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## Company Information / Capital Breakdown

<b>Number of Shares (in thousands)</b>	<b>Current Quarter 6/30/2019</b>
<b>Paid-in Capital</b>	
Common	123,813
Preferred	0
Total	123,813
<b>Treasury Shares</b>	
Common	1,202
Preferred	0
Total	1,202

**Individual Financial Statements / Balance Sheet - Assets****R\$ (in thousands)**

Code	Description	Current quarter 6/30/2019	Previous year 12/31/2018
1	Total Assets	2,493,716	2,477,948
1.01	Current Assets	1,790,907	1,801,165
1.01.01	Cash and Cash Equivalents	195,044	171,171
1.01.03	Trade Receivables	650,720	636,359
1.01.03.01	Trade Receivables	650,720	636,359
1.01.04	Inventories	598,793	662,967
1.01.06	Recoverable Taxes	257,921	263,386
1.01.06.01	Current Recoverable Taxes	257,921	263,386
1.01.08	Other Current Assets	88,429	67,282
1.01.08.01	Noncurrent Assets for Sale	2,129	0
1.01.08.01.01	Financial Instruments	2,129	0
1.01.08.03	Other	86,300	67,282
1.01.08.03.01	Advances	5,337	5,832
1.01.08.03.02	Other Trade Receivables	80,963	54,538
1.01.08.03.03	Financial Instruments	0	6,912
1.02	Noncurrent Assets	702,809	676,783
1.02.01	Long-Term Assets	74,334	70,529
1.02.01.04	Trade Receivables	6,561	6,585
1.02.01.04.02	Other Receivables	6,561	6,585
1.02.01.07	Deferred Taxes	47,325	43,702
1.02.01.07.01	Deferred Income Tax and Social Contribution	47,325	43,702
1.02.01.09	Due from Related Parties	341	341
1.02.01.09.02	Due from Subsidiaries	341	341
1.02.01.10	Other Noncurrent Assets	20,107	19,901
1.02.01.10.01	Noncurrent Assets for Sale	5,000	5,000
1.02.01.10.03	Escrow Deposits	11,978	11,623
1.02.01.10.05	Financial Instruments	68	265
1.02.01.10.06	Recoverable Taxes	3,061	3,013
1.02.02	Investments	487,910	522,879
1.02.02.01	Equity Interest	487,910	522,879
1.02.02.01.02	Interest in Subsidiaries	487,910	522,879
1.02.03	Property, Plant and Equipment	74,821	77,563
1.02.03.01	Property, Plant and Equipment in Use	68,059	72,106
1.02.03.03	Construction in Progress	6,762	5,457
1.02.04	Intangible Assets	65,744	5,812
1.02.04.01	Intangible Assets	65,744	5,812
1.02.04.01.02	Trademarks and Patents	14	14
1.02.04.01.03	Software	513	773
1.02.04.01.04	Goodwill	3,985	3,985
1.02.04.01.07	Right of Use	60,205	0
1.02.04.01.08	Other	1,027	1,040

**Individual Financial Statements / Balance Sheet – Liabilities****R\$ (in thousands)**

Code	Description	Current quarter 6/30/2019	Previous year 12/31/2018
2	Total Liabilities	2,493,716	2,477,948
2.01	Current Liabilities	1,215,584	1,182,836
2.01.02	Trade Payables	876,402	938,955
2.01.02.01	Domestic Suppliers	876,402	938,955
2.01.03	Taxes	37,082	34,164
2.01.03.01	Federal Tax	3,257	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)	2,083	1,846
2.01.03.01.04	Withholding Taxes	923	1,345
2.01.03.01.07	Other	152	19
2.01.03.02	State Tax	33,675	30,732
2.01.03.03	Municipal Tax	150	128
2.01.04	Borrowings and Financing	261,629	188,229
2.01.04.01	Borrowings and Financing	261,629	188,229
2.01.04.01.01	In Domestic Currency	118,289	106,906
2.01.04.01.02	In Foreign Currency	143,340	81,323
2.01.05	Other Liabilities	40,471	21,488
2.01.05.02	Other	40,471	21,488
2.01.05.02.04	Payroll and Related Taxes	20,000	14,425
2.01.05.02.06	Other Trade Payables	9,522	7,063
2.01.05.02.07	Lease Liabilities	10,949	0
2.02	Noncurrent Liabilities	293,806	273,901
2.02.01	Borrowings and Financing	218,590	256,258
2.02.01.01	Borrowings and Financing	218,590	256,258
2.02.01.01.01	In Domestic Currency	168,392	180,595
2.02.01.01.02	In Foreign Currency	50,198	75,663
2.02.04	Provisions	75,216	17,643
2.02.04.01	Provisions for Tax, Private Pension, Labor and Civil Risks	10,327	9,270
2.02.04.01.01	Provisions for Tax	546	546
2.02.04.01.02	Provisions for Private Pension and Labor Risks	9,164	8,097
2.02.04.01.04	Provision for Civil Risks	617	627
2.02.04.02	Other Provisions	64,889	8,373
2.02.04.02.04	Due to related parties	44	60
2.02.04.02.06	Other Trade Payables	262	261
2.02.04.02.07	Taxes and Fees	5,930	8,052
2.02.04.02.09	Lease Liabilities	58,653	0
2.03	Equity	984,326	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	-322,531	-285,646

## Individual Financial Statements / Balance Sheet – Liabilities

R\$ (in thousands)

Code	Description	Current quarter 6/30/2019	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

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ITR – Quarterly Information – June 30, 2019 - PROFARMA DISTRIB. PROD. FARMACEUTICOS S.A.

Version: 1

**Individual Financial Statements / Statement of Income**

**R\$ (in thousands)**

Code	Description	Current quarter	Year-to-date	Same quarter of	Previous year
		4/1/2019 to 6/30/2019	1/1/2019 to 6/30/2019	previous year 4/1/2018 to 6/30/2018	1/1/2018 to 6/30/2018
3.01	Revenue from Sales and/or Services	1,053,903	2,092,584	917,549	1,796,603
3.02	Cost of Sales and/or Services	-951,696	-1,906,921	-831,886	-1,637,859
3.02.02	Cost of Sales and/or Services	-951,696	-1,906,921	-831,886	-1,637,859
3.03	Gross Profit	102,207	185,663	85,663	158,744
3.04	Operating Expense/Income	-84,595	-165,942	-66,576	-133,621
3.04.02	General and Administrative Expenses	-74,043	-145,048	-66,085	-134,254
3.04.02.01	General and Administrative	-23,919	-46,686	-22,492	-45,681
3.04.02.02	Selling and Marketing	-17,721	-33,834	-14,238	-28,308
3.04.02.03	Logistics and Distribution	-32,403	-64,528	-29,355	-60,265
3.04.04	Other Operating Income	0	2,021	3,323	6,214
3.04.04.02	Other Operating Income	0	2,021	3,323	6,214
3.04.05	Other Operating Expenses	-6,298	-11,980	-2,878	-5,810
3.04.05.01	Depreciation and Amortization	-6,045	-11,980	-2,878	-5,810
3.04.05.03	Other operating expenses	-253	0	0	0
3.04.06	Equity Income	-4,254	-10,935	-936	229
3.05	Profit Before Finance Income (Costs) and Taxes	17,612	19,721	19,087	25,123
3.06	Finance Income (Costs)	-15,887	-27,967	-16,018	-31,736
3.06.01	Finance Income	2,361	4,432	3,226	6,734
3.06.02	Finance Costs	-18,248	-32,399	-19,244	-38,470
3.07	Profit/(Loss) Before Income Taxes	1,725	-8,246	3,069	-6,613
3.08	Income Tax and Social Contribution	-547	911	-1,564	2,219
3.08.02	Deferred	-547	911	-1,564	2,219
3.09	Profit/(Loss) from Continuing Operations	1,178	-7,335	1,505	-4,394
3.11	Profit (Loss) for the Period	1,178	-7,335	1,505	-4,394
3.99	Earnings per Share - (Reais/Share)				
3.99.01	Basic Earnings per Share				
3.99.01.01	Common	0.01920	-0.05980	0.02500	-0.03900

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ITR – Quarterly Information – June 30, 2019 - PROFARMA DISTRIB. PROD. FARMACEUTICOS S.A.

Version: 1

**Individual Financial Statements / Statement of Income**

**R\$ (in thousands)**

Code	Description	Current quarter 4/1/2019 to 6/30/2019	Year-to-date 1/1/2019 to 6/30/2019	Same quarter of previous year 4/1/2018 to 6/30/2018	Previous year 1/1/2018 to 6/30/2018
3.99.02	Diluted Earnings per Share				
3.99.02.01	Common	0.01920	-0.05980	0.02500	0.03900

**Individual Financial Statements / Statement of Comprehensive Income**

**R\$ (in thousands)**

Code	Description	Current quarter 4/1/2019 to 6/30/2019	Year-to-date 1/1/2019 to 6/30/2019	Same quarter of previous year 4/1/2018 to 6/30/2018	Previous year 1/1/2018 to 6/30/2018
4.01	Profit for the Period	1,178	-7,335	1,505	-4,394
4.03	Comprehensive Income for the Period	1,178	-7,335	1,505	-4,394

**Individual Financial Statements / Statement of Cash Flows – Indirect Method****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Year-to-date 1/1/2019 to 6/30/2019</b>	<b>Previous year 1/1/2018 to 6/30/2018</b>
6.01	Net Cash provided by (used in) Operating Activities	5,447	-9,987
6.01.01	Cash Provided by Operating Activities	36,196	26,901
6.01.01.01	Profit/Loss before Income Tax and Social Contribution	-8,247	-6,613
6.01.01.02	Provision for Risks	1,057	-669
6.01.01.04	Depreciation and Amortization	6,065	5,811
6.01.01.08	Equity Income	10,787	-229
6.01.01.09	Interest on Borrowings	21,001	19,560
6.01.01.10	Other Adjustments to Profit	-449	6,161
6.01.01.11	Allowance for Doubtful Debts	4,414	2,880
6.01.01.14	Effect from IFRS 16 / CPC 06R2	1,568	0
6.01.02	Changes in Assets and Liabilities	-30,749	-36,888
6.01.02.01	Accounts Receivable	-18,817	-19,660
6.01.02.02	Inventories	63,419	-40,275
6.01.02.03	Recoverable Taxes	5,417	-1,202
6.01.02.05	Other Operating Assets	-26,263	-10,700
6.01.02.06	Trade Payables	-61,678	40,696
6.01.02.07	Payroll and Related Taxes	5,576	4,013
6.01.02.09	Taxes Payable	-846	-9,499
6.01.02.10	Other Operating Liabilities	2,443	-261
6.02	Net Cash provided by (used in) Investing Activities	-3,299	-222,987
6.02.01	Additions to Property, Plant and Equipment and Intangible Assets	-3,091	-806
6.02.02	Write-off – Property, Plant and Equipment and Intangible Assets	43	0
6.02.03	Increase in Investments	-250	-222,119
6.02.05	Additions to Intangible Assets	-1	-62
6.03	Net Cash Provided by (Used in) Financing Activities	21,725	224,107
6.03.01	Borrowings and Financing	129,387	72,802
6.03.04	Capital Increase	0	318,434
6.03.08	Payment of Interest	-17,246	-25,111
6.03.09	Borrowings and Financing - Repayment	-90,416	-142,018
6.05	Increase (Decrease) in Cash and Cash Equivalents	23,873	-8,867
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	195,044	137,154



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ITR – Quarterly Information – June 30, 2019 - PROFARMA DISTRIB. PROD. FARMACEUTICOS S.A.

Version: 1

**Individual Financial Statements / Statement of Changes in Equity – 1/1/2019 to 6/30/2019**

**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	-7,335	0	-7,335
5.05.01	Profit for the Period	0	0	0	-7,335	0	-7,335
5.07	Closing Balances	1,159,065	-39,034	186,825	-322,530	0	984,326

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ITR – Quarterly Information – June 30, 2019 - PROFARMA DISTRIB. PROD. FARMACEUTICOS S.A.

Version: 1

**Individual Financial Statements / Statement of Changes in Equity– 1/1/2018 to 6/30/2018**

**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	-30,056	0	284,878
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	-30,056	0	-30,056
5.05	Total Comprehensive Income/(Loss)	0	0	0	-4,394	0	-4,394
5.05.01	Profit for the Period	0	0	0	-4,394	0	-4,394
5.07	Closing Balances	1,141,482	-21,451	186,825	-280,440	0	1,026,416

**Individual Financial Statements / Statement of Value Added****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Year-to-date 1/1/2019 to 6/30/2019</b>	<b>Previous year 1/1/2018 to 6/30/2018</b>
7.01	Income	2,399,094	2,062,266
7.01.01	Sale of Goods, Products and Services	2,403,508	2,065,147
7.01.04	Reversal/ Recognition of Allowance for Doubtful Debts	-4,414	-2,881
7.02	Inputs Acquired from Third Parties	-1,998,612	-1,723,837
7.02.01	Cost of Sales and Services	-1,893,408	-1,637,859
7.02.02	Supplies, Electricity, Outsourced Services and Others	-105,204	-85,978
7.03	Gross Value Added	400,482	338,429
7.04	Retentions	-11,980	-5,810
7.04.01	Depreciation, Amortization and Depletion	-11,980	-5,810
7.05	Wealth Produced	388,502	332,619
7.06	Wealth Received through Transfer	-3,704	10,729
7.06.01	Equity Income	-10,935	229
7.06.02	Finance Income	7,231	10,500
7.07	Total Wealth for Distribution	384,798	343,348
7.08	Distribution of Wealth	384,798	343,348
7.08.01	Personnel	69,422	63,483
7.08.01.01	Direct Compensation	52,349	48,320
7.08.01.02	Benefits	13,058	11,979
7.08.01.03	F.G.T.S. (Government Severance Fund)	4,015	3,184
7.08.02	Taxes, Fees and Contributions	299,543	253,913
7.08.02.01	Federal	34,420	27,900
7.08.02.02	State	265,123	226,013
7.08.03	Value Distributed to Providers of Capital	23,168	30,346
7.08.03.01	Interest Rates	19,911	19,663
7.08.03.02	Rentals	3,257	10,683
7.08.04	Value Distributed to Shareholders	-7,335	-4,394
7.08.04.03	Accumulated Losses/Retained Earnings for the Period	-7,335	-4,394

**Consolidated Financial Statements / Balance Sheet – Assets****R\$ (in thousands)**

Code	Description	Current quarter 6/30/2019	Previous year 12/31/2018
1	Total Assets	3,050,833	2,890,224
1.01	Current Assets	1,923,238	1,953,156
1.01.01	Cash and Cash Equivalents	228,126	229,160
1.01.03	Trade Receivables	562,103	545,205
1.01.03.01	Trade Receivables	562,103	545,205
1.01.04	Inventories	739,517	795,167
1.01.06	Recoverable Taxes	289,630	298,038
1.01.06.01	Current Recoverable Taxes	289,630	298,038
1.01.08	Other Current Assets	103,862	85,586
1.01.08.01	Non-current Assets for Sale	2,347	0
1.01.08.01.01	Financial Instruments	2,347	0
1.01.08.03	Other	101,515	85,586
1.01.08.03.01	Advances	7,415	7,368
1.01.08.03.02	Other Receivables	94,100	69,307
1.01.08.03.03	Financial Instruments	0	8,911
1.02	Noncurrent Assets	1,127,595	937,068
1.02.01	Long-Term Assets	127,131	107,247
1.02.01.04	Trade Receivables	7,083	7,158
1.02.01.04.02	Other Receivables	7,083	7,158
1.02.01.07	Deferred Taxes	85,348	71,962
1.02.01.07.01	Deferred Income Tax and Social Contribution	85,348	71,962
1.02.01.10	Other Noncurrent Assets	34,700	28,127
1.02.01.10.01	Noncurrent Assets for Sale	5,000	5,000
1.02.01.10.03	Escrow Deposits	19,799	18,172
1.02.01.10.05	Financial Instruments	1,387	1,235
1.02.01.10.06	Recoverable Taxes	8,514	3,720
1.02.02	Investments	30,837	29,771
1.02.02.01	Equity Interest	30,837	29,771
1.02.02.01.01	Interest in Associates	30,837	29,771
1.02.03	Property, Plant and Equipment	128,677	128,902
1.02.03.01	Property, Plant and Equipment in use	121,915	123,445
1.02.03.03	Construction in Progress	6,762	5,457
1.02.04	Intangible Assets	840,950	671,148
1.02.04.01	Intangible Assets	840,950	671,148
1.02.04.01.02	Trademarks and Patents	116,896	116,896
1.02.04.01.03	Software	1,288	1,853
1.02.04.01.04	Goodwill	474,289	474,289
1.02.04.01.07	Right of Use	173,548	0
1.02.04.01.09	Commercial Location/Goodwill	73,907	77,074
1.02.04.01.10	Other	1,022	1,036

**Consolidated Financial Statements / Balance Sheet – Liabilities****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Current quarter 6/30/2019</b>	<b>Previous year 12/31/2018</b>
2	Total Liabilities	3,050,833	2,890,224
2.01	Current Liabilities	1,517,376	1,411,729
2.01.02	Trade Payables	868,688	941,394
2.01.02.01	Domestic Suppliers	868,688	941,394
2.01.03	Taxes	47,371	47,286
2.01.03.01	Federal Tax	11,904	12,885
2.01.03.01.01	Income Tax and Social Contribution Payable	0	106
2.01.03.01.02	Pis and Cofins payable	3,858	3,444
2.01.03.01.03	Social Security Contribution (INSS) Payable	182	143
2.01.03.01.04	Federal Tax Debt Refinancing Program (Refis) / Special Tax Regularization Program (Pert)	4,632	4,403
2.01.03.01.05	Withholding Taxes	2,052	2,855
2.01.03.01.07	Other	1,180	1,934
2.01.03.02	State Tax	34,945	33,971
2.01.03.03	Municipal Tax	522	430
2.01.04	Borrowings and Financing	396,948	292,322
2.01.04.01	Borrowings and Financing	396,948	292,322
2.01.04.01.01	In Domestic Currency	173,616	136,591
2.01.04.01.02	In Foreign Currency	223,332	155,731
2.01.05	Other Liabilities	204,369	130,727
2.01.05.02	Other	204,369	130,727
2.01.05.02.04	Payroll and Related Taxes	46,812	35,664
2.01.05.02.06	Other Trade Payables	99,800	95,063
2.01.05.02.07	Lease Liabilities	57,757	0
2.02	Noncurrent Liabilities	549,131	457,284
2.02.01	Borrowings and Financing	283,378	343,688
2.02.01.01	Borrowings and Financing	283,378	343,688
2.02.01.01.01	In Domestic Currency	190,884	221,737
2.02.01.01.02	In Foreign Currency	92,494	121,951
2.02.04	Provisions	265,753	113,596
2.02.04.01	Provisions for Tax, Private Pension, Labor and Civil Risks	74,222	76,417
2.02.04.01.01	Provision for Tax Risks	31,945	31,945
2.02.04.01.02	Provisions for Private Pension and Labor Risks	35,367	37,479
2.02.04.01.04	Provision for Civil Risks	6,910	6,993
2.02.04.02	Other Provisions	191,531	37,179
2.02.04.02.06	Other Trade Payables	263	261
2.02.04.02.07	Taxes and Fees	22,131	24,232
2.02.04.02.08	Deferred Income Tax and Social Contribution	6,768	12,686
2.02.04.02.09	Lease Liabilities	162,369	0
2.03	Consolidated Equity	984,326	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 6/30/2019	Previous year 12/31/2018
2.03.04.07	Tax Incentive Reserve	186,825	186,825
2.03.05	Retained Earnings/Accumulated Losses	-322,531	-285,646
2.03.06	Asset Valuation Adjustment	-12,167	-12,167
2.03.06.01	Goodwill in Capital Transactions	-12,167	-12,167

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ITR – Quarterly Information – June 30, 2019 - PROFARMA DISTRIB. PROD. FARMACEUTICOS S.A.

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**Consolidated Financial Statements / Statement of Income**

**R\$ (in thousands)**

Code	Description	Current quarter	Year-to-date	Same quarter of	Previous year
		4/1/2019 to 6/30/2019	1/1/2019 to 6/30/2019	previous year 4/1/2018 to 6/30/2018	1/1/2018 to 6/30/2018
3.01	Revenue from Sales and/or Services	1,134,306	2,238,539	1,009,107	1,996,925
3.02	Cost of Sales and/or Services	-943,645	-1,883,287	-834,144	-1,661,786
3.02.02	Cost of Sales and/or Services	-943,645	-1,883,287	-834,144	-1,661,786
3.03	Gross Profit	190,661	355,252	174,963	335,139
3.04	Operating Expense/Income	-164,515	-319,175	-154,358	-313,817
3.04.02	General and Administrative Expenses	-139,883	-275,409	-148,706	-300,299
3.04.02.01	General and Administrative	-31,665	-62,181	-31,504	-63,918
3.04.02.02	Selling and Marketing	-74,916	-146,985	-86,997	-174,105
3.04.02.03	Logistics and Distribution	-33,302	-66,243	-30,205	-62,276
3.04.04	Other Operating Income	0	1,985	1,949	2,307
3.04.04.02	Other Operating Income	0	1,985	1,949	2,307
3.04.05	Other Operating Expenses	-25,411	-46,817	-8,069	-16,433
3.04.05.01	Depreciation and Amortization	-24,122	-46,817	-8,069	-16,433
3.04.05.03	Other Operating Expenses	-1,289	0	0	0
3.04.06	Equity Income	779	1,066	468	608
3.05	Profit Before Finance Income (Costs) and Taxes	26,146	36,077	20,605	21,322
3.06	Finance Income (Costs)	-25,494	-47,805	-22,029	-38,235
3.06.01	Finance Income	2,592	5,102	3,702	7,873
3.06.02	Finance Costs	-28,086	-52,907	-25,731	-46,108
3.07	Profit Before Income Taxes	652	-11,728	-1,424	-16,913
3.08	Income Tax and Social Contribution	526	4,393	2,929	12,519
3.08.01	Current	-199	-473	355	-386
3.08.02	Deferred	725	4,866	2,574	12,905
3.09	Profit/(Loss) from Continuing Operations	1,178	-7,335	1,505	-4,394
3.11	Consolidated Profit/Loss for the Period	1,178	-7,335	1,505	-4,394
3.11.01	Attributable to the Company's Owners	1,178	-7,335	1,505	-4,394
3.99	Earnings per Share - (Reais/Share)				
3.99.01	Basic Earnings per Share				

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## Consolidated Financial Statements / Statement of Income

R\$ (in thousands)

Code	Description	Current quarter	Year-to-date	Same quarter of	Previous year
		4/1/2019 to 6/30/2019	1/1/2019 to 6/30/2019	previous year 4/1/2018 to 6/30/2018	1/1/2018 to 6/30/2018
3.99.01.01	Common	0.01920	-0.05980	0.02500	-0.03900
3.99.02	Diluted Earnings per Share				
3.99.02.01	Common	0.01920	-0.05980	0.02500	-0.03900



(A FREE TRANSLATION OF THE ORIGINAL IN PORTUGUESE)

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## Consolidated Financial Statements/ Statement of Comprehensive Income

R\$ (in thousands)

Code	Description	Current quarter	Year-to-date	Same quarter of	Previous year
		4/1/2019 to 6/30/2019	1/1/2019 to 6/30/2019	previous year 4/1/2018 to 6/30/2018	1/1/2018 to 6/30/2018
4.01	Consolidated Profit for the Period	1,178	-7,335	1,505	-4,394
4.03	Consolidated Comprehensive Income for the Period	1,178	-7,335	1,505	-4,394
4.03.01	Attributable to the Company's Owners	1,178	-7,335	1,505	-4,394

**Consolidated Financial Statements / Statement of Cash Flows – Indirect Method****R\$ (in thousands)**

<b>Code</b>	<b>Description</b>	<b>Year-to-date 1/1/2019 to 6/30/2019</b>	<b>Previous year 1/1/2018 to 6/30/2018</b>
6.01	Net Cash provided by (used in) Operating Activities	-10,819	-34,986
6.01.01	Cash Provided by Operating Activities	40,810	22,056
6.01.01.01	Profit/Loss before Income Tax and Social Contribution	-11,728	-16,914
6.01.01.02	Provision for Risks	-2,196	-7,638
6.01.01.04	Depreciation and Amortization	17,500	16,434
6.01.01.08	Equity Income	-1,066	-608
6.01.01.09	Interest on Borrowings	29,555	29,358
6.01.01.10	Other Adjustments to Profit	1,452	-1,121
6.01.01.11	Allowance for Doubtful Debts	4,704	2,545
6.01.01.11	Effect from IFRS 16 / CPC 06 R2	2,589	0
6.01.02	Changes in Assets and Liabilities	-51,629	-57,042
6.01.02.01	Trade Notes Receivable	-21,642	-29,553
6.01.02.02	Inventories	55,560	-51,857
6.01.02.03	Recoverable Taxes	3,195	-1,211
6.01.02.05	Other Operating Assets	-26,376	-6,565
6.01.02.06	Trade Payables	-71,881	37,603
6.01.02.07	Payroll and Related Taxes	11,149	8,586
6.01.02.09	Taxes Payable	-2,723	-12,566
6.01.02.10	Other Operating Liabilities	2,043	-645
6.01.02.11	Income Tax and Social Contribution	-954	-834
6.02	Net Cash provided by (used in) Investing Activities	-13,528	-61,227
6.02.01	Additions to Prop., Plant and Equipment and Intangible Assets	-10,526	-5,131
6.02.03	Increase in Investments	449	0
6.02.02	Write-off - Prop., Plant and Equipment and Intangible Assets	0	-54,967
6.02.05	Additions to Intangible Assets	-3,451	-1,129
6.03	Net Cash Provided by (Used in) Financing Activities	23,313	98,010
6.03.01	Borrowings and Financing - Funding	175,075	119,547
6.03.04	Capital Increase	0	318,434
6.03.08	Payment of Interest	-25,030	-40,948
6.03.09	Borrowings and Financing - Repayment	-126,732	-299,023
6.05	Increase (Decrease) in Cash and Cash Equivalents	-1,034	1,797
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	228,126	194,969

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**Consolidated Financial Statements / Statement of Changes in Equity - 1/1/2019 to 6/30/2019**

**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	-7,335	0	-7,335	0	-7,335
5.05.01	Profit in the Period	0	0	0	-7,335	0	-7,335	0	-7,335
5.07	Closing Balances	1,159,065	-39,034	186,825	-322,530	0	984,326	0	984,326

(A FREE TRANSLATION OF THE ORIGINAL IN PORTUGUESE)

ITR – Quarterly Information – June 30, 2019 - PROFARMA DISTRIB. PROD. FARMACEUTICOS S.A.

Version: 1

**Consolidated Financial Statements / Statement of Changes in Equity - 1/1/2018 to 6/30/2018**

**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	-30,056	0	284,878	0	284,878
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	-30,056	0	-30,056	0	-30,056
5.05	Total Comprehensive Income/(Loss)	0	0	0	-4,394	0	-4,394	0	-4,394
5.05.01	Net Income in the Period	0	0	0	-4,394	0	-4,394	0	-4,394
5.07	Closing Balances	1,141,482	-21,451	186,825	-280,440	0	1,026,416	0	1,026,416

**Consolidated Financial Statements / Statement of Value Added****R\$ (in thousands)**

Code	Description	Year-to-date	Previous year
		1/1/2019 to 6/30/2019	1/1/2018 to 6/30/2018
7.01	Income	2,994,929	2,303,315
7.01.01	Sale of Goods, Products and Services	2,999,749	2,305,954
7.01.04	Reversal/ Recognition of Allowance for Doubtful Debts	-4,820	-2,639
7.02	Inputs Acquired from Third Parties	-2,416,122	-1,797,791
7.02.01	Cost of Sales and Services	-2,288,591	-1,668,082
7.02.02	Supplies, Electricity, Outside Services and Others	-128,442	-129,330
7.02.03	Loss/Recovery of Assets	0	660
7.02.04	Other	911	-1,039
7.03	Gross Added Value	578,807	505,524
7.04	Retentions	-46,817	-16,435
7.04.01	Depreciation, Amortization and Depletion	-46,817	-16,435
7.05	Wealth Produced	531,990	489,089
7.06	Wealth Received in Transfer	-1,548	12,419
7.06.01	Equity Income	-9,461	601
7.06.02	Finance Income	7,901	11,638
7.06.03	Other	12	180
7.07	Total Wealth for Distribution	530,442	501,508
7.08	Distribution of Wealth	530,442	501,508
7.08.01	Personnel	161,143	162,129
7.08.01.01	Direct Compensation	132,769	133,810
7.08.01.02	Benefits	19,661	20,004
7.08.01.03	F.G.T.S. (Government Severance Fund)	8,713	8,315
7.08.02	Taxes, Fees and Contributions	334,145	278,586
7.08.02.01	Federal	42,323	28,828
7.08.02.02	State	285,152	243,341
7.08.02.03	Municipal	6,670	6,417
7.08.03	Value Distributed to Providers of Capital	42,489	65,187
7.08.03.01	Interest Rates	40,411	27,295
7.08.03.02	Rentals	2,078	37,892
7.08.04	Value Distributed to Shareholders	-7,335	-4,394
7.08.04.03	Accumulated Losses/Retained Earnings for the Period	-7,335	-4,394



## **MESSAGE FROM MANAGEMENT**

The Brazilian economy has been performing slightly better since early 2019. The Focus Report published by the Brazilian Central Bank shows the market has reviewed its projection for the 2019 GDP growth downward from 0.82% to 0.81% and for inflation from 3.80% to 3.82%. We at Profarma are moving ahead with our plans to improve efficiency and profitability while considering Brazil's economic situation.

## **PROFARMA GROUP**

With consolidated gross revenues of R\$1.3 billion in 2Q19, the Profarma Group posted 12.9% higher sales year-over-year. Performing well operationally during the quarter, the Pharmaceutical Distribution and Retail Divisions jointly generated EBITDA of R\$31.8 million in 2Q19, up 10.8% from the year-ago quarter. Excluding the R\$ 3.8 million effect of the bonus payment variation, Ebitda in the quarter would have increased 24% over 2Q18, achieving R\$35.6 million with 3.1% margin.

The consistent rise in EBITDA can be seen by comparing this performance with EBITDA in the year ended June 30, 2019. Based on the last four quarters, operating cash generation as measured by EBITDA totaled R\$103.7 million, 67.0% up on the year ended June 30, 2018.

In addition to improved operating results, net operating expenses fell by R\$1.3 million in 2Q19 when compared with 2Q18. As a result, we recorded net income of R\$2.3 million, up 53.3% from 2Q18. It is worth noting cash generation amounted to R\$22 million in 2Q19, resulting from higher EBITDA coupled with a 2.2-day shorter cash cycle.

It's worth mentioning some initiatives that contributed to the Company's 2Q: a) expansion of the LEAN philosophy to the Company's headquarters aiming to eliminate waste and inefficiency in order to increase productivity; b) LDP – Leadership Development Program to all headquarter's coordinators; c) spread of SSC – Shared Services Center; d) unification of the IT system for the stores, distribution centers and sales force.

## **DISTRIBUTION**

The Distribution Division recorded higher sales when compared with 2Q18, and net operating revenue rose by 18.9%, to R\$1.0 billion during the quarter. In response to active management, operating expenses decreased by 0.2 p.p. in relation to revenue, and this helped lead to a 4.9% increase in EBITDA year-over-year in 2Q19. It is worth noting the reduced need for working capital, reflecting a drop of almost two days in the division's cash cycle during the quarter.

Among the main initiatives of the Division, we can highlight: intensification of the continuous enhancement programs and platforms with the purpose to achieve excellence in execution and strengthening customer relations, specially, the independent channel, and offering new services to the client such as "UP – Universidade Profarma" (Profarma's University).

## **RETAIL**

Our strategy for the Retail Division is showing significant results. Year-over-year, average revenue per store and same-store sales of mature stores rose in 2Q19—once again—, by 5.4% and 3.1% respectively. As a result, sales of mature stores have risen for nine consecutive quarters. Likewise, the average ticket, R\$46.10 in 2Q19, increased by 9.0% from the year-ago quarter. The breakdown of sales by category shows a rise in sales of RX, which increased by 11.2% from 2Q18, in line with our strategic plan to focus more closely on that category. The division's operating efficiency gain is reflected in its R\$7.6 million EBITDA during the quarter, 29.5% higher than in 2Q18, even though the number of stores fell by 16 over the past 12 months. The contribution margin stood at



7.5%, up 0.1 p.p. year-over-year and 1.3 p.p. quarter-over-quarter. Excluding the effect of the bonus payment variation, Ebitda would have increased 46% over 2Q18, achieving R\$8.6 million with 2.8% margin.

Among the main initiatives of the Division, we point out: a) 18 refurbishments and two new stores; b) continuous supply and service level improvement; c) Evolution of the category management process; d) adoption of a new pricing strategy.



### 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.

### IFRS IMPACT ON 2Q19 AND 2Q18 CONSOLIDATED STATEMENTS

(R\$ Million)	2Q19			2Q18		
	Before IFRS 16*	Change	IFRS 16	Before IFRS 16	Change	IFRS 16*
<b>Financial Data</b>						
Gross Revenues	1,324.5	0.0	1,324.5	1,171.9	0.0	1,171.9
Net Revenues	1,134.3	0.0	1,134.3	1,009.1	0.0	1,009.1
Gross Profit	190.7	0.0	190.7	175.0	0.0	175.0
% Net Revenues	16.8%	0 p.p	16.8%	17.3%	0 p.p	17.3%
SGA Expenses	-158.3	18.5	-139.9	-148.7	17.5	-131.2
% Net Revenues	-14.0%	1.7 p.p	-12.3%	-14.7%	1.7 p.p	-13.0%
Adjusted Ebitda	31.8	18.5	50.3	28.7	17.5	46.2
Ebitda Margin (% Net Revenues)	2.8%	1.6 p.p	4.4%	2.8%	1.8 p.p	4.6%
Depreciação e Amortização	-8.8	-15.3	-24.1	-8.1	-12.9	-21.0
Financial Result	-20.7	-4.8	-25.5	-22.0	-4.6	-26.6
Income Tax/ Social Contribution	0.0	0.5	0.5	2.9	0.0	2.9
Net (Loss) Income	2.3	-1.1	1.2	1.5	0.0	1.5
Net Margin (% Net Revenues)	0.2%	-0.1 p.p	0.1%	0.1%	0 p.p	0.1%

\*Pro forma



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## 2Q19 Earnings Release



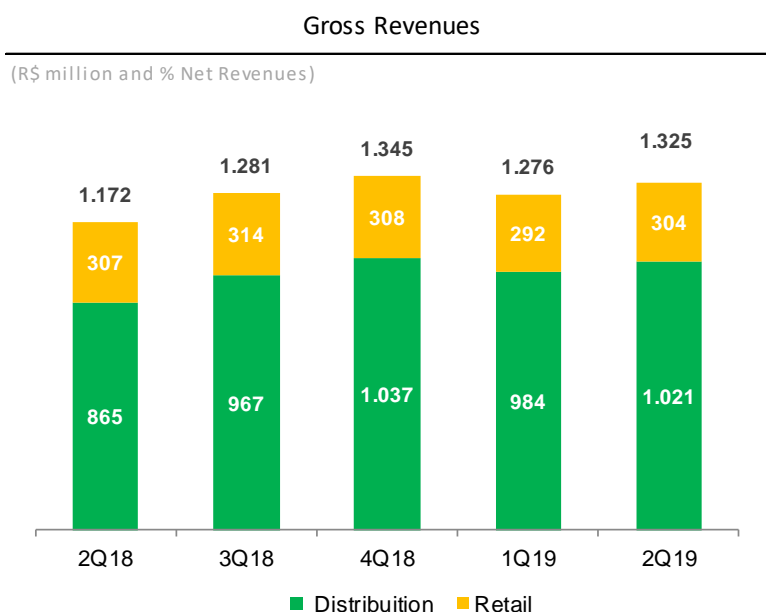
(R\$ Million)	2Q19			2Q18		
	Before IFRS 16*	Change	IFRS 16	Before IFRS 16	Change	IFRS 16*
<b>Balance Sheet</b>						
<b>Assets</b>	<b>2,862.0</b>	<b>188.8</b>	<b>3,050.8</b>	<b>2,702.2</b>	<b>204.6</b>	<b>2,906.7</b>
<b>Noncurrent Assets</b>	<b>938.8</b>	<b>188.8</b>	<b>1,127.6</b>	<b>984.8</b>	<b>204.2</b>	<b>1,189.0</b>
Deferred Income Taxes	70.1	15.3	85.3	62.6	14.4	77.0
Intangible Fixed Assets	667.4	173.5	841.0	678.6	189.8	868.4
<b>Liabilities and Equity</b>	<b>2,862.0</b>	<b>188.8</b>	<b>3,050.8</b>	<b>2,702.2</b>	<b>204.2</b>	<b>2,906.3</b>
<b>Current Liabilities</b>	<b>1,459.6</b>	<b>57.8</b>	<b>1,517.4</b>	<b>1,142.5</b>	<b>54.9</b>	<b>1,197.4</b>
Leases	0.0	57.8	57.8	0.0	54.9	54.9
<b>Noncurrent Liabilities</b>	<b>386.8</b>	<b>162.4</b>	<b>549.1</b>	<b>533.2</b>	<b>180.8</b>	<b>714.0</b>
Leases	0.0	162.4	162.4	0.0	180.8	180.8
<b>Stockholders' Equity</b>	<b>1,015.6</b>	<b>-31.3</b>	<b>984.3</b>	<b>1,026.4</b>	<b>-31.5</b>	<b>994.9</b>
Retained Earnings	-291.2	-31.3	-322.5	-280.4	-31.5	-311.9

\*Pro forma



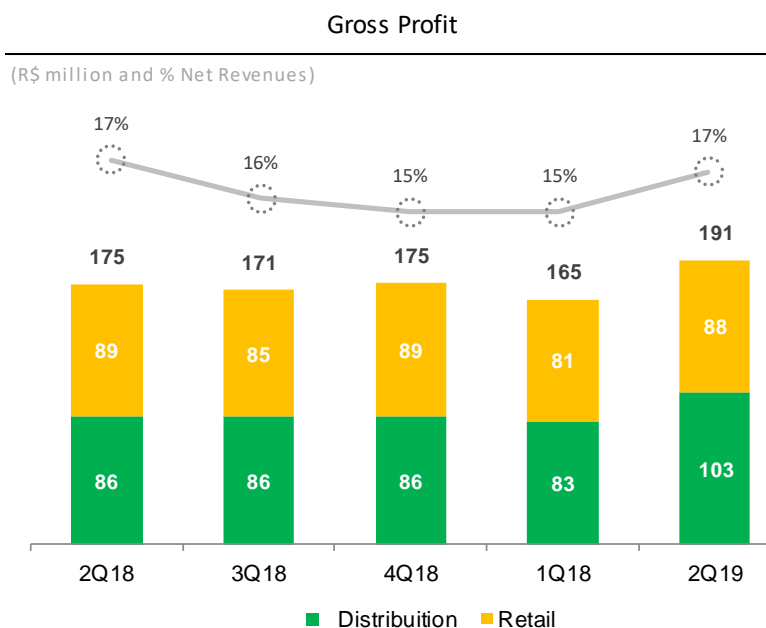
### Gross Operating Revenue

Consolidated gross revenue amounted to R\$1.3 billion in 2Q19, up 13.0% year-over-year. That increase was mainly due to the Distribution Division's gross operating revenue, which rose by 19.1%.



### Gross Profit

Consolidated gross profit came to R\$190.7 million in 2Q19, 9% up on 2Q18, largely because the Distribution Division's gross profit rose by R\$17.0 million whereas the Retail Division's remained virtually stable even though 16 stores have closed in the last year.





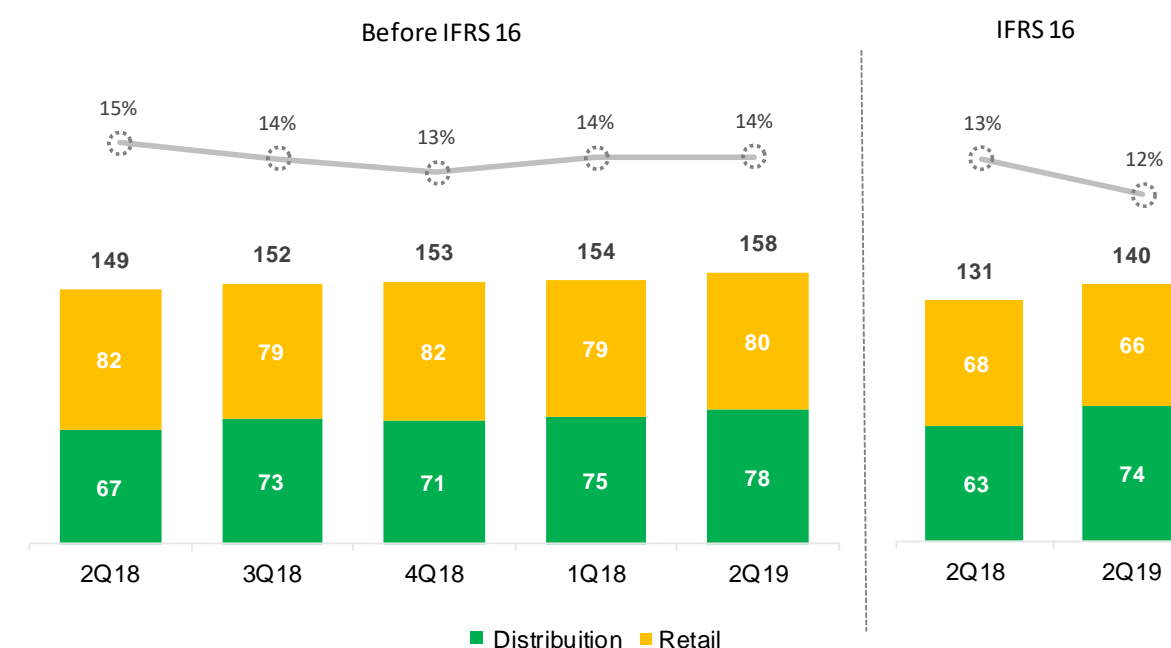
### Operating Expenses

Consolidated operating expenses, which comprise administrative, selling and logistics expenses (but not depreciation and other revenues), came to R\$158.3 million, or 14.0% of net operating revenue, in 2Q19. That was a 0.7 p.p. decrease from 2Q18. It's worth mentioning that, in 2Q19, the account includes an extra R\$ 3.8 million expense related to the payment of bonuses to the executives.

Considering IFRS 16, operating expenses amounted to R\$139.9 million in 2Q19, or 12.3% of net operating revenue, down 0.7 p.p. from the year-ago quarter, when they amounted to R\$131.2 million.

### Operating Expenses - SGA

(R\$ million and % Net Revenues)



### Other Operating Revenues/(Expenses)

Under Operating Revenues/(Expenses), the Company recorded a R\$1.3 million loss in 2Q19, down R\$3.2 million from R\$1.9 million income in 2Q18.

This change was mainly due to the Division's results, partially offset by those of the Retail Division.

### EBITDA

EBITDA amounted to R\$31.8 million in 2Q19, 10.8% up on 2Q18, when it came to R\$28.7 million, both with 2.8% EBITDA margin. That increase was due to improved operating results in both divisions R\$1.8 million in Retail and R\$1.1 million in Distribution. If the variation of the bonus payment is not considered, Ebitda would have increased 24% over 2Q18, reaching R\$35.6 million and 3.1% margin.

It is worth noting the 12-month EBITDA, R\$103.7 million, 67.0% up on R\$62.1 million in the year ended June 30, 2018, showing a steady rise in the Company's operating results.

Considering IFRS 16, EBITDA amounted to R\$50.3 million, or 4.4% of net operating revenue, 8.8% up on 2Q18.

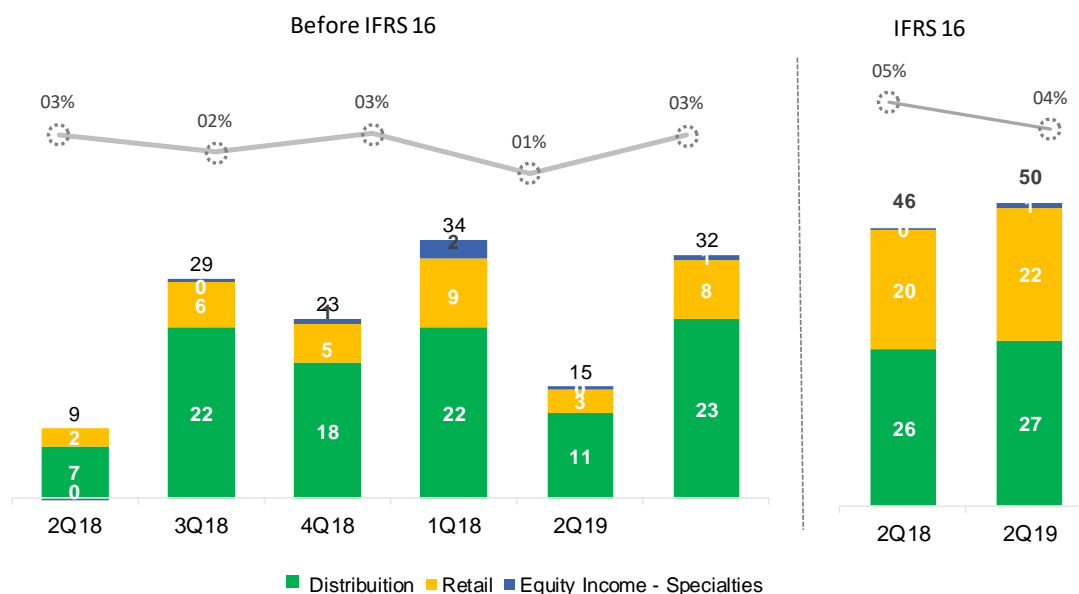
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## 2Q19 Earnings Release



### Ebitda

(R\$ million and % Net Revenues)



(R\$ Million)	BEFORE IFRS 16			IFRS 16		
	2Q19*	2Q18	Var. %	2Q19	2Q18*	Var. %
Net Income	2.3	1.5	53.3%	1.2	1.5	-20.0%
IR / CS	(0.0)	(2.9)	-	(0.5)	(2.9)	-82.8%
Financial Expenses	20.7	22.0	-5.9%	25.5	26.6	-4.3%
Depreciation and Amortization	8.8	8.1	8.6%	24.1	21.0	14.8%
<b>EBITDA</b>	<b>31.8</b>	<b>28.7</b>	<b>10.8%</b>	<b>50.3</b>	<b>46.2</b>	<b>8.8%</b>
<b>EBITDA Margin</b>	<b>2.8%</b>	<b>2.8%</b>	<b>0 p.p</b>	<b>4.4%</b>	<b>4.6%</b>	<b>-0,2 p.p</b>

\*Pro forma

### Financial Result

We recorded a net financial loss of R\$20.7 million in 2Q19, down R\$1.3 million year-over-year. That fall was primarily connected with lower interest expenses on payments.

Considering IFRS 16, the consolidated net financial loss totaled R\$25.5 million in 2Q19, R\$1.1 million down on R\$26.6 million in the year-ago quarter.

### Net Income

The Company recorded net income of R\$2.3 million in 2Q19, up 53.3% year-over-year, primarily due to improved operating performance in both divisions, reflected in R\$2.8 million higher consolidated EBITDA and a R\$1.3 million drop in financial expenses.

Considering IFRS 16, net income came to R\$1.2 million, R\$0.3 million down on R\$1.5 million in 2Q18.

# CONSOLIDATED

## 2Q19 Earnings Release

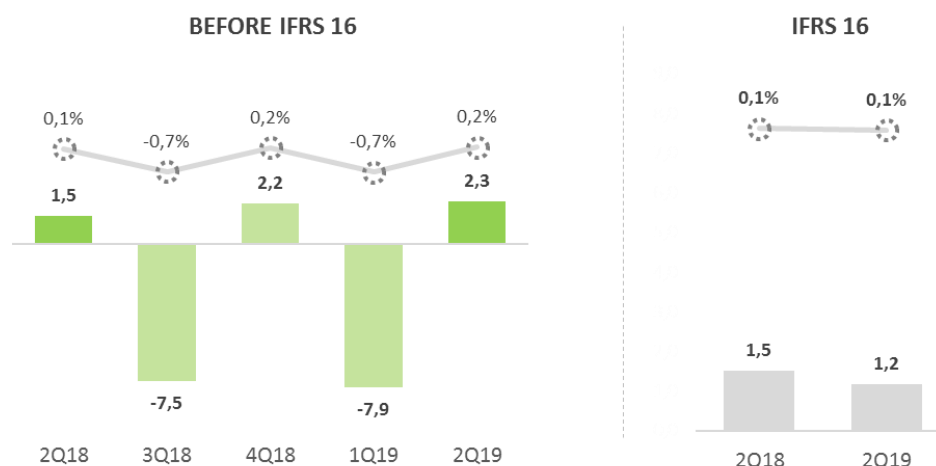


(R\$ Million)	BEFORE IFRS 16		IFRS 16	
	2Q19	2Q18	2Q19	2Q18*
Operational Net Revenues	1,134.3	1,009.1	1,134.3	1,009.1
Net Income / (Loss)	2.3	1.5	1.2	1.5
Net Margin (% Net Revenues)	0.2%	0.1%	0.1%	0.1%
(-) Financial Expenses Adjustment	0.0	0.0	0.0	0.0
(=) Adjusted Net Income / (Loss)	2.3	1.5	1.2	1.5
Adjusted Net Margin (% Net Revenues)	0.2%	0.1%	0.1%	0.1%

\*Pro forma

### Net Income

(R\$ million and % Net Revenues)



### Debt

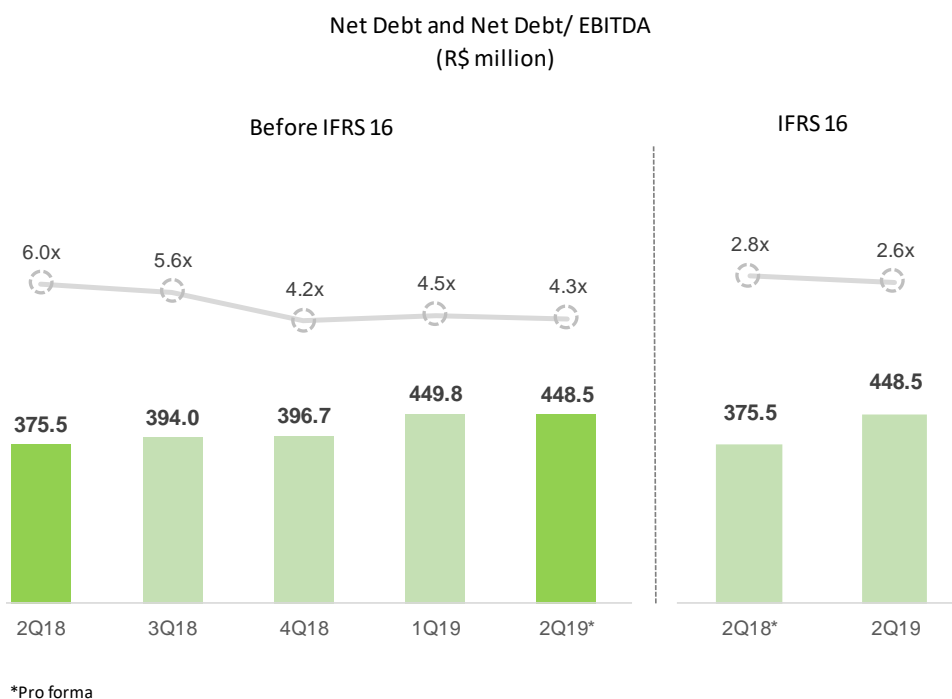
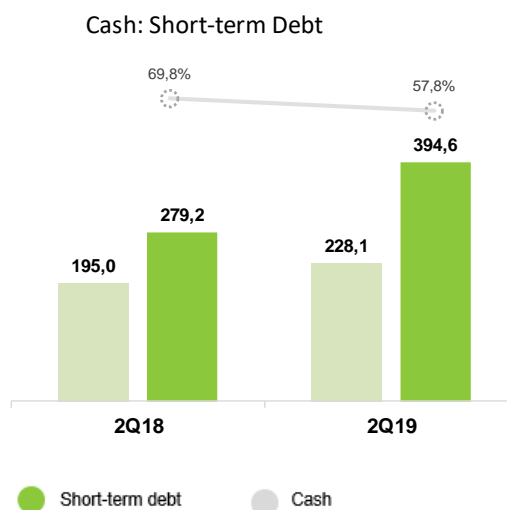
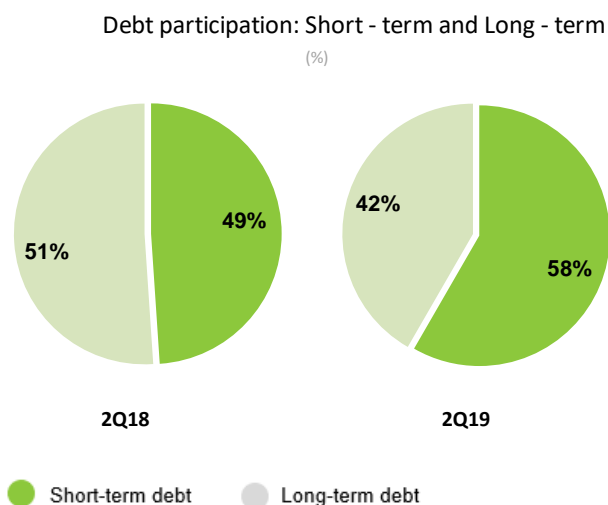
Consolidated net debt stood at R\$448.5 MM at the close of 2Q19, practically flat against 1Q19.

Net debt at the close of the quarter still reflected increased inventory purchases due to the annual price increase authorized by the government of 4.3%.

The steady improvement in our operating results over the past four quarters led to a 12-month EBITDA of R\$103.7 million, up 67.0% year-over-year. Thus, our leverage ratio stood at 4.3x in 2Q19, a whopping down on 6.0x in 2Q18.

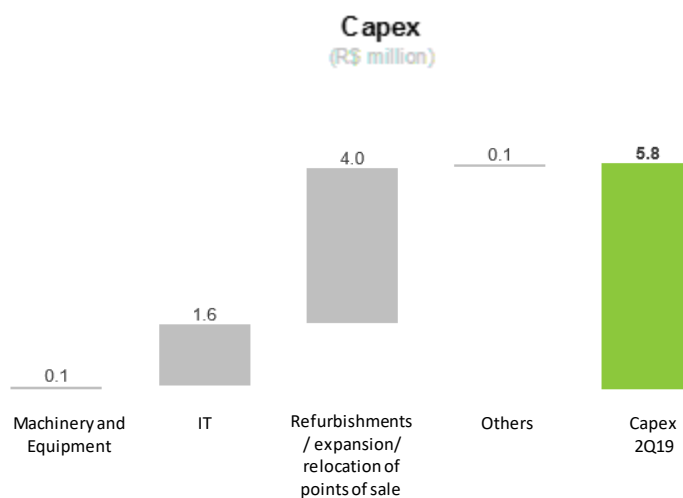
At the close of 2Q19, long-term debt accounted for about 41.7% the Company's total debt, vs. 47.0% in 2Q18. In turn, cash and cash equivalents corresponded to about 58% of the debt maturing within 12 months, vs. 70% in the year-ago quarter. Higher short-term debt, already expected, was due to the loans we raised to purchase inventory in connection with the March 31, 2019 medicines price increase.

Considering IFRS 16, the Company's debt ratio stood at 2.6x at the close of 2Q19, 7.1% down year-over-year and stable quarter-over-quarter.



### CAPEX

In 2Q19, investments totaled R\$5.8 million—R\$4.4 million in the Retail Division and R\$1.4 million in the Distribution Division. Retail invested mainly in refurbishing/ expansion/ relocation of points of sale, whereas Distribution focused on facilities, machinery and equipment.



### Cash Flow

#### CASH FLOW

(R\$ Million)	2Q19	2Q18
<b>Cash Flow Generated / (Used) in Operating Activities</b>	<b>21.8</b>	<b>(29.5)</b>
Resources generated/ used in operations	28.8	17.9
Operating Assets Variation	(7.0)	(47.4)
Trade Accounts Receivable	16.4	(9.3)
Inventories	37.7	(81.6)
Suppliers	(60.6)	69.2
Other Items	(0.4)	(25.7)
<b>Cash Flow Generated / (Used) in Investing Activities</b>	<b>(5.4)</b>	<b>(3.1)</b>
<b>Cash Flow Generated / (Used) by Financing Activities</b>	<b>70.2</b>	<b>(71.1)</b>
<b>Net Increase / (Decrease) in Cash</b>	<b>86.6</b>	<b>(103.7)</b>

	Consolidated		Distribution		Retail	
	2Q18	2Q19	2Q18	2Q19	2Q18	2Q19
<b>Cash Cycle</b>	<b>35.9</b>	<b>33.7</b>	<b>30.4</b>	<b>28.9</b>	<b>31.3</b>	<b>32.3</b>
Accounts Receivable <sup>(1)</sup>	35.4	38.2	46.4	47.5	16.0	17.2
Inventories <sup>(2)</sup>	73.6	70.5	60.3	57.1	64.5	59.9
Accounts Payable <sup>(3)</sup>	73.1	75.1	76.3	75.7	49.2	44.8

(1) Average of Gross Revenues in the Quarter

(2) Average of COGS in the Quarter

(3) Average of COGS in the Quarter



The Company's cash and cash equivalents rose by R\$86.6 million in 2Q19, in connection with R\$70.2 million provided by financing activities, as well as R\$21.8 million provided by operating activities, partially offset by R\$5.4 million used in investing activities.

The amount provided by operating activities resulted from the R\$7.0 million decrease in operating assets, offset by the positive internal cash generation of R\$28.8 million.

Concerning the decrease in operating assets, the drop of R\$37.7 million in inventories and R\$16.4 million in trade receivables was offset by a R\$60.6 million downturn in accounts payable.

Resources generated in operating activities amounted to R\$28.8 million, up R\$10.9 million from the year-ago quarter, when it came to R\$17.9 million. That rise resulted largely from a R\$2.0 million rise in operating income and a drop in the provision for contingencies.

Cash used in investing activities, R\$5.4 million, was connected with CAPEX mainly in the Retail Division.

The R\$70.2 million increase in the Company's gross bank debt basically accounts for cash used in financing activities.





### DISTRIBUTION DIVISION

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

### ECONOMIC AND FINANCIAL PERFORMANCE

(R\$ Million)	BEFORE IFRS 16			IFRS 16		
	2Q19	2Q18*	Chg. %	2Q19	2Q18*	Chg. %
<b>Financial data</b>						
Gross Revenue	1,223.5	1,027.7	19.1%	1,223.5	1,027.7	19.1%
Net Revenues	1,046.2	880.0	18.9%	1,046.2	880.0	18.9%
Gross Profit	102.7	85.7	19.9%	102.7	85.7	19.9%
% Net Revenues	9.8%	9.7%	0,1 p.p	9.8%	9.7%	0,1 p.p
SGA Expenses	-77.9	-66.7	16.9%	-74.0	-63.1	17.3%
% Net Revenues	-7.4%	-7.6%	0,2 p.p	-7.1%	-7.2%	0,1 p.p
Other Oper. Revenues (expenses)	-1.3	3.3	-	-1.3	3.3	-
% Net Revenues	-0.1%	0.4%	-0,5 p.p	-0.1%	0.4%	-0,5 p.p
Ebitda	23.4	22.4	4.9%	27.4	25.9	5.6%
Ebitda Margin (% Net Revenues)	2.2%	2.5%	-0,3 p.p	2.6%	2.9%	-0,3 p.p

\*Pro forma

### Gross Operating Revenue

The Distribution Division's gross operating revenue amounted to R\$1.2 billion in 2Q19, up 19.1% year-over-year.

### Gross Profit

The Distribution Division's gross profit totaled R\$102.7 million in 2Q19, up 19.9% year-over-year, mainly connected with higher sales during the period.

### Operating Expenses

Operating expenses, which comprise administrative, selling and logistics expenses (but not depreciation and other revenues/(expenses)), came to R\$77.9 million in 2Q19, or 7.4% of net operating revenue. Year-over-year, there was a 0.2 p.p. drop, mainly due to 19.1% higher sales during the period.

Considering IFRS 16, operating expenses amounted to R\$74.0 million in 2Q19, or 7.1% of net operating revenue, down 0.1 p.p. year-over-year.

### Other Operating Revenues/(Expenses)

In 2Q19, the division recorded a net loss of R\$1.3 million under Other Operating Revenues/Expenses, R\$4.6 million down from income of R\$3.3 million in 2Q18. This change was mainly connected with the reversal of a provision for contingencies in 2Q18 (R\$1.5 million) and an additional provision of R\$0.8 million related to other taxes in 2Q19.



### **EBITDA**

EBITDA totaled R\$23.4 million in 2Q19, up 4.9% million year-over-year. That increase was connected with higher sales during the period, coupled with a relative decrease in operating expenses, partially offset by a higher loss under Other revenues/expenses.

Considering IFRS 16, EBITDA amounted to R\$27.4 million in 2Q19, 5.6% up on 2Q18.

### **Cash Cycle and Working Capital**

The Distribution Division recorded a 1.5-day shorter cash cycle vs. a 28.9-day cash cycle in the year-ago quarter. That decrease resulted in a fall of about R\$20.0 million in working capital. That fall resulted mainly from a decrease in inventories (3.2 days), which was partially offset by a 1.1-day longer average sales turnover.

# Retail

## 2Q19 Earnings Release



### RETAIL DIVISION

The results of the Retail Division have been consolidated—including the Rio de Janeiro and Rede Rosário platforms—since 2018.

### CONSOLIDATED ECONOMIC AND FINANCIAL PERFORMANCE

#### DESTAQUES FINANCEIROS | CONTÁBIL

	BEFORE IFRS 16			IFRS 16		
(R\$ Million)	2Q19*	2Q18	Chg. %	2Q19*	2Q18	Chg. %
<b>Financial Data</b>						
Gross Revenues	303.6	306.9	-1.1%	303.6	306.9	-1.1%
HB**	111.0	113.7	-2.4%	111.0	113.7	-2.4%
RX**	116.2	104.4	11.2%	116.2	104.4	11.2%
Generic**	38.8	37.5	3.5%	38.8	37.5	3.5%
OTC**	35.4	34.0	4.2%	35.4	34.0	4.2%
Net Revenues	286.6	288.2	-0.5%	286.6	288.2	-0.5%
Gross Profit	88.0	89.3	-1.5%	88.0	89.3	-1.5%
% Gross Revenues	29.0%	29.1%	-0,1 p.p	29.0%	29.1%	-0,1 p.p
SGA Expenses	-80.4	-82.0	-2.0%	-65.9	-68.1	-3.2%
% Gross Revenues	-26.5%	-26.7%	0,2 p.p	-21.7%	-22.2%	0,5 p.p
Other Oper. Revenues (expenses)	0.0	-1.4	-	0.0	-1.4	-
% Gross Revenues	0.0%	-0.5%	0,5 p.p	0.0%	-0.5%	0,5 p.p
Ebitda	7.6	5.9	29.5%	22.1	19.8	11.5%
Ebitda Margin (% Gross Revenues)	2.5%	1.9%	0,6 p.p	7.3%	6.5%	0,8 p.p
Net Income	-1.7	1.1	-	-2.4	1.1	-
Net Margin (% Gross Revenues)	-0.6%	0.4%	-1 p.p	-0.8%	0.4%	-1,2 p.p

\*Pro forma

\*\* SSS

### Gross Revenue

The Retail Division's gross revenue totaled R\$303.6 million in 2Q19, down 1.1% p.p. year-over-year. The division's same-store sales of mature stores increased by 3.1% in 2Q19.

The Retail Division's average monthly sales per store came to R\$504.0 thousand, up 5.4% from 2Q18. The average ticket during the period was R\$46.10, 9.0% up on the year-ago quarter.

The breakdown of gross revenue considering current stores shows the RX segment stood out in 2Q19, up 11.2% year-over-year.



#### Gross Profit

Gross profit fell by 1.5% year-over-year in 2Q18, largely due to 16 stores closed during the period. It is worth noting the higher gross margin during the quarter—up 1.1 p.p. from 1Q19 and flat against 2Q18.

#### Operating Expenses

Operating expenses totaled R\$80.4 million and corresponded to 26.5% of gross revenue in 2Q19, down 0.2 p.p. year-over-year. Store expenses amounted to R\$65.7 million in 2Q19, or 21.6% of gross revenue, down 0.3 p.p. from 2Q18. Corporate expenses came to R\$14.6 million — or 4.8% of gross revenue — in 2Q19, flat year-over-year. It is worth mentioning that the impact during the quarter of R\$1.0 million is due to bonuses payment.

The contribution margin stood at 7.5% in 2Q19, up 0.1 p.p. year-over-year and 1.3 p.p. quarter-over-quarter.

Considering IFRS 16, operating expenses totaled R\$65.9 million or 21.7% of gross revenue, 0.5 p.p. lower than the 2Q18 operating expenses.

#### Other Operating Revenues/(Expenses)

Other Operating Revenues/(Expenses) netted to zero in 2Q19, up R\$1.4 million from 2Q18. That year-over-year increase was mainly due to a drop in the provision for contingency expenses.

#### EBITDA

EBITDA amounted to R\$7.6 million (2.5% margin on gross revenue) in 2Q19, up 29.5% year-over-year and 137.5% quarter-over-quarter. Those rises were mainly due to higher gross profit coupled with lower expenses in the periods under comparison. It is worth noting, EBITDA would have increased 46%, totaling R\$8.6 million or 2.8% EBITDA margin without the bonuses payment in 2Q19.

Considering IFRS 16, the division's EBITDA came to R\$22.1 million, or 7.3% of gross revenue, in 2Q19, up 0.8 p.p. from 2Q18.

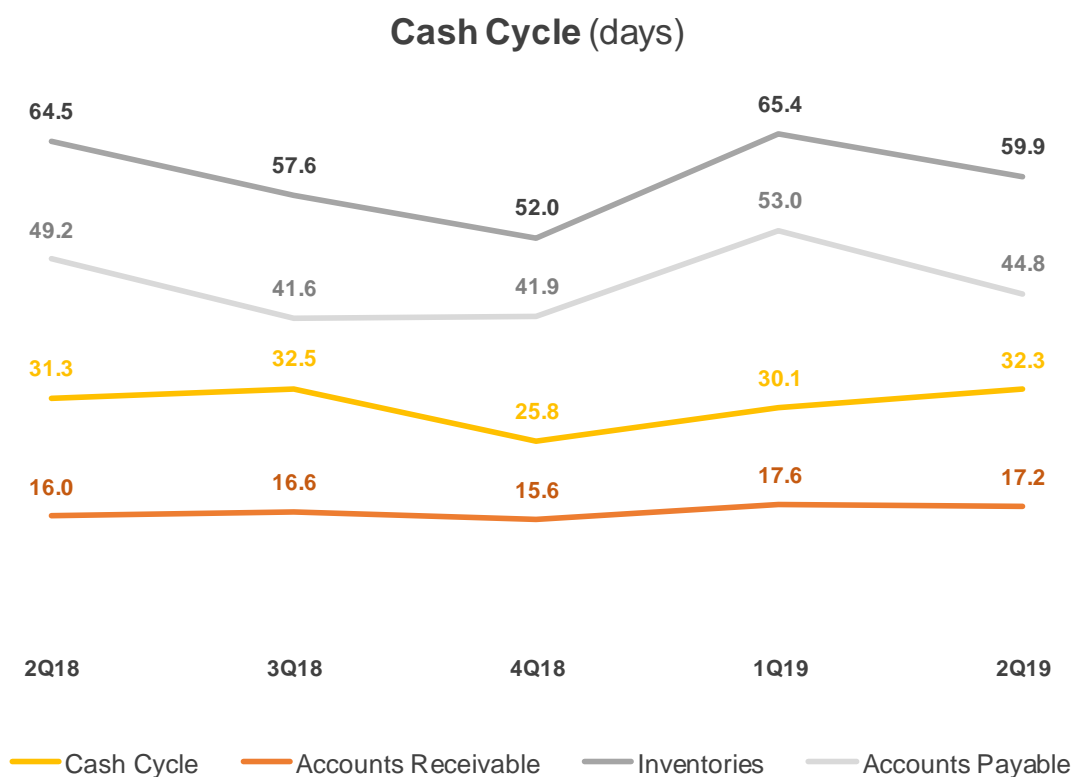
#### Net Income

The Retail Division recorded a net loss of R\$1.7 million in 2Q19, down R\$2.8 million from 2Q18. This change mainly resulted from a drop of R\$3.6 million in deferred active income tax, due to the lower loss, and a rise of R\$1.7 million in EBITDA (R\$2.7 million ex bonus).

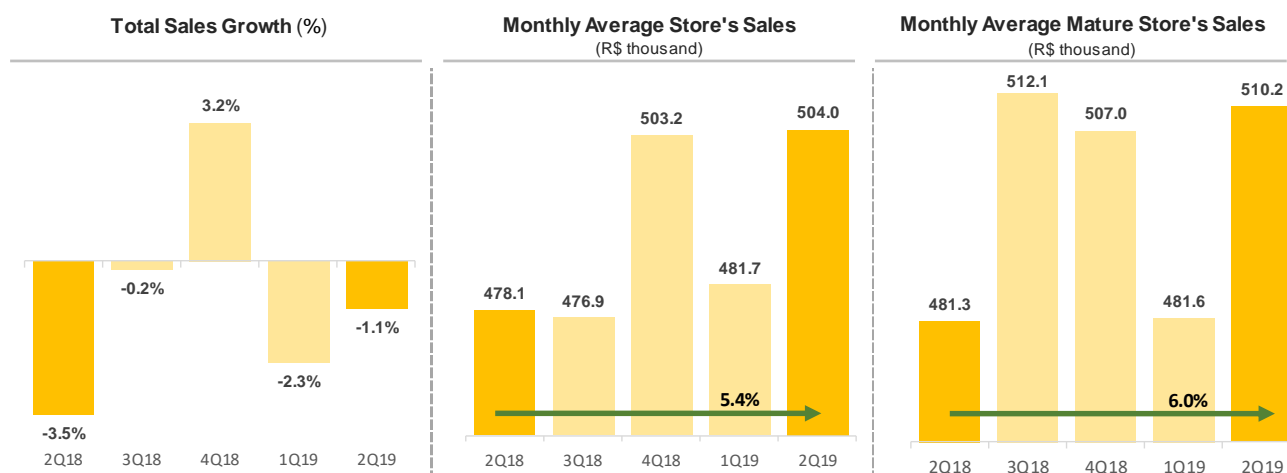
#### Cash Cycle and Working Capital

The Retail Division's supply model is based, almost completely, on Profarma's distribution strategy, with logistics services store by store. Therefore, the average inventory level and, consequently, the cash cycle are lower than those of major chains, most of which purchase directly from producers and, therefore, distribute their own inventories themselves.

The Retail Division's cash cycle was 32.3 days, one day longer than in the year-ago quarter. That increase resulted mainly from a longer average collection period, by about one day on average.



## OPERATING PERFORMANCE



## Store Chain and Expansion

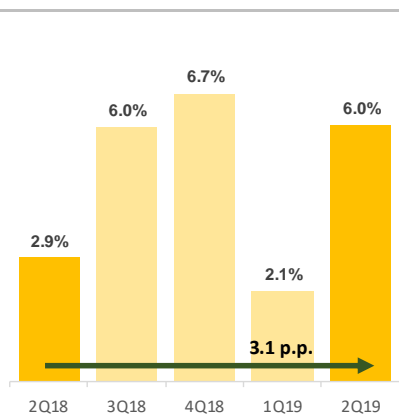
The Retail Division was comprised of 198 points of sale at the close of 2Q19 since six stores were closed and two were opened during the period. The Division renovated or enlarged four stores in 2Q19, leading to significant effects on their average sales and contribution margins.

# Retail

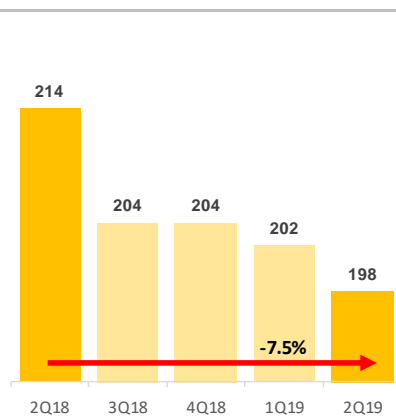
## 2Q19 Earnings Release



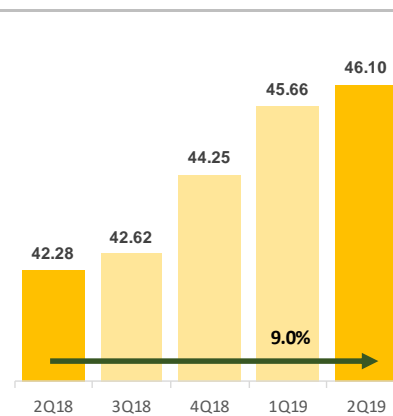
Average SSS Mature Stores



# of Stores (units)



Average Ticket (R\$)



# SPECIALTIES

## 2Q19 Earnings Release



### SPECIALTIES DIVISION

Encompasses distribution, specialty pharmacy and patient support activities. The Specialties Division's results is not consolidated into the Company's through the equity method owing to the creation of the joint venture with AmerisourceBergen.

### ECONOMIC AND FINANCIAL PERFORMANCE

(R\$ Million)	BEFORE IFRS 16			IFRS 16		
	2Q19	2Q18*	Chg. %	2Q19	2Q18*	Chg. %
<b>Financial Data</b>						
Gross Revenues	332.0	317.4	4.6%	332.0	317.4	4.6%
Net Revenues	292.3	283.7	3.0%	292.3	283.7	3.0%
Gross Profit	34.6	32.2	7.5%	34.6	32.2	7.5%
% Gross Revenues	11.8%	11.4%	0,4 p.p	11.8%	11.4%	0,4 p.p
SGA Expenses	-25.4	-24.3	4.6%	-24.8	-23.8	4.2%
% Gross Revenues	-8.7%	-8.5%	-0,2 p.p	-8.5%	-8.4%	-0,1 p.p
Other Oper. Revenues (expenses)	0.8	-5.4	-	0.8	-5.4	-
% Gross Revenues	0.3%	-1.9%	2,2 p.p	0.3%	-1.9%	2,2 p.p
Ebitda	10.0	2.7	267.1%	10.6	3.2	227.9%
Ebitda Margin (% Gross Revenues)	3.4%	1.0%	2,4 p.p	3.6%	1.1%	2,5 p.p
Net Income	7.8	1.3	500.0%	7.8	1.3	500.0%
Net Margin (% Gross Revenues)	2.7%	0.5%	2,2 p.p	2.7%	0.5%	2,2 p.p

\*Pro forma

### Gross Operating Revenue

The Specialties Division's gross operating revenue came to R\$332.0 million in 2Q19, 4.6% up on 2Q18.

### Gross Profit

Gross profit totaled R\$34.6 million in 2Q19, up 7.3% from 2Q18, reflecting mostly higher sales in the period and a 0.4 p.p. rise in gross margin.

### Operating Expenses

Operating expenses, which comprise administrative, selling and logistics expenses (but not depreciation and other revenues), came to R\$25.4 million in 2Q19—or 8.7% of net operating revenue—, down 0.2 p.p. from 2Q18.

### Other Operating Revenues/(Expenses)

Under other operating revenues/(expenses), the division recorded income of R\$0.8 million in 2Q19, compared to R\$5.4 million of expenses in 2Q18.



### **EBITDA**

EBITDA stood at R\$10.0 million in 2Q19 (3.4% margin), shooting up by R\$7.3 million against 2Q18.

### **Net Income**

The Division recorded net income of R\$7.8 million in 2Q19, R\$6.5 million up on the year-ago quarter, when it recorded net income of R\$1.3 million. That improved performance is mainly explained by higher EBITDA in the period. In turn, net margin stood at 2.7% in 2Q19, 2.2 p.p. up on 2Q18.





## CAPITAL MARKET

### Stock Performance

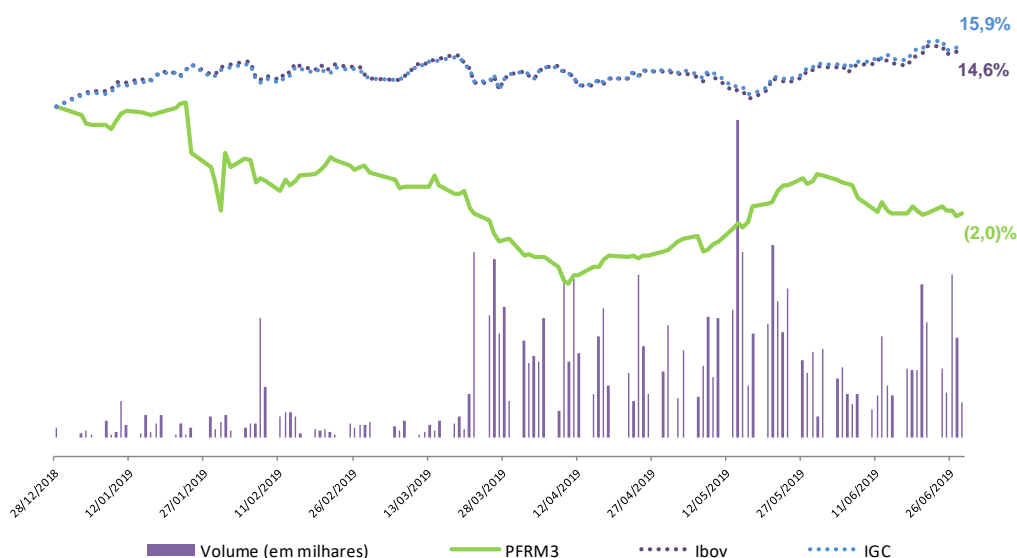
The global slowdown coupled with persistently low inflation in advanced economies allowed central banks worldwide to adopt a more expansionary policy. Consequently, the expectation of further stimulus measures, lower future interest rates in the U.S. and the possibility that the Fed may cut interest rates led the S&P 500 Index to an all-time high. In the Eurozone, the European Central Bank (ECB) has also indicated it may adopt further stimulus measures in the short term if inflation continues moving slowly towards the target and the economy fails to recover.

In Brazil, the stock market swung between optimism about the advancement of structural reforms and pessimism about the economy's performance to date, which led the projection for the 2019 GDP growth to be reviewed downward. However, the Ibovespa Index, which measures the percentage change in the most traded stocks on the B3 [Brasil Bolsa Balcão S.A. or B3—Brazil, Stock Exchange and Over-the-Counter Market], broke the mark of 100,000 points and rose by 14.6% year-to-date.

**Evolução Comparativa das Ações da Profarma (PFRM3)**

	PROFARMA	Ibovespa <sup>(1)</sup>	IGC <sup>(1)</sup>
<b>Preço da Ação</b> 31/12/2018	<b>R\$ 3,93</b>	<b>88.104</b>	<b>13.123</b>
<b>Preço da Ação</b> 30/06/2019	<b>R\$ 3,85</b>	<b>100.967</b>	<b>15.209</b>
<b>Variação (%)</b>	<b>(2,0)%</b>	<b>14,6%</b>	<b>15,9%</b>

**Desempenho 2019**  
(base 100 = 31/12/2018 a 30/06/2019)





Profarma's shares (B3: PFRM3) fell by 2.0% to R\$3.85 in the first half of 2019. In the same period, the average daily trading volume totaled R\$650.5 thousand in 2Q18, with an average of 392 transactions. Market capitalization amounted to R\$476.7 million with free float of 70.7%.

### FORTHCOMING EVENTS

- **Conference Call – 2nd Quarter of 2019 Results**

Date: **Tuesday, July 23, 2019.**

**In Portuguese with Simultaneous Interpretation into English**

11:00 p.m. (Brasília Time)

Phone number::

Brazil: **+55 11 3193-1001**

Toll Free USA: **+1 (800) 492-3904** | Other countries/Dial in USA: **+1 (646) 828-8246**

Code: **PROFARMA**

*Replay* PT: +55 11 3193-1012 | Code: 5899582#

*Replay* EN: +55 11 3193-1012 | Code: 4923758#

Webcast live on: <http://www.profarma.com.br>

**Notes to the Financial Statements****Profarma Distribuidora de Produtos Farmacêuticos S.A.****NOTES TO THE FINANCIAL STATEMENTS****For the quarter ended June 30, 2019**

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

**1 Operating context**

Profarma Distribuidora de Produtos Farmacêuticos S.A. (“Profarma” or “Company”) 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 88% of the Brazilian market.

There are ten (10) 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 company, 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.

On July 17, 2019, the Management authorized the conclusion and disclosure of quarterly information for the quarter ended June 30, 2019.

## Notes to the Financial Statements

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

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.

#### • 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 Company 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 Company recognized a cost of depreciation of the right-of-use assets and interest expenses on lease obligations.

The Company 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 Company applied CPC 06(R2) / IFRS 16 initially on January 1, 2019, using the complete retrospective 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:

**Notes to the Financial Statements**

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

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

- **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 Company's functional currency, and all balances were rounded off to the nearest thousandth, except unless otherwise stated.

### **4 Consolidated financial information**

**Notes to the Financial Statements**

<b>Direct subsidiaries</b>	<b>Interest (%)</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>
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%

<b>Indirect subsidiaries</b>	<b>Interest (%)</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>
	<b>D1000</b>	<b>D1000</b>
Nice RJ Participações S/A	100.00%	100.00%
	<b>Nice</b>	<b>Nice</b>
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%

<b>Associates</b>	<b>Interest (%)</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>
Cannes RJ Participações S/A (*)	10.10%	10.10%
Supernova Comércio Atacadista 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**

- Elimination of intragroup assets and liabilities;
- Elimination of interests in the subsidiaries' capital, reserves and retained earnings (accumulated losses);
- 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;
- The accounting policies have been applied consistently to all the consolidated companies and are consistent with those adopted in the previous year.

**Notes to the Financial Statements****5 Cash and cash equivalents**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>	<b>6.30.2019</b>	<b>12.31.2018</b>
Cash and banks	10,559	15,558	16,345	23,780
Short-term investments	184,485	155,613	211,781	205,380
	<b>195,044</b>	<b>171,171</b>	<b>228,126</b>	<b>229,160</b>

The Management of the Company 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 June 30, 2019, short-term investments comprised CDBs (*Certificados de Depósitos Bancários*, or Bank Deposit Certificates) issued by Banco do Brasil, Santander, Itaú, Bradesco, 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.

**Notes to the Financial Statements****6 Trade receivables**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>	<b>6.30.2019</b>	<b>12.31.2018</b>
Trade receivables	585,815	559,129	607,792	576,645
Intercompany trade receivables	115,467	123,355	5,191	14,776
Adjustment to present value	(291)	(250)	(291)	(250)
	<u>700,991</u>	<u>682,234</u>	<u>612,692</u>	<u>591,171</u>
Expected credit losses	(50,271)	(45,875)	(50,589)	(45,966)
	<u><b>650,720</b></u>	<u><b>636,359</b></u>	<u><b>562,103</b></u>	<u><b>545,205</b></u>

As at June 30, 2019, the average days sales outstanding were 38 days (37 days at December 31, 2018).

The aging list of balances is as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>	<b>6.30.2019</b>	<b>12.31.2018</b>
Due	630,818	619,157	540,221	526,304
Overdue from 1 to 30 days	19,044	16,947	20,774	17,382
Overdue from 31 to 60 days	2,236	2,256	2,347	2,674
Overdue from 61 to 90 days	950	1,174	1,010	1,294
Overdue from 91 to 180 days	4,372	3,404	4,450	3,747
Overdue from 181 to 360 days	5,637	7,667	5,956	7,931
Overdue more than 361 days	38,225	31,879	38,225	32,089
	<u><b>701,282</b></u>	<u><b>682,484</b></u>	<u><b>612,983</b></u>	<u><b>591,421</b></u>



**Notes to the Financial Statements**

The changes in credit losses are as follows:

<b>Change in ECL</b>	<b>Parent Company</b>	<b>Consolidated</b>
<b>At December 31, 2017</b>	<b>23,093</b>	<b>23,124</b>
Additions (*)	22,837	23,528
Write-offs/Reversals	(55)	(686)
<b>At December 31, 2018</b>	<b>45,875</b>	<b>45,966</b>
Additions	4,414	4,973
Write-offs/Reversals	(18)	(350)
<b>At June 30, 2019</b>	<b>50,271</b>	<b>50,589</b>

(\*) 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 Company's average debt rate as a discount rate of 0.6726% p.m. at June 30, 2019 (0.6836% p.m. at December 31, 2018).

**7 Inventories**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>	<b>6.30.2019</b>	<b>12.31.2018</b>
Medicine	513,210	567,422	599,022	680,664
Toiletries	89,620	98,329	144,483	117,952
Allowance for inventory losses	(4,038)	(3,283)	(4,038)	(3,948)
Other	1	499	50	499
	<b>598,793</b>	<b>662,967</b>	<b>739,517</b>	<b>795,167</b>

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

The changes in allowance for inventory losses are as follows:

<b>Changes</b>	<b>Parent Company</b>	<b>Consolidated</b>
<b>At December 31, 2017</b>	<b>1,093</b>	<b>5,883</b>
Additions	2,297	2,297
Write-offs/Reversals	(107)	(4,232)
<b>At December 31, 2018</b>	<b>3,283</b>	<b>3,948</b>
Additions	755	755
Write-offs/Reversals	-	(665)
<b>At June 30, 2019</b>	<b>4,038</b>	<b>4,038</b>

**Notes to the Financial Statements****8 Recoverable taxes**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>	<b>6.30.2019</b>	<b>12.31.2018</b>
<b>Current</b>				
State VAT (ICMS)	223,997	228,526	233,014	237,858
Taxes on Income (IR and CSLL)	11,451	15,908	26,226	29,639
Taxes on Revenue (PIS and COFINS)	22,270	18,755	29,284	30,052
Other	203	197	1,106	489
	<b>257,921</b>	<b>263,386</b>	<b>289,630</b>	<b>298,038</b>
<b>Non-current</b>				
Taxes on Revenue (PIS and COFINS)	3,061	3,013	7,807	3,013
Taxes on Income (IR and CSLL)	-	-	707	707
	<b>3,061</b>	<b>3,013</b>	<b>8,514</b>	<b>3,720</b>

Recoverable ICMS corresponds basically to the reverse charge tax levied on the amount of the Company'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**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>	<b>6.30.2019</b>	<b>12.31.2018</b>
<b>Current</b>				
Prepaid insurance expenses	1,210	1,975	1,671	2,563
Commercial agreements (b)	75,859	50,510	84,835	58,092
Other prepaid expenses	3,894	2,053	7,594	8,652
	<b>80,963</b>	<b>54,538</b>	<b>94,100</b>	<b>69,307</b>
<b>Non-current</b>				
Other assets (a)	6,561	6,585	7,083	7,158
	<b>6,561</b>	<b>6,585</b>	<b>7,083</b>	<b>7,158</b>

(a) Consists mostly of investments totaling R\$4,390 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 Warrants

**Notes to the Financial Statements**

of CSB.

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

**11 Related parties**

The Company, 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 June 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:

	6.30.2019						12.31.2018
	Farmadacta	Promovendas	d1000 varejo Farma	Profarma Specialty	Locafarma	Conectfarma	Total
Trade receivables	-	-	110,276	5,191	-	104	115,467
Trade payables	(120)	(183)	(1,484)	-	(1,044)	-	(2,831)
Non-current assets	-	-	-	-	341	-	341
Non-current liabilities	(22)	(22)	-	-	-	-	(44)

	6.30.2019						6.30.2018
	Farmadacta	Promovendas	d1000 varejo Farma	Profarma Specialty	Locafarma	Conectfarma	Total
Net revenue	-	-	(415,322)	(29,256)	-	-	(444,578)
Expenses	900	1,100	-	-	-	4,546	6,546

Balances and transactions between the 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\$1,458 (R\$1,422 at June 30, 2018) whereas that of the Executive Officers totaled R\$1,823 (R\$1,245 at June 30, 2018). Payroll taxes levied on these amounts totaled R\$550 (R\$533 at June 30, 2018). In addition to compensation, the Company grants its management health and life insurance totaling R\$34 (R\$51 at June 30, 2018) and private pension plan in the amount of R\$6 (R\$6 at June 30, 2018).

## Notes to the Financial Statements

## 13 Investments

## a. Information on subsidiaries and associates

	Capital		Number of shares ('000)		Equity		Profit (loss) for the period		Interest %		Equity Income (loss)	
	6.30.2019	12.31.2018	6.30.2019	12.31.2018	6.30.2019	12.31.2018	6.30.2019	12.31.2018	6.30.2019	12.31.2018	6.30.2019	12.31.2018
<b>Subsidiaries</b>												
Farmadacta Informática Ltda.	8	8	8	8	304	755	(4)	(1,862)	99.95%	99.95%	304	309
Promovendas Representações Ltda.	8	8	8	8	41	1,621	(2)	(1,729)	99.98%	99.98%	41	57
Locafarma Soluções e Transporte Ltda.	50	50	50	50	1,060	1,331	-	(357)	100.00%	100.00%	1,060	1,173
Conectfarma Marketing e Call Center Ltda	250	-	250	-	8	-	125	-	99.99%	0.00%	8	-
D1000 Varejo Farma Participações S/A (**)	629,017	629,017	629,017	629,017	455,660	491,570	3,362	2,681	100.00%	100.00%	455,660	491,570
<b>Associate</b>												
Cannes RJ Participações S/A (*)	281,000	281,000	281,000	281,000	245,675	235,119	1,066	435	10.10%	10.10%	24,813	23,747
Cannes RJ Fair value evaluation (****)	-	-	-	-	-	-	-	-	-	-	6,024	6,023
Total Investments											487,910	522,879
<b>Associate</b>												
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											487,722	522,691

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

(\*\*) Holding company with 100% indirect stake in Drogeria Cipriano de Santa Rosa Ltda (Rede de Drogerias Tamoio) and a 100% stake in CSB Drogerias S/A (Rede Drogasmil), 100% in Drogeria 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 Company's non-current liabilities.

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

**Notes to the Financial Statements*****b. Change in investments for the period ended June 30, 2019*****Parent Company**

	Farmadacta	Promovendas	Locafarma Soluções	Conectfarma	Cannes	Super Nova	d1000	Total
<b>Balance at 12.31.17</b>	<b>755</b>	<b>1,621</b>	<b>1,331</b>	<b>-</b>	<b>76,688</b>	<b>(188)</b>	<b>257,269</b>	<b>337,476</b>
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)
<b>Balance at 12.31.18</b>	<b>309</b>	<b>57</b>	<b>1,173</b>	<b>-</b>	<b>29,771</b>	<b>(188)</b>	<b>491,570</b>	<b>522,692</b>
Equity accounting	(5)	(16)	(113)	(242)	1,066	-	(11,626)	(10,936)
Increase in investment	-	-	-	250	-	-	-	250
First-time adoption of CPC 06 (R2) (*)	-	-	-	-	-	-	(24,284)	(24,284)
<b>Balance at 6.30.19</b>	<b>304</b>	<b>41</b>	<b>1,060</b>	<b>8</b>	<b>30,837</b>	<b>(188)</b>	<b>455,660</b>	<b>487,722</b>

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

**Consolidated**

	<b>Cannes</b>
	<b>Investment</b>
<b>Balance at 12.31.17</b>	<b>76,688</b>
Equity accounting	2,089
Divestment	(36,850)
Reversal of Fair Value	(9,711)
First-time adoption of CPC 47 and 48 (*)	(2,445)
<b>Balance at 12.31.18</b>	<b>29,771</b>
Equity accounting	1,066
<b>Balance at 6.30.19</b>	<b>30,837</b>

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 Company 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;

**Notes to the Financial Statements**

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.  
 Arpméd – 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	6.30.2019					12.31.18	
	Rate	Cost	Additions	Write-off	Transf.	Cost	Accumulated Depreciation	Net Value	Net Value
Improvements	10%	45,572	-	-	-	45,572	(20,226)	25,346	27,172
Furniture and fixture	10%	19,602	547	-	-	20,149	(11,002)	9,147	9,379
Vehicles	20%	2,993	-	(104)	-	2,889	(2,195)	694	919
Hardware	20%	17,006	364	(36)	-	17,335	(13,129)	4,206	4,788
Machinery and equipment	10%	50,752	918	(13)	-	51,657	(22,990)	28,667	29,848
Assets under construction	-	5,457	1,305	-	-	6,762	-	6,762	5,457
		<b>141,381</b>	<b>3,134</b>	<b>(153)</b>	<b>-</b>	<b>144,362</b>	<b>(69,542)</b>	<b>74,821</b>	<b>77,563</b>

Consolidated									
		12.31.18	6.30.2019					12.31.18	
	Rate	Cost	Additions	Write-off	Transf.	Cost	Accumulated Depreciation	Net Value	Net Value
Improvements	10%	98,004	3,791	(599)	-	101,196	(46,612)	54,584	54,426
Furniture and fixture	10%	38,867	1,817	(257)	(14)	40,413	(19,150)	21,263	21,441
Vehicles	20%	3,578	-	(104)	-	3,474	(2,497)	977	1,254
Hardware	20%	34,709	1,873	(506)	-	36,076	(24,733)	11,343	11,800
Machinery and equipment	10%	58,693	1,847	(232)	14	60,322	(26,574)	33,748	34,523
Assets under construction	-	5,457	1,305	-	-	6,762	-	6,762	5,457
		<b>239,308</b>	<b>10,633</b>	<b>(1,698)</b>	<b>-</b>	<b>248,243</b>	<b>(119,566)</b>	<b>128,677</b>	<b>128,901</b>

## Notes to the Financial Statements

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	
		<b>139,672</b>	<b>3,368</b>	<b>(1,659)</b>	<b>-</b>	<b>141,381</b>	<b>(63,818)</b>	<b>77,563</b>	<b>86,286</b>	

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	
		<b>227,382</b>	<b>15,278</b>	<b>(3,353)</b>	<b>-</b>	<b>239,308</b>	<b>(110,407)</b>	<b>128,902</b>	<b>136,015</b>	

**Notes to the Financial Statements****Depreciation of property, plant and equipment**

<b>Parent Company</b>					
		<b>12.31.2018</b>	<b>6.30.2019</b>		
			<b>Depreciation</b>		
	<b>Rate</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Write-off</b>	<b>Closing Balance</b>
Improvements	10%	(18,400)	(1,826)	-	(20,226)
Furniture and fixture	10%	(10,223)	(779)	-	(11,002)
Vehicles	20%	(2,074)	(182)	61	(2,195)
Hardware	20%	(12,218)	(914)	3	(13,129)
Machinery and equipment	10%	(20,903)	(2,088)	1	(22,990)
		<b>(63,818)</b>	<b>(5,789)</b>	<b>65</b>	<b>(69,542)</b>

<b>Consolidated</b>					
		<b>12.31.2018</b>	<b>6.30.2019</b>		
			<b>Depreciation</b>		
	<b>Rate</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Write-off</b>	<b>Closing Balance</b>
Improvements	10%	(43,578)	(3,581)	547	(46,612)
Furniture and fixture	10%	(17,426)	(1,886)	162	(19,150)
Vehicles	20%	(2,324)	(233)	60	(2,497)
Hardware	20%	(22,909)	(2,049)	225	(24,733)
Machinery and equipment	10%	(24,170)	(2,557)	153	(26,574)
		<b>(110,407)</b>	<b>(10,306)</b>	<b>1,147</b>	<b>(119,566)</b>

<b>Parent Company</b>					
		<b>12.31.2017</b>	<b>12.31.2018</b>		
			<b>Depreciation</b>		
	<b>Rate</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Write-off</b>	<b>Closing Balance</b>
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)
		<b>(53,386)</b>	<b>(11,148)</b>	<b>716</b>	<b>(63,818)</b>



**Notes to the Financial Statements**

Consolidated					
		12.31.2017	12.31.2018		
			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)

## Notes to the Financial Statements

## 15 Intangible Assets

Parent Company								
		12.31.2018			6.30.2019			12.31.18
	Rate	Cost	Additions	Write-off	Cost	Accumulated Amortization	Net Value	Net Value
Trademarks and patents		14	-	-	14	-	14	14
Software	20%	14,627	-	-	14,627	(14,114)	513	773
Goodwill (a)		3,985	-	-	3,985	-	3,985	3,985
Other		1,108	-	-	1,108	(82)	1,026	1,040
Right of use (*)	20%	-	66,122	-	66,122	(5,917)	60,205	-
Distribution right	20%	2,247	-	(2,247)	0	-	-	-
		<b>21,982</b>	<b>66,122</b>	<b>(2,247)</b>	<b>85,857</b>	<b>(20,113)</b>	<b>65,744</b>	<b>5,812</b>

Consolidated								
		12.31.2018			6.30.2019			12.31.18
	Rate	Cost	Additions	Write-off	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	(19,980)	1,288	1,853
Other		1,104	-	-	1,104	(82)	1,022	1,036
Commercial location		112,510	3,331	(19)	115,822	(41,915)	73,907	77,074
Goodwill ( a and b)		474,289	-	-	474,289	-	474,289	474,289
Right of use (*)	20%	-	202,865	-	202,865	(29,317)	173,548	-
Distribution right	20%	2,247	-	(2,247)	0	-	-	-
		<b>728,177</b>	<b>206,333</b>	<b>(2,265)</b>	<b>932,245</b>	<b>(91,294)</b>	<b>840,950</b>	<b>671,148</b>

(\*) 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)	-	21,982	(16,169)	5,812	6,295

**Notes to the Financial Statements**

<b>Consolidated</b>									
		<b>12.31.2017</b>				<b>12.31.2018</b>			<b>12.31.17</b>
	<b>Rate</b>	<b>Cost</b>	<b>Additions</b>	<b>Write-off</b>	<b>Transf.</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Value</b>	<b>Net Value</b>
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
		<b>725,832</b>	<b>3,021</b>	<b>(676)</b>	<b>-</b>	<b>728,177</b>	<b>(57,029)</b>	<b>671,148</b>	<b>681,883</b>

**Notes to the Financial Statements****Amortization of intangible assets**

<b>Parent Company</b>					
		<b>12.31.2018</b>	<b>6.30.2019</b>		
			<b>Amortization</b>		
	<b>Rate</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Write-offs</b>	<b>Closing Balance</b>
Software	20%	(13,854)	(260)	-	(14,114)
Other	20%	(68)	(14)	-	(82)
Distribution right	20%	(2,247)	-	2,247	(0)
Right of use	20%	-	(5,917)	-	(5,917)
		<b>(16,169)</b>	<b>(6,190)</b>	<b>2,247</b>	<b>(20,113)</b>

<b>Consolidated</b>					
		<b>12.31.2018</b>	<b>6.30.2019</b>		
			<b>Amortization</b>		
	<b>Rate</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Write-offs</b>	<b>Closing Balance</b>
Software	20%	(19,278)	(702)	-	(19,980)
Other	20%	(68)	(14)	-	(82)
Right of use	20%	-	(29,317)	-	(29,317)
Distribution right	20%	(2,247)	-	2,247	-
Commercial location		(35,436)	(6,479)	-	(41,915)
		<b>(57,029)</b>	<b>(36,512)</b>	<b>2,247</b>	<b>(91,294)</b>

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

**Notes to the Financial Statements**

<b>Consolidated</b>					
		<b>12.31.2017</b>	<b>12.31.2018</b>		
			<b>Amortization</b>		
	<b>Rate</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Write-offs</b>	<b>Closing Balance</b>
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)
		<b>(43,949)</b>	<b>(13,293)</b>	<b>213</b>	<b>(57,029)</b>

**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.

**Notes to the Financial Statements****16 Trade Payables**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>	<b>6.30.2019</b>	<b>12.31.2018</b>
Trade payables - Goods for resale	874.655	935.716	863.301	933.387
Intercompany trade payables	4.179	2.697	-	-
Trade payables - Goods not for resale	453	2.153	8.272	9.608
Adjustment to present value	(2.885)	(1.611)	(2.885)	(1.611)
	<b>876.402</b>	<b>938.955</b>	<b>868.688</b>	<b>941.384</b>

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

As at June 30, 2019, the average days payable outstanding stood at 75 days, 80 days at December 31, 2018.

The Company'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:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>	<b>6.30.2019</b>	<b>12.31.2018</b>
From 01 to 60 days	716,618	701,667	708,904	702,729
From 61 to 90 days	66,602	114,237	66,602	115,604
From 91 to 360 days	96,067	124,662	96,067	124,662
	<b>879,287</b>	<b>940,566</b>	<b>871,573</b>	<b>942,995</b>

**Notes to the Financial Statements****17 Borrowings and Financing**

Institution	Index	Interest	Parent Company		Consolidated	
			6.30.2019	12.31.2018	6.30.2019	12.31.2018
Banco Santander	CDI	101.12% of CDI + 2.7% p.m.	19,373	8,782	42,455	15,351
Banco Safra	CDI	101.90% of CDI	30,563	7,729	30,563	7,729
Banco Guanabara	CDI	135.00% of CDI	-	-	-	4,554
Banco do Brasil	CDI	131% of CDI	273,849	274,181	294,046	294,389
Banco ABC	CDI	112.68% of CDI	-	-	32,798	32,647
Banco Itaú (*)		1.2194% p.a. (€\$)	19,520	19,801	51,689	41,829
Banco ABC (*)		3.59% p.a. (€\$)	-	-	6,892	7,038
Banco BBM (*)		5.7304 % p.a. (US\$)	-	-	19,752	20,147
Banco BRB		2.43 % p.a.	7,365	8,914	7,365	8,914
Banco IBM	CDI	0.38% p.m.	-	-	1,741	2,170
Banco Safra (*)		6.8975% p.a. (US\$)	23,056	31,972	47,244	49,842
Banco Itaú (*)		5.7161% p.a. (US\$)	12,158	15,053	35,731	52,622
Bradesco (*)		5.8463 % p.a (US\$)	94,335	78,055	110,050	98,778
			<b>480,219</b>	<b>444,487</b>	<b>680,326</b>	<b>636,010</b>
<b>Current</b>			<b>261,629</b>	<b>188,229</b>	<b>396,948</b>	<b>292,322</b>
<b>Non-current</b>			<b>218,590</b>	<b>256,258</b>	<b>283,378</b>	<b>343,688</b>

(\*) *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, 50% are collateralized by receivables, totaling R\$340,323, and short-term investments, the latter in the case of financing from Banco de Brasília - BRB (R\$4,390). 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 Company'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.

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 June 30, 2019 the rates are in compliance with contractual parameters.

**Notes to the Financial Statements**

The Company 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:

	<b>Parent Company</b>	<b>Consolidated</b>
<b>Year</b>	<b>6.30.2019</b>	<b>6.30.2019</b>
2020	86,433	128,277
2021	101,032	123,976
2022	10,560	10,560
2023	10,560	10,560
2024	2,640	2,640
2034	4,676	4,676
2036	2,689	2,689
	<b>218,590</b>	<b>283,378</b>

**18 Lease**

On January 1, 2019, the Company, 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 Company 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:

	<b>Parent Company</b>	<b>Consolidated</b>
<b>Balance at January 1</b>	<b>65,341</b>	<b>190,731</b>
New contracts	781	12,134
Amortization	(5,917)	(29,317)
<b>Balance at June 30</b>	<b>60,205</b>	<b>173,548</b>

**Lease liabilities**



**Notes to the Financial Statements**

	<b>Parent Company</b>	<b>Consolidated</b>
<b>Balance at 12.31.2018</b>	-	-
First-time adoption in January 1	(73,319)	(234,720)
New contracts	(780)	(12,133)
Amortization	7,577	36,493
Provision for financial charges	(3,079)	(9,766)
<b>Balance at June 30</b>	<b>(69,601)</b>	<b>(220,126)</b>
Current	(10,949)	(57,757)
Noncurrent	(58,652)	(162,369)
<b>Total</b>	<b>(69,601)</b>	<b>(220,126)</b>

**Amount recognized in profit or loss**

	<b>Distribution Centers</b>	<b>Consolidated</b>
	<b>Jun-2019</b>	<b>Jun-2019</b>
Amortization of right of use	5,917	29,317
Charges/Present value adjustment of dismantling cost	3,079	9,766
<b>Total</b>	<b>8,996</b>	<b>39,083</b>

**Notes to the Financial Statements****19 Taxes and Fees**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>	<b>6.30.2019</b>	<b>12.31.2018</b>
<b>Current</b>				
State VAT (ICMS)	33,675	30,663	34,945	33,971
Taxes on Income (IR and CSLL)	-	-	-	106
Taxes on Revenue (PIS and COFINS)	-	-	3,858	3,444
Installments - ICMS	133	69	911	1,111
Installments - REFIS	2,083	1,815	4,632	4,120
Installments - PERT	-	31	0	283
Other	1,191	1,586	3,025	4,261
	<b>37,082</b>	<b>34,164</b>	<b>47,371</b>	<b>47,296</b>
<b>Non-current</b>				
Installments - ICMS	522	-	13,856	13,313
Installments - REFIS	5,408	8,052	8,275	10,919
	<b>5,930</b>	<b>8,052</b>	<b>22,131</b>	<b>24,232</b>

**20 Provision for contingencies**

The 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:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>	<b>6.30.2019</b>	<b>12.31.2018</b>
Tax	590	546	31,989	31,945
Civil	618	627	6,910	6,993
Labor	9,119	8,097	35,323	37,479
	<b>10,327</b>	<b>9,270</b>	<b>74,222</b>	<b>76,417</b>

**Notes to the Financial Statements**

Changes in provisions were as follows:

<b>Parent Company</b>				
	<b>Tax</b>	<b>Civil</b>	<b>Labor</b>	<b>Total</b>
<b>At December 31, 2017</b>	<b>245</b>	<b>451</b>	<b>7,970</b>	<b>8,666</b>
Additions	459	513	3,937	4,909
Used and Write-Offs	(158)	(337)	(3,810)	(4,305)
<b>At December 31, 2018</b>	<b>546</b>	<b>627</b>	<b>8,097</b>	<b>9,270</b>
Additions	232	31	1,737	2,000
Used and Write-Offs	(188)	(40)	(715)	(943)
<b>At June 30, 2019</b>	<b>590</b>	<b>618</b>	<b>9,119</b>	<b>10,327</b>

<b>Consolidated</b>				
	<b>Tax</b>	<b>Civil</b>	<b>Labor</b>	<b>Total</b>
<b>At December 31, 2017</b>	<b>57,257</b>	<b>7,128</b>	<b>40,865</b>	<b>105,250</b>
Additions	5,180	1,143	9,958	16,281
Used and Write-Offs	(30,492)	(1,278)	(13,344)	(45,114)
<b>At December 31, 2018</b>	<b>31,945</b>	<b>6,993</b>	<b>37,479</b>	<b>76,417</b>
Additions	232	31	1,737	2,000
Used and Write-Offs	(188)	(114)	(3,893)	(4,195)
<b>At June 30, 2019</b>	<b>31,989</b>	<b>6,910</b>	<b>35,323</b>	<b>74,222</b>

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\$382,347 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\$65,290 at June 30, 2019 (against R\$63,696 at December 31, 2018).

**Notes to the Financial Statements**

- Tax deficiency notice issued against Profarma Distribuidora de Produtos Farmacêuticos S.A. by the Federal Revenue Service, in the amount of R\$5,845 on June 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 June 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\$10,134 on June 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\$84,693 at June 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\$103,901 at June 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:

**Notes to the Financial Statements**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>6.30.2018</b>	<b>6.30.2019</b>	<b>6.30.2018</b>
Profit (Loss) before income tax and social contribution	(8,246)	(6,613)	(11,728)	(16,913)
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution:				
Calculated by the combined tax rate	2,804	2,248	3,988	5,751
<b>Exclusions:</b>				
Equity income	(3,718)	78	362	207
Government grants	2,075	357	2,075	357
Effect from Subsidiaries – Deemed Profit taxation :	-	-	-	-
Unrecognized IR effect of Tax loss on subsidiaries	-	-	(1,699)	441
Other permanent additions/deductions	(250)	(224)	(334)	5,764
Income tax and social contribution on profit for the year	<b>911</b>	<b>2,459</b>	<b>4,392</b>	<b>12,520</b>
<b>Effective tax rate</b>	<b>11%</b>	<b>37%</b>	<b>37%</b>	<b>74%</b>

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 Company.

**Notes to the Financial Statements****Parent Company**

	<b>Parent Company</b>					
	<b>6.30.2019</b>			<b>12.31.2018</b>		
	<b>IRPJ</b>	<b>CSLL</b>	<b>Total</b>	<b>IRPJ</b>	<b>CSLL</b>	<b>Total</b>
<b>Deferred taxes</b>						
Provision for contingencies	2,582	929	3,511	2,317	834	3,151
Deferred IR/CSLL on tax loss	25,574	9,207	34,781	25,538	9,194	34,732
Other	6,642	2,391	9,033	4,278	1,541	5,819
<b>Non-current</b>	<b>34,798</b>	<b>12,527</b>	<b>47,325</b>	<b>32,133</b>	<b>11,569</b>	<b>43,702</b>
 Assets	 <b>34,798</b>	 <b>12,527</b>	 <b>47,325</b>	 <b>32,133</b>	 <b>11,569</b>	 <b>43,702</b>

**Consolidated**

	<b>Consolidated</b>					
	<b>6.30.2019</b>			<b>12.31.2018</b>		
	<b>IRPJ</b>	<b>CSLL</b>	<b>Total</b>	<b>IRPJ</b>	<b>CSLL</b>	<b>Total</b>
<b>Deferred taxes</b>						
Provision for contingencies	16,227	5,841	22,068	16,774	6,039	22,813
Deferred IR/CSLL on tax loss	80,855	29,108	109,963	73,823	26,576	100,399
Surplus value of net assets from companies acquired	(38,269)	(13,777)	(52,046)	(39,230)	(14,123)	(53,353)
Other	(1,033)	(372)	(1,405)	(7,782)	(2,802)	(10,584)
<b>Non-current</b>	<b>57,780</b>	<b>20,800</b>	<b>78,580</b>	<b>43,585</b>	<b>15,690</b>	<b>59,275</b>
 <b>Details on non-current</b>						
Assets (*)	62,757	22,591	85,348	52,913	19,049	71,962
Liabilities (*)	(4,977)	(1,791)	(6,768)	(9,328)	(3,359)	(12,687)
<b>Deferred assets/liabilities</b>	<b>57,780</b>	<b>20,800</b>	<b>78,580</b>	<b>43,585</b>	<b>15,690</b>	<b>59,275</b>

(\*) 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\$3,623, for a balance of R\$47,325 (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\$49 and provisions for contingencies of R\$360 and temporary differences in the amount of R\$502. 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

**Notes to the Financial Statements**

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\$9,563, offset by a reduction in the temporary differences by R\$1,241 and provisions for contingencies of R\$746. 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 Company 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 June 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 June 30, 2019:

**Position at 6.30.2019**

<b>Profarma</b>	<b>Consolidated Ownership</b>	
	<b>Common shares</b>	<b>Common shares</b>
<b>Shareholder</b>	<b>Number</b>	<b>%</b>
Signatories of the Shareholders' Agreeer	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%
<b>Total</b>	<b>123,812,773</b>	<b>100.00%</b>

**Notes to the Financial Statements****Position at 12.31.2018**

<b>Profarma</b>	<b>Consolidated Ownership</b>	
<b>Shareholder</b>	<b>Common shares Number</b>	<b>Common shares %</b>
Signatories of the Shareholders' Agreeer	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%
<b>Total</b>	<b>123,812,773</b>	<b>100.00%</b>

**23 Earnings per Share*****Basic earnings per share***

Basic earnings or losses per share as at June 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 June 30, 2018, as shown below:

	<b>Three-month period ended</b>	
	<b>Parent Company/Consolidated</b>	
	<b>6.30.2019</b>	<b>6.30.2018</b>
Profit (loss) attributable to shareholders	1,178	1,505
Number of shares (in thousands - w eighted average)	61,305	61,305
Basic loss per share (R\$)	0.019	0.025

	<b>Six-month period ended</b>	
	<b>Parent Company/Consolidated</b>	
	<b>6.30.2019</b>	<b>6.30.2018</b>
Profit (loss) attributable to shareholders	(7,335)	(4,394)
Number of shares (in thousands - w eighted average)	122,611	111,677
Basic loss per share (R\$)	(0.060)	(0.039)

The Company does not have any preferred shares.

***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 June 30, 2019 and 2018, as shown below:



**Notes to the Financial Statements**

	<b>Three-month period ended</b>	
	<b>Parent Company/Consolidated</b>	
	<b>6.30.2019</b>	<b>6.30.2018</b>
Shares' w eighted average	61,305	61,305
Diluted loss per share (R\$)	0.019	0.025

	<b>Six-month period ended</b>	
	<b>Parent Company/Consolidated</b>	
	<b>6.30.2019</b>	<b>6.30.2018</b>
Shares' w eighted average	122,611	111,677
Diluted loss per share (R\$)	(0.060)	(0.039)

**24 Operating income**

	<b>Three-month period ended</b>			
	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>6.30.2018</b>	<b>6.30.2019</b>	<b>6.30.2018</b>
<b>Gross operating revenue</b>				
Sale of goods	1,230,502	1,065,122	1,322,755	1,171,939
Taxes and other deductions	(176,599)	(147,573)	(188,449)	(162,832)
<b>Net operating revenue</b>	<b>1,053,903</b>	<b>917,549</b>	<b>1,134,306</b>	<b>1,009,107</b>

	<b>Six-month period ended</b>			
	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.2019</b>	<b>6.30.2018</b>	<b>6.30.2019</b>	<b>6.30.2018</b>
<b>Gross operating revenue</b>				
Sale of goods	2,426,832	2,076,546	2,599,062	2,305,924
Taxes and other deductions	(334,248)	(279,943)	(360,523)	(308,999)
<b>Net operating revenue</b>	<b>2,092,584</b>	<b>1,796,603</b>	<b>2,238,539</b>	<b>1,996,925</b>

**Notes to the Financial Statements****25 Finance income (costs)**

	Three-month period ended			
	Parent Company		Consolidated	
	6.30.2019	6.30.2018	6.30.2019	6.30.2018
<b>Finance costs</b>				
Interest	(11,958)	(9,349)	(18,827)	(15,763)
Interest on taxes paid in installments	(631)	(1,502)	(713)	(1,672)
Finance costs - APV	(3,845)	(4,633)	(3,845)	(4,633)
Sw ap result - market value adjustmei	434	(307)	972	(166)
Charges on lease	(1,534)	-	(4,773)	-
Other	(714)	(3,453)	(900)	(3,497)
	<u>(18,248)</u>	<u>(19,244)</u>	<u>(28,086)</u>	<u>(25,731)</u>
<b>Finance income</b>				
Interest	571	1,850	683	2,278
Gains on inflation adjustment	-	1	119	61
Finance income - APV	1,790	1,375	1,790	1,375
Other	-	-	-	(12)
	<u>2,361</u>	<u>3,226</u>	<u>2,592</u>	<u>3,702</u>
<b>Finance income (costs)</b>	<b><u>(15,887)</u></b>	<b><u>(16,018)</u></b>	<b><u>(25,494)</u></b>	<b><u>(22,029)</u></b>

	Six-month period ended			
	Parent Company		Consolidated	
	6.30.2019	6.30.2018	6.30.2019	6.30.2018
<b>Finance costs</b>				
Interest	(20,169)	(19,826)	(33,524)	(28,163)
Interest on taxes paid in installments	(1,069)	(3,036)	(1,317)	(3,410)
Finance costs - APV	(7,361)	(8,184)	(7,361)	(8,184)
Sw ap result - market value adjustmei	712	178	843	1,339
Charges on lease	(3,080)	-	(9,766)	-
Other	(1,432)	(7,602)	(1,782)	(7,690)
	<u>(32,399)</u>	<u>(38,470)</u>	<u>(52,907)</u>	<u>(46,108)</u>
<b>Finance income</b>				
Interest	1,133	4,251	1,556	5,350
Gains on inflation adjustment	-	77	247	128
Finance income - APV	3,299	2,402	3,299	2,402
Other	-	4	-	(7)
	<u>4,432</u>	<u>6,734</u>	<u>5,102</u>	<u>7,873</u>
<b>Finance income (costs)</b>	<b><u>(27,967)</u></b>	<b><u>(31,736)</u></b>	<b><u>(47,805)</u></b>	<b><u>(38,235)</u></b>

## **Notes to the Financial Statements**

### **26 Financial instruments and risk management**

The 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 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 Company's management.

The estimated realizable values of financial assets and liabilities of the Company 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 Company 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.

**Notes to the Financial Statements****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					
6.30.2019		12.31.2018		Level	
Carrying amount	Fair value	Carrying amount	Fair value		
Assets stated at amortized cost					
Cash and cash equivalents	195.044	195.044	171.171	171.171	
Asset derivatives - Swap	2.197	2.197	7.177	7.177	2
Accounts receivable	650.720	650.720	636.359	636.359	2
Related parties	115.467	115.467	123.355	123.355	2
Accounts receivable	115.467	115.467	123.355	123.355	2
Liabilities stated at fair value through profit or loss					
Borrowings and financing	149.070	149.070	145.431	145.431	2
Liabilities stated at amortized cost					
Borrowings and financing	331.149	341.784	299.056	312.226	2
Trade payables	876.402	876.402	938.955	938.955	2
Related parties	4.223	4.223	2.757	2.757	2
Other accounts payable	9.828	9.828	7.324	7.324	2

	Consolidated				Level
	6.30.2019		12.31.2018		
	Carrying amount	Fair value	Carrying amount	Fair value	
<b>Assets stated at amortized cost</b>					
Cash and cash equivalents	228,126	228,126	229,160	229,160	
Asset derivatives - Swap	2,347	2,347	10,146	10,146	2
Accounts receivable	562,103	562,103	545,205	545,205	2
<b>Liabilities stated at fair value through profit or loss</b>					
Borrowings and financing	271,550	271,550	271,064	271,064	2
<b>Liabilities stated at amortized cost</b>					
Borrowings and financing	408,776	416,605	364,946	378,625	2
Trade payables	868,688	868,688	941,384	941,384	2
Other accounts payable	100,063	100,063	95,324	95,324	2

**Notes to the Financial Statements**

The tables above also present the fair value hierarchy according to the valuation method used by the Company. 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 Company 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.

## Notes to the Financial Statements

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:

## Notes to the Financial Statements

Description	Parent Company			
	Notional value		Fair value (*)	
	6.30.2019	12.31.2018	6.30.2019	12.31.2018
<b>Swap agreements</b>				
Index:				
U.S. dollar + 6.69% p.a. Op. Bradesco				
<b>Total Op. Bradesco</b>	<b>15,000</b>	<b>15,000</b>	<b>747</b>	<b>888</b>
Index:				
U.S. dollar + 6.60% p.a. Op. Bradesco				
<b>Total Op. Bradesco</b>		<b>3,333</b>	<b>-</b>	<b>268</b>
Index:				
U.S. dollar + 5.92% p.a. Op. Bradesco				
<b>Total Op. Bradesco</b>	<b>12,500</b>	<b>12,500</b>	<b>1,129</b>	<b>1,129</b>
Index:				
U.S. dollar + 4.24% p.a. Op. Bradesco				
<b>Total Op. Bradesco</b>	<b>7,514</b>	<b>7,514</b>	<b>501</b>	<b>501</b>
Index:				
U.S. dollar + 4.0735% p.a. Op. Bradesco				
<b>Total Op. Bradesco</b>	<b>4,042</b>	<b>4,042</b>	<b>352</b>	<b>352</b>
Index:				
U.S. dollar + 6.24% p.a. Op. Bradesco				
<b>Total Op. Bradesco</b>	<b>6,151</b>	<b>6,151</b>	<b>611</b>	<b>611</b>
Index:				
U.S. dollar + 4.80% p.a. Op. Itaú				
<b>Total Op. Itaú</b>	<b>-</b>	<b>11,932</b>	<b>0</b>	<b>2,756</b>
Index:				
U.S. dollar + 5.8535% p.a. Op. Bradesco				
<b>Total Op. Bradesco</b>	<b>48,285</b>	<b>60,357</b>	<b>1,527</b>	<b>1,554</b>
Index:				
U.S. dollar + 7.6894% p.a. Op. Safra				
<b>Total Op. Safra</b>	<b>6,500</b>	<b>9,750</b>	<b>(317)</b>	<b>275</b>
Index:				
EURO + 1.5500% p.a. Op. Itaú				
<b>Total Op. Itaú</b>	<b>10,000</b>	<b>10,000</b>	<b>(544)</b>	<b>(612)</b>
Index:				
EURO + 1.3500% p.a. Op. Itaú				
<b>Total Op. Itaú</b>	<b>10,000</b>	<b>10,000</b>	<b>(399)</b>	<b>(338)</b>
Index:				
U.S. dollar + 6.1706% p.a. Op. Bradesco				
<b>Total Op. Bradesco</b>	<b>14,887</b>	<b>16,541</b>	<b>(760)</b>	<b>(912)</b>
Index:				
U.S. dollar + 6.8498% p.a. Op. Safra				
<b>Total Op. Safra</b>	<b>15,000</b>	<b>20,000</b>	<b>65</b>	<b>705</b>
Index:				
EURO + 0.7300% p.a. Op. Itaú				
<b>Total Op. Itaú</b>	<b>11,932</b>	<b>-</b>	<b>(314)</b>	<b>-</b>
Index:				
U.S. dollar + 5.4490 % ao ano Op. Bradesco				
<b>Total Op. Bradesco</b>	<b>30,000</b>	<b>-</b>	<b>(401)</b>	<b>-</b>
<b>Total long/short position</b>	<b>191,811</b>	<b>187,120</b>	<b>2,197</b>	<b>7,177</b>
Current assets			<b>4,139</b>	<b>7,660</b>
Non-current assets			<b>793</b>	<b>1,379</b>
Passivo Circulante			<b>(2,011)</b>	<b>(748)</b>
Non-current liabilities			<b>(725)</b>	<b>(1,114)</b>

## Notes to the Financial Statements

	Retail			
	Notional value		Fair Value (*)	
	6.30.2019	12.31.2018	6.30.2019	12.31.2018
Index:				
<b>Euro + 1.4941169% p.a. Op. Itaú</b>				
Maturity: 09/2019	5,000	5,000	(451)	(516)
<b>Total Op. Itaú</b>	<b>5,000</b>	<b>5,000</b>	<b>(451)</b>	<b>(516)</b>
Index:				
<b>Euro + 3.5899% p.a. Banco ABC</b>				
Maturity: 11/2020	7,000	7,000	103	165
<b>Total Op. Banco ABC</b>	<b>7,000</b>	<b>7,000</b>	<b>103</b>	<b>165</b>
Index:				
<b>Euro + 1.1765% p.a. Op. Itaú</b>				
Maturity: 10/2019	5,000	5,000	(189)	(96)
<b>Total Op. Itaú</b>	<b>5,000</b>	<b>5,000</b>	<b>(189)</b>	<b>(96)</b>
Index:				
<b>U.S. dollar + 4.80% p.a. Op. Itaú</b>				
Maturity: 03/2019	-	6,839	-	1,580
<b>Total Op. Itaú</b>	<b>-</b>	<b>6,839</b>	<b>-</b>	<b>1,580</b>
Index:				
<b>U.S. dollar + 6.2973% p.a. Op. Bradesco(HSBC)</b>				
Maturity: 03/2021	14,818	18,522	869	951
<b>Total Op. Bradesco(HSBC)</b>	<b>14,818</b>	<b>18,522</b>	<b>869</b>	<b>951</b>
Index:				
<b>U.S. dollar + 4.66% p.a. Op. Bradesco(HSBC)</b>				
Maturity: 03/2019	-	995	-	170
<b>Total Op. Bradesco(HSBC)</b>	<b>-</b>	<b>995</b>	<b>-</b>	<b>170</b>
Index:				
<b>U.S. dollar + 7.6682% p.a. Op. Safra</b>				
Maturity: 09/2021	2,833	3,400	(119)	(180)
<b>Total Op. Safra</b>	<b>2,833</b>	<b>3,400</b>	<b>(119)</b>	<b>(180)</b>
Index:				
<b>U.S. dollar + 6.25% p.a. Op. Safra</b>				
Maturity: 02/2021	6,000	-	321	-
<b>Total Op. Safra</b>	<b>6,000</b>	<b>-</b>	<b>321</b>	<b>-</b>
Index:				
<b>U.S. dollar + 6.2619% p.a. Op. Safra</b>				
Maturity: 03/2021	2,999	-	14	-
<b>Total Op. Safra</b>	<b>2,999</b>	<b>-</b>	<b>14</b>	<b>-</b>
Index:				
<b>Euro + 1.1765 % p.a. Op. Itau</b>				
Maturity: 10/2019	3,400	3,400	(6)	13
<b>Total Op. Itau</b>	<b>3,400</b>	<b>3,400</b>	<b>(6)</b>	<b>13</b>
Index:				
<b>U.S. dollar + 5.54 % p.a. BBM</b>				
Maturity: 11/2020	3,750	5,000	228	167
<b>Total BBM</b>	<b>3,750</b>	<b>5,000</b>	<b>228</b>	<b>167</b>
Index:				
<b>U.S. dollar + 6.00 % p.a. BBM</b>				
Maturity: 03/2021	4,000	-	362	-
<b>Total BBM</b>	<b>4,000</b>	<b>-</b>	<b>362</b>	<b>-</b>



**Notes to the Financial Statements**

Index:				
<b>U.S. dollar + 5.70 % p.a. BBM</b>				
Maturity: 12/2020	11,250	15,000	57	(180)
<b>Total BBM</b>	<b>11,250</b>	<b>15,000</b>	<b>57</b>	<b>(180)</b>
Index:				
<b>U.S. dollar + 7.2796 % p.a Op. Safra</b>				
Maturity: 07/2021	5,417	6,500	(0)	(73)
<b>Total Op. Safra</b>	<b>5,417</b>	<b>6,500</b>	<b>(0)</b>	<b>(73)</b>
Index:				
<b>U.S. dollar + 6.3391% p.a Op. Safra</b>				
Maturity: 01/2021	4,850	-	186	-
<b>Total Op. Safra</b>	<b>4,850</b>	<b>-</b>	<b>186</b>	<b>-</b>
Index:				
<b>U.S. dollar + 5.67 % p.a Op. Safra</b>				
Maturity: 04/2019	-	6,000	-	885
<b>Total Op. Safra</b>	<b>-</b>	<b>6,000</b>	<b>-</b>	<b>885</b>
Index:				
<b>Euro + 0.73 % p.a Op. Itaú</b>				
Maturity: 03/2020	6,839	-	(200)	-
<b>Total Op. Itaú</b>	<b>6,839</b>	<b>-</b>	<b>(200)</b>	<b>-</b>
Index:				
<b>Euro + 1.1529406% p.a Op. Itaú</b>				
Maturity: 11/2019	9,000	9,000	(147)	(140)
<b>Total Op. Itaú</b>	<b>9,000</b>	<b>9,000</b>	<b>(147)</b>	<b>(140)</b>
Index:				
<b>U.S. dollar + 6.30 % p.a Op. Itaú</b>				
Maturity: 06/2021	16,000	20,000	(140)	(274)
<b>Total Op. Itaú</b>	<b>16,000</b>	<b>20,000</b>	<b>(140)</b>	<b>(274)</b>
Index:				
<b>Euro + 0.7600 % p.a Op. Itaú</b>				
Maturity: 06/2020	3,000	-	(26)	-
<b>Total Op. Itaú</b>	<b>3,000</b>	<b>-</b>	<b>(26)</b>	<b>-</b>
Index:				
<b>U.S. dollar + 5.9420 % p.a Op. Itaú</b>				
Maturity: 05/2021	6,400	8,000	676	498
<b>Total Op. Itaú</b>	<b>6,400</b>	<b>8,000</b>	<b>676</b>	<b>498</b>
<b>Total long/short position</b>	<b>117,556</b>	<b>119,656</b>	<b>1,537</b>	<b>2,969</b>
Current assets			1,324	3,171
Non-current assets			1,389	1,394
Current liabilities	-	-	(1,106)	(1,173)
Non-current liabilities	-	-	(70)	(424)

**Notes to the Financial Statements**

	<b>Consolidated</b>			
	<b>Notional Value</b>		<b>Fair Value(*)</b>	
	<b>6.30.2019</b>	<b>12.31.2018</b>	<b>6.30.2019</b>	<b>12.31.2018</b>
<b>Total long position</b>				-
<b>Total long/short position</b>	<b>309,367</b>	<b>258,236</b>	<b>3,734</b>	<b>10,146</b>
Current assets	-	-	<b>5,463</b>	<b>10,832</b>
Non-current assets	-	-	<b>2,182</b>	<b>2,773</b>
Current liabilities	-	-	<b>(3,116)</b>	<b>(1,921)</b>
Non-current liabilities	-	-	<b>(795)</b>	<b>(1,538)</b>

**26.4 Risk management****a. Credit risk**

The Company'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 Company has recorded an allowance for doubtful debts, the balance of which at June 30, 2019 in the Parent was R\$50,270 (R\$45,875 at December 31, 2018), and in the consolidated was R\$50,589 (R\$45,966 at December 31, 2018) to cover possible credit risks, as described in Note 6.

	<b>Note</b>	<b>Carrying Amount</b>			
		<b>Parent Company</b>		<b>Consolidated</b>	
		<b>6.30.2019</b>	<b>12.31.2018</b>	<b>6.30.2019</b>	<b>12.31.2018</b>
Accounts receivable	<b>6</b>	650,720	636,359	562,103	545,205
Other accounts receivable	<b>10</b>	80,963	54,538	94,100	69,307
Cash and cash equivalents	<b>5</b>	195,044	171,171	228,126	229,160
		<b>926,727</b>	<b>862,068</b>	<b>884,329</b>	<b>843,672</b>

**b. Liquidity Risk**

The Company'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 Company presents an appropriate balance between the maturities of its assets and liabilities, bearing in mind its satisfactory cash generation capacity, as measured by EBITDA.

**Notes to the Financial Statements**

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

<b>June 30, 2019</b>	<b>Parent Company</b>					
	<b>Carrying amount</b>	<b>Cash flow by contract</b>	<b>6 months or less</b>	<b>6 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>
<b>Non-derivative financial liabilities:</b>						
Borrowings and financing	480,219	511,476	159,554	108,828	167,086	76,008
Trade payables	876,402	879,287	879,287	-	-	-

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

<b>June 30, 2019</b>	<b>Consolidated</b>					
	<b>Carrying amount</b>	<b>Cash flow by contract</b>	<b>6 months or less</b>	<b>6 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>
<b>Non-derivative financial liabilities:</b>						
Borrowings and financing	680,326	721,059	233,976	173,675	235,355	78,053
Trade payables	868,688	871,573	871,573	-	-	-

<b>December 31, 2018</b>	<b>Consolidated</b>					
	<b>Carrying amount</b>	<b>Cash flow by contract</b>	<b>6 months or less</b>	<b>6 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>
<b>Non-derivative financial liabilities:</b>						
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 Company's transactions is the CDI rate fluctuation. As at June 30, 2019, gross debt indexed to the CDI plus the position taken in the swap contracts totals R\$680,326 (R\$636,010 at December 31, 2018). The Company considers the risk of CDI fluctuation rate as a significant market risk factor.

## Notes to the Financial Statements

Under the “probable” scenario, considering market expectations in accordance with data published by BACEN on July 5, 2019, an effective average rate of 6.50% is estimated for 2019, compared to the effective rate of 6.50% in the period ended June 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 June 30, 2019:

### Parent Company

Operation	Calculation base	Probable scenario	Scenario I - 25% stress	Scenario II - 50% stress
Investments pegged to the CDI rate	184,485	11,992	14,989	17,987
Borrowings pegged to the CDI rate	(323,785)	(21,046)	(26,308)	(31,569)
SWAPs pegged to the CDI rate	(149,069)	(9,689)	(12,112)	(14,534)
<b>Interest expense on net debt pegged to the CDI rate</b>	<b>(288,369)</b>	<b>(18,743)</b>	<b>(23,431)</b>	<b>(28,116)</b>
Estimated annual rate of the CDI in 2019		6.50%	8.13%	9.75%

### Consolidated

Operation	Calculation base	Probable scenario	Scenario I - 25% stress	Scenario II - 50% stress
Investments pegged to the CDI rate	211.781	13.766	17.207	20.649
Borrowings pegged to the CDI rate	(401.603)	(26.104)	(32.630)	(39.156)
SWAPs pegged to the CDI rate	(271.359)	(17.638)	(22.048)	(26.458)
<b>Interest expense on net debt pegged to the CDI rate</b>	<b>(461.181)</b>	<b>(29.976)</b>	<b>(37.471)</b>	<b>(44.965)</b>
Estimated annual rate of the CDI in 2019		6,50%	8,13%	9,75%

### d. Currency risk

The Company 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, ABC, BBM, Santander and Bradesco, 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 Company 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 Company took into account the dollar and euro rate projections for each maturity date of its financial instruments—obtained on BM&FBovespa on June 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.

**Notes to the Financial Statements**

The Company has a policy of settling long-term contracts only on the due date. The net effect shown in the sensitivity analysis schedule at June 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 Company's cash.

The Company 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**

	<b>Parent Company</b>		
	<b>Calculation base</b>	<b>Probable scenario</b>	<b>Scenario I - 25% stress</b>
<b>USD</b>			
Exchange rate on 6/30/2019 (a)		3.83	3.83
Estimated exchange rate for 12/31/2019 (a)		3.80	2.85
Borrowings in foreign currency	(129,549)	1,068	33,189
Swaps (Long position in foreign currency)	128,379	(1,059)	(32,889)
	<b>(1,170)</b>	<b>9</b>	<b>300</b>

**Consolidated**

	<b>Consolidated</b>		
	<b>Calculation base</b>	<b>Probable scenario</b>	<b>Scenario I - 25% stress</b>
<b>USD</b>			
Exchange rate on 6/30/2019 (a)		3.83	3.83
Estimated exchange rate for 12/31/2019 (a)		3.80	2.85
Borrowings in foreign currency	(212,778)	1,755	54,511
Swaps (Long position in foreign currency)	219,216	(1,808)	(56,160)
	<b>6,438</b>	<b>(53)</b>	<b>(1,649)</b>

**Notes to the Financial Statements****Sensitivity Analysis in euro****Parent Company**

	Parent Company			
	Calculation base	Probable scenario	Scenario I - 25% stress	Scenario II - 50% stress
<b>EURO</b>				
Exchange rate on 6/30/2019 (a)		4.36	4.36	4.36
Estimated exchange rate for 12/31/2019 (a)		4.22	3.17	2.11
Borrowings in foreign currency	(19,520)	596	5,327	10,058
Swaps (Long position in foreign currency)	19,402	(592)	(5,295)	(9,997)
	<b>(118)</b>	<b>4</b>	<b>32</b>	<b>61</b>

**Consolidated**

	Consolidated			
	Calculation base	Probable scenario	Scenario I - 25% stress	Scenario II - 50% stress
<b>EURO</b>				
Exchange rate on 6/30/2019 (a)		4.36	4.36	4.36
Estimated exchange rate for 12/31/2019 (a)		4.22	3.17	2.11
Borrowings in foreign currency	(58,581)	1,788	15,986	30,184
Swaps (Long position in foreign currency)	47,162	(1,439)	(12,870)	(24,301)
	<b>(11,419)</b>	<b>349</b>	<b>3,116</b>	<b>5,883</b>

(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 Company'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 Company'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 Arpméd, in the special products segment.

**Notes to the Financial Statements**

- Retail: This segment encompasses the acquired retail chains Drogasmil, Tamoio and Rosário, which together have 204 stores in different areas of the State of Rio de Janeiro and the Midwest region.

**Income Statement by Business Segment**

Quarterly information at June 30, 2019:

	Three-month period ended 6.30.2019						
	Pharmaceutical Distribution	Pharmaceutical Retail	Specialties (*)	Intercompany Transactions	Eliminations in associates	Other	Consolidated
Gross revenue	1,231,638	303,573	332,042	(212,456)	(332,042)	-	1,322,755
Net revenue	1,054,373	286,589	292,300	(206,656)	(292,300)	-	1,134,306
Gross profit	102,676	87,985	34,566	-	(34,566)	-	190,661
Depreciation	(6,045)	(16,743)	(1,100)	-	1,100	(1,334)	(24,122)
Operating expenses (SG&A)	(73,985)	(65,893)	(24,800)	-	24,800	(5)	(139,883)
Other operating income (expenses) and Equity in the earnings (losses) of joint ventures	(1,323)	30	801	-	(801)	783	(510)
Profit/Loss before finance result and taxes	21,323	5,379	9,467	-	(9,467)	(556)	26,146

	Six-month period ended 6.30.2019						
	Pharmaceutical Distribution	Pharmaceutical Retail	Specialties (*)	Intercompany Transactions	Eliminations in associates	Other	Consolidated
Gross revenue	2,427,996	595,454	663,668	(424,388)	(663,668)	-	2,599,062
Net revenue	2,092,700	561,161	586,395	(415,322)	(586,395)	-	2,238,539
Gross profit	185,778	169,474	66,416	-	(66,416)	-	355,252
Depreciation	(11,980)	(32,169)	(2,165)	-	2,165	(2,668)	(46,817)
Operating expenses (SG&A)	(144,922)	(130,484)	(45,570)	-	45,570	(3)	(275,409)
Other operating income (expenses) and Equity in the earnings (losses) of joint ventures	1,293	689	(2,517)	-	2,517	1,069	3,051
Profit/Loss before finance result and taxes	30,169	7,510	16,164	-	(16,164)	(1,602)	36,077

Quarterly information at June 30, 2018:

	Three-month periods ended 6.30.2018						
	Pharmaceutical Distribution	Pharmaceutical Retail	Specialties (*)	Intercompany Transactions	Eliminations in associates	Other	Consolidated
Gross revenue	1,065,162	306,917	317,367	(200,140)	(317,367)	-	1,171,939
Net revenue	917,556	288,174	283,681	(196,623)	(283,681)	-	1,009,107
Gross profit	85,670	89,293	32,216	-	(32,216)	-	174,963
Depreciation	(2,877)	(4,076)	(446)	-	446	(1,116)	(8,069)
Operating expenses (SG&A)	(66,668)	(82,020)	(24,251)	-	24,251	(18)	(148,706)
Other operating income (expenses) and Equity in the earnings (losses) of joint ventures	3,349	(1,401)	(5,404)	-	5,404	469	2,417
Profit/Loss before finance result and taxes	19,474	1,796	2,115	-	(2,115)	(665)	20,605

**Notes to the Financial Statements**

	Six-month periods ended 6.30.2018						
	Pharmaceutical Distribution	Pharmaceutical Retail	Specialties (*)	Intercompany Transactions	Eliminations in associates	Other	Consolidated
Gross revenue	2,076,670	605,768	594,930	(376,515)	(594,930)	-	2,305,923
Net revenue	1,796,661	571,045	532,065	(370,781)	(532,065)	-	1,996,925
Gross profit	158,801	176,338	56,325	-	(56,325)	-	335,139
Depreciation	(5,809)	(8,208)	(900)	-	900	(2,416)	(16,433)
Operating expenses (SG&A)	(136,007)	(164,073)	(42,891)	-	42,891	(219)	(300,299)
Other operating income (expenses) and Equity in the earnings (losses) of joint ventures	6,366	(4,050)	(8,660)	-	8,660	599	2,915
Profit/Loss before finance result and taxes	23,351	7	3,874	-	(3,874)	(2,036)	21,322

(\*) 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 Company's consolidated financial statements is shown as a deduction from associates.

**Balance Sheet by Business Segment:**

	Balances at 6.30.2019					
	Pharmaceutical Distribution	Pharmaceutical Retail	Specialties	Intercompany Transactions	Eliminations in associates	Total Consolidated
Trade receivables	650,982	22,881	261,478	(111,760)	(261,478)	562,103
Recoverable taxes	305,548	70,137	35,618	0	(35,618)	375,685
Inventory	598,793	140,724	139,153	-	(139,153)	739,517
Trade payables	875,169	105,280	231,046	(111,760)	(231,046)	868,688
Taxes payable	43,266	33,005	15,561	-	(15,561)	76,270

	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	937,719	113,704	231,917	(110,029)	(231,917)	941,384
Taxes payable	42,256	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 Company.



## Notes to the Financial Statements

## 28 Operating expenses

	Three-month period ended		Three-month period ended	
	Parent Company		Consolidated	
	6.30.2019	6.30.2018	6.30.2019	6.30.2018
<b>General and administrative expenses</b>				
Payroll and outsourced services	(19,166)	(14,794)	(26,224)	(23,460)
Organizational structure	(4,753)	(7,698)	(5,441)	(8,044)
	<b>(23,919)</b>	<b>(22,492)</b>	<b>(31,665)</b>	<b>(31,504)</b>
<b>Selling and marketing expenses</b>				
Payroll and outsourced services	(14,590)	(11,886)	(64,829)	(62,936)
Organizational structure	(3,131)	(2,352)	(10,088)	(24,061)
	<b>(17,721)</b>	<b>(14,238)</b>	<b>(74,916)</b>	<b>(86,997)</b>
<b>Logistics and distribution expenses</b>				
Payroll and outsourced services	(29,477)	(26,518)	(29,801)	(26,894)
Organizational structure	(2,926)	(2,837)	(3,501)	(3,311)
	<b>(32,403)</b>	<b>(29,355)</b>	<b>(33,302)</b>	<b>(30,205)</b>
	Six-month period ended		Six-month period ended	
	Parent Company		Consolidated	
	6.30.2019	6.30.2018	6.30.2019	6.30.2018
<b>General and administrative expenses</b>				
Payroll and outsourced services	(37,426)	(29,772)	(51,573)	(47,126)
Organizational structure	(9,260)	(15,909)	(10,608)	(16,792)
	<b>(46,686)</b>	<b>(45,681)</b>	<b>(62,181)</b>	<b>(63,918)</b>
<b>Selling and marketing expenses</b>				
Payroll and outsourced services	(26,134)	(23,934)	(125,150)	(125,903)
Organizational structure	(7,700)	(4,374)	(21,834)	(48,202)
	<b>(33,834)</b>	<b>(28,308)</b>	<b>(146,985)</b>	<b>(174,105)</b>
<b>Logistics and distribution expenses</b>				
Payroll and outsourced services	(58,737)	(54,377)	(59,346)	(55,452)
Organizational structure	(5,791)	(5,888)	(6,897)	(6,824)
	<b>(64,528)</b>	<b>(60,265)</b>	<b>(66,243)</b>	<b>(62,276)</b>

**Notes to the Financial Statements****29 Insurance coverage**

The Company 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 June 30, 2019, the insurance coverage was distributed as follows:

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

**30 Liens, pledges and guarantees**

The Company had guarantees from Safra, Itaú, Bradesco, Austral and Swiss Re totaling R\$20,849 at June 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.

## Notes to the Financial Statements

### 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 Victor Rodrigues  
CRC-RJ 078.195/O-3

## **Reports and Declarations / Independent Auditor's Report**

(Convenience Translation into English from the Original Previously Issued in Portuguese)

### **Unqualified report on review of interim financial information (ITR)**

KPMG Auditores Independentes

Rua do Passeio, 38 – Setor 2 – 17º andar – Centro

20021-290 – Rio de Janeiro/RJ – Brasil

Caixa Postal 2888 – CEP 20001-970 – Rio de Janeiro/RJ – Brasil

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To the Directors, Executive Officers and Shareholders of  
Profarma Distribuidora de Produtos Farmacêuticos S.A.  
Rio de Janeiro – RJ

#### **Introduction**

We have reviewed the accompanying individual and consolidated interim financial information of Profarma Distribuidora de Produtos Farmacêuticos S.A. ("Company"), included in the Interim Financial Information Form (ITR), for the quarter ended June 30, 2019, which comprises the balance sheet as of June 30, 2019, and the related statements of income and comprehensive income for the three- and six-month periods then ended, as well as the statement of changes in equity and of cash flows for the three- and six-month periods then ended, including the explanatory notes.

The Company's Management is responsible for the preparation of the interim financial information in accordance with CPC 21 and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

#### **Scope of Review**

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

#### **Conclusion on the Individual and Consolidated Interim Financial Information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the ITR referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, issued by IASB, applicable to the preparation of Interim Financial Information (ITR), and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

## **Reports and Declarations / Independent Auditor's Report**

### **Other Matters – Statements of value added**

The individual and consolidated interim accounting information, related to the statements of value added ("DVA") for the three- and six-month periods ended June 30, 2019, prepared under the responsibility of the Company's Management, presented as a supplementary information under IAS 34, were subject to the review procedures conducted together with the review of Company's quarterly information (ITR). To arrive at our conclusion, we evaluated if these statements are reconciled with interim accounting information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the individual and consolidated interim financial information taken as a whole.

Rio de Janeiro, July 22, 2019

KPMG Auditores Independentes  
CRC SP-014428/O-6 F-RJ

Marcelo Luiz Ferreira  
Accountant CRC RJ-087095/O-7

## 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, July 17, 2019

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Sammy Birmarcker  
Chief Executive Officer

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Maximiliano Guimarães Fischer  
Chief Investor Relations Officer

## **Reports and Declarations / Executive Officers' Statement on the Independent Auditor's Report**

### **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 independent auditor's report, approved said document and submitted the proposal to the board of directors for its approval.

Rio de Janeiro, July 22, 2019

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Sammy Birmarcker  
Chief Executive Officer

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Maximiliano Guimarães Fischer  
Chief Investor Relations Officer