



São Paulo, August 6, 2019. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 2<sup>nd</sup> quarter of 2019 (2Q19). The Company's parent company and consolidated quarterly financial statements for the periods ended in June 30, 2019 and 2018 have been prepared in accordance with technical pronouncement CPC 21 (R1) – “Interim Financial Reporting”, the requirements in Official Letter/CVM/SNC/SEP 003/2011 of April 28, 2011, and the International Financial Reporting Standards (IFRS) – IAS 34. The financial statements were prepared in Reais and all growth rates, unless otherwise stated, relate to the same period of 2018.

*Starting in 2019, our financial statements are prepared in accordance with IFRS 16. In order to preserve the historic comparability, the 2Q19 figures in this report are also presented under IAS 17 / CPC 06 (previous reporting standard).*

**CONSOLIDATED QUARTERLY HIGHLIGHTS:**

- › **DRUGSTORES:** 1,917 stores in operation (47 openings and 3 closures)
- › **MARKET SHARE (RETAIL):** 1.6 percentage point national increase, with 2.0 gain in São Paulo
- › **GROSS REVENUE:** R\$ 4.4 billion, 17.1% growth (4.0% mature-store sales growth)
- › **GROSS MARGIN:** 29.0% of gross revenue, a 0.1 percentage point decrease
- › **EBITDA:** R\$ 363.7 million, an increase of 14.9% and a margin of 8.2%  
R\$ 514.9 million, an increase of 16.7% and a margin of 11.6% (IFRS 16)
- › **NET INCOME:** R\$ 160.5 million, an increase of 13.2% and a 3.6% net margin  
R\$ 149.4 million, an increase of 16.1% and a 3.4% net margin (IFRS 16)
- › **CASH FLOW:** R\$ 42.9 million free cash flow, R\$ 52.9 million of cash consumption

RADL3

**R\$ 84.00/share**

NUMBER OF SHARES

**330.386.000**

MARKET CAP

**R\$ 27,752 (million)**

CLOSING

**August 5, 2019**

IR CONTACTS:

**Eugênio De Zagottis**

**Gabriel Rozenberg**

**Aron Bernardo**

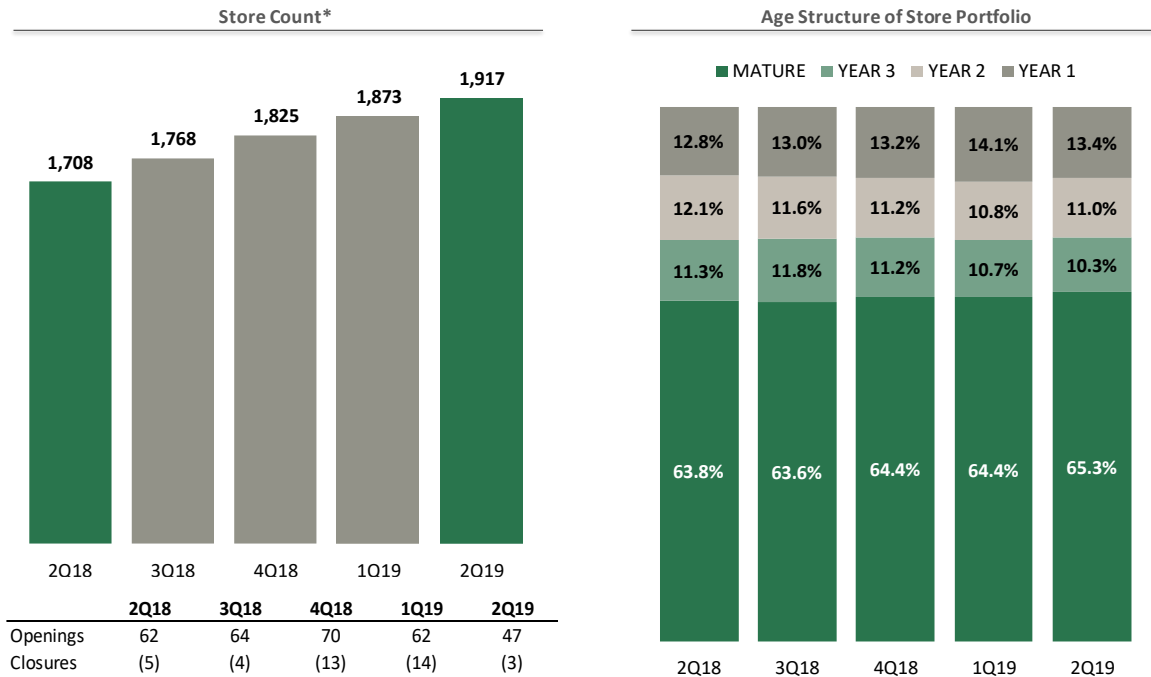
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| Summary<br>(R\$ thousand)   | Previous Standard (IAS 17) |           |           |           |           | IFRS 16   |           |
|-----------------------------|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
|                             | 2Q18                       | 3Q18      | 4Q18      | 1Q19      | 2Q19      | 2Q18      | 2Q19      |
| # of Stores - Retail + 4Bio | 1,708                      | 1,768     | 1,825     | 1,873     | 1,917     | 1,708     | 1,917     |
| Store Openings              | 62                         | 64        | 70        | 62        | 47        | 62        | 47        |
| Store Closures              | (5)                        | (4)       | (13)      | (14)      | (3)       | (5)       | (3)       |
| # of Stores (average)       | 1,680                      | 1,744     | 1,801     | 1,849     | 1,897     | 1,680     | 1,897     |
| Headcount (EoP)             | 33,880                     | 34,708    | 36,510    | 36,192    | 37,395    | 33,880    | 37,395    |
| Pharmacist Count (EoP)      | 6,582                      | 6,806     | 6,959     | 7,106     | 7,389     | 6,582     | 7,389     |
| # of Tickets (000)          | 55,148                     | 56,560    | 59,425    | 58,634    | 62,840    | 55,148    | 62,840    |
| Gross Revenue               | 3,791,578                  | 3,944,677 | 4,178,909 | 4,153,923 | 4,440,683 | 3,791,578 | 4,440,683 |
| Gross Profit                | 1,104,199                  | 1,116,776 | 1,197,788 | 1,161,663 | 1,289,285 | 1,104,199 | 1,289,285 |
| % of Gross Revenues         | 29.1%                      | 28.3%     | 28.7%     | 28.0%     | 29.0%     | 29.1%     | 29.0%     |
| Adjusted EBITDA             | 316,648                    | 295,250   | 311,109   | 270,070   | 363,688   | 441,107   | 514,876   |
| % of Gross Revenues         | 8.4%                       | 7.5%      | 7.4%      | 6.5%      | 8.2%      | 11.6%     | 11.6%     |
| Adjusted Net Income         | 141,775                    | 131,148   | 154,404   | 105,494   | 160,486   | 128,648   | 149,401   |
| % of Gross Revenues         | 3.7%                       | 3.3%      | 3.7%      | 2.5%      | 3.6%      | 3.4%      | 3.4%      |
| Net Income                  | 137,656                    | 128,837   | 121,531   | 102,058   | 151,334   | 124,530   | 140,745   |
| % of Gross Revenues         | 3.6%                       | 3.3%      | 2.9%      | 2.5%      | 3.4%      | 3.3%      | 3.2%      |
| Free Cash Flow              | (67,705)                   | 681       | 29,103    | (210,518) | 42,872    | (67,705)  | 42,872    |

## STORE DEVELOPMENT



\* Includes three 4Bio stores.

We opened 47 new stores and closed 3 in the 2Q19, ending the quarter with 1,917 stores, including three 4Bio units. We reiterate our guidance of 240 gross openings for 2019. At the end of the period, 34.7% of our stores were still in the process of maturation and had not yet reached their full potential both in terms of revenue and of profitability. It is important to mention that the performance of the stores opened this year remains very robust, in line with our historical standards.

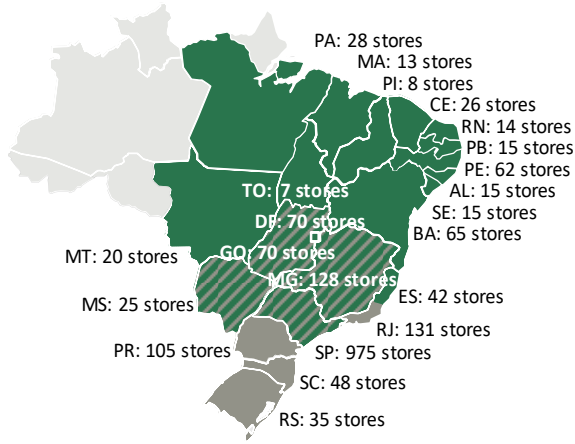
We closed three stores during the quarter, including two Farmasil stores that could not be converted to the new, larger format, and one mature store as part of the optimization of our store portfolio. We also rebranded 8 Farmasil stores to the new Droga Raia and Drogasil enhanced popular format.

Our national market share reached 13.0% in the quarter, which represented an unprecedented 1.6 percentage point increase when compared to the 2Q18, the highest annual market share gain recorded by the Company on a national level since the merger. This performance reflects the effectiveness of the pricing investments we have made since the 2Q18, especially in generics, and the sharp reversion of the accelerated store opening cycle undertaken by several competitors in 2017 and 2018.

Following a cycle of massive capacity expansion, the net store addition in the industry has shrunk to unprecedented levels, while our growth pace has remained constant: in the 1H19, according to Abrafarma (Brazilian Association of Drugstore Chains), we added a total of 92 net stores, against only 28 by the rest of the market. As a reference, in the 1H18 we had added 98 net stores versus 155 by the rest of the market, and in the 1H17 we had added 86 net stores versus a record 206 by other chains. This bold reversion in the industry's store opening cycle, with progressively more closures and less openings, underscores the high entry barriers that exist in the sector as well as the complexity of undertaking a large-scale expansion program that creates long-term value.

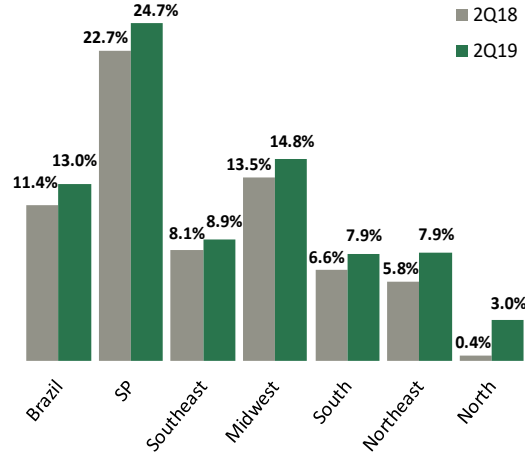
We have increased our market shares in the quarter in all six core regions where we operate, driven by our strong mature-store sales growth and by our successful expansion. São Paulo was our main highlight, as we recorded a market share of 24.7%, a 2.0 percentage point increase and a strong recovery despite the decentralization of our openings to the other core regions in recent years. We have also achieved strong market share gains in the North, where we reached a market share of 3.0%, a 2.6 percentage point gain, and in the Northeast, where we reached a market share of 7.9%, an increase of 2.1 percentage points. Finally, we recorded gains of 1.3 percentage point in the Midwest and in the South, reaching market shares of 14.8% and 7.9%, respectively, and a market share of 8.9% in the Southeast (excluding São Paulo), an increase of 0.8 percentage point.

Geographic Presence



**Total: 1,917 stores**  
 Raia: 846 stores  
 Drogasil: 1,066 stores  
 \* Farmasil: 2 stores  
 \* 4Bio: 3 stores

Market Share (Retail)



PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

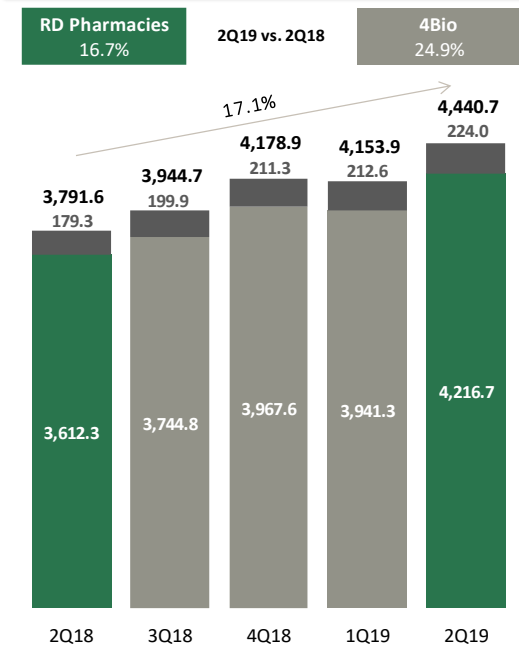
| Region    | Brazil | SP    | Southeast | Midwest | South | Northeast | North |
|-----------|--------|-------|-----------|---------|-------|-----------|-------|
| Share (%) | 100.0% | 26.1% | 24.6%     | 9.7%    | 15.6% | 18.9%     | 5.1%  |

Source: IQVIA.

## GROSS REVENUE

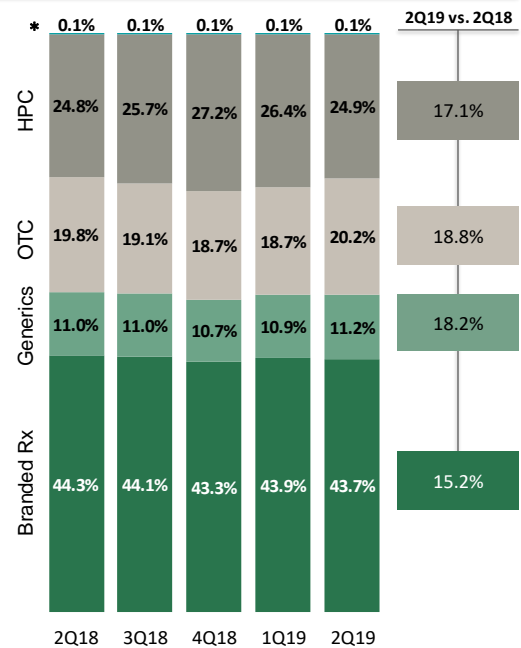
Our gross revenue totaled R\$ 4,440.7 million, a 17.1% increase. RD Pharmacies grew 16.7%, while 4Bio grew 24.9%. We posted a strong recovery in Generics, which grew 18.2% and gained 0.2 percentage point in the mix, driven by significant volume growth as a result of our investments in pricing. OTC grew 18.8% and gained 0.4 percentage point in the sales mix, while HPC grew 17.1% with a 0.1 percentage point increase in the mix. Finally, Branded Rx grew 15.2%, losing 0.6 percentage point in the sales mix.

Consolidated Gross Revenue

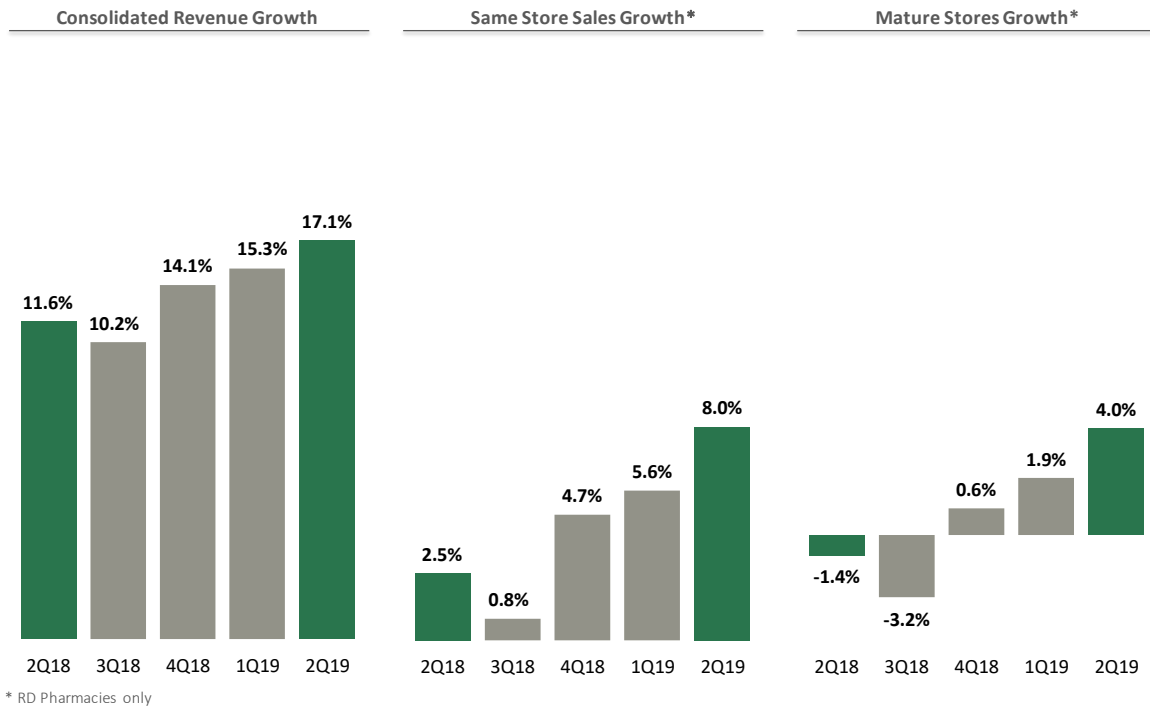


\* Services.

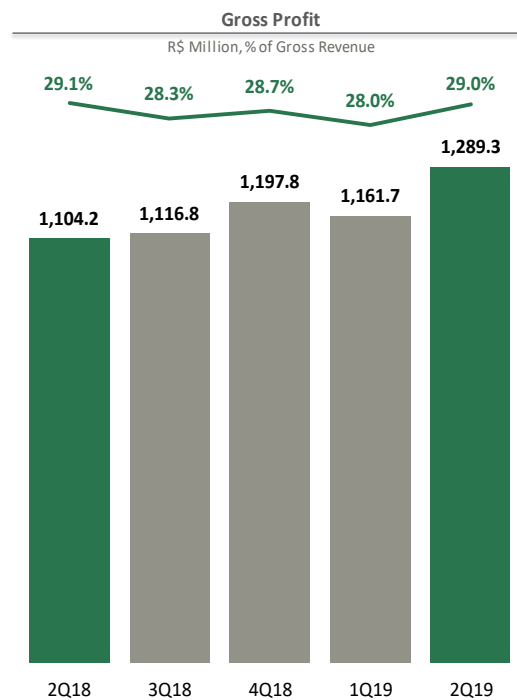
Retail Sales Mix



Our same store sales growth accelerated to 8.0%, while our mature stores growth accelerated to 4.0%, a real growth of 0.6% and a significant improvement over the previous quarters. We recorded a 0.6% positive impact in revenues from easier comps in 2Q18 due to the FIFA World Cup, which was partially offset by a negative calendar effect of 0.1% in the quarter.



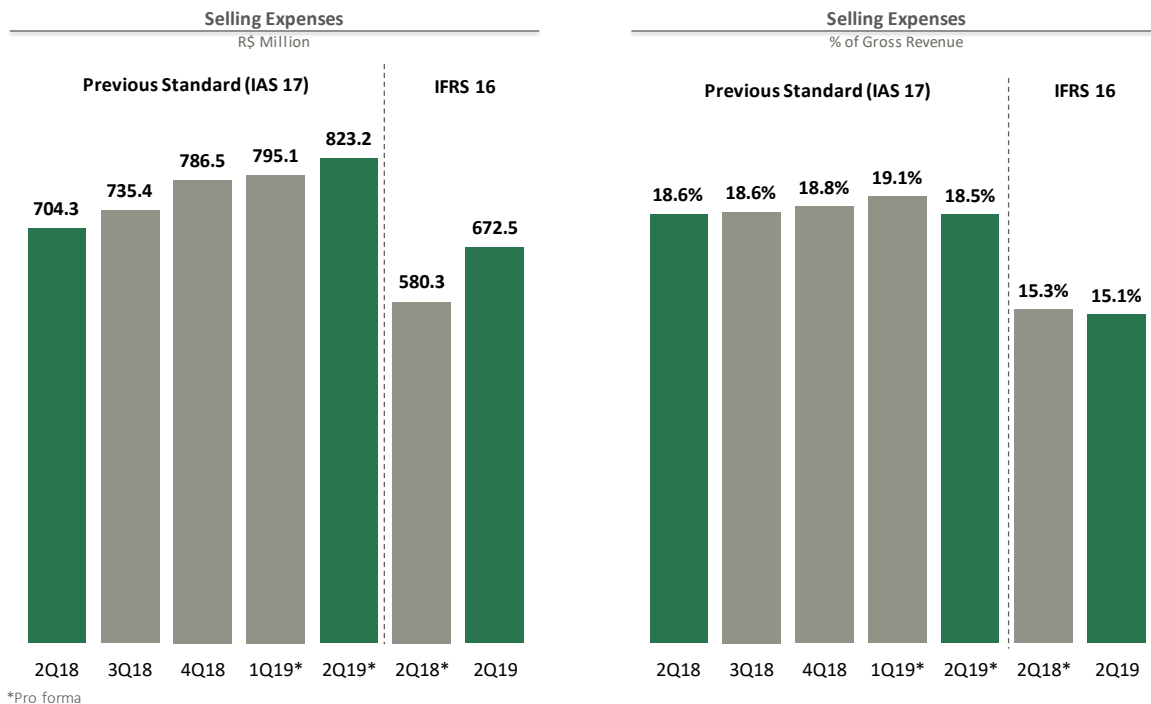
## GROSS PROFIT



Our gross margin reached 29.0%, a 0.1 percentage point pressure. We have recorded a 0.1 percentage point pressure from 4Bio, due to its negative mix effect, while our retail margin remained constant. We recorded a 0.3 percentage point retail margin pressure due to our aggressive generics pricing implemented throughout 2018, which has been instrumental to accelerate our revenue growth, and a pressure of 0.1 percentage point due to NPV adjustment. These pressures were fully offset by the inflationary gains on pharmaceutical inventories arising from the annual price cap increase.

## SELLING EXPENSES

In the 2Q19, selling expenses totaled R\$ 823.2 million, equivalent to 18.5% of gross revenue, a 0.1 percentage point dilution compared to the same quarter of the previous year.



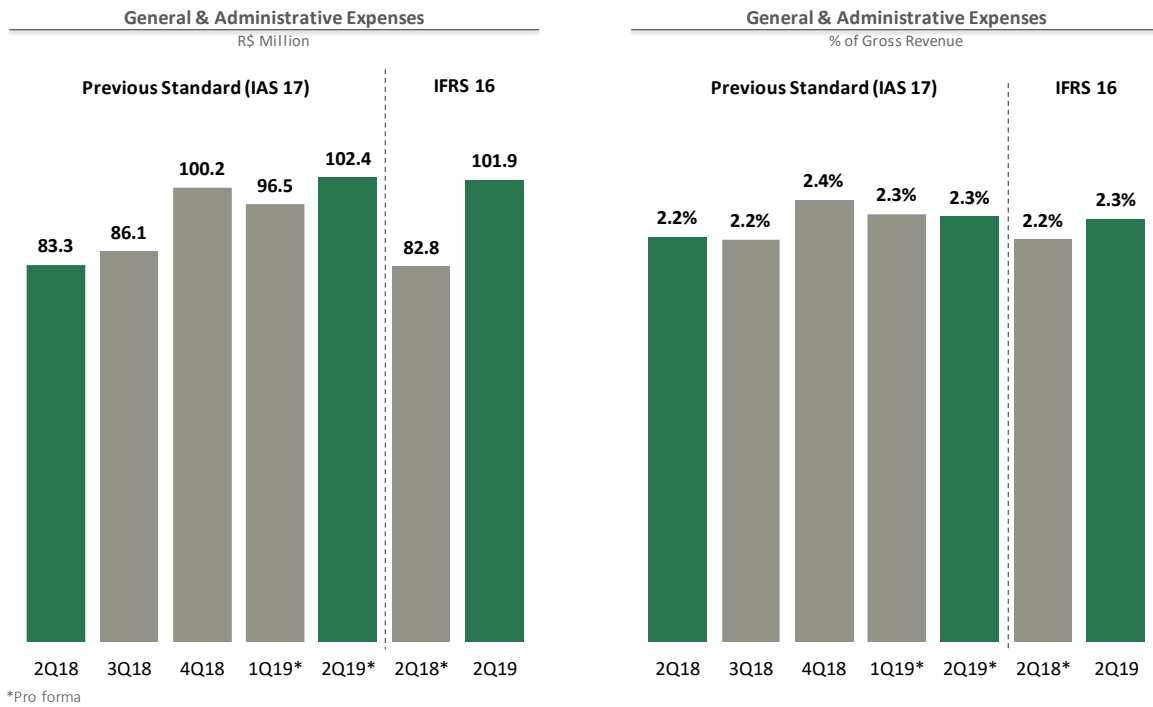
Personnel, acquiring, pre-operating and other expenses recorded a dilution of 0.1 percentage point each. Also, we recorded a 0.1 percentage point dilution from 4Bio. On the other hand, rentals and logistics pressured by 0.2 percentage point each. These pressures were driven by the acceleration of the IGP-M in the last twelve months, which totaled 6,5% and pressured our rentals, as well as by the pre-operating expenses related to the opening of our new DC in Guarulhos (SP), scheduled for the 2H19, and to the incremental freight expenses from our expansion into Pará.

Considering IFRS 16, selling expenses totaled R\$ 672.5 million, equivalent to 15.1% of gross revenue a 0.2 percentage point dilution when compared to the same quarter of the previous year.

## GENERAL & ADMINISTRATIVE EXPENSES

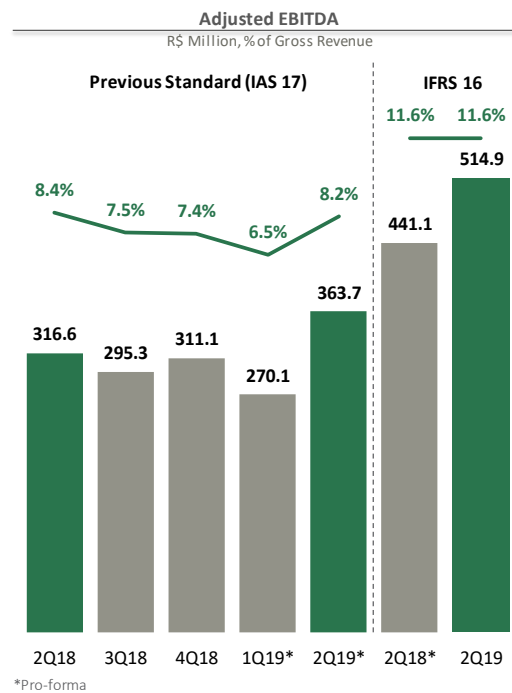
G&A expenses amounted to R\$ 102.4 million in the 2Q19, equivalent to 2.3% of gross revenue and a 0.1 percentage point pressure over the 2Q18. This pressure was mainly driven by higher consulting expenses to support the development of our digital strategy.

Considering IFRS 16, G&A expenses amounted to R\$ 101.9 million in the 2Q19, equivalent to 2.3% of gross revenue and a 0.1 percentage point pressure over the same period of 2018.



## EBITDA

Our adjusted EBITDA reached R\$ 363.7 million in the quarter, an increase of 14.9%, with a margin of 8.2% and a 0.2 percentage point pressure over the same period of last year.



New stores opened in the year, as well as those in the opening process, reduced the EBITDA by R\$ 5.8 million. Therefore, considering only the 1,808 stores in operation since the end of 2018 and the full absorption of logistics, general and administrative expenses by such stores, our EBITDA would have totaled R\$ 369.5 million, equivalent to a margin of 8.5% over gross revenue.

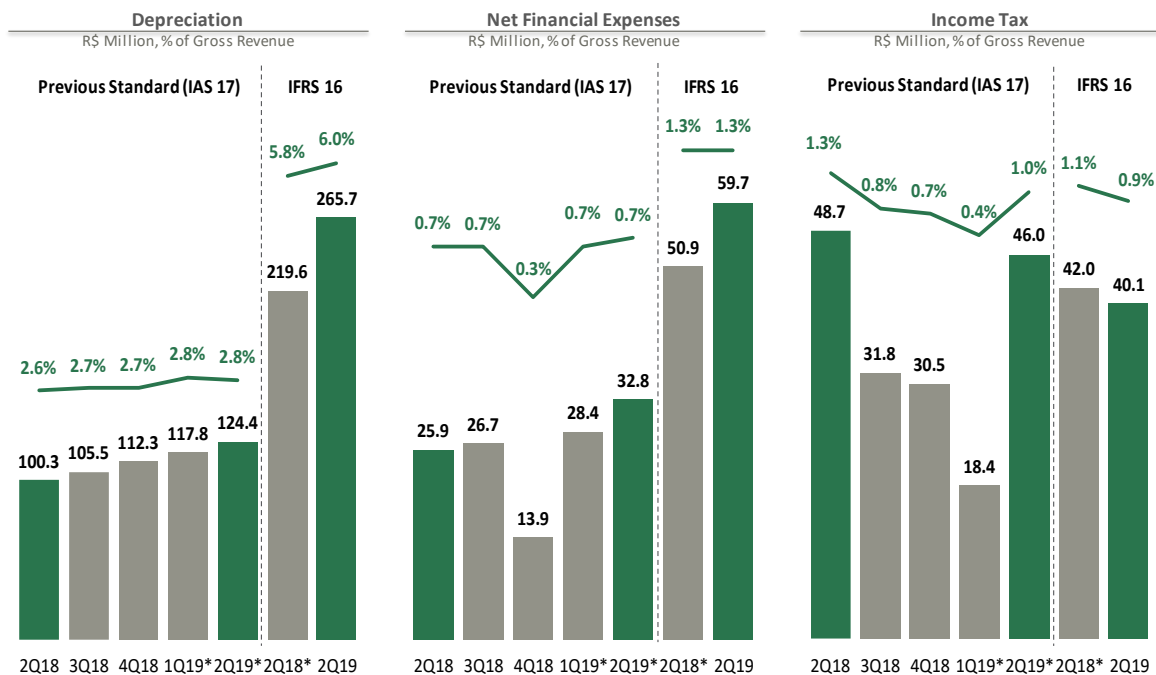
RD Pharmacies reached an adjusted EBITDA of R\$ 358.4, an increase of 15.2%, a margin of 8.5% in the 2Q19 and a 0.1 percentage point pressure over the same period of last year. Finally, 4Bio reached an EBITDA of R\$ 5.3 million and a margin of 2.4%, a 0.7 percentage point margin pressure.

Considering the IFRS 16, our adjusted EBITDA reached R\$ 514.9 million in the quarter. Our EBITDA margin totaled 11.6%, in line with the 2Q18. The margin pressure considering IFRS 16 standard is lower due to the exclusion of fixed rental expenses from the operating result.

In the 2Q19 we recorded R\$ 13.9 million in non-recurring/non-operating expenses, of which R\$7.8 million were due to the relocation of our distribution center in Barra Mansa (RJ), which will result in lower operating costs (R\$7.1 million under the IFRS 16 due to the exclusion of fixed rental expenses). In addition, we recorded R\$ 5.5 million in consulting, advisory and restructuring expenses, mostly due to the integration of Onofre. Finally, we recorded R\$ 0.6 million due to asset write-offs related to store closures.

| EBITDA Reconciliation<br>(R\$ million)              | IAS 17       |              | IFRS 16      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2Q18         | 2Q19         | 2Q18         | 2Q19         |
| <b>Net Income</b>                                   | <b>137.7</b> | <b>151.3</b> | <b>124.5</b> | <b>140.7</b> |
| (+) Income Tax                                      | 46.6         | 41.3         | 39.9         | 35.6         |
| (+) Financial Result                                | 25.9         | 32.8         | 50.9         | 59.7         |
| <b>EBIT</b>   | <b>210.1</b> | <b>225.4</b> | <b>215.3</b> | <b>236.1</b> |
| (+) Depreciation and Amortization                   | 100.3        | 124.4        | 219.6        | 265.7        |
| <b>EBITDA</b>                                       | <b>310.4</b> | <b>349.8</b> | <b>434.9</b> | <b>501.8</b> |
| (+) Asset Write-off                                 |              | 0.6          |              | 0.6          |
| (+) Consulting, Advisory and Restructuring Expenses | 9.6          | 5.5          | 9.6          | 5.5          |
| (-) Non-recurring tax credits                       | (3.3)        |              | (3.3)        |              |
| (+) Distribution Center Closure - Barra Mansa       |              | 7.8          |              | 7.1          |
| <b>Total Non-recurring / Non-operating Expenses</b> | <b>6.2</b>   | <b>13.9</b>  | <b>6.2</b>   | <b>13.1</b>  |
| <b>Adjusted EBITDA</b>                              | <b>316.6</b> | <b>363.7</b> | <b>441.1</b> | <b>514.9</b> |

## DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES



\*Pro forma

Depreciation expenses amounted to R\$ 124.4 million in the 2Q19, equivalent to 2.8% of gross revenue, a 0.2 percentage point increase reflecting a higher Capex due to the opening of the Guarulhos (SP) distribution center. Considering the IFRS 16, Depreciation totaled R\$ 265.7 million, equivalent to 6.0% of gross revenue, a 0.2 percentage point increase.

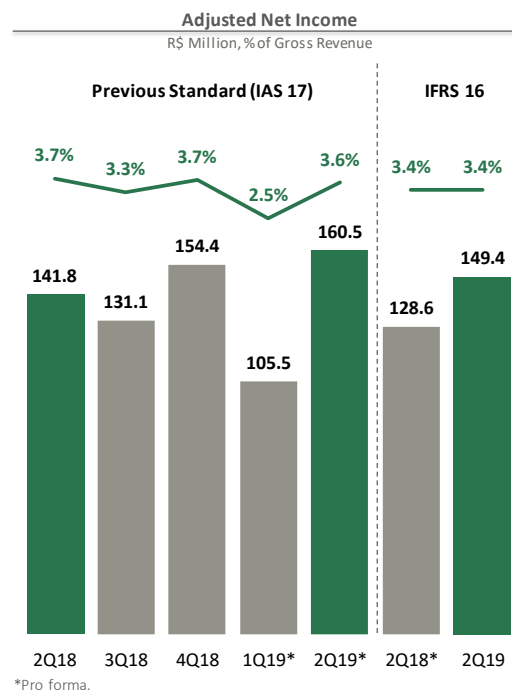
Net Financial expenses represented 0.7% of gross revenue, in line with the 2Q18. Of the R\$ 32.8 million recorded in the quarter, R\$ 12.9 million refers to the NPV adjustment while other R\$ 0.9 million refers to interest on the option to acquire the remaining 45% of 4Bio in 2021. Excluding the NPV adjustments and the expenses related to the option to acquire 4Bio, the interest accrued on net debt amounted to R\$ 18.9 million in the 2Q19, equivalent to 0.4 percentage point of gross revenue and a 0.1 percentage point pressure when compared to the 2Q18. Under the IFRS 16, net financial expenses totaled R\$ 59.7 million, in line with the 2Q18.

Finally, we booked R\$ 46.0 million in income taxes, equivalent to 1.0% of gross revenue, a 0.3 percentage point dilution. It is worth mentioning that we have recorded a tax reduction of R\$ 4.5 million related to the deduction of state investment subventions from the income tax base.

Under the IFRS 16, accrued income taxes totaled R\$ 40.1 million, equivalent to 0.9% of gross revenue, a 0.2 percentage point dilution. We highlight that IFRS 16 does not change the effective tax base, and the mismatch between the “cash” and the accrued income taxes is recorded on the balance sheet as a deferred asset.

## NET INCOME

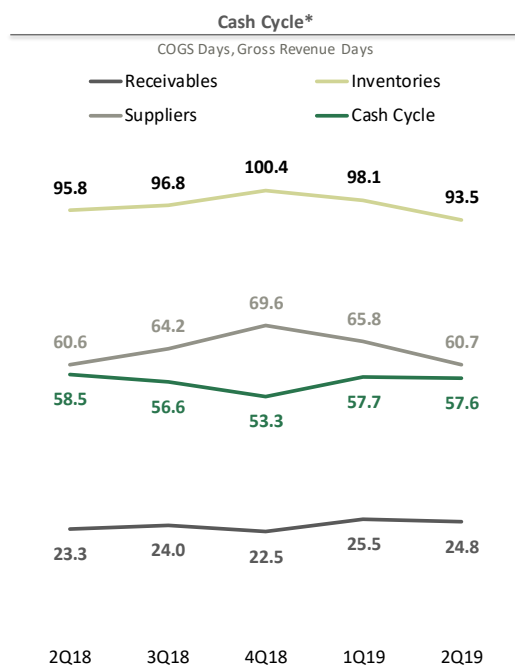
The adjusted net income totaled R\$ 160.5 million in the quarter, a 13.2% increase over the same period of the previous year. We achieved a net margin of 3.6%, a 0.1 percentage point pressure over the 2Q18. Under the IFRS 16, net income totaled R\$ 149.4 million, a net margin of 3.4% and in line with the 2Q18.



## CASH CYCLE

Our cash cycle in the 2Q19 was 0.9 day lower when compared to the same period of the previous year. Inventories decreased by 2.3 days while accounts payable increased by 0.1 day. Lastly, receivables increased by 1.5 day reflecting an unfavorable calendar in the end of June when compared to the same period of 2018.





\* Adjusted for discounted receivables.

## CASH FLOW

In the 2Q19, we recorded a free cash flow of R\$ 42.9 million, and a negative total cash flow of R\$ 52.9 million.

| Cash Flow   | IAS 17         |                | IFRS 16        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2Q19           | 2Q18           | 2Q19           | 2Q18           |
| <i>(R\$ million)</i>  |                |                |                |                |
| <b>Adjusted EBIT</b>  | <b>239.2</b>   | <b>216.4</b>   | <b>249.2</b>   | <b>221.5</b>   |
| NPV Adjustment  | (10.7)         | (12.6)         | (10.7)         | (12.6)         |
| Non-Recurring Expenses  | (13.9)         | (6.2)          | (13.9)         | (6.2)          |
| Income Tax (34%)  | (73.0)         | (67.2)         | (76.4)         | (68.9)         |
| Depreciation  | 124.4          | 100.3          | 265.7          | 219.6          |
| Rental Expenses   | -              | -              | (151.9)        | (124.5)        |
| Others  | (2.3)          | (0.2)          | 1.8            | 1.6            |
| <b>Resources from Operations</b>  | <b>263.8</b>   | <b>230.5</b>   | <b>263.8</b>   | <b>230.5</b>   |
| Cash Cycle*   | (133.5)        | (169.9)        | (133.5)        | (169.9)        |
| Other Assets (Liabilities)**  | 71.2           | 37.8           | 71.2           | 37.8           |
| <b>Operating Cash Flow</b>  | <b>201.6</b>   | <b>98.4</b>    | <b>201.6</b>   | <b>98.4</b>    |
| <b>Investments</b>  | <b>(158.7)</b> | <b>(166.1)</b> | <b>(158.7)</b> | <b>(166.1)</b> |
| <b>Free Cash Flow</b>   | <b>42.9</b>    | <b>(67.7)</b>  | <b>42.9</b>    | <b>(67.7)</b>  |
| Interest on Equity  | (92.4)         | (87.1)         | (92.4)         | (87.1)         |
| Income Tax Paid over Interest on Equity                                 | (8.5)          | (7.1)          | (8.5)          | (7.1)          |
| Net Financial Expenses***   | (19.8)         | (14.2)         | (19.8)         | (14.2)         |
| Income Tax (Tax benefit over financial expenses and interest on equity) | 24.9           | 22.0           | 24.9           | 22.0           |
| <b>Total Cash Flow</b>  | <b>(52.9)</b>  | <b>(154.1)</b> | <b>(52.9)</b>  | <b>(154.1)</b> |

\*Includes adjustments for discounted receivables.

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

\*\*\*Excludes NPV adjustments and Interest over Leases.

Resources from operations amounted to R\$ 263.8 million, equivalent to 5.9% of gross revenue, while we recorded a working capital investment of R\$ 62.3 million (including adjustments for discounted receivables), amounting to a total operating cash flow of R\$ 201.6 million.

Of the R\$ 158.7 million invested in the quarter, R\$ 90.9 million corresponded to new store openings, R\$ 23.8 million to the renovation or expansion of existing stores and R\$ 44.0 million to investments in infrastructure.

Net financial expenses totaled R\$ 19.8 million in the quarter, excluding NPV adjustments. These were more than fully offset by the R\$ 24.9 million tax shield related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid in the following quarters.

We accrued R\$ 53.5 million in interest on equity in the 2Q19, reflecting a payout of 35.4%, through the full usage of the legal interest on equity limit.

## INDEBTEDNESS

At the end of the quarter, we recorded an adjusted net financial debt position of R\$ 990.8 million, versus R\$ 682.9 million recorded in the same period of 2018. The Adjusted Net Debt to EBITDA totaled 0.8x, 0.2x higher than the same period of last year due to the significant investment undertaken over the last twelve months.

This net financial debt includes R\$ 38.2 million in liability related to the exercise of the put option granted and/or call option obtained for the acquisition of the remaining 45% minority stake of 4Bio. This liability reflects the estimated valuation of 4Bio as of December 2018, assuming the pre-agreed multiple, the average forecasted annual EBITDA for 2019 and 2020 and the forecasted net debt for 2020 as stipulated in the acquisition contracts. This estimate will be revisited annually to reflect changes in the financial outlook of 4Bio.

| Net Debt                                    | 2Q18         | 3Q18         | 4Q18         | 1Q19           | 2Q19         |
|---|--------------|--------------|--------------|----------------|--------------|
| <i>(R\$ million)</i>                        |              |              |              |                |              |
| Short-term Debt                             | 227.2        | 237.2        | 272.9        | 280.8          | 274.7        |
| Long-term Debt                              | 684.4        | 665.9        | 570.2        | 797.5          | 705.0        |
| <b>Total Gross Debt</b>                     | <b>911.6</b> | <b>903.1</b> | <b>843.1</b> | <b>1,078.3</b> | <b>979.7</b> |
| (-) Cash and Equivalents                    | 281.3        | 273.6        | 241.6        | 243.6          | 145.4        |
| <b>Net Debt</b>                             | <b>630.4</b> | <b>629.6</b> | <b>601.6</b> | <b>834.7</b>   | <b>834.3</b> |
| Discounted Receivables                      | 2.3          | 0.2          | 97.0         | 65.9           | 118.3        |
| Put/Call option to acquire 4Bio (estimated) | 50.2         | 51.7         | 36.4         | 37.3           | 38.2         |
| <b>Adjusted Net Debt</b>                    | <b>682.9</b> | <b>681.5</b> | <b>735.0</b> | <b>937.9</b>   | <b>990.8</b> |
| Adjusted Net Debt / EBITDA                  | 0.6x         | 0.6x         | 0.6x         | 0.8x           | 0.8x         |

Our gross financial debt totaled R\$ 979.7 million, of which 13.6% correspond to BNDES (Brazilian Economic and Social Development Bank) lines, 82.7% correspond to the debentures issued on April 2017 and 2018 as well as our recently issued Certificate of Real Estate Receivables, and 3.7% corresponds to other debts. Of our total debt, 74.0% is long-term, while 26.0% relates to its short-term parcels. We ended the quarter with a total cash position (cash and marketable securities) of R\$ 145.4 million.

Under the IFRS 16, we have also recognized an additional liability of R\$ 3,619.2 million in both current and non-current lease obligations. It is important to mention that under Brazilian real estate law, any normal lease contract can be unilaterally rescinded by the Company by paying the landlord a compensation equivalent of 3 months of rental.

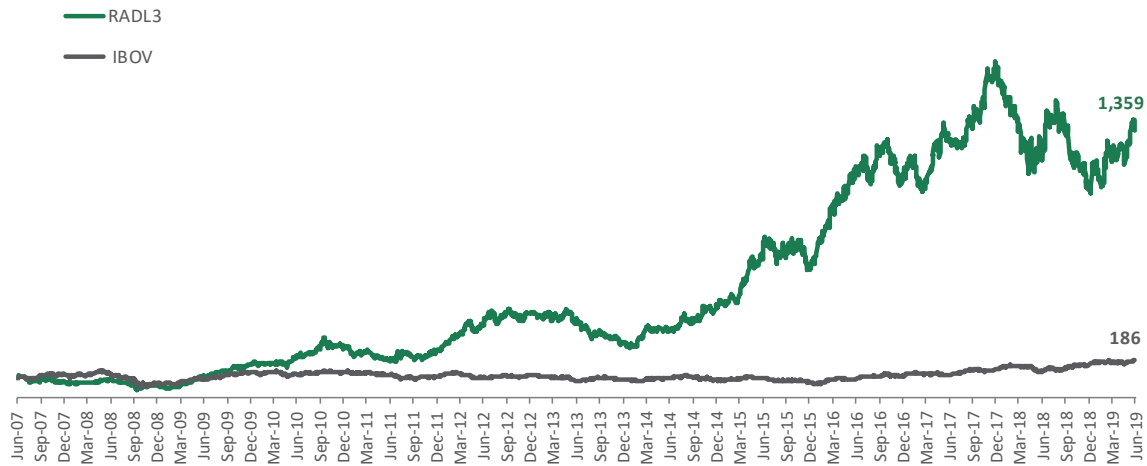
Finally, in July 2019, we raised R\$ 300 million in the Company's fourth Debenture issuance. The emission was made under a single tranche with an 8-year maturity (amortization in the last two years) and cost of 106.99% of CDI.

## TOTAL SHAREHOLDER RETURN

Our share price increased by 16.5% in the 2Q19 versus a 5.8% increase of the Ibovespa. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,258.9% versus a return of only 85.6% for the Ibovespa. Considering the IPO of Raia in December of 2010, the cumulative return amounted to 422.4% versus an increase of only 48.5% of the Ibovespa. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 26.2%.

We recorded an average daily trading volume of R\$ 71.2 million in the quarter.

### Share Appreciation



### CONCLUSION OF ONOFRE'S ACQUISITION AND INCORPORATION INTO RD

On July 1<sup>st</sup> 2019, we concluded the acquisition of Drogaria Onofre Ltda., which became a full subsidiary of RD. On August 1<sup>st</sup>, Onofre was incorporated into RD following the approval by our general assembly. As a result, Onofre's financial statements for the month of July will be consolidated, while from August onwards, Onofre becomes part of RD's financial statements.

The transaction has a significant value creation potential, since we had no cash disbursement for acquiring Onofre, and as we expect to extract relevant synergies by plugging its strong and complementary store portfolio and e-commerce business into our existing structure, thus allowing us to leverage our buying terms, institutional partnerships managed by *Univers*, logistics and IT infrastructures, corporate support, brand awareness and management model. As a result, we expect a significant profitability increase with only marginal investments required (an average of R\$ 250 thousand for each store converted to Raia or Drogasil).

Onofre already has a healthy level of revenues per store, in line with the average of Abrafarma, but we believe we can enhance its performance to RD's average revenue and profitability standards. In the first week of July, we closed 8 underperforming or redundant stores as part of our portfolio optimization. Already in August 1<sup>st</sup>, the day of Onofre's incorporation, we migrated its 42 remaining stores into RD's platform and absorbed the full store staff into our teams. The stores are being rebranded as Droga Raia or Drogasil, and both their product mix and inventory levels will be enhanced, a process which will be concluded in the coming months.

Onofre will remain as a pure-play-e-commerce brand, leveraging our scale, geographic presence and existing infrastructure to become a price leader in the market, with local deliveries on a national level. We are in the process of enhancing our e-commerce platform and of preparing our fulfillment structure to absorb Onofre's e-commerce operations, which will happen by the end of October. As a result, the full integration of Onofre will be finished within 2019, including the closure of its corporate headquarters, distribution center and fulfillment sites, as well as the full shutdown of its operations.

Onofre projects R\$ 100 million in negative annual EBITDA, a loss that we expect to revert by December through the integration synergies. On the other hand, RD had no disbursement for its acquisition. Additionally, Onofre has a total working capital of R\$ 124.5 million, including cash reserves, with significant release potential, as well as R\$ 30 million in properties, tax assets which exceed the expected contingencies and fixed assets in its headquarters, distribution centers and discontinued stores which will be redeployed to minimize RD's future CAPEX. Finally, the company has no financial liabilities and is fully insulated from the existing arbitrage proceedings with its former owners, since any potential payments will be borne exclusively by CVS Health and are fully collateralized.

While we expect that the negative EBITDA will be reverted by the end of 2019, we forecast that the integration of Onofre will pressure our profitability in the 2H19. Notwithstanding, we believe that the resulting cash pressure from its negative operating margin, as well as from the integration expenses and investments, will be more than offset by its own existing assets and will likely generate a cash surplus. Finally, it is important to mention that the integration expenses and the negative performance by the stores and by the e-commerce operation before their respective integration into RD's operations will be adjusted from our financial statements.

Finally, Onofre's acquisition will allow us to enhance our capabilities, such as in digital marketing, improved call-center management, in-store health clinics, manufacturer services and in store signaling solutions, among others. Therefore, we are absorbing the teams behind those competences to strengthen our corporate structure and execution.

| Consolidated Adjusted Income Statement<br>(R\$ thousand) | IAS 17           |                  | IFRS 16          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2Q18             | 2Q19             | 2Q18             | 2Q19             |
| <b>Gross Revenue</b>                                     | <b>3,791,578</b> | <b>4,440,683</b> | <b>3,791,578</b> | <b>4,440,683</b> |
| Taxes, Discounts and Returns                             | (177,589)        | (215,189)        | (177,589)        | (215,189)        |
| <b>Net Revenue</b>                                       | <b>3,613,989</b> | <b>4,225,494</b> | <b>3,613,989</b> | <b>4,225,494</b> |
| Cost of Goods Sold                                       | (2,509,790)      | (2,936,209)      | (2,509,790)      | (2,936,209)      |
| <b>Gross Profit</b>                                      | <b>1,104,199</b> | <b>1,289,285</b> | <b>1,104,199</b> | <b>1,289,285</b> |
| Operating (Expenses) Revenues                            |                  |                  |                  |                  |
| Selling  | (704,268)        | (823,210)        | (580,318)        | (672,510)        |
| General and Administrative                               | (83,283)         | (102,388)        | (82,775)         | (101,899)        |
| Other Operating Expenses, Net                            |                  |                  |                  |                  |
| <b>Operating Expenses</b>                                | <b>(787,552)</b> | <b>(925,598)</b> | <b>(663,092)</b> | <b>(774,410)</b> |
| <b>EBITDA</b>  | <b>316,648</b>   | <b>363,688</b>   | <b>441,107</b>   | <b>514,876</b>   |
| Depreciation and Amortization                            | (100,268)        | (124,442)        | (219,584)        | (265,709)        |
| <b>Operating Earnings before Financial Results</b>       | <b>216,380</b>   | <b>239,245</b>   | <b>221,523</b>   | <b>249,166</b>   |
| Financial Expenses                                       | (44,199)         | (48,678)         | (69,235)         | (75,569)         |
| Financial Revenue  | 18,336           | 15,903           | 18,336           | 15,903           |
| <b>Financial Expenses/Revenue</b>                        | <b>(25,863)</b>  | <b>(32,776)</b>  | <b>(50,899)</b>  | <b>(59,666)</b>  |
| <b>Earnings before Income Tax and Social Charges</b>     | <b>190,517</b>   | <b>206,469</b>   | <b>170,623</b>   | <b>189,500</b>   |
| Income Tax and Social Charges                            | (48,742)         | (45,983)         | (41,975)         | (40,099)         |
| <b>Net Income</b>  | <b>141,775</b>   | <b>160,486</b>   | <b>128,648</b>   | <b>149,401</b>   |

**Consolidated Income Statement**  
(R\$ thousand)

|  | IAS 17           |                  | IFRS 16          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2Q18             | 2Q19             | 2Q18             | 2Q19             |
| <b>Gross Revenue</b>                                 | <b>3,791,578</b> | <b>4,440,683</b> | <b>3,791,578</b> | <b>4,440,683</b> |
| Taxes, Discounts and Returns                         | (177,589)        | (215,189)        | (177,589)        | (215,189)        |
| <b>Net Revenue</b>                                   | <b>3,613,989</b> | <b>4,225,494</b> | <b>3,613,989</b> | <b>4,225,494</b> |
| Cost of Goods Sold                                   | (2,509,790)      | (2,936,209)      | (2,509,790)      | (2,936,209)      |
| <b>Gross Profit</b>                                  | <b>1,104,199</b> | <b>1,289,285</b> | <b>1,104,199</b> | <b>1,289,285</b> |
| Operating (Expenses) Revenues                        |                  |                  |                  |                  |
| Selling  | (704,268)        | (823,210)        | (580,318)        | (672,510)        |
| General and Administrative                           | (83,283)         | (102,388)        | (82,775)         | (101,899)        |
| Other Operating Expenses, Net                        | (6,240)          | (13,867)         | (6,240)          | (13,116)         |
| <b>Operating Expenses</b>                            | <b>(793,791)</b> | <b>(939,465)</b> | <b>(669,332)</b> | <b>(787,526)</b> |
| <b>EBITDA</b>  | <b>310,408</b>   | <b>349,821</b>   | <b>434,867</b>   | <b>501,760</b>   |
| Depreciation and Amortization                        | (100,268)        | (124,442)        | (219,584)        | (265,709)        |
| <b>Operating Earnings before Financial Results</b>   | <b>210,140</b>   | <b>225,378</b>   | <b>215,283</b>   | <b>236,050</b>   |
| Financial Expenses                                   | (44,199)         | (48,678)         | (69,235)         | (75,569)         |
| Financial Revenue                                    | 18,336           | 15,903           | 18,336           | 15,903           |
| <b>Financial Expenses/Revenue</b>                    | <b>(25,863)</b>  | <b>(32,776)</b>  | <b>(50,899)</b>  | <b>(59,666)</b>  |
| <b>Earnings before Income Tax and Social Charges</b> | <b>184,277</b>   | <b>192,602</b>   | <b>164,384</b>   | <b>176,384</b>   |
| Income Tax and Social Charges                        | (46,621)         | (41,269)         | (39,854)         | (35,639)         |
| <b>Net Income</b>                                    | <b>137,656</b>   | <b>151,334</b>   | <b>124,530</b>   | <b>140,745</b>   |

| Assets<br>(R\$ thousand)      | IAS 17           |                  | IFRS 16           |                   |
|-------------------------------|------------------|------------------|-------------------|-------------------|
|                               | 2Q18             | 2Q19             | 2Q18              | 2Q19              |
| <b>Current Assets</b>         |                  |                  |                   |                   |
| Cash and Cash Equivalents     | 281,255          | 145,387          | 281,255           | 145,387           |
| Accounts Receivable           | 967,282          | 1,092,726        | 967,282           | 1,092,726         |
| Inventories                   | 2,640,798        | 3,016,387        | 2,640,798         | 3,016,387         |
| Taxes Receivable              | 66,874           | 104,623          | 66,884            | 104,662           |
| Other Accounts Receivable     | 134,342          | 192,867          | 134,209           | 192,722           |
| Anticipated Expenses          | 35,179           | 41,118           | 35,179            | 41,118            |
|                               | <u>4,125,731</u> | <u>4,593,108</u> | <u>4,125,607</u>  | <u>4,593,003</u>  |
| <b>Non-Current Assets</b>     |                  |                  |                   |                   |
| Deposit in Court              | 33,399           | 26,034           | 33,399            | 26,034            |
| Taxes Receivable              | 36,126           | 54,937           | 36,126            | 54,937            |
| Other Credits                 | 2,599            | 2,009            | 1,875             | 1,456             |
| Property, Plant and Equipment | 1,368,359        | 1,659,838        | 4,767,166         | 5,218,832         |
| Intangible                    | 1,193,602        | 1,204,452        | 1,193,602         | 1,204,452         |
|                               | <u>2,634,085</u> | <u>2,947,270</u> | <u>6,032,168</u>  | <u>6,505,711</u>  |
| <b>ASSETS</b>                 | <u>6,759,816</u> | <u>7,540,378</u> | <u>10,157,775</u> | <u>11,098,714</u> |

| Liabilities and Shareholder's Equity<br>(R\$ thousand) | IAS 17           |                  | IFRS 16           |                   |
|--|------------------|------------------|-------------------|-------------------|
|  | 2Q18             | 2Q19             | 2Q18              | 2Q19              |
| <b>Current Liabilities</b>                             |                  |                  |                   |                   |
| Suppliers  | 1,670,111        | 1,959,370        | 1,670,111         | 1,959,370         |
| Financial Leases Payable                               | 0                | 0                | 506,161           | 523,835           |
| Loans and Financing                                    | 227,242          | 274,744          | 227,242           | 274,744           |
| Salaries and Social Charges Payable                    | 254,223          | 298,981          | 254,223           | 298,981           |
| Taxes Payable  | 83,200           | 132,658          | 83,200            | 132,658           |
| Dividend and Interest on Equity                        | 89,932           | 96,150           | 89,932            | 96,150            |
| Provision for Lawsuits                                 | 1,060            | 9,583            | 1,060             | 9,583             |
| Other Accounts Payable                                 | 112,332          | 128,920          | 89,345            | 101,820           |
|  | <u>2,438,100</u> | <u>2,900,407</u> | <u>2,921,275</u>  | <u>3,397,143</u>  |
| <b>Non-Current Liabilities</b>                         |                  |                  |                   |                   |
| Loans and Financing                                    | 684,376          | 704,966          | 684,376           | 704,966           |
| Financial Leases Payable                               | 0                | 0                | 2,952,504         | 3,095,336         |
| Provision for Lawsuits                                 | 6,090            | 36,990           | 6,090             | 36,990            |
| Income Tax and Social Charges deferred                 | 255,521          | 240,169          | 242,699           | 228,520           |
| Other Accounts Payable                                 | 61,069           | 44,533           | 61,069            | 44,533            |
|  | <u>1,007,056</u> | <u>1,026,659</u> | <u>3,946,738</u>  | <u>4,110,346</u>  |
| <b>Shareholder's Equity</b>                            |                  |                  |                   |                   |
| Common Stock   | 1,808,639        | 2,500,000        | 1,808,639         | 2,500,000         |
| Capital Reserves                                       | 110,346          | 122,833          | 110,346           | 122,833           |
| Revaluation Reserve                                    | 12,109           | 11,935           | 12,109            | 11,935            |
| Income Reserves  | 1,228,149        | 830,713          | 1,228,149         | 830,713           |
| Accrued Income   | 156,256          | 138,837          | 131,367           | 116,785           |
| Equity Adjustments                                     | (30,230)         | (30,230)         | (30,230)          | (30,230)          |
| Non Controller Interest                                | 29,392           | 39,224           | 29,383            | 39,189            |
|  | <u>3,314,660</u> | <u>3,613,312</u> | <u>3,289,763</u>  | <u>3,591,225</u>  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>            | <u>6,759,816</u> | <u>7,540,378</u> | <u>10,157,775</u> | <u>11,098,714</u> |

|   | IAS 17           |                  | IFRS 16          |
|---|------------------|------------------|------------------|
|   | 2Q18             | 2Q19             | 2Q19             |
| <b>Cash Flow</b><br><i>(R\$ thousand)</i>                       |                  |                  |                  |
| <b>Earnings before Income Tax and Social Charges</b>            | <b>184,277</b>   | <b>192,602</b>   | <b>176,384</b>   |
| <b>Adjustments</b>  |                  |                  |                  |
| Depreciation and Amortization                                   | 100,268          | 124,442          | 265,709          |
| Compensation plan with restricted shares, net                   | 2,872            | 3,319            | 3,320            |
| Interest over additional stock option                           | 1,386            | 905              | 904              |
| P,P&E and Intangible Assets residual value                      | 2,734            | (3,019)          | 566              |
| Provisioned Lawsuits  | (3,703)          | (4,026)          | (4,026)          |
| Provisioned Inventory Loss                                      | 576              | 1,222            | 1,222            |
| Provision for Doubtful Accounts                                 | (2,013)          | 170              | 170              |
| Provisioned Store Closures                                      | (636)            | 0                | 0                |
| Interest Expenses   | 15,382           | 16,264           | 16,264           |
| Debt Issuance Costs Amortization                                | 542              | 736              | 735              |
| Interest Expenses - Financial Leases                            | 0                | 0                | 26,891           |
|   | <b>301,685</b>   | <b>332,616</b>   | <b>488,139</b>   |
| <b>Assets and Liabilities variation</b>                         |                  |                  |                  |
| Clients and Other Accounts Receivable                           | 1,454            | (10,118)         | (10,360)         |
| Inventories   | (14,301)         | (9,371)          | (9,371)          |
| Other Short Term Assets   | (1,004)          | 9,430            | 9,394            |
| Long Term Assets  | (4,379)          | (3,018)          | (4,143)          |
| Suppliers   | (163,926)        | (61,636)         | (61,636)         |
| Salaries and Social Charges                                     | 48,966           | 59,139           | 59,139           |
| Taxes Payable   | (26,049)         | (13,179)         | (13,179)         |
| Other Liabilities   | (539)            | (10,039)         | (10,933)         |
| Rents Payable   | (754)            | 609              | 2,373            |
| <b>Cash from Operations</b>                                     | <b>141,153</b>   | <b>294,433</b>   | <b>449,423</b>   |
| Interest Paid   | (13,542)         | (2,733)          | (23,103)         |
| Income Tax and Social Charges Paid                              | (31,561)         | (25,997)         | (25,997)         |
| Interest Paid - Financial Leases                                | 0                | 0                | (26,891)         |
| <b>Net Cash from (invested) Operational Activities</b>          | <b>96,050</b>    | <b>265,703</b>   | <b>373,432</b>   |
| <b>Investment Activities Cash Flow</b>                          |                  |                  |                  |
| P,P&E and Intangible Acquisitions                               | (166,097)        | (158,738)        | (162,105)        |
| P,P&E Sale Payments   | 7                | 50               | 50               |
| <b>Net Cash from Investment Activities</b>                      | <b>(166,090)</b> | <b>(158,688)</b> | <b>(162,055)</b> |
| <b>Financing Activities Cash Flow</b>                           |                  |                  |                  |
| Funding   | 400,002          | 89,169           | 89,170           |
| Payments  | (64,269)         | (202,015)        | (181,644)        |
| Interest on Equity and Dividends Paid                           | (87,114)         | (92,378)         | (92,378)         |
| Financial Lease Payments  | 0                | 0                | (124,735)        |
| <b>Net Cash from Funding Activities</b>                         | <b>248,619</b>   | <b>(205,224)</b> | <b>(309,587)</b> |
| <b>Cash and Cash Equivalents net increase</b>                   | <b>178,579</b>   | <b>(98,209)</b>  | <b>(98,209)</b>  |
| <b>Cash and Cash Equivalents in the beginning of the period</b> | <b>102,675</b>   | <b>243,596</b>   | <b>243,596</b>   |
| <b>Cash and Cash Equivalents in the end of the period</b>       | <b>281,254</b>   | <b>145,387</b>   | <b>145,387</b>   |



### 2Q19 Results Conference Calls – August 7, 2019

#### Portuguese

at 10:00 pm (Brasília)

Dial in access:

+55 (11) 2188-0155

Conference ID: RD

*Replay (available for 7 days):*

+55 (11) 2188-0400

#### English

at 12:00 pm (Brasília)

Dial in access:

+1 (646) 843-6054

+55 (11) 2188-0155

Conference ID: RD

*Replay (available for 7 days):*

+55 (11) 2188-0400

Live broadcast through the internet at: [www.rd.com.br](http://www.rd.com.br).

For more information, please contact our Investor Relations department.

E-mail: [ri@rd.com.br](mailto:ri@rd.com.br)