16,535
6.05.01	Cash and Cash Equivalents at the Beginning of the Period	171,171	146,021
6.05.02	Cash and Cash Equivalents at the End of the Period	194,828	162,556

Individual Financial Statements / Statement of Changes in Equity – 1/1/2019 to 9/30/2019

R$ (in thousands)

Code	Description	Paid-In Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserve	Retained Earnings	Other Comprehensive Income	Equity
5.01	Opening Balances	1,159,065	-39,034	186,825	-285,645	0	1,021,211
5.03	Adjusted Opening Balances	1,159,065	-39,034	186,825	-285,645	0	1,021,211
5.04	Equity Transactions with Shareholders	0	0	0	-29,550	0	-29,550
5.04.15	First-time adoption	0	0	0	-29,550	0	-29,550
5.05	Total Comprehensive Income/(Loss)	0	0	0	-7,372	0	-7,372
5.05.01	Profit for the Period	0	0	0	-7,372	0	-7,372
5.07	Closing Balances	1,159,065	-39,034	186,825	-322,567	0	984,289

Individual Financial Statements / Statement of Changes in Equity– 1/1/2018 to 9/30/2018

R$ (in thousands)

Code	Description	Paid-In Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserve	Retained Earnings	Other Comprehensive Income	Equity
5.01	Opening Balances	826,548	-21,451	186,825	-245,990	0	745,932
5.03	Adjusted Opening Balances	826,548	-21,451	186,825	-245,990	0	745,932
5.04	Equity Transactions with Shareholders	314,934	0	0	-29,936	0	284,998
5.04.01	Capital Increase	332,516	0	0	0	0	332,516
5.04.02	Share Issue Expenses	-17,582	0	0	0	0	-17,582
5.04.15	First-time Adoption	0	0	0	-29,936	0	-29,936
5.05	Total Comprehensive Income/(Loss)	0	0	0	-11,943	0	-11,943
5.05.01	Profit for the Period	0	0	0	-11,943	0	-11,943
5.07	Closing Balances	1,141,482	-21,451	186,825	-287,869	0	1,018,987

Individual Financial Statements / Statement of Value Added

R$ (in thousands)

Code	Description	Year-to-date 1/1/2019 to 9/30/2019	Previous year 1/1/2018 to 9/30/2018
7.01	Income	3,750,912	3,219,121
7.01.01	Sale of Goods, Products and Services	3,757,724	3,224,767
7.01.04	Reversal/ Recognition of Allowance for Doubtful Debts	-6,812	-5,646
7.02	Inputs Acquired from Third Parties	-3,131,915	-2,693,212
7.02.01	Cost of Sales and Services	-2,965,004	-2,555,575
7.02.02	Supplies, Electricity, Outsourced Services and Others	-166,911	-137,637
7.03	Gross Value Added	618,997	525,909
7.04	Retentions	-17,903	-8,656
7.04.01	Depreciation, Amortization and Depletion	-17,903	-8,656
7.05	Wealth Produced	601,094	517,253
7.06	Wealth Received through Transfer	-4,378	11,636
7.06.01	Equity Income	-16,212	-2,947
7.06.02	Finance Income	11,834	14,583
7.07	Total Wealth for Distribution	596,716	528,889
7.08	Distribution of Wealth	596,716	528,889
7.08.01	Personnel	102,138	95,353
7.08.01.01	Direct Compensation	75,387	71,878
7.08.01.02	Benefits	20,808	18,655
7.08.01.03	F.G.T.S. (Government Severance Fund)	5,943	4,820
7.08.02	Taxes, Fees and Contributions	465,920	399,244
7.08.02.01	Federal	52,538	43,821
7.08.02.02	State	413,382	355,423
7.08.03	Value Distributed to Providers of Capital	36,030	46,235
7.08.03.01	Interest Rates	31,328	30,314
7.08.03.02	Rentals	4,702	15,921
7.08.04	Value Distributed to Shareholders	-7,372	-11,943
7.08.04.03	Accumulated Losses/Retained Earnings for the Period	-7,372	-11,943

Consolidated Financial Statements / Balance Sheet – Assets

R$ (in thousands)

Code	Description	Current quarter 9/30/2019	Previous year 12/31/2018
1	Total Assets	3,149,602	2,890,224
1.01	Current Assets	2,021,043	1,953,156
1.01.01	Cash and Cash Equivalents	244,854	229,160
1.01.03	Trade Receivables	565,879	545,205
1.01.03.01	Trade Receivables	565,879	545,205
1.01.04	Inventories	792,736	795,167
1.01.06	Recoverable Taxes	303,540	298,038
1.01.06.01	Current Recoverable Taxes	303,540	298,038
1.01.08	Other Current Assets	114,034	85,586
1.01.08.03	Other	114,034	85,586
1.01.08.03.01	Advances	8,352	7,368
1.01.08.03.02	Other Receivables	93,731	69,307
1.01.08.03.03	Financial Instruments	11,951	8,911
1.02	Noncurrent Assets	1,128,559	937,068
1.02.01	Long-Term Assets	136,640	107,247
1.02.01.04	Trade Receivables	6,850	7,158
1.02.01.04.02	Other Receivables	6,850	7,158
1.02.01.07	Deferred Taxes	88,605	71,962
1.02.01.07.01	Deferred Income Tax and Social Contribution	88,605	71,962
1.02.01.10	Other Noncurrent Assets	41,185	28,127
1.02.01.10.01	Noncurrent Assets for Sale	5,000	5,000
1.02.01.10.03	Escrow Deposits	20,009	18,172
1.02.01.10.05	Financial Instruments	8,344	1,235
1.02.01.10.06	Recoverable Taxes	7,832	3,720
1.02.02	Investments	31,504	29,771
1.02.02.01	Equity Interest	31,504	29,771
1.02.02.01.01	Interest in Associates	31,504	29,771
1.02.03	Property, Plant and Equipment	127,494	128,902
1.02.03.01	Property, Plant and Equipment in use	120,143	123,445
1.02.03.03	Construction in Progress	7,351	5,457
1.02.04	Intangible Assets	832,921	671,148
1.02.04.01	Intangible Assets	832,921	671,148
1.02.04.01.02	Trademarks and Patents	116,897	116,896
1.02.04.01.03	Software	988	1,853
1.02.04.01.04	Goodwill	474,289	474,289
1.02.04.01.07	Right of Use	169,092	0
1.02.04.01.09	Commercial Location/Goodwill	70,639	77,074
1.02.04.01.10	Other	1,016	1,036

Consolidated Financial Statements / Balance Sheet – Liabilities

R$ (in thousands)

Code	Description	Current quarter 9/30/2019	Previous year 12/31/2018
2	Total Liabilities	3,149,602	2,890,224
2.01	Current Liabilities	1,561,484	1,411,729
2.01.02	Trade Payables	935,344	941,394
2.01.02.01	Domestic Suppliers	935,344	941,394
2.01.03	Taxes	50,066	47,286
2.01.03.01	Federal Tax	12,662	12,885
2.01.03.01.01	Income Tax and Social Contribution Payable	0	106
2.01.03.01.02	Pis and Cofins payable	4,022	3,444
2.01.03.01.03	Social Security Contribution (INSS) Payable	138	143
2.01.03.01.04	Federal Tax Debt Refinancing Program (Refis) / Special Tax Regularization Program (Pert)	5,080	4,403
2.01.03.01.05	Withholding Taxes	1,913	2,855
2.01.03.01.07	Other	1,509	1,934
2.01.03.02	State Tax	36,867	33,971
2.01.03.03	Municipal Tax	537	430
2.01.04	Borrowings and Financing	369,245	292,322
2.01.04.01	Borrowings and Financing	369,245	292,322
2.01.04.01.01	In Domestic Currency	172,429	136,591
2.01.04.01.02	In Foreign Currency	196,816	155,731
2.01.05	Other Liabilities	206,829	130,727
2.01.05.02	Other	206,829	130,727
2.01.05.02.04	Payroll and Related Taxes	51,622	35,664
2.01.05.02.06	Other Trade Payables	101,974	95,063
2.01.05.02.07	Lease Liabilities	53,233	0
2.02	Noncurrent Liabilities	603,829	457,284
2.02.01	Borrowings and Financing	339,936	343,688
2.02.01.01	Borrowings and Financing	339,936	343,688
2.02.01.01.01	In Domestic Currency	243,369	221,737
2.02.01.01.02	In Foreign Currency	96,567	121,951
2.02.04	Provisions	263,893	113,596
2.02.04.01	Provisions for Tax, Private Pension, Labor and Civil Risks	72,638	76,417
2.02.04.01.01	Provision for Tax Risks	30,627	31,945
2.02.04.01.02	Provisions for Private Pension and Labor Risks	36,159	37,479
2.02.04.01.04	Provision for Civil Risks	5,852	6,993
2.02.04.02	Other Provisions	191,255	37,179
2.02.04.02.06	Other Trade Payables	259	261
2.02.04.02.07	Taxes and Fees	18,446	24,232
2.02.04.02.08	Deferred Income Tax and Social Contribution	9,270	12,686
2.02.04.02.09	Lease Liabilities	163,280	0
2.03	Consolidated Equity	984,289	1,021,211
2.03.01	Paid-in Capital	1,159,065	1,159,065
2.03.02	Capital Reserves	-26,866	-26,866
2.03.02.04	Granted Options	7,040	7,040
2.03.02.05	Treasury Shares	-16,367	-16,367
2.03.02.07	Inflation Adjustment of Capital	43	43
2.03.02.09	Capitalization Cost	-17,582	-17,582
2.03.04	Earnings Reserve	186,825	186,825

Consolidated Financial Statements / Balance Sheet – Liabilities

R$ (in thousands)

Code	Description	Current quarter 9/30/2019	Previous year 12/31/2018
2.03.04.07	Tax Incentive Reserve	186,825	186,825
2.03.05	Retained Earnings/Accumulated Losses	-322,568	-285,646
2.03.06	Asset Valuation Adjustment	-12,167	-12,167
2.03.06.01	Goodwill in Capital Transactions	-12,167	-12,167

Consolidated Financial Statements / Statement of Income

R$ (in thousands)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Year-to-date 1/1/2019 to 9/30/2019	Same quarter of previous year 7/1/2018 to 9/30/2018	Previous year 1/1/2018 to 9/30/2018
3.01	Revenue from Sales and/or Services	1,262,900	3,501,439	1,098,375	3,095,300
3.02	Cost of Sales and/or Services	-1,075,496	-2,958,784	-927,835	-2,589,621
3.02.02	Cost of Sales and/or Services	-1,075,496	-2,958,784	-927,835	-2,589,621
3.03	Gross Profit	187,404	542,655	170,540	505,679
3.04	Operating Expense/Income	-160,373	-479,547	-162,091	-475,908
3.04.02	General and Administrative Expenses	-139,343	-414,751	-151,993	-452,292
3.04.02.01	General and Administrative	-32,028	-94,208	-33,095	-97,013
3.04.02.02	Selling and Marketing	-73,149	-220,134	-87,363	-261,468
3.04.02.03	Logistics and Distribution	-34,166	-100,409	-31,535	-93,811
3.04.04	Other Operating Income	2,400	4,385	0	14
3.04.04.02	Other Operating Income	2,400	4,385	0	14
3.04.05	Other Operating Expenses	-24,097	-70,914	-10,909	-25,049
3.04.05.01	Depreciation and Amortization	-24,097	-70,914	-8,616	-25,049
3.04.05.03	Other Operating Expenses	0	0	-2,293	0
3.04.06	Equity Income	667	1,733	811	1,419
3.05	Profit Before Finance Income (Costs) and Taxes	27,031	63,108	8,449	29,771
3.06	Finance Income (Costs)	-27,838	-75,643	-25,241	-63,476
3.06.01	Finance Income	2,922	8,024	2,947	10,820
3.06.02	Finance Costs	-30,760	-83,667	-28,188	-74,296
3.07	Profit Before Income Taxes	-807	-12,535	-16,792	-33,705
3.08	Income Tax and Social Contribution	770	5,163	9,243	21,762
3.08.01	Current	15	-458	-233	-619
3.08.02	Deferred	755	5,621	9,476	22,381
3.09	Profit/(Loss) from Continuing Operations	-37	-7,372	-7,549	-11,943
3.11	Consolidated Profit/Loss for the Period	-37	-7,372	-7,549	-11,943
3.11.01	Attributable to the Company’s Owners	-37	-7,372	-7,549	-11,943
3.99	Earnings per Share - (Reais/Share)				
3.99.01	Basic Earnings per Share				

Consolidated Financial Statements / Statement of Income

R$ (in thousands)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Year-to-date 1/1/2019 to 9/30/2019	Same quarter of previous year 7/1/2018 to 9/30/2018	Previous year 1/1/2018 to 9/30/2018
3.99.01.01	Common	-0.00100	-0.18500	-0.18470	-0.10360

Consolidated Financial Statements/ Statement of Comprehensive Income

R$ (in thousands)

Code	Description	Current quarter 7/1/2019 to 9/30/2019	Year-to-date 1/1/2019 to 9/30/2019	Same quarter of previous year 7/1/2018 to 9/30/2018	Previous year 1/1/2018 to 9/30/2018
4.01	Consolidated Profit for the Period	-37	-7,372	-7,549	-11,943
4.03	Consolidated Comprehensive Income for the Period	-37	-7,372	-7,549	-11,943
4.03.01	Attributable to the Company’s Owners	-37	-7,372	-7,549	-11,943

Consolidated Financial Statements / Statement of Cash Flows – Indirect Method

R$ (in thousands)

Code	Description	Year-to-date 1/1/2019 to 9/30/2019	Previous year 1/1/2018 to 9/30/2018
6.01	Net Cash provided by (used in) Operating Activities	13,883	-71,204
6.01.01	Cash Provided by Operating Activities	67,652	36,783
6.01.01.01	Profit/Loss before Income Tax and Social Contribution	-12,533	-33,705
6.01.01.02	Provision for Risks	-3,073	-9,770
6.01.01.04	Depreciation and Amortization	26,688	25,050
6.01.01.08	Equity Income	-1,733	-1,420
6.01.01.09	Interest on Borrowings	46,511	42,685
6.01.01.10	Other Adjustments to Profit	1,186	8,547
6.01.01.11	Allowance for Doubtful Debts	7,173	5,396
6.01.01.11	Effect from IFRS 16 / CPC 06 R2	3,433	0
6.01.02	Changes in Assets and Liabilities	-53,769	-107,987
6.01.02.01	Trade Notes Receivable	-27,944	-88,458
6.01.02.02	Inventories	2,925	-48,636
6.01.02.03	Recoverable Taxes	-10,325	875
6.01.02.05	Other Operating Assets	-26,922	-1,353
6.01.02.06	Trade Payables	-4,378	40,533
6.01.02.07	Payroll and Related Taxes	15,958	13,293
6.01.02.09	Taxes Payable	-4,268	-21,071
6.01.02.10	Other Operating Liabilities	2,139	-2,154
6.01.02.11	Income Tax and Social Contribution	-954	-1,016
6.02	Net Cash provided by (used in) Investing Activities	-17,961	-26,806
6.02.01	Additions to Property, Plant and Equipment	-15,206	-8,585
6.02.02	Write-off - Property, Plant and Equipment	696	1,121
6.02.03	Increase in Investments	0	-54,967
6.02.04	Proceeds from Divestment	0	36,850
6.02.05	Additions to Intangible Assets	-3,451	-1,225
6.03	Net Cash Provided by (Used in) Financing Activities	19,772	102,131
6.03.01	Borrowings and Financing - Funding	294,614	233,832
6.03.04	Capital Increase	0	318,434
6.03.07	Payment of Interest	-37,938	-54,094
6.03.08	Borrowings and Financing - Repayment	-236,904	-396,041
6.05	Increase (Decrease) in Cash and Cash Equivalents	15,694	4,121
6.05.01	Cash and Cash Equivalents at the Beginning of the Period	229,160	193,172
6.05.02	Cash and Cash Equivalents at the End of the Period	244,854	197,293

Consolidated Financial Statements / Statement of Changes in Equity - 1/1/2019 to 9/30/2019

R$ (in thousands)

Code	Description	Paid-In Capital	Capital Reserves, Options Granted and Treasury	Income Reserve	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Equity	Non-Controlling Interest	Consolidated Equity
5.01	Opening Balances	1,159,065	-39,034	186,825	-285,645	0	1,021,211	0	1,021,211
5.03	Adjusted Opening Balances	1,159,065	-39,034	186,825	-285,645	0	1,021,211	0	1,021,211
5.04	Equity Transactions with Shareholders	0	0	0	-29,550	0	-29,550	0	-29,550
5.04.15	First-time Adoption	0	0	0	-29,550	0	-29,550	0	-29,550
5.05	Total Comprehensive Income/(Loss)	0	0	0	-7,372	0	-7,372	0	-7,372
5.05.01	Profit in the Period	0	0	0	-7,372	0	-7,372	0	-7,372
5.07	Closing Balances	1,159,065	-39,034	186,825	-322,567	0	984,289	0	984,289

Consolidated Financial Statements / Statement of Changes in Equity - 1/1/2018 to 9/30/2018

R$ (in thousands)

Code	Description	Paid-In Capital	Capital Reserves, Options Granted and Treasury	Income Reserve	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Equity	Non-Controlling Interest	Consolidated Equity
5.01	Opening Balances	826,548	-21,451	186,825	-245,990	0	745,932	0	745,932
5.03	Adjusted Opening Balances	826,548	-21,451	186,825	-245,990	0	745,932	0	745,932
5.04	Equity Transactions with Shareholders	314,934	0	0	-29,936	0	284,998	0	284,998
5.04.01	Capital Increase	332,516	0	0	0	0	332,516	0	332,516
5.04.02	Share Issue Expenses	-17,582	0	0	0	0	-17,582	0	-17,582
5.04.15	First-time Adoption	0	0	0	-29,936	0	-29,936	0	-29,936
5.05	Total Comprehensive Income/(Loss)	0	0	0	-11,943	0	-11,943	0	-11,943
5.05.01	Net Income in the Period	0	0	0	-11,943	0	-11,943	0	-11,943
5.07	Closing Balances	1,141,482	-21,451	186,825	-287,869	0	1,018,987	0	1,018,987

Consolidated Financial Statements / Statement of Value Added

R$ (in thousands)

Code	Description	Year-to-date 1/1/2019 to 9/30/2019	Previous year 1/1/2018 to 9/30/2018
7.01	Income	4,034,107	3,561,861
7.01.01	Sale of Goods, Products and Services	4,041,437	3,567,351
7.01.04	Reversal/ Recognition of Allowance for Doubtful Debts	-7,330	-5,490
7.02	Inputs Acquired from Third Parties	-3,135,764	-2,785,715
7.02.01	Cost of Sales and Services	-2,942,480	-2,578,828
7.02.02	Supplies, Electricity, Outside Services and Others	-193,007	-206,486
7.02.03	Loss/Recovery of Assets	0	232
7.02.04	Other	-277	-633
7.03	Gross Added Value	898,343	776,146
7.04	Retentions	-70,914	-25,050
7.04.01	Depreciation, Amortization and Depletion	-70,914	-25,050
7.05	Wealth Produced	827,429	751,096
7.06	Wealth Received in Transfer	-2,961	17,861
7.06.01	Equity Income	-15,824	1,413
7.06.02	Finance Income	12,845	16,152
7.06.03	Other	18	296
7.07	Total Wealth for Distribution	824,468	768,957
7.08	Distribution of Wealth	824,468	768,957
7.08.01	Personnel	247,182	241,460
7.08.01.01	Direct Compensation	200,975	198,300
7.08.01.02	Benefits	32,979	30,730
7.08.01.03	F.G.T.S. (Government Severance Fund)	13,228	12,430
7.08.02	Taxes, Fees and Contributions	520,057	437,217
7.08.02.01	Federal	66,316	44,789
7.08.02.02	State	443,381	382,776
7.08.02.03	Municipal	10,360	9,652
7.08.03	Value Distributed to Providers of Capital	64,601	102,223
7.08.03.01	Interest Rates	62,528	45,697
7.08.03.02	Rentals	2,073	56,526
7.08.04	Value Distributed to Shareholders	-7,372	-11,943
7.08.04.03	Accumulated Losses/Retained Earnings for the Period	-7,372	-11,943

PROFARMA'S CONSOLIDATED REVENUE RISES BY 14.6% AND EBITDA, BY 34.8%. CASH GENERATION TOTALS R$24.7 MILLION.

Q19 vs. 3Q18 HIGHLIGHT

PROFARMA GROUP | CONSOLIDATED

- Operating cash flow—positive for the second consecutive quarter—amounted to R$24.7 million in 3Q19 and R$13.9 million in 9M19, the best year-to-September performance since 2014.
- Sales climbed by 14.6% in 3Q19 whereas net debt has remained stable for three consecutive quarters.
- EBITDA came to R$31.6 million, 34.8% up on 3Q18.
- Profarma closed a partnership with UNICEF through the IPRS (Instituto Profarma de Responsabilidade Social, or Profarma Social Responsibility Institute).

DISTRIBUTION

- Gross revenue rose by 18.6% to R$1.4 billion.
- EBITDA totaled R$25.1 million, up 41.7%, with 2.1% EBITDA margin.
- The cash cycle was shortened by 4.7 days to 26.1 days, leading to a drop of R$56.6 million in working capital.

RETAIL

- Average sales per store and mature same store sales both rose by 1.8%.
- Gross margin stood at 28.4%, up 1.4 p.p. year-over-year.
- EBITDA increased by 18.7% to R$5.9 million, with 1.9% EBITDA margin, up 0.4 p.p. from 3Q18.
- The cash cycle was shortened by 2.3 days to 30.3 days.

Forthcoming events:
3Q19 conference call: Wednesday, November 13, 09:00 a.m. (New York time)
2019 Public Meeting: Thursday, November 28, at 9 a.m. (São Paulo, Brazil)

MESSAGE FROM MANAGEMENT

In 3Q19, we remained focused on increasing cash generation and achieving profitability gains, with an ensuing drop in financial leverage. This is the first time since 2014 that we have recorded positive operating cash flow for two consecutive quarters and year-to-date. Net debt/EBITDA decreased by 1.6 times from the year-ago quarter (3Q18) while consolidated sales rose by 14.6%. This drop in leverage resulted from the good operating performance of the Distribution and Retail divisions, which also led to R$31.6 million EBITDA in 3Q19—34.8% up on 3Q18—and a seven-day shorter cash cycle. LTM EBITDA shot up by 60.2% in relation to the year ended September 30, 2018.

Another noteworthy achievement—on which we greatly pride ourselves—is the partnership the Profarma Group has closed with UNICEF, the United Nations Children's Fund. The agreement was entered into through the IPRS [Instituto Profarma de Responsabilidade Social, or Profarma Social Responsibility Institute], whose mission, to facilitate children and adolescents' access to health and education, is perfectly consistent with UNICEF's purposes. This is the first partnership between UNICEF and a pharmaceutical distribution and retail company in Brazil.

DISTRIBUTION

The Distribution division's net operating revenue rose by 18.5% year-over-year and by 11.6% quarter-over-quarter to R$1.2 billion, showing the strength of the business strategies we implemented in the Brazilian pharmaceutical retail market. By managing operating expenses consistently, we were able to achieve a relative decrease of 0.6 p.p. in relation to net revenue. As a result, the Division's EBITDA came to R$25.1 million—the highest since 3Q16—, up 41.7% from 3Q18, with 2.1% EBITDA margin. By managing cash cycles, we were able to shorten them by 4.7 days to 26.1 days, which produced savings of R$56.6 million in working capital.

RETAIL

We remain confident in the business model adopted in the Retail division. In fact, we are increasingly excited about the opportunities ahead. Both average sales per mature store and the average ticket per customer continue rising. Total sales amounted to R$304.3 million in 3Q19, positively impacted by the growth in the RX category. The Division's gross margin climbed by 1.4 p.p. year-over-year in 3Q19. The contribution margin increased from 6.5% to 7.0%, up 0.5 p.p. As a result, the Division's EBITDA came to R$5.9 million, up 18.7% quarter-over-quarter, with 1.9% EBITDA margin. It is also worth noting the 2.3-day shorter cash cycle, reflecting mainly an optimization of the Division's inventories, leading to a 2.8-day shorter inventory turnover.

Financial Highlights

	BEFORE IFRS 16			IFRS 16		
(R$ Million)	3Q19*	3Q18	Chg. %	3Q19	3Q18*	Chg. %
Financial Data						
Gross Revenues Consolidated[1]	1,467.9	1,281.2	14.6%	1,467.9	1,281.2	14.6%
Gross Revenues Non-Consolidated	1,669.0	1,464.4	14.0%	1,669.0	1,464.4	14.0%
Distribution Division	1,364.7	1,150.6	18.6%	1,364.7	1,150.6	18.6%
Retail Division	304.3	313.8	-3.0%	304.3	313.8	-3.0%
Net Revenues	1,262.9	1,098.4	15.0%	1,262.9	1,098.4	15.0%
Gross Profit	187.4	170.5	9.9%	187.4	170.5	9.9%
% Net Revenues	14.8%	15.5%	-0.7 p.p	14.8%	15.5%	-0.7 p.p
Operating Expenses	-165.2	-162.9	1.4%	-161.0	-158.4	1.7%
SGA Expenses	-158.8	-152.0	4.5%	-139.3	-134.7	3.4%
% Net Revenues	-12.6%	-13.8%	1.2 p.p	-11.0%	-12.3%	1.3 p.p
Depreciation and Amortization	-8.7	-8.6	1.4%	-24.1	-21.4	12.8%
% Net Revenues	-0.7%	-0.8%	0.1 p.p	-1.9%	-1.9%	0 p.p
Other Oper. Rev.	2.4	-2.3	-204.7%	2.4	-2.3	-204.6%
% Net Revenues	0.2%	-0.2%	0.4 p.p	0.2%	-0.2%	0.4 p.p
Ebit[2]	22.9	14.8	54.1%	27.0	19.4	39.4%
Ebit Margin (% Net Revenues)	1.8%	1.4%	0.4 p.p	2.1%	1.8%	0.3 p.p
Ebitda[3]	31.6	23.5	34.8%	51.1	40.7	25.5%
Ebitda Margin (% Net Revenues)	2.5%	2.1%	0.4 p.p	4.0%	3.7%	0.3 p.p
Net (Loss) Income	0.6	-7.5	-107.8%	0.0	-7.5	-99.5%
Net Margin (% Net Revenues)	0.0%	-0.7%	0.7 p.p	0.0%	-0.7%	0.7 p.p
Net Debt	444.0	394.0	12.7%	444.0	394.0	11.5%
Net Debt / Ebitda	4.0	5.6	-29.1%	2.4	3.2	-26.5%
Net income per Batch of One Thousand Sha	0.0	-0.1	-100.0%	0.0	-0.1	-100.0%
Stockholders' Equity	1,016.2	1,019.0	-0.3%	984.3	989.0	-0.5%
Cash Cycle	28.9	35.7	-19.0%	28.9	35.7	-19.0%

(1) Gross Revenues Consolidated - Excluding intercompany sales.

(2) Ebit comprised of Ebitda minus depreciation.

(3) Ebitda - Net income (loss) plus income tax and social contribution, net financial results, depreciation, amortization, excluding non-recurring events.

*Pro forma

IFRS 16

The mandatory adoption of IFRS 16 has led the Company to recognize the fixed portion of its stores' and distribution centers' operating leases as (right-of-use) assets and the future lease payments as liabilities. The new standard has changed the nature of expenses related to those leases. In fact, the Company will from now on recognize depreciation expenses on right-of-use assets, as well as interest expenses on lease liabilities, instead of rent expenses.

As a result, IFRS 16 has had a positive effect on EBITDA in comparison to the previous system (pre-IFRS 16) since rent expenses on business facilities (stores and DCs) have been reclassified from operating expenses to depreciation and financial expenses.

The new standard has not changed the total amount to be recorded in the income statement over the duration of a lease; however, there is a time effect on net income—although immaterial in the case of Profarma as has been shown—due to the method with which interest and inflation adjustment for those contracts are recognized.

Consequently, the introduction of IFRS 16 has had no effect on cash in relation the previous system (pre-IFRS 16) since actual rent expenses have not changed and the new standard is not yet recognized by Brazilian tax authorities.

IMPACT OF IFRS 16 ON THE CONSOLIDATED FINANCIAL STATEMENTS

IFRS IMPACT ON 3Q19 AND 3Q18 CONSOLIDATED STATEMENTS

	3Q19			3Q18		
(R$ Million)	Before IFRS 16*	Change	IFRS 16	Before IFRS 16	Change	IFRS 16*
Financial Data						
Gross Revenues	1,467.9	0.0	1,467.9	1,281.2	0.0	1,281.2
Net Revenues	1,262.9	0.0	1,262.9	1,098.4	0.0	1,098.4
Gross Profit	187.4	0.0	187.4	170.5	0.0	170.5
% Net Revenues	14.8%	0 p.p	14.8%	15.5%	0 p.p	15.5%
SGA Expenses	-158.8	19.5	-139.3	-152.0	17.3	-134.7
% Net Revenues	-12.6%	1.6 p.p	-11.0%	-13.8%	1.5 p.p	-12.3%
Adjusted Ebitda	31.6	19.5	51.1	23.5	17.3	40.7
Ebitda Margin (% Net Revenues)	2.5%	1.5 p.p	4.0%	2.1%	1.6 p.p	3.7%
Depreciation and Amortization	-8.7	-15.4	-24.1	-8.6	-12.7	-21.4
Financial Result	-22.8	-5.0	-27.8	-25.2	-4.5	-29.8
Income Tax / Social Contribution	0.6	0.2	0.8	9.2	0.0	9.2
Net (Loss) Income	0.6	-0.6	0.0	-7.5	0.0	-7.5
Net Margin (% Net Revenues)	0.0%	0 p.p	0.0%	-0.7%	0 p.p	-0.7%

	3Q19			3Q18		
(R$ Million)	Before IFRS 16*	Change	IFRS 16	Before IFRS 16	Change	IFRS 16*
Balance Sheet						
Assets	**2,965.0**	**184.6**	**3,149.6**	**2,711.2**	**204.9**	**2,916.1**
Noncurrent Assets	**931.1**	**-528.2**	**402.9**	**951.0**	**196.2**	**1,147.1**
Deferred Income Taxes	73.1	15.5	88.6	67.8	14.4	82.3
Intangible Fixed Assets	663.8	-543.7	120.1	675.1	190.4	865.6
Liabilities and Equity	**2,965.0**	**184.6**	**3,149.6**	**2,711.2**	**204.9**	**2,916.1**
Current Liabilities	**1,508.2**	**53.2**	**1,561.5**	**1,115.7**	**54.9**	**1,170.5**
Leases	0.0	53.2	53.2	0.0	54.9	54.9
Noncurrent Liabilities	**440.6**	**163.3**	**603.8**	**576.6**	**179.9**	**756.5**
Leases	0.0	163.3	163.3	0.0	179.9	179.9
Stockholders' Equity	**1,016.2**	**-31.9**	**984.3**	**1,019.0**	**-29.9**	**989.0**
Retained Earnings	-290.6	-31.9	-322.6	-287.9	-29.9	-317.8

*Pro forma

Gross Operating Revenue

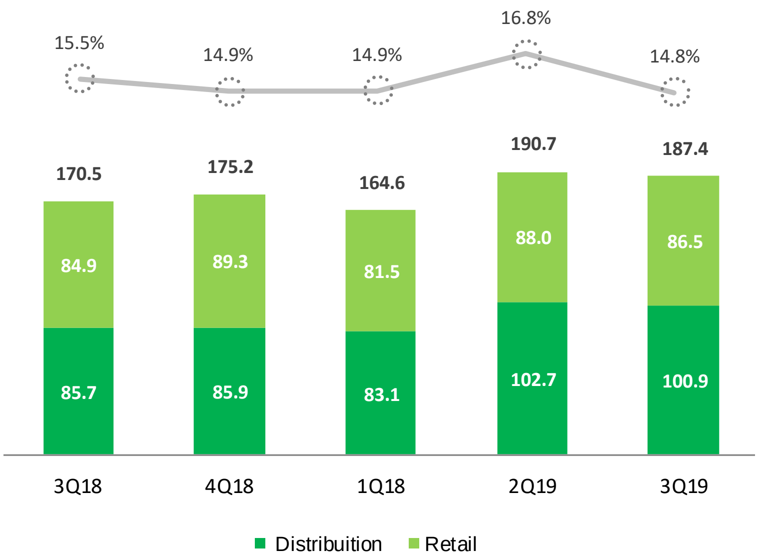
Consolidated gross revenue amounted to R$1.5 billion in 3Q19, up 14.6% year-over-year. This increase reflects the sales of the Distribution division, whose gross revenue increased by R$214 million, or 18.6%¸ from the year-ago quarter.

CONSOLIDATED GROSS OPERATING REVENUE (R$ million)

Gross Profit

Consolidated gross profit came to R$187.4 million in 3Q19, 9.9% up on 3Q18, largely because the Distribution division's gross profit rose by R$15.3 million and gross margin remained stable in the same period. It should be noted the Retail division's gross profit climbed by 1.9% and its gross margin by 1.4 p.p., to 28.4%, even though six net stores were closed during the period.

GROSS PROFIT AND GROSS MARGIN (R$ million and % net revenue)

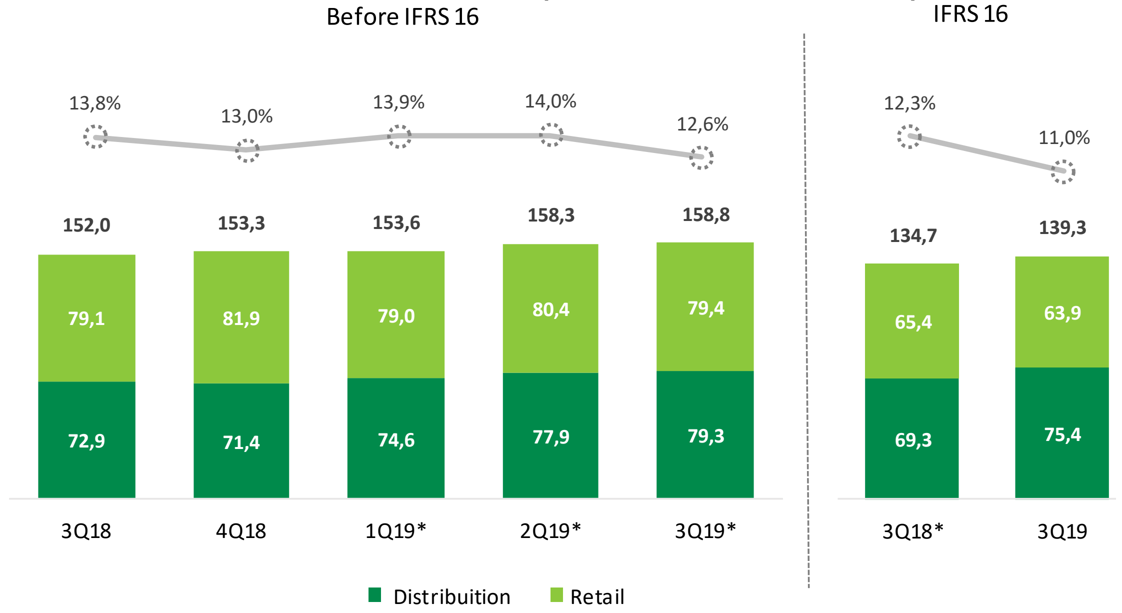


Operating Expenses

Consolidated operating expenses, which comprise administrative, selling and logistics expenses (but not depreciation and other revenues), came to R$158.8 million, or 12.6% of net operating revenue, in 3Q19. The ratio between those expenses and net revenue declined year-over-year for another consecutive quarter, reflecting the management processes we adopted, improved expenditure efficiency and the fixed cost dilution. From the year-ago quarter, operating expenses fell by 1.2 p.p., led by a drop in both Divisions.

Considering IFRS 16, operating expenses amounted to R$139.3 million in 3Q19, or 11.0% of net operating revenue, down 1.2 p.p. from 3Q18, when they amounted to R$134.7 million.

OPERATING EXPENSES - SGA (R$ million and % of net revenue)



*Pro forma

EBITDA

Consolidated EBITDA amounted to R$31.6 million in 3Q19, 34.8% up on 3Q18, largely because EBITDA rose in both Divisions, by 41.7% in Distribution and by 18.7% in Retail. Among the different factors leading to that increase, it is worth noting an increase in the Distribution division's revenue and dilution of operating and administrative expenses related tohigher revenue. The rise in the Retail division was directly related to a 0.5 p.p. upturn in the contribution margin of stores.

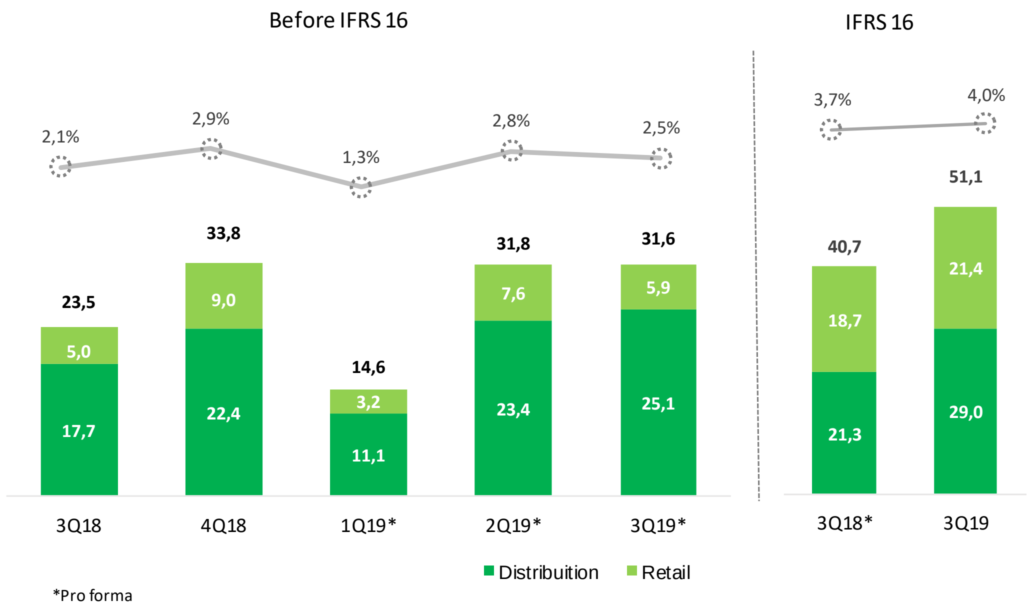
EBITDA margin stood at 2.5% in 3Q19, up 0.4 p.p. from 3Q18, mainly reflecting higher margin in the Distribution division and the operating performance of the Retail division, in which EBITDA margin increased from 1.6% in 3Q18 to 1.9% in 3Q19. The Retail division's operating margin as measured by EBITDA is rising gradually as stores achieve their expected revenue- and profit-generating potentials. In the last 12 months, consolidated EBITDA came to R$111.8 million, up 60.2% year-over-year, showing the continued rise in the Company's operating results.

EBITDA RECONCILIATION

	BEFORE IFRS 16			IFRS 16		
(R$ Million)	3Q19*	3Q18	Var. %	3Q19	3Q18*	Var. %
Net Income	0,6	(7,5)	-107,8%	(0,0)	(7,5)	-99,5%
Non Recurring Expenses	-	6,4	-100,0%	-	6,4	-100,0%
IR / CS	0,6	9,2	-94,0%	0,8	9,2	-91,7%
Financial Expenses	(22,8)	(25,2)	-9,5%	(27,8)	(29,8)	-6,5%
Depreciation and Amortization	(8,7)	(8,6)	1,4%	(24,1)	(21,4)	12,8%
EBITDA	**31,6**	**23,5**	**34,8%**	**51,1**	**40,7**	**25,5%**
EBITDA Margin (% net revenue)	**2,5%**	**2,1%**	**17,2%**	**4,0%**	**3,7%**	**9,1%**

*Pro forma

EBITDA (R$ million and % of net revenue)



Financial Result

We recorded a net financial expense of R$22.8 million in 3Q19, down R$2.4 million year-over-year. That fall resulted primarily from lower interest expenses on installments during the period.

Considering IFRS 16, our net financial loss totaled R$27.8 million in 3Q19, down R$1.9 million from 3Q18.

Net Income

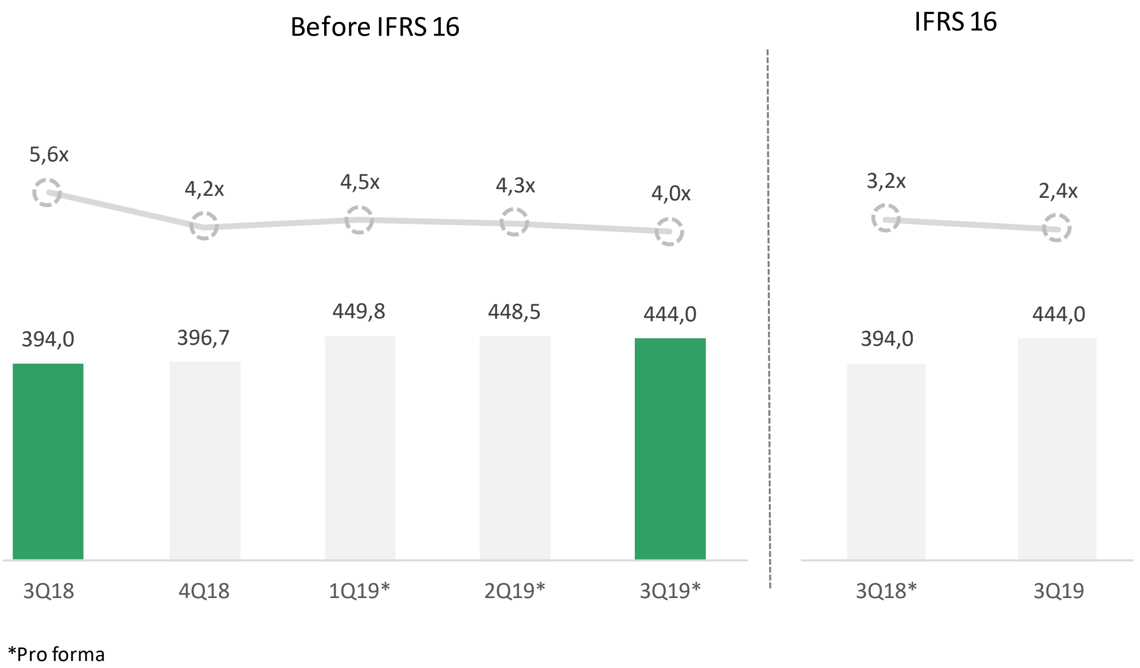
We recorded net income of R$0.6 million in 3Q19 due to the rise in both Divisions' gross profit, the dilution of operating expenses and the ensuing rise in EBITDA, in addition to lower interest expenses. As a result, net income remained stable quarter-over-quarter in 3Q19. Year-over-year, however, it rose by R$8.1 million from a R$7.5 million net loss in 3Q18.

Debt

By September 30, 2019, net debt had virtually flattened out—at R$444.0 million—for three quarters. Since LTM EBITDA amounted to R$111.8 million—up 60.2% year-over-year—, leverage ratio stood at 4.0x in 3Q19, far below 5.6x at the close of 3Q18. Our operating performance has been improving consistently, as shown by our lower leverage ratio and higher LTM EBITDA, as well as our reduced need for working capital, which resulted from a seven-day decrease in our cash cycle, despite a 14.6% increase in consolidated sales.

Considering IFRS 16, debt ratio stood at 2.4x at the close of 3Q19, 26.5% down on 3.2x at the close of 3Q18 and 6.5% down on debt ratio at the close of 2Q19.

NET DEBT AND NET DEBT/EBITDA RATIO (R$ million)



CAPEX

In 3Q19, capital expenditures totaled R$4.7 million—R$3.3 million in the Retail division and R$1.4 million in the Distribution division. The largest share of investments in the Retail division was used to enlarge three stores and open two new ones. In turn, the largest share of investments in the Distribution division was used to acquire machinery and equipment.

CASH FLOW I CONSOLIDATED

(R$ Million)	3Q19	3Q18
Cash Flow Generated / (Used) in Operating Activities	**24,7**	**(36,2)**
Resources generated/ (used) in operations	26,8	14,7
Operating Assets Variation	(2,1)	(50,9)
Trade Accounts Receivable	(6,3)	(58,9)
Inventories	(52,6)	3,2
Suppliers	67,5	2,9
Other Items	(10,7)	1,8
Cash Flow Generated / (Used) in Investing Activities	**(4,4)**	**34,4**
Cash Flow Generated / (Used) by Financing Activities	**(3,5)**	**4,1**
Net Increase / (Decrease) in Cash	**16,7**	**2,3**

	Consolidated		Distribuition		Retail	
	3Q18	3Q19	3Q18	3Q19	3Q18	3Q19
Cash Cycle	**35,7**	**28,9**	**30,9**	**26,1**	**32,5**	**30,3**
Accounts Receivable (1)	**36,3**	**34,7**	46,4	43,2	16,6	19,7
Inventories (2)	**65,8**	**66,3**	53,8	55,8	57,6	54,8
Accounts Payable (3)	**66,4**	**72,1**	69,3	72,9	41,6	44,2

(1) Average of Gross Revenues in the Quarter
(2) Average of COGS in the Quarter
(3) Average of COGS in the Quarter

Cash and cash equivalents rose by R$16.7 million in 3Q19, in connection with R$24.7 million provided by operating activities, partially offset by R$4.4 million used in investing activities and R$3.5 million used in financing activities. Cash provided by operating activities resulted from a R$2.1 million decrease in operating assets, offset by a positive internal cash flow of R$26.8 million.
Most of the cash used in investing activities—R$4.4 million—corresponded to CAPEX allocated to the Retail division and used to enlarge three stores and open two new ones.
In turn, the R$3.5 million decrease in gross bank debt accounts for cash used in financing activities.

DISTRIBUTION DIVISION

Comprises operations to pharmaceutical retailers, including d1000, with the sale of medicines and health and beauty products.

FINANCIAL PERFORMANCE

	BEFORE IFRS 16			IFRS 16		
(R$ Million)	3Q19*	3Q18	Chg. %	3Q19	3Q18*	Chg. %
Financial Data						
Gross Revenue	1,364.7	1,150.6	18.6%	1,364.7	1,150.6	18.6%
Net Revenues	1,167.9	985.7	18.5%	1,167.9	985.7	18.5%
Gross Profit	100.9	85.7	17.8%	100.9	85.7	17.8%
% Net Revenues	8.6%	8.7%	-0.1 p.p	8.6%	8.7%	-0.1 p.p
SGA Expenses	-79.3	-72.9	8.8%	-75.4	-69.3	8.7%
% Net Revenues	-6.8%	-7.4%	0.6 p.p	-6.5%	-7.0%	0.5 p.p
Other Oper. Revenues (expenses)	3.6	0.4	804.3%	3.6	0.4	804.3%
% Net Revenues	0.3%	0.0%	0.3 p.p	0.3%	0.0%	0.3 p.p
Ebitda	25.1	17.7	41.7%	29.0	21.3	36.6%
Ebitda Margin (% Net Revenues)	2.1%	1.8%	0.3 p.p	2.5%	2.2%	0.3 p.p

*Pro forma

EBITDA — Net income/(loss) plus income tax, social contribution, net financial income/(loss), depreciation, amortization and non-recurring expenses

Gross Operating Revenue

Outgrowing the market once again, the Distribution division recorded gross revenue of R$1.4 billion in 3Q19, up 18.6% year-over-year. That rise resulted from an increase both in the customer base and in purchase frequency.

Gross Profit

Higher sales drove up the Distribution division's gross profit by 17.8% year-over-year—to R$100.9 million—in 3Q19. Gross margin stood at 8.6%, flat year-over-year.

Operating Expenses

Operating expenses, which comprise administrative, selling and logistics expenses (but not depreciation and other revenues/expenses), came to R$79.3 million in 3Q19—or 6.8% of net operating revenue, down 0.6 p.p. from 3Q18. That performance can be partially explained by continuous improvements introduced in DCs, among which the Lean methodology.

EBITDA

The combination between higher sales, with roughly the same gross margin, and relatively lower operating expenses drove up the Distribution division's EBITDA by 41.7% to R$25.1 million. In addition to that increase, EBITDA margin rose from 1.8% to 2.1% in the same period.

Considering IFRS 16, EBITDA amounted to R$29.0 million in 3Q19, 36.6% up on 3Q18.

Cash Cycle and Working Capital

The Distribution division recorded a 4.7-day shorter cash cycle—26.1 days—in relation to the 3Q18 cash cycle. That performance was mainly due to a 3.1-day decrease in the average collection period for accounts receivable. Improved working capital management efficiency was more than enough to offset the 18.5% rise in sales, resulting in a drop of about R$56.6 million in working capital that benefited the Company.

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RETAIL DIVISION

d1000 varejo farma, the brand of the Profarma Group's Retail division, comprises the Drogasmil and Drogarias Tamoio drugstore chains, in the state of Rio de Janeiro, and Drogaria Rosário, in the Central-West Region of Brazil.

CONSOLIDATED ECONOMIC AND FINANCIAL PERFORMANCE

	BEFORE IFRS 16			IFRS 16		
(R$ Million)	3Q19*	3Q18	Chg. %	3Q19	3Q18*	Chg. %
Financial Data						
Gross Revenue	304,3	313,8	-3,0%	304,3	313,8	-3,0%
HB	127,1	138,8	-8,4%	127,1	138,8	-8,4%
RX	77,0	70,8	8,7%	77,0	70,8	8,7%
Generics	30,0	29,9	0,5%	30,0	29,9	0,5%
OTC	70,2	74,2	-5,4%	70,2	74,2	-5,4%
Net Revenues	287,2	290,6	-1,2%	287,2	290,6	-1,2%
Gross Profit	86,5	84,9	1,9%	86,5	84,9	1,9%
% Gross Revenue	28,4%	27,1%	1.4 p.p	28,4%	27,1%	1.4 p.p
SGA Expenses	-79,4	-79,1	0,0	-65,9	-65,4	0,0
% Gross Revenue	-26,1%	-25,2%	-0.9 p.p	-21,0%	-20,8%	-0.2 p.p
Other Oper. Revenues (expenses)	-1,2	-2,7	-55,5%	-1,2	-2,7	-55,5%
% Gross Revenue	-0,4%	-0,9%	0.5 p.p	-0,4%	-0,9%	0.5 p.p
Ebitda	5,9	5,0	18,7%	21,4	18,7	14.7%
Ebitda Margin (% Gross Revenue)	1,9%	1,6%	0.4 p.p	7,0%	6,0%	1.1p.p
Net Income	-3,4	-1,5	121,0%	-3,7	-2,2	70,3%
Ebitda Margin (% Gross Revenue)	-1,1%	-0,5%	-0.6 p.p	-1,2%	-0,7%	-0.5 p.p

*Pro forma

EBITDA — Net income/(loss) plus income tax, social contribution, net financial income/(loss), depreciation, amortization and non-recurring expenses.

Gross Revenue

The Retail Division's gross revenue totaled R$304.3 million in 3Q19, down 3.0% p.p. year-over-year. That downturn resulted from six net store closures—10 stores closed and four new stores opened—during the period. The division's same-store sales of mature stores increased by 1.8% in 3Q19.

Also on a same-store basis, average monthly sales per mature store came to R$521.2 thousand, and the average ticket to R$48.8 in 3Q19, 6.5% year-over-year.

The breakdown of gross revenue considering our current store portfolio shows the RX Medicine category stood out, growing by 8.7% from 3Q18.

Gross Profit

Owing to improved purchasing management and greater promotion assertiveness, the Retail division's gross profit increased in absolute terms and in terms of margin on gross revenue. Gross profit amounted to R$86.5 million in 3Q19, up 1.9% year-over-year, mainly due to a 1.4 p.p. rise in gross margin during the period.

Operating Expenses

The adjustments made in the Retail division are also reflected positively in operating expenses, which totaled R$79.4 million in 3Q19. Store expenses amounted to R$65.1 million in 3Q19, or 21.4% of gross revenue, whereas corporate expenses totaled R$14.3 million or 4.7% of gross revenue.

Contribution margin also rose in 3Q19—to 7.0%—, up 0.5 p.p. year-over-year.

Considering IFRS 16, operating expenses totaled R$63.9 million or 21.0% of gross revenue.

EBITDA

Higher contribution margin, despite lower gross revenue, drove up EBITDA in relation to the year-ago quarter. The Retail division's EBITDA amounted to R$5.9 million and EBITDA margin stood at 1.9% in 3Q19, rising respectively by 18.7% and 0.4p.p. from 3Q18.

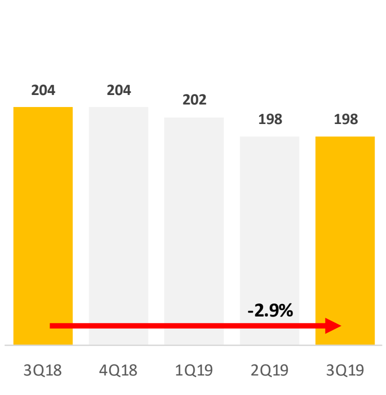
Considering IFRS 16, the Retail division's EBITDA came to R$21.4 million, with 7.0% margin, in 3Q19, up 1.7 p.p. from 3Q18.

Cash Cycle and Working Capital

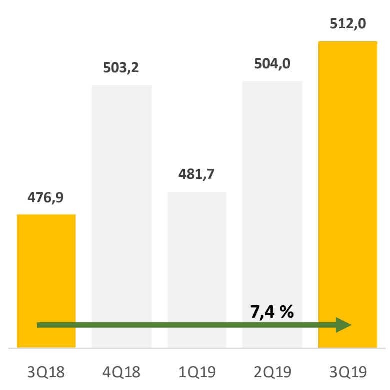
d1000 varejo farma's supply model is based almost entirely on Profarma's Distribution, with store-by-store logistics services. As a result, the average inventory level and, consequently, the cash cycle are lower than those of major chains, most of which purchase directly from the industry and, therefore, distribute their own inventories themselves. The Retail division's cash cycle was 30.3 days, 2.3 days shorter than in the year-ago quarter. That drop was mainly due to a 2.8-day decrease in inventories.

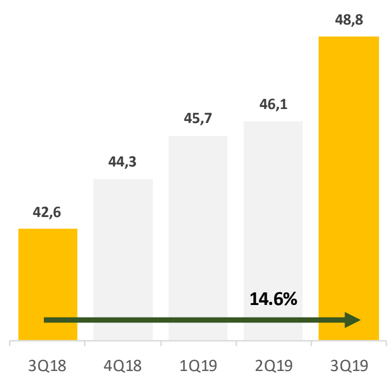
Operating Performance

# of Stores (units)



Average Monthly Sales Per Store (R$ thousand)





*Active stores at the period

Store Chain and Expansion

The number of stores remained the same between 2Q19 and 3Q19. Three stores were enlarged, two were opened and two other were closed. New stores are being opened on a market-specific basis, when opportunities are identified. At the close of 3Q19, we had 198 stores—123 in Rio de Janeiro State and 75 in the Central-West Region.

Annex I — Income Statement (R$ thousands) — IFRS 16

Quarters ended in

	Consolidated		Parent Company	
	3Q19	3Q18	3Q19	3Q18
Gross Operating Revenue				
From Sales of Products	1,467,869	1,281,224	1,375,033	1,168,019
	1,467,869	**1,281,224**	**1,375,033**	**1,168,019**
Deductions from Gross Operating Revenue				
Taxes and Other Deductions	(204,969)	(182,849)	(195,994)	(164,862)
Net Operating Revenue	**1,262,900**	**1,098,375**	**1,179,039**	**1,003,157**
Cost od Good Sold and Services Rendered	(1,075,496)	(927,835)	(1,078,520)	(917,716)
Gross Profit	**187,404**	**170,540**	**100,519**	**85,441**
Operating Revenue/ (Expenses)				
General and Administrative	(32,028)	(29,537)	(24,628)	(20,442)
Selling and Marketing	(73,149)	(73,640)	(17,336)	(17,826)
Logistics and Distribuition	(34,166)	(31,535)	(33,619)	(30,688)
Depreciation and Amortization	(24,097)	(22,051)	(5,923)	(5,678)
Other Operating Revenue (Expenses)	2,400	(2,293)	4,093	451
	(161,040)	**(159,056)**	**(77,415)**	**(74,183)**
Equity Income	667	811	(5,277)	(3,176)
Profit (loss) Equity income	**667**	**811**	**(5,277)**	**(3,176)**
Operating Results prior to Financial Results	**27,031**	**12,295**	**17,829**	**8,082**
Financial Results				
Financial Revenues	978	1,274	658	842
Financial Revenues AVP	1,944	1,673	1,944	1,673
Financial Expenses	(30,760)	(32,989)	(20,060)	(21,944)
Financial Expenses Banks	(18,554)	(18,732)	(11,690)	(11,205)
Financial Expenses AVP	(5,148)	(5,197)	(5,148)	(5,197)
Other Financial Expenses	(7,058)	(9,060)	(3,222)	(5,542)
Operating Income (Loss)	**(807)**	**(17,747)**	**371**	**(11,347)**
Taxation				
Provision for Corporate Income Tax	15	(160)	-	-
Provision for Social Contribuition	(0)	(73)	-	-
Provision for Deferred Income Tax	755	9,801	(408)	3,281
	770	**9,568**	**(408)**	**3,281**
Net Income for the Quarter	**(37)**	**(8,179)**	**(37)**	**(8,066)**
Net Income per Batch of One Thousand Shares (in Reais)	**(0)**	**(66)**	**(0)**	**(65)**
Number of Shares at End of Quater	**123,813**	**123,813**	**123,813**	**123,813**

Annex II — Income Statement (R$ thousands) — Pre-IFRS 16

Quarters ended in

	Consolidated		Parent Company	
	3Q19	**3Q18**	**3Q19**	**3Q18**
Gross Operating Revenue				
From Sales of Products	1,467,869	1,281,224	1,376,979	1,168,019
	1,467,869	**1,281,224**	**1,375,033**	**1,168,019**
Deductions from Gross Operating Revenue				
Taxes and Other Deductions	(204,969)	(182,849)	(195,994)	(164,862)
Net Operating Revenue	**1,262,901**	**1,098,375**	**1,179,039**	**1,003,157**
Cost od Good Sold and Services Rendered	(1,075,497)	(927,835)	(1,078,520)	(917,716)
Gross Profit	**187,404**	**170,540**	**100,519**	**85,441**
Operating Revenue/ (Expenses)				
General and Administrative	(35,984)	(33,095)	(28,585)	(24,000)
Selling and Marketing	(88,695)	(87,363)	(17,336)	(17,826)
Logistics and Distribuition	(34,166)	(31,535)	(33,619)	(30,688)
Depreciation and Amortization	(8,740)	(8,616)	(2,911)	(2,846)
Other Operating Revenue (Expenses)	2,400	(2,293)	4,092	451
	(165,186)	**(162,902)**	**(78,358)**	**(74,909)**
Equity Income	667	811	(5,277)	(3,176)
Profit (loss) Equity income	**667**	**811**	**(5,277)**	**(3,176)**
Operating Results prior to Financial Results	**22,885**	**8,449**	**16,884**	**7,356**
Financial Results				
Financial Revenues	978	1,274	658	842
Financial Revenues AVP	1,944	1,673	1,944	1,673
Financial Expenses	(25,769)	(28,188)	(20,060)	(20,435)
Financial Expenses Banks	(18,554)	(18,732)	(11,690)	(11,205)
Financial Expenses AVP	(5,148)	(5,197)	(5,148)	(5,197)
Other Financial Expenses	(2,068)	(4,259)	(3,222)	(4,033)
	(22,848)	**(53,429)**	**(37,517)**	**(38,355)**
Operating Income (Loss)	**37**	**(44,980)**	**(20,633)**	**(30,999)**
Taxation				
Provision for Corporate Income Tax	15	(160)	-	-
Provision for Social Contribuition	(0)	(73)	-	-
Provision for Deferred Income Tax	540	9,476	(595)	3,015
	555	**9,243**	**(595)**	**3,015**
Net Income for the Quarter	**592**	**(35,737)**	**(21,229)**	**(27,984)**
Net Income per Batch of One Thousand Shares (in Reais)	**5**	**(289)**	**(171)**	**(226)**
Number of Shares at End of Quater	**123,813**	**123,813**	**123,813**	**123,813**

Annex III — Balance Sheet (R$ thousands) — IFRS 16

Quarters ended in

Assets	Consolidated		Parent Company	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Current Assets				
Cash and Cash Equivalents	244,854	197,293	194,828	162,556
Financial Instruments	11,951	17,544	8,036	8,712
Trade Accounts Receivable	565,879	516,939	657,267	592,767
Inventories	792,736	678,108	661,595	537,896
Taxes Recoverable	303,540	271,404	269,165	241,875
Advances	8,352	10,150	6,385	8,409
Other Accounts Receivable	93,731	68,822	73,666	54,124
	2,021,043	**1,760,260**	**1,870,942**	**1,606,339**
Noncurrent Assets				
Long-term Assets				
Deposits in Court	20,010	18,396	12,185	11,641
Financial Instruments	8,344	4,145	3,147	2,222
Balance and Subsidiaries	-	-	-	341
Deferred Income Taxes	88,605	82,254	46,917	44,242
Other Accounts Receivable	19,682	15,251	14,412	13,972
	136,640	**120,046**	**76,661**	**72,418**
Permanent Assets				
Investments	31,504	38,797	482,633	515,027
Tangible Fixed Assets	127,494	131,423	73,339	79,968
Intangible Fixed Assets	832,921	865,551	62,755	70,979
	991,919	**1,035,771**	**618,727**	**665,974**
Total Assets	**3,149,602**	**2,916,077**	**2,566,330**	**2,344,730**

Liabilities and Equity	Consolidated		Parent Company	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Current Liabilities				
Suppliers	935,344	739,082	938,401	748,578
Loans and Financings	369,245	268,814	226,618	168,505
Financial Instruments	-	-	-	-
Salaries and Payroll Taxes	51,622	51,540	22,241	20,324
Accrued Taxes and Fees	50,066	49,586	37,126	36,394
Other Accounts Payable	101,974	6,641	10,190	3,708
Leases	53,233	54,879	10,337	9,423
	1,561,484	**1,170,542**	**1,244,913**	**986,932**
Noncurrent Liabilities				
Long-term liabilities				
Accrued Taxes and Fees	18,446	41,612	5,513	11,028
Coporate Income Tax and Social Contribuition Deferred	9,270	7,179	-	-
Loans and Financings	339,936	344,118	263,357	260,644
Provision for Contigencies	72,638	100,416	11,077	8,435
Balance w ith Subsidiaries	-			68
Other Accounts Payable	259	83,236	259	261
Leases	163,280	179,931	56,922	64,016
	603,829	**756,492**	**337,128**	**344,452**
Stockholders' Equity				
Capital Stock	1,141,483	1,141,483	1,141,483	1,141,483
Treasury Stock	(16,367)	(16,367)	(16,367)	(16,367)
Goodw ill on capital transactions	(12,167)	(12,167)	(12,167)	(12,167)
Capital Reserve	7,083	7,083	7,083	7,083
Revenue Reserve	186,825	186,825	186,825	186,825
Retained Earnings	(322,568)	(317,814)	(322,568)	(293,511)
	984,289	**989,043**	**984,289**	**1,013,346**
Total Liabilities and Equity	**3,149,602**	**2,916,077**	**2,566,330**	**2,344,730**

Annex IV — Balance Sheet (R$ thousands) — Pre-IFRS 16

Quarters ended in

Assets	Consolidated		Parent Company	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Current Assets				
Cash and Cash Equivalents	244,854	197,293	194,828	162,556
Financial Instruments	11,951	17,544	8,036	8,712
Trade Accounts Receivable	565,879	516,939	657,267	592,767
Inventories	792,736	678,108	661,595	537,896
Taxes Recoverable	303,540	271,404	269,165	241,875
Advances	8,352	10,150	6,385	8,409
Other Accounts Receivable	93,731	68,822	73,666	54,124
	2,021,043	**1,760,260**	**1,870,941**	**1,606,339**
Noncurrent Assets				
Long-term Assets				
Deposits in Court	20,010	18,396	12,185	11,641
Financial Instruments	8,344	4,145	3,147	2,222
Balance and Subsidiaries	-	-	-	68
Deferred Income Taxes	73,108	67,829	43,535	41,542
Other Accounts Receivable	19,682	15,251	14,413	14,245
	121,145	**105,621**	**73,280**	**69,718**
Permanent Assets				
Investments	31,503	38,797	482,633	515,027
Tangible Fixed Assets	127,495	131,423	73,339	79,968
Intangible Fixed Assets	663,828	675,110	5,443	5,880
	822,826	**845,330**	**561,415**	**600,875**
Total Assets	**2,965,014**	**2,711,211**	**2,505,636**	**2,276,932**

Liabilities and Equity	Consolidated		Parent Company	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Current Liabilities				
Suppliers	935,344	739,082	938,401	748,578
Loans and Financings	369,245	268,814	226,618	168,505
Financial Instruments	-	-	-	-
Salaries and Payroll Taxes	51,622	51,540	22,241	20,324
Accrued Taxes and Fees	50,066	49,586	37,126	36,394
Other Accounts Payable	101,972	6,641	10,188	3,708
Leases	-		-	
	1,508,249	**1,115,663**	**1,234,573**	**977,509**
Noncurrent Liabilities				
Long-term liabilities				
Accrued Taxes and Fees	18,446	41,612	5,513	11,028
Coporate Income Tax and Social Contribuition Deferred	9,270	7,179	-	-
Loans and Financings	339,936	344,118	263,357	260,644
Provision for Contigencies	72,638	100,416	11,077	8,435
Balance with Subsidiaries	-	-	-	68
Other Accounts Payable	261	83,236	261	261
Leases	-			
	440,551	**576,561**	**280,208**	**280,436**
Stockholders' Equity				
Capital Stock	1,141,483	1,141,483	1,141,483	1,141,483
Treasury Stock	(16,367)	(16,367)	(16,367)	(16,367)
Goodwill on capital transactions	(12,167)	(12,167)	(12,167)	(12,167)
Capital Reserve	7,083	7,083	7,083	7,083
Revenue Reserve	186,825	186,825	186,825	186,825
Retained Earnings	(290,643)	(287,870)	(316,002)	(287,870)
	1,016,214	**1,018,987**	**990,855**	**1,018,987**
Total Liabilities and Equity	**2,965,014**	**2,711,211**	**2,505,636**	**2,276,932**

Annex V — Cash Flow Statement (R$ thousands) | Pre-IFRS 16 = IFRS 16

Quarters ended in

	Consolidated		Parent Company	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Operating Activities				
Income (Loss) Before Corporate Income Tax and Social Contribuition	(805)	(16,791)	371	(10,564)
Income (Loss) Before Corporate Income Tax and Social Contribuition	**(805)**	**(16,791)**	**371**	**(10,564)**
Reconciliation of Net Income to Net Cash				
Depreciation and Amortization	9,188	8,616	2,911	2,847
Equity Income	(667)	(812)	5,277	3,178
Provision for contigencies	(877)	(2,132)	750	438
Accrued Interests on Loans	16,956	13,327	12,018	9,311
Adj. to income before Tax (IFRS 16)	844		551	
Provision for Doubtful Accounts	2,469	2,851	2,398	2,764
Other	(266)	9,668	(1,084)	7,034
	26,842	14,727	23,192	15,008
(Increase) Decrease in Operating Assets				
Trade Note Receivable	(6,302)	(58,905)	(8,947)	(47,166)
Inventories	(52,635)	3,221	(62,218)	(6,311)
Taxes Recoverable	(13,520)	2,086	(11,389)	4,337
Other Sundry Items	(546)	5,212	6,616	2,113
	(73,003)	(48,386)	(75,938)	(47,027)
Increase (Decrease) in Operating Liabilities				
Suppliers (Trade Accounts Payable)	67,503	2,930	62,847	14,452
Salaries and Payroll Taxes	4,809	4,707	2,241	2,809
Taxes Recoverable	(1,545)	(8,505)	(929)	(4,251)
Paid Corporate Income Tax and Social Contribuition	-	(182)	-	-
Other	96	(1,509)	622	(953)
	70,863	(2,559)	64,781	12,057
Cash used in Operating Activities	**24,702**	**(36,218)**	**12,035**	**(19,962)**
Investing Activities				
Investment Increase	-	-	-	-
Reduction of investmentt	-	36,850	-	36,850
Additions to Fixed Assets	(4,680)	(3,454)	(1,333)	(1,999)
Additions to Intagible Assets	-	(96)	-	-
Receipt Loans to Related Parties	247	1,121	-	970
Cash (used in)/ Provided by Investing Activities	**(4,433)**	**34,421**	**(1,333)**	**35,821**
Financing Activities				
Capital Increase	-	-	-	-
Dividends	-	-	-	-
Aquisição de Participação Adicional em Controlada	-	-	-	-
Ações em Tesouraria	-	-	-	-
Loans and Financing - Principal	119,538	114,285	74,538	67,385
Loans and Financing - Amortization	(110,172)	(97,018)	(76,555)	(48,720)
Loans and Financing - Interests	(12,907)	(13,146)	(8,902)	(9,122)
Cash (used in) / Provided by Financing Activities	**(3,541)**	**4,121**	**(10,919)**	**9,543**
Increase (Decrease) in Cash	**16,728**	**2,324**	**(216)**	**25,402**
Cash and Cash Equivalents at End of Quarter	244,854	197,293	194,828	162,556
Cash and Cash Equivalents at Beginning of Quarter	228,126	194,969	195,044	137,154
	16,728	**2,324**	**(216)**	**25,402**

Profarma Distribuidora de Produtos Farmacêuticos S.A.

NOTES TO THE FINANCIAL STATEMENTS

For the quarter ended September 30, 2019

(Amounts in thousands of Brazilian Reais – R$, unless otherwise stated)

1 Operating context

Profarma Distribuidora de Produtos Farmacêuticos S.A. ("Profarma" or "Group") is a publicly-held company, established in May 1961, headquartered at Avenida Ayrton Senna, 2.150, bloco P, 3º andar, in the City and State of Rio de Janeiro, and is engaged in the wholesale sale and distribution of pharmaceuticals, cosmetics and similar products, toiletries, and holding of interests in other companies, regardless of their business sector.

Through its logistics department, the Company distributes its products in the South, Southeast, Northeast and Center-West regions of Brazil, covering approximately 96% of the Brazilian market.

There are eleven (11) distribution centers located in strategic regions of Brazil, of which four (4) are totally automated, and its corporate headquarters are located in the city of Rio de Janeiro.

The group, through its subsidiaries in the retail segment, owns the Drogasmil, Tamoio and Rosário chains, with a platform of 198 stores, in the state of Rio de Janeiro and in the Midwestern region of Brazil.

The parent company, its subsidiaries and associates are primarily engaged in the distribution and retail sale of pharmaceutical and hospital products.

2 Preparation basis

Compliance statement (in relation to IFRS and CPC standards)

The individual and consolidated quarterly information was prepared and is being presented in accordance with CPC 21 (R1) – *Demonstração Intermediária*, issued by the Accounting Pronouncements Committee of Brazil ("CPC") and the international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB") and the standards of the Securities and Exchange Commission of Brazil ("CVM") applicable to quarterly information. It does not include all the information required for a complete set of financial statements under IFRS. However, the explanatory notes are included to explain events and transactions that are crucial to understand the changes in the Group's financial position and performance since the last annual financial statements.

The quarterly information must be read together with the financial statements as of December 31, 2018, which were prepared in accordance with the Brazilian standards, including the provisions of the Brazilian Corporations Law and the disclosure standards and procedures issued by CVM and CPC, and the consolidated financial statements prepared in accordance with IFRS and the accounting practices adopted in Brazil.

Reports and Declarations / Independent Auditor's Report

On November 7, 2019, the Management authorized the conclusion and disclosure of quarterly information for the quarter ended September 30, 2019.

All significant information related to the quarterly information is being reported and corresponds to that used by the Management in its operations.

2.1 New standards and interpretations

- **CPC06 / IFRS 16 – Lease**

On January 1, 2016, the IASB issued IFRS 16 – Leases. In December 2017, CPC 06 (R2) was issued, which came into force on January 1, 2019, to replace IAS 17 / CPC 06 – Lease Operations.

The new IFRS 16 / CPC 06 (R2) introduces a single model for the accounting of leases in the balance sheet for lessees.

A lessee recognizes an asset that represents the right to use the leased asset and a lease liability that represents its obligation to make lease payments. Exemptions are available for short-term leases and low value items.

CPC 06 (R2) replaces the existing lease standards, including CPC 06 / IAS 17 Lease Operations and ICPC 03 / IFRIC 4, SIC 15 and SIC 27 Complementary Aspects of Lease Operations.

(i) Leases in which the Company is a lessee:

The Group recognized new assets and liabilities for its operating leases basically of store facilities and distribution centers. The nature of the expenses related to such leases changed since the Group recognized a cost of depreciation of the right-of-use assets and interest expenses on lease obligations.

The Group previously recognized an operating lease expense on a straight line basis during the term of the lease and recognized assets and liabilities to the extent there was a time difference between actual lease payments and the expenses recognized.

(ii) Transition

The Group applied CPC 06(R2) / IFRS 16 initially on January 1, 2019, using the complete modified approach. Therefore, the cumulative effect of the adoption of CPC 06(R2) / IFRS 16 was recognized as an adjustment to the opening balance of retained earnings on January 1, 2019, without restatement of the comparison information.

Results

Although the new standard does not change the total amount that should be taken to profit or loss over the useful life of the agreement, it is correct to say that there is a time impact on net income mainly due to the method of recognition of interest and inflation adjustment associated with lease agreements, though without any significant impact, according to our analyses.

The Group recorded the following initial impacts from the adoption of standard CPC 06 (R2) / IFRS 16:

Reports and Declarations / Independent Auditor's Report

- Recognition of the right of use of lease assets and liabilities:
- Increase in EBITDA (Operating income (loss)); and
- Insignificant time variation in Net Income, with no effect on total period of agreements.

The Group recognized the following amounts on the date of transition, i.e. January 1, 2019:

Accounting captions impacted/ new accounting captions	Parent Company	Consolidated
Assets	**65,341**	**190,731**
Right of use of assets	65,341	190,731
Current liabilities		
Operating lease agreements	(9,383)	(54,849)
Total current liabilities	**(9,383)**	**(54,849)**
Noncurrent liabilities		
Operating lease agreements	(63,935)	(179,871)
Total noncurrent liabilities	**(63,935)**	**(179,871)**
Liabilities	**(73,318)**	**(234,720)**
Deferred income tax	2,712	14,439
Impact on shareholders' equity	**(5,265)**	**(29,550)**

- **IFRIC 23 – Uncertainty over treatment of income tax and contributions**

This interpretation addresses the determination of taxable income (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates with regard to tax treatments in accordance with IAS 12. It considers specifically: (i) whether tax treatments should be considered collectively; (ii) assumptions that tax authorities have the right to examine any amount reported; (iii) determination of taxable income (tax loss), tax bases, unused tax losses, unused tax credit and tax rates; and (iv) effect of changes in facts and circumstances. Management did not identify impacts arising from this change.

3 Functional currency and presentation currency

This individual and consolidated quarterly information are presented in Brazilian real, which is the Group's functional currency, and all balances were rounded off to the nearest thousandth, except unless otherwise stated.

Reports and Declarations / Independent Auditor's Report

4 Consolidated financial information

Direct subsidiaries	Interest (%) 9.30.2019	12.31.2018
Farmadacta Informática Ltda.	99.95%	99.95%
Promovendas Representações Ltda.	99.98%	99.98%
Locafarma Soluções de Transportes e Logística Ltda.	100.00%	100.00%
D1000 Varejo Farma Participações S/A	100.00%	100.00%
Conectfarma Marketing e Call Center Ltda	99.99%	99.99%

Indirect subsidiaries	Interest (%) 9.30.2019	12.31.2018
	D1000	**D1000**
Nice RJ Participações S/A	100.00%	100.00%
	Nice	**Nice**
Drogaria Cipriano de Santa Rosa Ltda	100.00%	100.00%
CSB Drogarias S/A	100.00%	100.00%
Drogaria Rosário S.A.	100.00%	100.00%
Centro Oeste Farma Distribuidora de Medicamentos Ltda (COF)	100.00%	100.00%
Casa Saba Brasil holdings Ltda	100.00%	100.00%

Associates	Interest (%) 9.30.2019	12.31.2018
Cannes RJ Participações S/A (*)	10.10%	10.10%
Supernova Comércio Atacadistra S/A	35.00%	35.00%

(*) Holding company, holds a direct 100% stake in Profarma Specialty Farmacêutica S/A and an 100% stake in Arp Med S/A, Arp Med Serviços S/A and Integra Medical Consultoria S/A.

Description of the main consolidation procedures

a. Elimination of intragroup assets and liabilities;

b. Elimination of interests in the subsidiaries' capital, reserves and retained earnings (accumulated losses);

c. Elimination of income and expense, arising on transactions between the companies. Unrealized losses are eliminated as well, but only when there is no evidence of problems in recovering the related assets;

d. The accounting policies have been applied consistently to all the consolidated companies and are consistent with those adopted in the previous year.

5 Cash and cash equivalents

	Parent Company		Consolidated	
	9.30.2019	**12.31.2018**	**9.30.2019**	**12.31.2018**
Cash and banks	29,522	15,558	35,650	23,780
Short-term investments	165,306	155,613	209,204	205,380
	194,828	**171,171**	**244,854**	**229,160**

The Management of the Group defines as “Cash and cash equivalents” the amounts maintained for the purpose of meeting the short-term financial commitments and not for investment or other purposes.

The Group’s financial investments refer to high-liquidity short-term cash investments, with original maturity within three months, which are easily convertible into a known amount of cash and are subject to an insignificant risk of change in value.

As at September 30, 2019, short-term investments comprised CDBs (*Certificados de Depósitos Bancários*, or Bank Deposit Certificates) issued by Banco do Brasil, Santander, Itaú, Safra and Caixa Econômica Federal, yielding interest at a rate ranging from 90% to 101% of the CDI overnight (Interbank Deposits) rate (90% and 101% at December 31, 2018).

The Group’s exposure to interest rate risks and a sensitivity analysis to financial assets and liabilities can be found in Note 26.

Reports and Declarations / Independent Auditor's Report

6 Trade receivables

	Parent Company		Consolidated	
	9.30.2019	**12.31.2018**	**9.30.2019**	**12.31.2018**
Trade receivables	600,892	559,129	616,452	576,645
Intercompany trade receivables	109,343	123,355	2,785	14,776
Adjustment to present value	(294)	(250)	(294)	(250)
	709,941	682,234	618,943	591,171
Expected credit losses	(52,674)	(45,875)	(53,064)	(45,966)
	657,267	**636,359**	**565,879**	**545,205**

As at September 30, 2019, the average days sales outstanding were 35 days (37 days at December 31, 2018).

The aging list of balances is as follows:

	Parent Company		Consolidated	
	9.30.2019	**12.31.2018**	**9.30.2019**	**12.31.2018**
Due	647,276	619,157	555,113	526,304
Overdue from 1 to 30 days	11,028	16,947	11,543	17,382
Overdue from 31 to 60 days	1,684	2,256	1,729	2,674
Overdue from 61 to 90 days	1,282	1,174	1,320	1,294
Overdue from 91 to 180 days	2,619	3,404	2,796	3,747
Overdue from 181 to 360 days	6,002	7,667	6,392	7,931
Overdue more than 361 days	40,344	31,879	40,344	32,089
	710,235	**682,484**	**619,237**	**591,421**

Reports and Declarations / Independent Auditor's Report

The changes in credit losses are as follows:

Change in ECL	Parent Company	Consolidated
At December 31, 2017	**23,093**	**23,124**
Additions (*)	22,837	23,528
Write-offs/Reversals	(55)	(686)
At December 31, 2018	**45,875**	**45,966**
Additions	7,946	8,661
Write-offs/Reversals	(1,147)	(1,563)
At September 30, 2019	**52,674**	**53,064**

(*) The effect of first-time adoption of CPC 48/IFRS 9 of R$18,236 was added to the expected credit losses line.

The amounts were adjusted to present value using the Group's average debt rate as a discount rate of 0.6671% p.m. at September 30, 2019 (0.6836% p.m. at December 31, 2018).

7 Inventories

	Parent Company		Consolidated	
	9.30.2019	**12.31.2018**	**9.30.2019**	**12.31.2018**
Medicine	561,351	567,422	645,035	680,664
Toiletries	103,521	98,329	151,224	117,952
Allowance for inventory	(3,149)	(3,283)	(3,444)	(3,948)
Other	(128)	499	(79)	499
	661,595	**662,967**	**792,736**	**795,167**

Provision for loss is based on Group's inventory loss records and trading policies.

The changes in allowance for inventory losses are as follows:

Changes	Parent Company	Consolidated
At December 31, 2017	**1,093**	**5,883**
Additions	2,297	2,297
Write-offs/Reversals	(107)	(4,232)
At December 31, 2018	**3,283**	**3,948**
Additions	1,133	1,801
Write-offs/Reversals	(1,267)	(2,305)
At September 30, 2019	**3,149**	**3,444**

Reports and Declarations / Independent Auditor's Report

Reports and Declarations / Independent Auditor's Report

8 Recoverable taxes

	Parent Company		Consolidated	
	9.30.2019	12.31.2018	9.30.2019	12.31.2018
Current				
State VAT (ICMS)	234,140	228,526	244,121	237,858
Taxes on Income (IR and CSLL)	9,109	15,908	23,750	29,639
Taxes on Revenue (PIS and COFINS)	25,753	18,755	35,017	30,052
Other	163	197	652	489
	269,165	**263,386**	**303,540**	**298,038**
Non-current				
Taxes on Revenue (PIS and COFINS)	3,085	3,013	7,832	3,013
Taxes on Income (IR and CSLL)	-	-	-	707
	3,085	**3,013**	**7,832**	**3,720**

Recoverable ICMS corresponds basically to the reverse charge tax levied on the amount of the Group's inventories.

9 Assets held for sale

Composed of assets received upon the settlement of trade accounts receivable in the amount of R$5,000 (R$5,000 at December 31, 2018), which are available for sale. The fair value of assets held for sale is supported by a real estate valuation report.

10 Other trade receivables

	Parent Company		Consolidated	
	9.30.2019	12.31.2018	9.30.2019	12.31.2018
Current				
Prepaid insurance expenses	2,258	1,975	2,983	2,563
Commercial agreements (b)	68,143	50,510	82,890	58,092
Other prepaid expenses	3,265	2,053	7,858	8,652
	73,666	**54,538**	**93,731**	**69,307**
Non-current				
Other assets (a)	6,327	6,585	6,850	7,158
	6,327	**6,585**	**6,850**	**7,158**

(a) Consists mostly of investments totaling R$4,455 at Banco BRB (R$4,276 at December 31, 2018), earmarked as a guarantee for long-term financing obtained from the same bank. The amount of R$524 is recorded in the consolidated statements as Credits with Registered

Reports and Declarations / Independent Auditor's Report

Warrants of CSB.

(b) Includes mainly balances of commercial agreements with suppliers.

11 Related parties

The Group, its subsidiaries and associates (listed in note 4) work together. The ownership structure of the parent company is shown in note 22.

The main asset and liability balances as at September 30, 2019, as well as the transactions that influenced the results in the period, with respect to transactions with related parties, result from transactions between the Company, its subsidiaries and associates.

The raw material and service purchase transactions and the product sale transactions (short-term with no interest) between the parent company, subsidiaries and associates are described below:

	9.30.2019							12.31.2018
	Farmadacta	Promovendas	d1000 varejo Farma	Profarma Specialty	Locafarma	Conectfarma	Total	Total
Trade receivables	-	-	106,558	2,785	-	-	109,343	123,355
Trade payables	(120)	(202)	(885)	-	(703)	(460)	(2,370)	(2,697)
Non-current assets	-	-	-	-	-	-	-	341
Non-current liabilities	-	-	-	-	-	-	-	(60)

	9.30.2019							9.30.2018
	Farmadacta	Promovendas	d1000 varejo Farma	Profarma Specialty	Locafarma	Conectfarma	Total	Total
Net revenue	-	-	(619,058)	(40,794)	-	-	(659,852)	(662,112)
Expenses	1,350	1,580	-	-	-	8,029	10,959	3,019

Balances and transactions between the parent company and its subsidiaries, which are its related parties, are eliminated on consolidation. Transactions between related parties that impact the consolidated information are those carried out between the parent company and its associates.

12 Compensation of key management personnel

In the period, the compensation of the members of the Board of Directors amounted to R$2,159 (R$2,125 at September 30, 2018) whereas that of the Executive Officers totaled R$2,463 (R$1,860 at September 30, 2018). Payroll taxes levied on these amounts totaled R$818 (R$797 at September 30, 2018). In addition to compensation, the Company grants its management health and life insurance totaling R$48 (R$86 at September 30, 2018) and private pension plan in the amount of R$10 (R$14 at September 30, 2018).

Reports and Declarations / Independent Auditor's Report

13 Investments

a. Information on subsidiaries and associates

	Capital		Number of shares ('000)		Equity		Profit (loss) for the period		Interest %		Equity Income (loss)	
	9.30.2019	12.31.2018	9.30.2019	12.31.2018	9.30.2019	12.31.2018	9.30.2019	12.31.2018	9.30.2019	12.31.2018	9.30.2019	12.31.2018
Subsidiaries												
Farmadacta Informática Ltda.	8	8	8	8	297	755	288	(1,862)	99.95%	99.95%	296	309
Promovendas Representações Ltda.	8	8	8	8	19	1,621	11	(1,729)	99.98%	99.98%	19	57
Locafarma Soluções e Transporte Ltda.	50	50	50	50	1,021	1,331	971	(357)	100.00%	100.00%	1,021	1,173
Conectfarma Marketing e Call Center Ltda	250	-	250	-	57	-	(193)	-	99.99%	0.00%	57	-
D1000 Varejo Farma Participações S/A (**)	629,017	629,017	629,017	629,017	449,736	491,570	(179,281)	2,681	100.00%	100.00%	449,736	491,570
Associate												
Cannes RJ Participações S/A (*)	281,000	281,000	281,000	281,000	252,276	235,119	1,733	435	10.10%	10.10%	25,480	23,747
Cannes RJ Fair value evaluation (****)	-	-	-	-	-	-	-	-	-	-	6,024	6,023
Total Investments											482,633	522,879
Associate												
Supernova Comércio Atacadista S/A (***)	300	300	300	300	(538)	(538)	-	-	35.00%	35.00%	(188)	(188)
Total allowance for investment losses											(188)	(188)
Total investments and allowance for losses											482,445	522,691

(*) Holding company with 100% direct stake in Profarma Specialty Farmacêutica S/A and a 100% stake in Arpmed S/A, classified as associate.

(**) Holding company with 100% indirect stake in Drogaria Cipriano de Santa Rosa Ltda (Rede de Drogarias Tamoio) and a 100% stake in CSB Drogarias S/A (Rede Drogasmil), 100% in Drogaria Rosário S.A. and 100% in Centro Oeste Farma Distribuidora de Medicamentos Ltda (COF), classified as subsidiary.

(***) The provision for loss on investments at Supernova Comércio Atacadista S/A represents part of the balance of other accounts payable presented under the Group's non-current liabilities.

(****) Fair value adjustment of the remaining portion.

Reports and Declarations / Independent Auditor's Report

b. Change in investments for the period ended September 30, 2019

Parent Company

	Farmadacta	Promovendas	Locafarma Soluções	Conectfarma	Cannes	Super Nova	d1000	Total
Balance at 12.31.17	**755**	**1,621**	**1,331**	**-**	**76,688**	**(188)**	**257,269**	**337,476**
Equity accounting	(446)	(1,564)	(158)	-	2,089	-	2,680	2,601
Increase in investment	-	-	-	-	-	-	234,119	234,119
Divestment	-	-	-	-	(36,850)	-	-	(36,850)
Reversal of Fair Value	-	-	-	-	(9,711)	-	-	(9,711)
First-time adoption of CPC 47 and 48 (*)	-	-	-	-	(2,445)	-	(2,498)	(4,943)
Balance at 12.31.18	**309**	**57**	**1,173**	**-**	**29,771**	**(188)**	**491,570**	**522,692**
Equity accounting	(13)	(38)	(152)	(193)	1,733	-	(17,550)	(16,213)
Increase in investment	-	-	-	250	-	-	-	250
First-time adoption of CPC 06 (R2) (*)	-	-	-	-	-	-	(24,284)	(24,284)
Balance at 9.30.19	**296**	**19**	**1,021**	**57**	**31,504**	**(188)**	**449,736**	**482,445**

(*) Effect of adoption of CPCs 47, 48 and 06 (R2) in retail subsidiaries and the associate Cannes.

Consolidated

	Cannes
	Investment
Balance at 12.31.17	**76,688**
Equity accounting	2,089
Divestment	(36,850)
Reversal of Fair Value	(9,711)
First-time adoption of CPC 47 and 48 (*)	(2,445)
Balance at 12.31.18	**29,771**
Equity accounting	1,733
Balance at 9.30.19	**31,504**

On September 27, 2018, the Company entered into a share sale agreement with BPL Brasil Participações Ltda. ("BPL"), involving the sale of 49,609,624 shares issued by Cannes RJ Participações S.A. ("Cannes") held by the Group to BPL, representing 16.28% of the total capital stock of Cannes, for R$36,850.

The areas of activity of the subsidiaries and associates are highlighted below:

Subsidiaries:

Farmadacta – Information technology service provider;

Locafarma Soluções – Cargo and transportation planning and control;
Promovendas – Sales promotion and market survey;
CSB (Drogarias Drogasmil and Farmalife chains) – Pharmaceutical retailers;
Drogaria Cipriano de Santa Rosa Ltda (Drogarias Tamoio chain) – Pharmaceutical retailer;
Drogaria Rosário – Pharmaceutical retailer;
Centro Oeste Farma Distribuidora de Medicamento Ltda (COF) – Distribution of pharmaceutical products;
Conectfarma – Sales promotion, market research, information technology, intermediation for advertising spaces, advertising agency, marketing projects and actions, and call center.

Associates:

Profarma Specialty – Distribution of pharmaceutical / hospital products.
Arpmed – Sales of pharmaceuticals;
Supernova – Distribution of pharmaceutical / hospital products.

All Group companies have their registered offices in Brazil.

14 Property, plant and equipment

		Parent Company							
		12.31.18	9.30.2019						12.31.18
	Rate	Cost	Additions	Write-off	Transf.	Cost	Accumulated Depreciation	Net Value	Net Value
Improvements	10%	45,572	-	-	-	45,572	(21,104)	24,468	27,172
Furniture and fixture	10%	19,602	769	-	-	20,371	(11,393)	8,978	9,379
Vehicles	20%	2,993	-	(104)	-	2,889	(2,280)	609	919
Hardware	20%	17,006	655	(117)	-	17,544	(13,508)	4,036	4,788
Machinery and equipment	10%	50,752	1,144	(13)	-	51,883	(23,986)	27,897	29,848
Assets under construction	-	5,457	1,894	-	-	7,351	-	7,351	5,457
		141,381	**4,462**	**(234)**	**-**	**145,610**	**(72,271)**	**73,339**	**77,563**

		Consolidated							
		12.31.18	9.30.2019						12.31.18
	Rate	Cost	Additions	Write-off	Transf.	Cost	Accumulated Depreciation	Net Value	Net Value
Improvements	10%	98,004	5,826	(1,771)	(4)	102,055	(47,532)	54,523	54,426
Furniture and fixture	10%	38,867	2,549	(712)	(24)	40,680	(19,830)	20,850	21,441
Vehicles	20%	3,578	-	(105)	-	3,473	(2,606)	867	1,254
Hardware	20%	34,709	2,454	(923)	(8)	36,232	(25,504)	10,728	11,800
Machinery and equipment	10%	58,693	2,588	(390)	35	60,926	(27,751)	33,175	34,523
Assets under construction	-	5,457	1,894	-	-	7,351	-	7,351	5,457
		239,308	**15,311**	**(3,901)**	**-**	**250,717**	**(123,223)**	**127,494**	**128,901**

Reports and Declarations / Independent Auditor's Report

		Parent Company							
		12.31.17	12.31.2018						12.31.17
	Rate	Cost	Additions	Write-off	Transf.	Cost	Accumulated Depreciation	Net Value	Net Value
Improvements	10%	45,112	42	-	418	45,572	(18,400)	27,172	30,450
Furniture and fixture	10%	18,032	1,570	-	-	19,602	(10,223)	9,379	9,442
Vehicles	20%	4,640	-	(1,647)	-	2,993	(2,074)	919	2,438
Hardware	20%	16,011	863	(12)	143	17,006	(12,218)	4,788	5,586
Machinery and equipment	10%	39,389	603	-	10,759	50,752	(20,903)	29,848	21,882
Assets under construction	-	16,488	290	-	(11,321)	5,457	-	5,457	16,488
		139,672	**3,368**	**(1,659)**	**-**	**141,381**	**(63,818)**	**77,563**	**86,286**

		Consolidated							
		12.31.17	12.31.2018						12.31.17
	Rate	Cost	Additions	Write-off	Transf.	Cost	Accumulated Depreciation	Net Value	Net Value
Improvements	10%	91,334	6,343	(92)	418	98,004	(43,578)	54,426	55,377
Furniture and fixture	10%	37,242	2,443	(818)	-	38,867	(17,426)	21,441	23,305
Vehicles	20%	5,266	-	(1,688)	-	3,578	(2,324)	1,254	2,904
Hardware	20%	30,062	5,200	(697)	144	34,709	(22,909)	11,800	10,860
Machinery and equipment	10%	46,990	1,002	(58)	10,759	58,693	(24,170)	34,523	27,081
Assets under construction	-	16,488	290	-	(11,321)	5,457	-	5,457	16,488
		227,382	**15,278**	**(3,353)**	**-**	**239,308**	**(110,407)**	**128,902**	**136,015**

Reports and Declarations / Independent Auditor's Report

Depreciation of property, plant and equipment

		Parent Company			
		12.31.2018	9.30.2019		
			Depreciation		
	Rate	Opening Balance	Additions	Write-off	Closing Balance
Improvements	10%	(18,400)	(2,704)	-	(21,104)
Furniture and fixture	10%	(10,223)	(1,170)	-	(11,393)
Vehicles	20%	(2,074)	(267)	61	(2,280)
Hardware	20%	(12,218)	(1,375)	85	(13,508)
Machinery and equipment	10%	(20,903)	(3,084)	1	(23,986)
		(63,818)	**(8,600)**	**147**	**(72,271)**

		Consolidated			
		12.31.2018	9.30.2019		
			Depreciation		
	Rate	Opening Balance	Additions	Write-off	Closing Balance
Improvements	10%	(43,578)	(5,394)	1,440	(47,532)
Furniture and fixture	10%	(17,426)	(2,848)	444	(19,830)
Vehicles	20%	(2,324)	(343)	61	(2,606)
Hardware	20%	(22,909)	(3,084)	489	(25,504)
Machinery and equipment	10%	(24,170)	(3,795)	214	(27,751)
		(110,407)	**(15,464)**	**2,648**	**(123,223)**

		Parent Company			
		12.31.2017	9.30.2018		
			Depreciation		
	Rate	Opening Balance	Additions	Write-off	Closing Balance
Improvements	10%	(14,662)	(3,738)	-	(18,400)
Furniture and fixture	10%	(8,590)	(1,633)	-	(10,223)
Vehicles	20%	(2,202)	(586)	714	(2,074)
Hardware	20%	(10,425)	(1,796)	2	(12,218)
Machinery and equipment	10%	(17,507)	(3,396)	-	(20,903)
		(53,386)	**(11,150)**	**716**	**(63,818)**

Reports and Declarations / Independent Auditor's Report

		Consolidated			
		12.31.2017	9.30.2018		
			Depreciation		
	Rate	Opening Balance	Additions	Write-off	Closing Balance
Improvements	10%	(35,957)	(7,630)	9	(43,578)
Furniture and fixture	10%	(13,937)	(3,894)	405	(17,426)
Vehicles	20%	(2,362)	(690)	728	(2,324)
Hardware	20%	(19,202)	(3,939)	232	(22,909)
Machinery and equipment	10%	(19,909)	(4,290)	29	(24,170)
		(91,367)	**(20,443)**	**1,403**	**(110,407)**

Reports and Declarations / Independent Auditor's Report

15 Intangible Assets

		Parent Company							
		12.31.2018	**9.30.2019**						**12.31.2018**
	Rate	**Cost**	**Additions**	**Write-off**	**Transf.**	**Cost**	**Accumulated Amortization**	**Net Value**	**Net Value**
Trademarks and patents		14	-	-	-	14	-	14	14
Software	20%	14,627	-	-	-	14,627	(14,203)	424	773
Goodwill (a)		3,985	-	-	-	3,985	-	3,985	3,985
Other		1,108	-	-	-	1,108	(88)	1,020	1,040
Right of use (*)	20%	-	66,240	-		66,240	(8,928)	57,312	-
Distribution right	20%	2,247	-	(2,247)	-	-	-	-	-
		21,981	**66,240**	**(2,247)**	**-**	**85,974**	**(23,219)**	**62,755**	**5,812**

		Consolidated							
		12.31.2018	**9.30.2019**						**12.31.2018**
	Rate	**Cost**	**Additions**	**Write-off**	**Transf.**	**Cost**	**Accumulated Amortization**	**Net Value**	**Net Value**
Trademarks and patents		116,896	-	-	-	116,896	-	116,896	116,896
Software	20%	21,131	137	-	-	21,268	(20,280)	988	1,853
Other		1,104	-	-	-	1,104	(88)	1,016	1,036
Commercial location		112,510	3,330	(1,246)	-	114,594	(43,955)	70,639	77,074
Goodwill (*a* and *b)*		474,289	-	-	-	474,289	-	474,289	474,289
Right of use (*)	20%	-	215,366	(1,601)		213,765	(44,672)	169,093	
Distribution right	20%	2,247	-	(2,247)	-	-	-	-	-
		728,177	**218,833**	**(5,094)**	**-**	**941,916**	**(108,995)**	**832,921**	**671,148**

(*) The balance includes the effect of first-time adoption of CPC 06, as shown in Note 2.1.

		Parent Company							
		12.31.2017	**12.31.2018**						**12.31.17**
	Rate	**Cost**	**Additions**	**Write-off**	**Transf.**	**Cost**	**Accumulated Amortization**	**Net Value**	**Net Value**
Trademarks and patents		14	-	-	-	14	-	14	14
Software	20%	14,527	100	-	-	14,627	(13,854)	773	1,193
Goodwill (a)		3,985	-	-	-	3,985	-	3,985	3,985
Other		1,108	-	-	-	1,108	(68)	1,040	1,069
Distribution Right	20%	2,247	-	-	-	2,247	(2,247)	-	-
Software under development		34	27	(61)	-	0	-	0	34
		21,915	**127**	**(61)**	**-**	**21,981**	**(16,169)**	**5,812**	**6,295**

Reports and Declarations / Independent Auditor's Report

		Consolidated							
		12.31.2017	12.31.2018						12.31.17
	Rate	Cost	Additions	Write-off	Transf.	Cost	Accumulated Amortization	Net Value	Net Value
Trademarks and patents		116,896	-	-	-	116,896	-	116,896	116,896
Software	20%	20,843	295	(6)	-	21,131	(19,278)	1,853	3,217
Other		1,104	-	-	-	1,104	(68)	1,036	1,065
Commercial location		110,420	2,699	(609)	-	112,510	(35,436)	77,074	86,383
Goodwill (*a* and *b)*		474,289	-	-	-	474,289	-	474,289	474,289
Distribution Right	20%	2,247	-	-	-	2,247	(2,247)	-	-
Software under development		34	27	(61)	-	0	-	-	34
		725,832	**3,021**	**(676)**	**-**	**728,177**	**(57,029)**	**671,148**	**681,883**

Amortization of intangible assets

		Parent Company			
		12.31.2018	9.30.2019		
			Amortization		
	Rate	Opening Balance	Additions	Write-offs	Closing Balance
Software	20%	(13,854)	(349)	-	(14,203)
Other	20%	(68)	(20)	-	(88)
Distribution right	20%	(2,247)	-	2,247	-
Right of use	20%	-	(8,928)	-	(8,928)
		(16,169)	**(9,297)**	**2,247**	**(23,219)**

Reports and Declarations / Independent Auditor's Report

		Consolidated			
		12.31.2018	**9.30.2019**		
			Amortization		
	Rate	**Opening Balance**	**Additions**	**Write-offs**	**Closing Balance**
Software	20%	(19,278)	(1,002)	-	(20,280)
Other	20%	(68)	(20)	-	(88)
Right of use	20%	-	(44,672)	-	(44,672)
Distribution right	20%	(2,247)	-	2,247	-
Commercial location		(35,436)	(9,745)	1,226	(43,955)
		(57,029)	**(55,439)**	**3,473**	**(108,995)**

		Parent Company			
		12.31.2017	**12.31.2018**		
			Amortization		
	Rate	**Opening Balance**	**Additions**	**Write-offs**	**Closing Balance**
Software	20%	(13,334)	(520)	-	(13,854)
Other	20%	(39)	(29)	-	(68)
Distribution right	20%	(2,247)	-	-	(2,247)
		(15,620)	**(549)**	**-**	**(16,169)**

		Consolidated			
		12.31.2017	**12.31.2018**		
			Amortization		
	Rate	**Opening Balance**	**Additions**	**Write-offs**	**Closing Balance**
Software	20%	(17,625)	(1,656)	- 3	(19,278)
Other		(39)	(29)	-	(68)
Distribution right	20%	(2,247)	-	-	(2,247)
Commercial location		(24,038)	(11,608)	210	(35,436)
		(43,949)	**(13,293)**	**213**	**(57,029)**

Reports and Declarations / Independent Auditor's Report

a. Goodwill on acquisition of Dimper's assets

The Company conducted a goodwill impairment test at December 31, 2018 on the balance of R$3,985 corresponding to the acquisition of Dimper's assets in 2009, considering a 10-year discounted cash flow at a rate of 12% p.a., based on the annual budget for 2018 period and the long-term planning up to 2025, with a 5.5% growth projection on a perpetuity basis.

b. Goodwill on Drogarias d100 varejo

The balance of R$470,304 refers to the acquisition of 100% interest in the Drogarias Tamoio, CSB, Rosário and Centro Oeste Farma (COF) chains. The Company conducted a goodwill impairment test at December 31, 2018, considering a discounted cash flow at a rate of 12% p.a., with a 5.5% growth projection on a perpetuity basis. This analysis supports goodwill recovery on the same date.

16 Trade Payables

	Parent Company		Consolidated	
	9.30.2019	**12.31.2018**	**9.30.2019**	**12.31.2018**
Trade payables - Goods for resale	938,098	935,716	931,439	933,387
Intercompany trade payables	2,370	2,697	-	-
Trade payables - Goods not for resale	1,666	2,153	7,638	9,608
Adjustment to present value	(3,733)	(1,611)	(3,733)	(1,611)
	938,401	**938,955**	**935,344**	**941,384**

The Group has a financial risk management policy to ensure that trade payables are settled on their due dates.

As at September 30, 2019, the average days payable outstanding stood at 72 days, 80 days at December 31, 2018.

The Group's exposure to liquidity risks, related to trade and other payables is discussed in Note 26.

The aging list of trade payables for resale and not for resale is as follows:

	Parent Company		Consolidated	
	9.30.2019	**12.31.2018**	**9.30.2019**	**12.31.2018**
From 01 to 60 days	712,356	701,667	709,299	702,729
From 61 to 90 days	132,349	114,237	132,349	115,604
From 91 to 360 days	97,429	124,662	97,429	124,662
	942,134	**940,566**	**939,077**	**942,995**

Reports and Declarations / Independent Auditor's Report

Reports and Declarations / Independent Auditor's Report

17 Borrowings and Financing

			Parent Company		Consolidated	
Institution	**Index**	**Interest**	**9.30.2019**	**12.31.2018**	**9.30.2019**	**12.31.2018**
Banco Santander	CDI	101.12% of CDI + 2.7% p.m.	16,489	8,782	36,482	15,351
Banco Safra	CDI	101.90% of CDI	30,317	7,729	30,317	7,729
Banco Guanabara	CDI	135.00% of CDI	-	-	-	4,554
Banco do Brasil	CDI	131% of CDI	274,952	274,181	290,096	294,389
Banco Bradesco	CDI	100% of CDI + 0.1205% p.m.	19,762	-	28,959	-
Banco ABC	CDI	112.68% of CDI	-	-	21,355	32,647
Banco Itaú (*)		1.2194% p.a. (€$)	21,756	19,801	50,586	41,829
Banco ABC (*)		3.59% p.a. (€$)	-	-	7,605	7,038
Banco BBM (*)		5.7304% p.a. (US$)	-	-	17,973	20,147
Banco BRB		2.43% p.a.	7,640	8,914	7,640	8,914
Banco IBM	CDI	0.38% p.m.	-	-	1,480	2,170
Banco Safra (*)		6.8975% p.a. (US$)	25,768	31,972	61,128	49,842
Banco Itaú (*)		5.7161% p.a. (US$)	-	15,053	25,181	52,622
Bradesco (*)		5.8463% p.a (US$)	93,291	78,055	107,953	98,778
Banco CCB		3.4368% p.a (US$)	-	-	22,426	
			489,975	444,487	709,181	636,010
Current			**226,618**	**188,229**	**369,245**	**292,322**
Non-current			**263,357**	**256,258**	**339,936**	**343,688**

(*) *Fair Value Option*

Since these costs refer to raising funds to finance the acquisition of investments and assets, the interest paid is classified as cash flow from financing activities.

For loans in foreign currency, the company uses the fair value option method. Consequently, all foreign currency loans and related hedge instruments – swap operations classified as derivatives - are booked at fair value in order to improve volatility in profit and loss.

Out of the consolidated borrowing and financing transactions described above, 46% are collateralized by receivables, totaling R$323,523, and short-term investments, the latter in the case of financing from Banco de Brasilia - BRB (R$4,455). The other transactions do not have collaterals or guarantees.

The financing agreements entered with Banco do Brasil contain terms and conditions - covenants – related to the Group's liquidity level. The required ratio, which can lead to the accelerated maturity of borrowings if not met, is described below:

	Net Debt / EBITDA
Banco do Brasil (150 million / 60 million / 35 million)	= < 4.5 (*)

(*) Ratio in effect for fiscal years ending on December 31, 2018, June 30, 2019 and December 31, 2019.

Reports and Declarations / Independent Auditor's Report

In accordance with the loan agreements, the R$150, R$60 and R$35 million operations with Banco do Brasil should be calculated at the end of each half-year as of December 2016, therefore, on September 30, 2019, no measurement is required.

The Group is reporting the balance of borrowings in foreign currency at fair value by adopting the Hedge Accounting and Fair Value Option methodologies, so as to report such balances on the same basis as hedge instruments.

The noncurrent portion matures as follows:

	Parent Company	Consolidated
Year	**9.30.2019**	**9.30.2019**
2020	33,760	54,004
2021	125,666	168,537
2022	78,860	90,224
2023	14,767	16,867
2024	2,664	2,664
2034	4,841	4,841
2036	2,799	2,799
	263,357	**339,936**

18 Lease

On January 1, 2019, the Group, as a lessee, recognized the assets and liabilities for its operating leases, basically of stores and distribution centers. The nature of the expenses related to such leases changed because the Group recognized a cost of depreciation of the right-of-use assets and interest expense on the lease obligations, according to effects from the first-time adoption presented in Note 2.1.

Right-of-use asset

The changes in right-of-use asset are:

	Parent Company	Consolidated
Balance at January 1	**65,341**	**190,731**
New contracts	899	24,635
Terminations	-	(1,601)
Amortization	(8,928)	(44,673)
Balance at September 30, 2019	**57,312**	**169,092**

Reports and Declarations / Independent Auditor's Report

Lease liabilities

	Parent Company	Consolidated
Balance at 12.31.2018	**-**	**-**
First-time adoption in January 1	(73,319)	(234,720)
New contracts	(899)	(24,635)
Terminations	-	2,295
Amortização	11,534	55,303
Amortization	(4,575)	(14,756)
Provision for financial charges		
Balance at September 30, 2019	**(67,259)**	**(216,513)**
Current	(10,337)	(53,233)
Noncurrent	(56,922)	(163,280)
Total	**(67,259)**	**(216,513)**

Amount recognized in profit or loss

	Parent Company	Consolidated
	Sept-2019	**Sept-2019**
Amortization of right of use	8,929	44,673
Charges/Present value adjustment of dismantling cost	4,575	14,757
Total	**13,504**	**59,430**

Reports and Declarations / Independent Auditor’s Report

19 Taxes and Fees

	Parent Company		Consolidated	
	9.30.2019	**12.31.2018**	**9.30.2019**	**12.31.2018**
Current				
State VAT (ICMS)	33,248	30,663	36,867	33,971
CSLL)	-	-	-	106
COFINS)	-	-	4,022	3,444
Installments - ICMS	134	69	134	1,111
Installments - REFIS	2,536	1,815	4,792	4,120
Installments - PERT	-	31	288	283
Other	1,208	1,586	3,963	4,261
	37,126	**34,164**	**50,066**	**47,296**
Non-current				
Installments - ICMS	512	-	10,590	13,313
Installments - REFIS	5,001	8,052	7,856	10,919
	5,513	**8,052**	**18,446**	**24,232**

20 Provision for contingencies

The parent company and its subsidiaries are parties to lawsuits and administrative proceedings in various courts and governmental bodies arising from the normal course of operations, involving tax, labor and civil issues.

Based on information from its legal counsel, an analysis of the ongoing legal disputes, and as for labor lawsuits, previous experience with regards to amounts claimed, Management recorded a provision in an amount considered sufficient to cover the estimated losses on the lawsuits in progress, as follows:

	Parent Company		Consolidated	
	9.30.2019	**12.31.2018**	**9.30.2019**	**12.31.2018**
Tax	622	546	30,627	31,945
Civil	350	627	5,852	6,993
Labor	10,105	8,097	36,159	37,479
	11,077	**9,270**	**72,638**	**76,417**

Reports and Declarations / Independent Auditor's Report

Changes in provisions were as follows:

	Parent Company			
	Tax	Civil	Labor	Total
At December 31, 2017	**245**	**451**	**7,970**	**8,666**
Additions	459	513	3,937	4,909
Used and Write-Offs	(158)	(337)	(3,810)	(4,305)
At December 31, 2018	**546**	**627**	**8,097**	**9,270**
Additions	204	40	3,995	4,238
Used and Write-Offs	(128)	(316)	(1,987)	(2,431)
At September 30, 2019	**622**	**351**	**10,105**	**11,077**

	Consolidated			
	Tax	Civil	Labor	Total
At December 31, 2017	**57,257**	**7,128**	**40,865**	**105,250**
Additions	5,180	1,143	9,958	16,281
Used and Write-Offs	(30,492)	(1,278)	(13,344)	(45,114)
At December 31, 2018	**31,945**	**6,993**	**37,479**	**76,417**
Additions	1,040	344	6,479	7,863
Used and Write-Offs	(2,358)	(1,485)	(7,799)	(11,641)
At September 30, 2019	**30,627**	**5,852**	**36,159**	**72,638**

The main labor lawsuits accrued at the parent company and consolidated are related to overtime claims, issues regarding the workers' severance pay fund (FGTS), and employment relationship claims.

The main tax-related claims accrued at the consolidated are connected to the acquisition of Rosário chain and refer to differences in the payments of ICMS, income tax and social contribution by subsidiaries arising in years before the acquisition.

There are other legal disputes with a possible unfavorable outcome according to the Company's legal counsel, totaling approximately R$390,739 in the consolidated (R$256,807 at December 31, 2018) for which no provisions were recognized because they are not required under the accounting practices adopted in Brazil and IFRS. Possible contingencies are divided among various claims, the main claims being:

• A tax assessment notice in 2010 against Profarma Distribuidora de Produtos Farmacêuticos S.A., issued by the Federal District Department of Finance, concerning an alleged difference in the calculation basis of ICMS–reverse charge, in the amount of R$65,486 at September 30, 2019 (against R$63,696 at December 31, 2018).

Reports and Declarations / Independent Auditor's Report

- Tax deficiency notice issued against Profarma Distribuidora de Produtos Farmacêuticos S.A. by the Federal Revenue Service, in the amount of R$5,906 on September 30, 2019 (R$5,835 at December 31, 2018), referring to the acquisition of IPI credit to offset income tax and social contribution dues related to fiscal year 2002.

- Tax deficiency note issued against Profarma Distribuidora de Produtos Farmacêuticos S.A. in 2014 by the Finance Department of the State of São Paulo, referring to the alleged non-payment of ICMS in interstate transfer transactions, in the amount of R$5,204 on September 30, 2019 (R$5,003 on December 31, 2018).

- Tax Deficiency Notice issued against Profarma Distribuidora de Produtos Farmacêuticos S.A. in 2014 by the Finance Department of the State of São Paulo, related to alleged underpayment resulting from the difference in the calculation base of the ICMS tax substitution in transfer operations, in the amount of R$10,236 on September 30, 2019 (R$9,742 on December 31, 2018).

- Tax Deficiency Notice issued against Profarma Distribuidora de Produtos Farmacêuticos S.A. in 2017, by the Federal Revenue Service, in the amount of R$85,641 at September 30, 2019 (R$82,816 at December 31, 2018) related to the collection of PIS and COFINS taxes related to fiscal year 2013.

- Tax Deficiency Notice issued against Profarma Distribuidora de Produtos Farmacêuticos S.A., in 2019 by the Federal Revenue Service in the amount of R$104,346 at September 30, 2019 related to the collection of PIS and COFINS taxes related to fiscal years 2014 and 2015.

21 Income tax and social contribution

a. Reconciliation of the effective rate

The reconciliation of the expense calculated by applying the combined tax rates and the income tax and social contribution expense charged to profit or loss is as follows:

Reports and Declarations / Independent Auditor's Report

	Parent Company		Consolidated	
	9.30.2019	**9.30.2018**	**9.30.2019**	**9.30.2018**
Profit (Loss) before income tax and social contribution	(7,875)	(17,177)	(12,535)	(33,705)
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution:				
Calculated by the combined tax rate	2,678	5,840	4,262	11,460
Exclusions:				
Equity income	(5,512)	(1,002)	589	483
Government grants	3,841	702	3,841	702
Unrecognized IR effect of Tax loss on subsidiaries	-	-	-	212
Other permanent additions/deductions	(504)	(306)	(3,529)	8,905
Income tax and social contribution on profit for the year	**503**	**5,234**	**5,163**	**21,762**
Effective tax rate	**6%**	**30%**	**41%**	**65%**

Profarma Distribuidora de Produtos Farmacêuticos S.A. (parent company), D1000 Varejo Farma Participações S.A., Itamaraty, CSB drugstores, Drogaria Rosário S.A., Centro Oeste Farma Distribuidora de Medicamentos Ltda (COF), Farmadacta Informática Ltda., Locafarma Soluções de Transportes Logística Ltda and Promovendas e Representações Ltda opted for the taxable income taxation regime.

b. Breakdown of deferred tax assets

Deferred IRPJ (income tax) and CSLL (social contribution) are recorded to reflect future tax effects attributable to:

(i) temporary differences between the tax base in the income statement and their related entries booked on an accrual basis; (ii) tax losses incurred, which are deemed as recoverable by the management of the Group.

Parent Company

Reports and Declarations / Independent Auditor's Report

	Parent Company					
	9.30.2019			12.31.2018		
	IRPJ	CSLL	Total	IRPJ	CSLL	Total
Deferred taxes						
Provision for contingencies	2,769	997	3,766	2,317	834	3,151
Deferred IR/CSLL on tax loss	25,710	9,256	34,966	25,538	9,194	34,732
Other	6,018	2,167	8,185	4,278	1,541	5,819
Non-current	**34,497**	**12,420**	**46,917**	**32,133**	**11,569**	**43,702**
Assets	**34,497**	**12,420**	**46,917**	**32,133**	**11,569**	**43,702**

Consolidated

	Consolidated					
	9.30.2019			12.31.2018		
	IRPJ	CSLL	Total	IRPJ	CSLL	Total
Deferred taxes						
Provision for contingencies	15,829	5,698	21,527	16,774	6,039	22,813
Deferred IR/CSLL on tax loss	84,100	30,276	114,376	73,823	26,576	100,399
Surplus value of net assets from companies acquired	(37,788)	(13,604)	(51,392)	(39,230)	(14,123)	(53,353)
Other	(3,805)	(1,370)	(5,176)	(7,782)	(2,802)	(10,584)
Non-current	**58,336**	**21,000**	**79,335**	**43,585**	**15,690**	**59,275**
Details on non-current						
Assets (*)	65,152	23,453	88,605	52,913	19,049	71,962
Liabilities (*)	(6,816)	(2,454)	(9,270)	(9,328)	(3,359)	(12,687)
Deferred assets/liabilities	**58,336**	**20,999**	**79,335**	**43,585**	**15,690**	**59,275**

(*) Net assets and liabilities by company

Deferred income tax and social contribution are recorded to reflect future tax effects attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts and tax losses.

In the period, the Company increased the recognition of deferred tax assets by R$3,215, for a balance of R$46,917 (R$43,702 on December 31, 2018). The change in the corresponding balance to the result was due to higher deferred taxes on tax losses of R$234, the provisions for contingencies totaling R$615, and the reduction in temporary differences in the amount of R$346. In the period in 2019, there was an increase in deferred taxes over the balances of initial adoption of IFRS 16 standard in the amount of R$2,712, as per Note 2.1.

In the Consolidated balance, there was an increase in the recognition of deferred taxes amounting to R$19,305 resulting in a balance of R$78,580 (R$59,275 on December 31, 2018). The change in the corresponding balance to the result was due to the increase in tax losses of R$9,564, offset by a reduction in the temporary differences by R$3,953 and provisions for contingencies of R$745. In the period in 2019, there was an increase in deferred taxes over the balances of initial adoption of IFRS 16 standard in the amount of R$14,439, as per Note 2.1.

The Group believes that there is no impairment risk of these deferred income tax/social contribution balances, according to the impairment study based on projected future profit or loss.

22 Equity (parent)

a. Share capital

Paid-in capital amounts to R$1,159,065 as at September 30, 2019 (R$1,159,065 as at December 31, 2018), represented by 123,812,773 (123,812,773 on December 31, 2018) book-entry, registered common shares, with no par value.

The following is the shareholding position with respect to subscribed and paid-in capital as at September 30, 2019:

Position at 9.30.2019

Profarma	**Consolidated Ownership**	
Shareholder	**Common shares Number**	**Common shares %**
Signatories of the Shareholders' Agreement	81,930,418	66.17%
BMK Participações S.A.	34,657,969	28.09%
BPL Brazil Holding Company	47,272,449	38.08%
Board of Directors	2	0.00%
Board of Executive Officers	279,923	0.23%
Treasury Shares	1,202,200	0.97%
Outstanding shares	40,400,230	32.63%
Total	**123,812,773**	**100.00%**

Reports and Declarations / Independent Auditor's Report

Position at 12.31.2018

Profarma	**Consolidated Ownership**	
Shareholder	**Common shares Number**	**Common shares %**
Signatories of the Shareholders' Agreement	82,103,318	66.31%
BMK Participações S.A.	34,830,869	28.23%
BPL Brazil Holding Company	47,272,449	38.08%
Board of Directors	3	0.00%
Board of Executive Officers	279,923	0.23%
Treasury Shares	1,202,200	0.97%
Outstanding shares	40,227,329	32.49%
Total	**123,812,773**	**100.00%**

23 Earnings per Share

Basic earnings per share

Basic earnings or losses per share as at September 30, 2019 were calculated by dividing the profit for the year, attributable to the holders of parent company's common shares, by the weighted average number of common shares available during the year, compared to the year ended September 30, 2018, as shown below:

	Three-month period ended	
	Parent Company/Consolidated	
	9.30.2019	**9.30.2018**
Profit (loss) attributable to shareholders	(37)	(7,549)
Number of shares (in thousands - weighted average)	40,870	40,870
Basic loss per share (R$)	(0.001)	(0.185)

	Nine-month period ended	
	Parent Company/Consolidated	
	9.30.2019	**9.30.2018**
Profit (loss) attributable to shareholders	(7,372)	(11,943)
Number of shares (in thousands - weighted average)	122,611	115,321
Basic loss per share (R$)	(0.060)	(0.104)

The Group does not have any preferred shares.

Reports and Declarations / Independent Auditor's Report

Diluted earnings per share

Diluted earnings or losses per share were calculated by dividing the profit attributable to the holders of parent company's common shares by the weighted average number of common shares available during the years ended September 30, 2019 and 2018, as shown below:

	Three-month period ended	
	Parent Company/Consolidated	
	9.30.2019	9.30.2018
Shares' weighted average	40,870	40,870
Diluted loss per share (R$)	(0.001)	(0.185)

	Nine-month period ended	
	Parent Company/Consolidated	
	9.30.2019	9.30.2018
Shares' weighted average	122,611	115,321
Diluted loss per share (R$)	(0.060)	(0.104)

24 Operating income

	Three-month period ended			
	Parent Company		Consolidated	
	9.30.2019	9.30.2018	9.30.2019	9.30.2018
Gross operating revenue				
Sale of goods	1,375,033	1,168,019	1,467,869	1,281,224
Taxes and other deductions	(195,994)	(164,862)	(204,969)	(182,849)
Net operating revenue	**1,179,039**	**1,003,157**	**1,262,900**	**1,098,375**

	Nine-month period ended			
	Parent Company		Consolidated	
	9.30.2019	9.30.2018	9.30.2019	9.30.2018
Gross operating revenue				
Sale of goods	3,801,864	3,244,565	4,066,932	3,587,147
Taxes and other deductions	(530,241)	(444,805)	(565,493)	(491,847)
Net operating revenue	**3,271,623**	**2,799,760**	**3,501,439**	**3,095,300**

Reports and Declarations / Independent Auditor's Report

25 Finance income (costs)

	Three-month period ended			
	Parent Company		Consolidated	
	9.30.2019	9.30.2018	9.30.2019	9.30.2018
Finance costs				
Interest	(12,300)	(9,789)	(19,716)	(16,437)
Interest on taxes paid in installments	(798)	(1,491)	(935)	(1,692)
Finance costs - APV	(5,148)	(5,197)	(5,148)	(5,197)
Sw ap result - market value adjustme	470	(1,416)	1,022	(2,295)
Charges on lease	(1,496)	-	(4,991)	-
Other	(788)	(2,542)	(992)	(2,567)
	(20,060)	(20,435)	(30,760)	(28,188)
Finance income				
Interest	658	846	841	1,293
Gains on inflation adjustment	-	(4)	137	(20)
Finance income - APV	1,944	1,673	1,944	1,673
Other	-	-	-	1
	2,602	2,515	2,922	2,947
Finance income (costs)	**(17,458)**	**(17,920)**	**(27,838)**	**(25,241)**

	Nine-month period ended			
	Parent Company		Consolidated	
	9.30.2019	9.30.2018	9.30.2019	9.30.2018
Finance costs				
Interest	(32,469)	(29,615)	(53,240)	(44,600)
Interest on taxes paid in installments	(1,868)	(4,527)	(2,253)	(5,102)
Finance costs - APV	(12,509)	(13,381)	(12,509)	(13,381)
Sw ap result - market value adjustment	1,182	(1,238)	1,865	(957)
Charges on lease	(4,575)	-	(14,757)	-
Other	(2,221)	(10,144)	(2,773)	(10,256)
	(52,460)	(58,905)	(83,667)	(74,296)
Finance income				
Interest	1,791	5,097	2,397	6,643
Gains on inflation adjustment	-	73	384	98
Finance income - APV	5,243	4,075	5,243	4,075
Other	-	4	-	4
	7,034	9,249	8,024	10,820
Finance income (costs)	**(45,426)**	**(49,656)**	**(75,643)**	**(63,476)**

Reports and Declarations / Independent Auditor's Report

26 Financial instruments and risk management

The parent company and its subsidiaries carry out transactions involving financial instruments. The management of these instruments is carried out following operational strategies and internal controls with the objective of ensuring the liquidity, profitability and safety of the business. The contracting of financial instruments for hedging purposes is carried out based on a periodic analysis of the risk exposure that the Management intends to hedge (exchange rate, interest rate, etc.), which is approved by the Board of Directors. Control consists of constantly monitoring contracted terms versus prevailing market terms. The parent company and its subsidiaries do not make investments of a speculative nature in derivatives or any other risk assets. The results obtained from these transactions are consistent with the policies set by the Group's management.

The estimated realizable values of financial assets and liabilities of the Group were determined based on available market inputs and appropriate estimates and methodologies. The amounts estimated based on this methodology may not necessarily be realizable in the market.

The management and monitoring of these instruments are carried out through systematic monitoring to ensure liquidity, profitability and safety of the business.

26.1 Capital management

The Group maintains a sound capital basis to ensure investor, creditor and market confidence, as well as the future development of the business. The return on invested capital, considering the results of the Company's economic activities and the dividends for its shareholders, is also monitored.

Management seeks maintaining a balance between the highest possible returns with more appropriate levels of borrowings and the advantages and security provided by a healthy capital position.

Reports and Declarations / Independent Auditor's Report

26.2 Fair value versus carrying amount

Management understands that the financial assets and liabilities not shown in this note are at stated their carrying amounts, with a reasonable presentation of fair value. The fair values of the financial assets and liabilities, together with the carrying amounts presented in the asset balance sheet, are as follows:

	Parent Company				
	9.30.2019		12.31.2018		
	Carrying amount	Fair value	Carrying amount	Fair value	*Level*
Assets stated at amortized cost					
Cash and cash equivalents	194,828	194,828	171,171	171,171	
Asset derivatives - Swap	-	-	7,177	7,177	*2*
Accounts receivable	657,267	657,267	636,359	636,359	*2*
Related parties	109,343	109,343	123,355	123,355	*2*
Accounts receivable	109,343	109,343	123,355	123,355	*2*
Liabilities stated at fair value through profit or loss					
Borrowings and financing	141,172	141,172	145,431	145,431	*2*
Liabilities stated at amortized cost					
Borrowings and financing	348,803	368,826	299,056	312,226	*2*
Trade payables	938,401	938,401	938,955	938,955	*2*
Related parties	2,370	2,370	2,757	2,757	*2*
Other accounts payable	10,448	10,448	7,324	7,324	*2*

	Consolidated				
	9.30.2019		12.31.2018		
	Carrying amount	Fair value	Carrying amount	Fair value	*Level*
Assets stated at amortized cost					
Cash and cash equivalents	244,854	244,854	229,160	229,160	
Asset derivatives - Swap	-	-	10,146	10,146	*2*
Accounts receivable	565,879	565,879	545,205	545,205	*2*
Liabilities stated at fair value through profit or loss					
Borrowings and financing	293,384	293,384	271,064	271,064	*2*
Liabilities stated at amortized cost					
Borrowings and financing	415,797	435,803	364,946	378,625	*2*
Trade payables	935,344	935,344	941,384	941,384	*2*
Other accounts payable	102,223	102,223	95,324	95,324	*2*

Reports and Declarations / Independent Auditor's Report

The tables above also present the fair value hierarchy according to the valuation method used by the group. The different levels are defined as follows:

- Level 1: Active market inputs (unadjusted quoted prices) so that it is possible to access these figures on a daily basis, including on the fair value measurement date.

- Level 2: Inputs other than active market inputs (unadjusted quoted prices) included in Level 1, extracted from the pricing model based on observable market inputs.

- Level 3: Inputs obtained using the pricing model based on unobservable market inputs.

26.3 Valuation of financial instruments – fair value

a. Short-term Investments

The interest rates earned on the Company's cash and cash equivalents (mainly financial investments) at the end of the period approximate the market rates for transactions with similar nature, terms and risk, and thus the carrying amounts of cash and cash equivalents approximate their fair values.

b. Borrowings and financing

Borrowings are recognized at their amortized cost (domestic currency) and the fair market value (foreign currency). The interest rate variations on borrowings and the market rates for instruments with similar nature, terms and risk cause the carrying amounts of borrowings to differ from their fair values.

The fair value is used in the discounted cash flow methodology.

c. Financial instruments – swaps

Measured at fair value; their purpose is to hedge assets against foreign currency fluctuations.

The outstanding swap transactions were contracted simultaneously with the foreign currency-denominated loan transactions, taking into account rates and equivalent amounts, swapping the exchange-rate exposure of the loans with exposure to the CDI rate, therefore not qualifying for hedge accounting. The gains and losses arising on the recognition of interest and mark-to-market adjustments are allocated to profit or loss.

Swaps are recognized at fair value. In swaps contracted, the Group will receive exchange fluctuation plus a fixed rate (long position) and in exchange will pay a percentage of the CDI rate (short position).

The fair value of the long position is calculated as follows: the amount in foreign currency on the transaction's maturity date is discounted to present value by the prorating factor of the dollar and euro exchange rate coupon corresponding to the maturity date on the calculation date. The fair value of the long position is equal to the present value in foreign currency multiplied by the closing Ptax rate on the base date.

Reports and Declarations / Independent Auditor's Report

The fair value of the short position is calculated as follows: the amount is calculated in Brazilian Reais on the calculation date by the daily allocation of each contract's CDI percentage factor. Based on this amount, the estimated amount is calculated on the maturity date by multiplying the Brazilian market fixed interest rate by the contracted CDI rate percentage. The fair value of the short position is equal to the amount estimated on the maturity date, discounted to present value.

The amount to be settled on the maturity date will be the difference between the long position and the short position. The amounts of the dollar and euro exchange rate coupon and the fixed interest rate are obtained from independent market sources, such as the BM&F (Brazilian commodities and futures exchange) and providers of financial information, while the Ptax rate is obtained from BACEN.

The swap transactions used to hedge borrowings are summarized as follows:

Reports and Declarations / Independent Auditor's Report

	Parent Company			
	Notional value		Fair value (*)	
Description	**9.30.2019**	**12.31.2018**	**9.30.2019**	**12.31.2018**
Swap agreements				
Index:				
U.S. dollar + 6.69% p.a. Op. Bradesco				
Total Op. Bradesco	**-**	**15,000**	**0**	**888**
Index:				
U.S. dollar + 6.60% p.a. Op. Bradesco				
Total Op. Bradesco	**-**	**3,333**		**268**
Index:				
U.S. dollar + 5.92% p.a. Op. Bradesco				
Total Op. Bradesco	**12,500**	**12,500**	**904**	**1,129**
Index:				
U.S. dollar + 4.24% p.a. Op. Bradesco				
Total Op. Bradesco	**7,514**	**7,514**	**501**	**501**
Index:				
U.S. dollar + 4.0735% p.a. Op. Bradesco				
Total Op. Bradesco	**4,042**	**4,042**	**211**	**352**
Index:				
U.S. dollar + 6.24% p.a. Op. Bradesco				
Total Op. Bradesco	**6,151**	**6,151**	**611**	**611**
Index:				
U.S. dollar + 4.80% p.a. Op. Itaú				
Total Op. Itaú	**-**	**11,932**	0	**2,756**
Index:				
U.S. dollar + 5.8535% p.a. Op. Bradesco				
Total Op. Bradesco	**42,250**	**60,357**	4504	**1,554**
Index:				
U.S. dollar + 7.6894% p.a. Op. Safra				
Total Op. Safra	**6,500**	**9,750**	583	**275**
Index:				
EURO + 1.5500% p.a. Op. Itaú				
Total Op. Itaú	**8,889**	**10,000**	-107	**(612)**
Index:				
EURO + 1.3500% p.a. Op. Itaú				
Total Op. Itaú	**-**	**10,000**	0	**(338)**
Index:				
U.S. dollar + 6.1706% p.a. Op. Bradesco				
Total Op. Bradesco	**13,233**	16,541	227	**(912)**
Index:				
U.S. dollar + 6.8498% p.a. Op. Safra				
Total Op. Safra	**15,000**	**20,000**	1451	**705**
Index:				
EURO + 0.7300% p.a. Op. Itaú				
Total Op. Itaú	**11,932**	**-**	511	**-**
Index:				
U.S. dollar + 5.4490% p.a. Op. Bradesco				
Total Op. Bradesco	**29,999**	-	1787	**-**
Total long/short position	**158,010**	**187,120**	**11,183**	**7,177**
Current assets			**8,353**	**7,660**
Non-current assets			**3,235**	**1,379**
Current liabilities			**(317)**	**(748)**
Non-current liabilities			**(88)**	**(1,114)**

Reports and Declarations / Independent Auditor's Report

	Retail			
	Notional value		Fair value (*)	
	9.30.2019	12.31.2018	9.30.2019	12.31.2018
Index:				
Euro + 1.4941169% p.a. Op. Itaú				
Maturity: 09/2019	-	5,000	-	(516)
Total Op. Itaú	**-**	**5,000**	**-**	**(516)**
Index:				
Euro + 3.5899% p.a. Banco ABC				
Maturity: 11/2020	7,000	7,000	309	165
Total Op. Banco ABC	**7,000**	**7,000**	**309**	**165**
Index:				
Euro + 1.1765% p.a. Op. Itaú				
Maturity: 10/2019	5,000	5,000	(49)	(96)
Total Op. Itaú	**5,000**	**5,000**	**(49)**	**(96)**
Index:				
U.S. dollar + 4.80% p.a. Op. Itaú				
Maturity: 03/2019	-	6,839	-	1,580
Total Op. Itaú	**-**	**6,839**	**-**	**1,580**
Index:				
U.S. dollar + 6.2973% p.a. Op. Bradesco(HSBC)				
Maturity: 03/2021	12,965	18,522	1,714	951
Total Op. Bradesco (HSBC)	**12,965**	**18,522**	**1,714**	**951**
Index:				
U.S. dollar + 4.66% p.a. Op. Bradesco(HSBC)				
Maturity: 03/2019	-	995	-	170
Total Op. Bradesco(HSBC)	**-**	**995**	**-**	**170**
Index:				
U.S. dollar + 7.6682% p.a. Op. Safra				
Maturity: 09/2021	2,267	3,400	23	(180)
Total Op. Safra	**2,267**	**3,400**	**23**	**(180)**
Index:				
U.S. dollar + 6.25% p.a. Op. Safra				
Maturity: 02/2021	4,500	-	463	-
Total Op. Safra	**4,500**	**-**	**463**	**-**
Index:				
U.S. dollar + 6.2619% p.a. Op. Safra				
Maturity: 03/2021	2,249	-	133	-
Total Op. Safra	**2,249**	**-**	**133**	**-**
Index:				
Euro + 1.1765% p.a. Op. Itau				
Maturity:10/2019	3,400	3,400	(34)	13
Total Op. Itaú	**3,400**	**3,400**	**(34)**	**13**
Index:				
U.S. dollar + 5.54% p.a. BBM				
Maturity: 11/2020	3,125	5,000	344	167
Total BBM	**3,125**	**5,000**	**344**	**167**
Index:				
U.S. dollar + 6.00% p.a. BBM				
Maturity: 03/2021	4,000	-	474	-
Total BBM	**4,000**	**-**	**474**	**-**

Reports and Declarations / Independent Auditor's Report

Index:				
U.S. dollar + 5.70% p.a. BBM				
Maturity: 12/2020	9,375	15,000	603	(180)
Total BBM	**9,375**	**15,000**	**603**	**(180)**
Index:				
U.S. dollar + 7.2796% p.a. Op. Safra				
Maturity: 07/2021	4,333	6,500	234	(73)
Total Op. Safra	**4,333**	**6,500**	**234**	**(73)**
Index:				
U.S. dollar + 6.3391% p.a. Op. Safra				
Maturity: 01/2021	3,638	-	322	-
Total Op. Safra	**3,638**	**-**	**322**	**-**
Index:				
U.S. dollar + 5.67% p.a. Op. Safra				
Maturity: 04/2019	-	6,000	-	885
Total Op. Safra	**-**	**6,000**	**-**	**885**
Index:				
Euro + 0.73% p.a. Op. Itaú				
Maturity: 03/2020	6,839	-	274	-
Total Op. Itaú	**6,839**	**-**	**274**	**-**
Index:				
Euro + 1.1529406% p.a. Op. Itaú				
Maturity: 11/2019	9,000	9,000	100	(140)
Total Op. Itaú	**9,000**	**9,000**	**100**	**(140)**
Index:				
U.S. dollar + 6.30% p.a. Op. Itaú				
Maturity: 06/2021	16,000	20,000	957	(274)
Total Op. Itaú	**16,000**	**20,000**	**957**	**(274)**
Index:				
Euro + 0.7600% p.a. Op. Itaú				
Maturity: 06/2020	3,000	-	12	-
Total Op. Itaú	**3,000**	**-**	**12**	**-**
Index:				
U.S. dollar + 5.9420% p.a. Op. Itaú				
Maturity: 05/2021	6,400	8,000	905	498
Total Op. Itaú	**6,400**	**8,000**	**905**	**498**
Index:				
U.S. dollar + 3.1% p.a.				
Maturity: 01/2022	10,000	-	1,118	-
Total Op. CCB	**10,000**	**-**	**1,118**	**-**
Index:				
U.S. dollar + 4.5655% p.a.				
Maturity: 08/2022	5,000	-	35	-
Total Op. SAFRA	**5,000**	**-**	**35**	**-**
Index:				
U.S. dollar + 3.16% p.a.				
Maturity: 01/2022	10,000	-	1,181	-
Total Op. CCB	**10,000**	**-**	**1,181**	**-**
Index:				
U.S. dollar + 4.5655% p.a.				
Maturity: 08/2022	10,001	-	(6)	-
Total Op. Safra	**10,001**	**-**	**(6)**	**-**
Total long/short position	**138,092**	**119,656**	**9,112**	**2,969**
Current assets			4,045	3,171
Non-current assets			5,209	1,394
Current liabilities	-	-	(130)	(1,173)
Non-current liabilities	-	-	(12)	(424)

	Consolidated			
	Notional Value		Fair Value (*)	
	9.30.2019	12.31.2018	9.30.2019	12.31.2018
Total long position				-
Total long/short position	**296,102**	**258,236**	**20,295**	**10,146**
Current assets	-	-	**12,398**	**10,832**
Non-current assets	-	-	**8,444**	**2,773**
Current liabilities	-	-	**(447)**	**(1,921)**
Non-current liabilities	-	-	**(100)**	**(1,538)**

26.4 Risk management

a. Credit risk

The Group's sales and credit granting policies follow strict credit guidelines set by Management, consisting of constantly monitoring balances and transactions with customers, taking into account payment timeliness and risk dilution, seeking to minimize possible losses as a result of bad debts.

The Group has recorded an allowance for doubtful debts, the balance of which at September 30, 2019 in the Parent was R$52,674 (R$45,875 at December 31, 2018), and in the consolidated was R$53,064 (R$45,966 at December 31, 2018) to cover possible credit risks, as described in Note 6.

		Carrying Amount			
		Parent Company		Consolidated	
	Note	9.30.2019	12.31.2018	9.30.2019	12.31.2018
Accounts receivable	**6**	657,267	636,359	565,879	545,205
Other accounts receivable	**10**	73,666	54,538	93,731	69,307
Cash and cash equivalents	**5**	194,828	171,171	244,854	229,160
		925,761	**862,068**	**904,464**	**843,672**

b. Liquidity Risk

The Group's general policy is to maintain adequate levels of liquidity to ensure its ability to meet present and future obligations, and take advantage of commercial opportunities as they arise. Management believes that the Group presents an appropriate balance between the maturities of its assets and liabilities, bearing in mind its satisfactory cash generation capacity, as measured by EBITDA.

Reports and Declarations / Independent Auditor's Report

The table below shows the financial liability positions by due date (when applicable, future rates were taken into consideration):

	Parent Company					
September 30, 2019	**Carrying amount**	**Cash flow by contract**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**
Non-derivative financial liabilities:						
Borrowings and financing	489,975	524,669	125,574	107,276	161,649	130,170
Trade payables	938,401	942,134	942,134	-	-	-

	Parent Company					
December 31, 2018	**Carrying amount**	**Cash flow by contract**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**
Non-derivative financial liabilities:						
Borrowings and financing	444,487	484,439	96,739	97,802	177,158	112,740
Trade payables	938,955	940,566	940,566	-	-	-

	Consolidated					
September 30, 2019	**Carrying amount**	**Cash flow by contract**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**
Non-derivative financial liabilities:						
Borrowings and financing	709,181	753,885	207,371	171,311	225,664	149,539
Trade payables	935,344	939,077	939,077	-	-	-

	Consolidated					
December 31, 2018	**Carrying amount**	**Cash flow by contract**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**
Non-derivative financial liabilities:						
Borrowings and financing	636,010	690,062	137,660	164,893	258,628	128,881
Trade payables	941,384	942,995	942,995	-	-	-

c. Market Risk

Interest rate risk

This risk derives from the impact of the fluctuations in interest rates, not only on finance costs associated with borrowings and financing, but also on finance income, from short-term investments. This risk arises from the possibility of significant fluctuations in the CDI (overnight) rate.

The financial index for the Group's transactions is the CDI rate fluctuation. As at September 30, 2019, gross debt indexed to the CDI plus the position taken in the swap contracts totals R$709,181 (R$636,010 at December 31, 2018). The Group considers the risk of CDI fluctuation rate as a significant market risk factor.

Under the "probable" scenario, considering market expectations in accordance with data published by BACEN on October 18, 2019, an effective average rate of 4.50% is estimated for 2019, compared to the effective rate of 5.00% in the period ended September 30, 2019. Furthermore, in sensitivity tests under more rigorous scenarios, we have considered an increase in the average CDI rate by 25% and 50%.

The table below shows a sensitivity analysis under three proposed scenarios, considering the negative impact on income before the taxes, generated by the outstanding debt indexed to the CDI rate at September 30, 2019:

Parent Company

Operation	**Calculation base**	**Probable scenario**	**Scenario I - 25% stress**	**Scenario II - 50% stress**
Investments pegged to the CDI rate	165,306	9,092	11,365	13,638
Borrowings pegged to the CDI rate	(341,520)	(18,784)	(23,480)	(28,175)
SWAPs pegged to the CDI rate	(140,815)	(7,745)	(9,681)	(11,617)
Interest expense on net debt pegged to the CDI rate	(317,029)	(17,437)	(21,796)	(26,154)

Consolidated

Operation	**Calculation base**	**Probable scenario**	**Scenario I - 25% stress**	**Scenario II - 50% stress**
Investments pegged to the CDI rate	209,204	11,506	14,383	17,259
Borrowings pegged to the CDI rate	(431,115)	(23,711)	(29,639)	(35,567)
SWAPs pegged to the CDI rate	(270,426)	(14,873)	(18,592)	(22,310)
Interest expense on net debt pegged to the CDI rate	(492,337)	(27,078)	(33,848)	(40,618)

d. Currency risk

The Group considers the exposure to the US dollar and euro fluctuation to be a significant market risk, and to mitigate this risk it has contracted swap transactions with Itaú, Safra, BBM, Santander, Bradesco and CCB, subject to the same dates, due dates and notional amounts of its liability exposures contracted with the same institution in foreign currency, so as to eliminate the currency risk by swapping this with fluctuation for a percentage of the CDI rate.

The Group has calculated the fluctuations in the carrying amounts of the financial instruments hedging currency risks, in three distinct scenarios, considering the possible fluctuation in the Ptax rate. The Group took into account the dollar and euro rate projections for each maturity date of its financial instruments–obtained on BM&FBovespa on September 30, 2019 to create that scenario.

The swap has no initial cost. The swap transaction is matched with borrowings in foreign currency in terms of notional amounts, term and interest rate, with no effect on due date. The difference between the present values of the swap transaction's long position (US dollar and euro) and the short position (CDI) may be recorded either in the group of assets or in the group of liabilities, according to the nature of the balance resulting therefrom.

Reports and Declarations / Independent Auditor's Report

The Group has a policy of settling long-term contracts only on the due date. The net effect shown in the sensitivity analysis schedule at September 30, 2019 is generated by the difference in the measurement method of the financial instruments indexed to exchange rate fluctuation. While borrowings are recognized at their amortized cost, swaps are recognized at their fair values in accordance with CVM Resolutions 566 and 603. On the dates the borrowings fall due, their amortized cost will be equal to their fair values, completely eliminating the effect of currency fluctuations on the Group's cash.

The Group does not carry out transactions involving financial risk instruments of a speculative nature.

As shown below, in none of the scenarios, considering the US dollar and euro fluctuation risk, the Company would incur an accounting loss:

Sensitivity Analysis in US dollar

Parent Company

	Parent Company			
	Calculation base	Probable scenario	Scenario I - 25% stress	Scenario II - 50% stress
USD				
Exchange rate on 9/30/2019 (a)		4.16	4.16	4.16
Estimated exchange rate for 12/31/2019 (a)		4.00	3.00	2.00
Borrowings in foreign currency	(119,059)	4,684	33,278	61,871
Swaps (Long position in foreign currency)	118,741	(4,671)	(33,189)	(61,706)
	(318)	**13**	**89**	**165**

Consolidated

	Consolidated			
	Calculation base	Probable scenario	Scenario I - 25% stress	Scenario II - 50% stress
USD				
Exchange rate on 9/30/2019 (a)		4.16	4.16	4.16
Estimated exchange rate for 12/31/2019 (a)		4.00	3.00	2.00
Borrowings in foreign currency	(234,661)	9,231	65,589	121,946
Swaps (Long position in foreign currency)	240,583	(9,464)	(67,244)	(125,023)
	5,922	**(233)**	**(1,655)**	**(3,077)**

Reports and Declarations / Independent Auditor's Report

Sensitivity Analysis in euro

Parent Company

	Parent Company			
	Calculation base	Probable scenario	Scenario I - 25% stress	Scenario II - 50% stress
EURO				
Exchange rate on 9/30/2019 (a)		4.54	4.54	4.54
Estimated exchange rate for 12/31/2019 (a)		4.54	3.40	2.27
Borrowings in foreign currency	(21,756)	3	5,441	10,879
Swaps (Long position in foreign currency)	21,567	(3)	(5,394)	(10,785)
	(189)	**-**	**47**	**94**

Consolidated

	Consolidated			
	Calculation base	Probable scenario	Scenario I - 25% stress	Scenario II - 50% stress
EURO				
Exchange rate on 9/30/2019 (a)		4.54	4.54	4.54
Estimated exchange rate for 12/31/2019 (a)		4.54	3.40	2.27
Borrowings in foreign currency	(58,191)	8	14,554	29,099
Swaps (Long position in foreign currency)	50,302	(7)	(12,580)	(25,154)
	(7,889)	**1**	**1,974**	**3,945**

(a) Source: Central Bank of Brazil – exchange rates and Focus market readout

e. Capital risk

The Group manages its capital with the objective of ensuring that its companies will continue to operate in such a way as to provide the maximum return to its shareholders through the optimization of its capital structure. The Group's capital structure consists of raising funds through the new borrowings and financing, cash and cash equivalents, short-term investments, dividend payments, reserves and retained earnings.

27 Results by Business Segment

The Group's operations are broken down into segments according to the organization and management model approved by the Board of Directors, as follows:

The information per operating segment is presented in accordance with CPC 22 Operating Segments (IFRS 8).

- Pharmaceutical Distribution: This is the Group's core business and comprises wholesale operations to pharmaceutical retailers, with the sale of medicines and personal care and beauty products;

- Specialties: This segment centralizes the existing hospital, vaccine and dermatological product businesses in Profarma, adding the acquired companies Profarma Specialty, which enabled Profarma's entry into the public sector, and Arpmed, in the special products segment.

Reports and Declarations / Independent Auditor's Report

- Retail: This segment encompasses the acquired retail chains Drogasmil, Tamoio and Rosário, which together have 198 stores in different areas of the State of Rio de Janeiro and the Midwest region.

Income Statement by Business Segment

Quarterly information at September 30, 2019:

	Three-month period ended 9.30.2019						
	Pharmaceutical Distribution	Pharmaceutical Retail	Specialties (*)	Intercompany Transactions	Eliminations in associates	Other	Consolidated
Gross revenue	1,376,194	304,343	325,142	(212,668)	(325,142)	-	1,467,869
Net revenue	1,179,431	287,205	284,095	(203,736)	(284,095)	-	1,262,900
Gross profit	100,912	86,492	30,810	-	(30,810)	-	187,404
Depreciation	(5,926)	(16,837)	(1,055)	-	1,055	(1,334)	(24,097)
Operating expenses (SG&A)	(75,477)	(63,863)	(23,173)	-	23,173	(2)	(139,342)
Other operating income (expenses) and Equity in the earnings (losses) of joint ventures	3,605	(1,198)	613	-	(613)	659	3,066
Profit/Loss before finance result and taxes	23,114	4,594	7,195	-	(7,195)	(677)	27,031

	Nine-month period ended 9.30.2019						
	Pharmaceutical Distribution	Pharmaceutical Retail	Specialties (*)	Intercompany Transactions	Eliminations in associates	Other	Consolidated
Gross revenue	3,804,190	899,797	988,810	(637,057)	(988,810)	-	4,066,930
Net revenue	3,272,131	848,366	870,490	(619,058)	(870,490)	-	3,501,439
Gross profit	286,690	255,965	97,226	-	(97,226)	-	542,655
Depreciation	(17,906)	(49,006)	(3,220)	-	3,220	(4,002)	(70,914)
Operating expenses (SG&A)	(220,399)	(194,347)	(68,743)	-	68,743	(5)	(414,751)
Other operating income (expenses) and Equity in the earnings (losses) of joint ventures	4,898	(509)	(1,904)	-	1,904	1,728	6,117
Profit/Loss before finance result and taxes	53,283	12,103	23,359	-	(23,359)	(2,279)	63,107

Quarterly information at September 30, 2018:

	Three-month periods ended 9.30.2018						
	Pharmaceutical Distribution	Pharmaceutical Retail	Specialties (*)	Intercompany Transactions	Eliminations in joint ventures	Other	Consolidated
Gross revenue	1,168,302	313,757	330,104	(200,834)	(330,104)	-	1,281,225
Net revenue	1,003,372	290,603	291,754	(195,600)	(291,754)	-	1,098,375
Gross profit	85,655	84,885	26,430	-	(26,430)	-	170,540
Depreciation	(2,847)	(4,436)	(477)	-	477	(1,333)	(8,616)
Operating expenses (SG&A)	(72,903)	(79,087)	(16,633)	-	16,633	(3)	(151,993)
Other operating income (expenses) and Equity in the earnings (losses) of joint ventures	398	(2,690)	(2,973)	-	2,973	810	(1,482)
Profit/Loss before finance result and taxes	10,303	(1,328)	6,348	-	(6,348)	(526)	8,449

Reports and Declarations / Independent Auditor's Report

	Nine-month period ended 9.30.2018						
	Pharmaceutical Distribution	Pharmaceutical Retail	Specialties (*)	Intercompany Transactions	Eliminations in associates	Other	Consolidated
Gross revenue	3,244,972	919,525	925,034	(577,349)	(925,034)	-	3,587,148
Net revenue	2,800,033	861,647	823,819	(566,380)	(823,819)	-	3,095,300
Gross profit	244,456	261,223	82,755	-	(82,755)	-	505,679
Depreciation	(8,656)	(12,644)	(1,377)	-	1,377	(3,749)	(25,049)
Operating expenses (SG&A)	(208,910)	(243,160)	(59,524)	-	59,524	(222)	(452,292)
Other operating income (expenses) and Equity in the earnings (losses) of joint ventures	6,764	(6,740)	(11,633)	-	11,633	1,409	1,433
Profit/Loss before finance result and taxes	33,654	(1,321)	10,222	-	(10,222)	(2,562)	29,771

(*) The "Specialties" operating segment reports information on an investment, which is classified as an operating segment. The difference with the book value of the joint venture recognized by the equity method in the Group's consolidated financial statements is shown as a deduction from associates.

Balance Sheet by Business Segment:

	Balances at 9.30.2019					
	Pharmaceutical Distribution	Pharmaceutical Retail	Specialties	Intercompany Transactions	Eliminations in associates	Total Consolidated
Trade receivables	657,988	15,794	212,832	(106,558)	(212,832)	567,224
Recoverable taxes	316,456	75,688	32,922	-	(32,922)	392,144
Inventory	661,595	131,142	138,559	-	(138,559)	792,736
Trade payables	937,380	105,867	186,310	(106,558)	(186,310)	936,689
Taxes payable	43,019	34,762	15,808	-	(15,808)	77,782

	Balances at 12.31.2018					
	Pharmaceutical Distribution	Pharmaceutical Retail	Specialties	Intercompany Transactions	Eliminations in associates	Total Consolidated
Trade receivables	636,620	18,614	242,284	(110,029)	(242,284)	545,205
Recoverable taxes	307,119	63,588	33,627	-	(33,627)	370,707
Inventory	662,967	132,200	126,454	-	(126,454)	795,167
Trade payables	937,709	113,704	231,917	(110,029)	(231,917)	941,384
Taxes payable	42,266	41,947	15,763	-	(15,763)	84,213

Other assets and liabilities not shown in the above table, which include borrowings and financing and the respective costs, are managed jointly by the Management of the Group.

Reports and Declarations / Independent Auditor's Report

28 Operating expenses

	Three-month period ended		Three-month period ended	
	Parent Company		Consolidated	
	9.30.2019	9.30.2018	9.30.2019	9.30.2018
General and administrative expenses				
Payroll and outsourced services	(20,514)	(15,906)	(27,570)	(24,473)
Organizational structure	(4,114)	(8,094)	(4,457)	(8,622)
	(24,628)	**(24,000)**	**(32,027)**	**(33,095)**
Selling and marketing expenses				
Payroll and outsourced services	(14,375)	(13,612)	(64,347)	(62,315)
Organizational structure	(2,961)	(4,214)	(8,802)	(25,048)
	(17,336)	**(17,826)**	**(73,149)**	**(87,363)**
Logistics and distribution expenses				
Payroll and outsourced services	(30,368)	(27,673)	(30,634)	(28,032)
Organizational structure	(3,251)	(3,015)	(3,532)	(3,503)
	(33,619)	**(30,688)**	**(34,166)**	**(31,535)**

	Nine-month period ended		Nine-month period ended	
	Parent Company		Consolidated	
	9.30.2019	9.30.2018	9.30.2019	9.30.2018
General and administrative expenses				
Payroll and outsourced services	(57,941)	(45,692)	(79,144)	(71,599)
Organizational structure	(13,373)	(23,989)	(15,064)	(25,414)
	(71,314)	**(69,681)**	**(94,208)**	**(97,013)**
Selling and marketing expenses				
Payroll and outsourced services	(40,508)	(37,547)	(189,497)	(188,219)
Organizational structure	(10,661)	(8,587)	(30,637)	(73,249)
	(51,169)	**(46,134)**	**(220,134)**	**(261,468)**
Logistics and distribution expenses				
Payroll and outsourced services	(89,106)	(82,050)	(89,980)	(83,485)
Organizational structure	(9,042)	(8,903)	(10,429)	(10,326)
	(98,148)	**(90,953)**	**(100,409)**	**(93,811)**

Reports and Declarations / Independent Auditor's Report

29 Insurance coverage

The Group and its subsidiaries adopt a policy of contracting insurance coverage for assets subject to risk, for an amount considered to be sufficient to cover possible losses, considering the nature of its activity. The adopted risk assumptions, given their nature, are not within the scope of a special review, and consequently were not reviewed by the independent auditors.

As at September 30, 2019, the insurance coverage was distributed as follows:

Insured items	Type of coverage	Premium maximum limit
Facilities, equipment and inventories	Fire/Lightning/Explosion	1,346,397
Loss of profits (overheads, loss of net profit)	Loss of Profit	495,262
Total		**1,841,659**

30 Liens, pledges and guarantees

The Group had guarantees from Safra, Itaú, Bradesco, Austral and Swiss Re totaling R$20,948 at September 30, 2019 (R$21,916 on December 31, 2018), referring to its transactions with its suppliers and lawsuits, at the annual average rate of 2% of said transactions, renewed annually.

Reports and Declarations / Independent Auditor's Report

Board of Executive Officers

Chief Executive Officer
Sammy Birmarcker

Executive and Investor Relations Officer
Maximiliano Guimarães Fischer

Board Members
Sammy Birmarcker
Manoel Birmarcker
Armando Sereno
Dan Ioschpe
Marcel Sapir
James Francis Cleary Jr.
Sun Park

Members of the Audit Board
Gilberto Braga
Elias de Matos Brito
Marcello Joaquim Pacheco

Accountant
Cátia Campos Victer Rodrigues

Reports and Declarations / Executive Officers' Statement on the Financial Statements

STATEMENT

The undersigned executive officers of Profarma Distribuidora de Produtos Farmacêuticos S.A. and its subsidiaries declared that, at a meeting held on that date, they reviewed and discussed the financial statements of the Company (Parent Company and Consolidated), approved said documents and submitted the proposal to the board of directors for its approval.

Rio de Janeiro, November 7, 2019

Sammy Birmarcker
Chief Executive Officer

Maximiliano Guimarães Fischer
Chief Investor Relations Officer

KPMG Auditores Independentes
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Report on the review of quarterly information - ITR

(A free translation of the original report in Portuguese, as filed with the Brazilian Securities and Exchange Commission (CVM), prepared in accordance with the accounting practices adopted in Brazil, rules of the CVM and of the International Financial Reporting Standards - IFRS)

To the Board of Directors and Shareholders of
Profarma Distribuidora de Produtos Farmacêuticos S.A
Rio de Janeiro - RJ

Introduction

We have reviewed the interim accounting information, individual and consolidated, of Profarma Distribuidora de Produtos Farmacêuticos S.A ("the Company"), identified as Parent Company and Consolidated, respectively, included in the quarterly information form - ITR for the quarter ended September 30, 2019, which comprises the balance sheet as of September 30, 2019 and the respective statements of income and comprehensive income for the three and nine-month period then ended, statements of changes in shareholders' equity and of cash flows for the nine-month period then ended, including the explanatory notes.

The Company`s Management is responsible for the preparation of these interim accounting information in accordance with the CPC 21(R1) and the IAS 34 - Interim Financial Reporting, issued by the *International Accounting Standards Board* - IASB, as well as the presentation of these information in accordance with the standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of quarterly information - ITR. Our responsibility is to express our conclusion on this interim accounting information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and International Interim Information Review Standards (*NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* 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 the management responsible for financial and accounting matters and applying analytical procedures and other review procedures. The scope of a review is significantly less than an audit conducted in accordance with auditing standards and, accordingly, it did not enable us to obtain assurance that we were aware of all the material matters that would have been identified in an audit. Therefore, we do not express an audit opinion.

Conclusion on the individual and consolidated interim accounting information
Based on our review, we are not aware of any fact that might lead us to believe that the individual and consolidated interim accounting information included in the aforementioned quarterly information was not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, issued by the IASB, applicable to the preparation of the quarterly review - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Our report is not modified as a result of these matters.

Other matters - Statements of added value
The individual and consolidated statements of value added for the quarter ended September 30, 2019, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IAS 34, were submitted to the same review procedures followed together with the review of the Company's interim financial information. In order to form our conclusion, we evaluated whether these statements were reconciliated to the interim financial information and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that the accompanying statements of value added were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Rio de Janeiro, November 26, 2019

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ
(Original report in Portuguese signed by)
Marcelo Luiz Ferreira
Accountant CRC RJ-087095/O-7