Gente, Saúde e Bem-estar
RaiaDrogasil S.A.

EARNINGS RELEASE
2Q20

São Paulo, August 11, 2020. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 2nd quarter of 2020 (2Q20). The parent company and consolidated quarterly financial statements for the periods ended June 30, 2020 and 2019 have been prepared and are being presented in accordance with technical pronouncement NBC TG 21 (R4) – "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, and discloses all material information specific to the individual and consolidated quarterly information, which is consistent with the information used by management. The financial statements were prepared in Reais and all growth rates, unless otherwise stated, relate to the same period of 2019.

Since 2019, our financial statements have been prepared in accordance with IFRS 16. In order to better represent the economics of the business, the figures in this report are presented under IAS 17 / CPC 06, the previous reporting standard. Reconciliation with IFRS 16 can be found on pages 12 and 13.

QUARTERLY HIGHLIGHTS:

› **DRUGSTORES:** 2,162 stores in operation (55 openings and no closures)

› **MARKET SHARE:** 13.0% national market share, with a 0.8 percentage point gain in São Paulo

› **GROSS REVENUE:** R$ 4.7 billion, a 6.3% growth over the 2Q19

› **GROSS MARGIN:** 28.0% of gross revenues, a 1.0 percentage point decrease

› **EBITDA:** R$ 231.8 million, a 4.9% EBITDA margin and a 3.3 percentage point pressure

› **NET INCOME:** R$ 61.7 million, 1.3% of net margin and a 2.3 percentage point reduction

› **CASH FLOW:** R$ 437.5 million negative free cash flow, R$ 544.8 million of cash consumption

RADL3
R$ 115.90/share

NUMBER OF SHARES
330,386,000

MARKET CAP
R$ 38,292 (million)

CLOSING
August 10th, 2020

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Summary	2Q19	3Q19	4Q19	1Q20	2Q20
(R$ thousand)					
# of Stores - Retail + 4Bio	1,917	1,995	2,073	2,107	2,162
Organic Openings	47	52	79	39	55
Onofre Stores		42			
Store Closures	(3)	(16)	(1)	(5)	0
# of Stores (average)	1,897	1,960	2,044	2,094	2,133
Headcount (EoP)	37,395	39,029	41,450	42,250	42,115
Pharmacist Count (EoP)	7,389	7,663	7,840	8,125	8,414
# of Tickets (000)	62,840	66,270	68,156	67,173	52,308
Gross Revenue	4,440,683	4,771,280	5,030,160	5,206,320	4,721,872
Gross Profit	1,289,285	1,321,350	1,411,003	1,441,851	1,320,122
% of Gross Revenues	29.0%	27.7%	28.1%	27.7%	28.0%
Adjusted EBITDA	363,688	359,420	350,431	369,356	231,811
% of Gross Revenues	8.2%	7.5%	7.0%	7.1%	4.9%
Adjusted Net Income	160,486	152,476	168,692	152,753	61,688
% of Gross Revenues	3.6%	3.2%	3.4%	2.9%	1.3%
Net Income	151,334	146,247	143,275	145,840	60,210
% of Gross Revenues	3.4%	3.1%	2.8%	2.8%	1.3%
Free Cash Flow	42,872	120,717	48,400	(48,149)	(437,520)

IMPACTS OF COVID-19

The COVID-19 pandemic continued to exert an impact upon RD's operations in the 2Q20. With the first cases of the virus reaching Brazil in March, social isolation started in the last week of the month, leading to a second quarter with a reduction in consumer traffic and overall consumption, and also in the number of elective medical consultations and surgeries, which in turn resulted in a lower demand for non-urgent acute treatment drugs.

The main impact observed was in our 124 shopping mall stores, which had to cope with temporary closures as well as with shorter working hours and severely diminished customer traffic after reopening.

Our freestanding stores were also affected by the diminished consumer traffic, although the impact changed remarkably across different income segments as the compliance with the social isolation measures in upscale regions was much higher than that of popular regions. There were also very significant discrepancies across different geographies, given the timing of the outbreak in each region, contention measures implemented by the local authorities as well as the level of enforcement undertaken and the compliance achieved in each city.

As we previously mentioned in the 1Q20 earnings release, we have taken significant measures to safeguard the health and the financial well-being of our employees, given the sanitary and economic threats arising from the pandemic, and to become a safe harbor for health access in the neighborhoods we serve.

Our main concern has been in guaranteeing that our stores remain a safe environment for our employees and customers. We made extensive physical adaptations to create physical separation between our staff and customers. We provided protection equipment and educated our staff to prevent contamination. We intensified store cleaning, introduced store traffic limitations, provided hand sanitizers for every incoming customer and adopted special hours for seniors to shop in isolation from younger people.

Every staff member who is pregnant, above 60, or has a vulnerable chronic condition was put on leave, and at the same time, we made sure that their total income was preserved, including the cases in which the government assumed part of their pay.

We also implemented home office for our administrative staff and have done extensive adaptations at our headquarters to allow their gradual return to the office on a part-time basis, which started in July, while safeguarding everybody’s health.

As part of becoming a safe harbor for health and wellbeing in the communities we serve, we ramped up the offering of health services in our stores, transforming them into a local health hub. In March, we began our seasonal offering of flu shots to customers, including partnerships with municipal governments to provide free vaccination at our stores, and began offering serological COVID-19 testing through a robust protocol and with online scheduling to prevent agglomerations at our stores.

The COVID-19 testing at our stores started in May, and we progressively ramped-up the number of stores offering this service ever since. In the 2Q20 we administered 66 thousand serological tests. We now have more than 800 stores offering COVID-19 testing in 22 states and 213 cities and, in July alone, the number of administered tests surpassed 150 thousand. We believe we have become one of the largest serological testers for COVID-19 in the Brazilian healthcare sector.

In the context of social distancing, we accelerated the expansion of our digital channels and ended the quarter with 345 stores in 161 cities with store shipping, and currently deliver in 1 to 4 hours in 72 cities. We also introduced free neighborhood deliveries to customers up to 500 meters of our stores, with direct ordering to the stores either by phone or social network, as well as free instant pedestrian deliveries by our own staff. This service complements Click and Collect, which is also available in 100% of our stores, as well as the 1-hour to 4-hours motorized ship-from-store deliveries to provide unparalleled convenience and increase our loyalty and share of wallet from existing customers.

Taking a step further, RD proposed, along with ABRAFARMA (Brazilian Association of Drugstore Chains), negotiations with the federal government to adjourn the annual pharmaceutical price cap increase, which ended up being postponed from the end of March to the end of May, an important relief measure to support our population at a time of dire health and financial pressure.

Finally, we instituted in the end of May the “*Todo Cuidado Conta* (Every Care Counts)” grant, with a donation of R$ 25,000,000.00 to support the fight against the COVID-19 pandemic in Brazil. This amount was capitalized on the “*Fundo Emergencial para Saúde – Coronavírus Brasil*” fund, which is managed by *Sitawi Finanças do Bem* (CNPJ/MF nº 09.607.915/0001-34), a non-profit civil society organization of public interest, which is responsible for forwarding the financial resources to the institutions as well as to support us in providing accountability for its employment.

The goal of the project is to support circa 50 non-profit hospitals that serve SUS, Brazil’s publicly funded health care system, and are preferably located in small and medium-sized cities outside large urban centers to which the virus has now started to spread. Together, these hospitals serve tens of millions of people living in these regions, free of any charge. The project also seeks to leave a legacy that can contribute to the quality of health care provided in each region, even after the pandemic is contained.

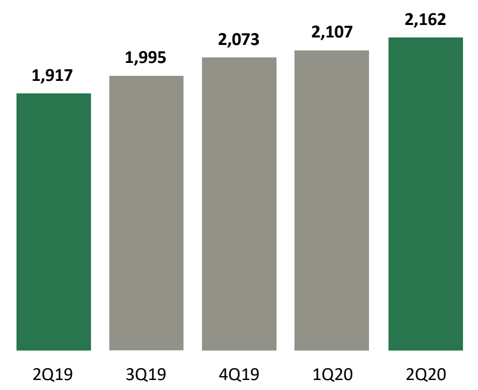
The initial selection of institutions and projects has been carried out with the technical consultancy of the Institute for the Development of Social Investment – IDIS, with the program's managing committee, which includes directors and executives from RD, IDIS professionals and independent experts, taking the final decisions. Up to this date, the *Todo Cuidado Conta* grant has funded 33 hospitals in 33 cities and 14 states in Brazil, with a total donated amount of R$ 16 million. For detailed information on the donations and on the receiving institutions, please access TodoCuidadoConta.com.br.

STORE DEVELOPMENT

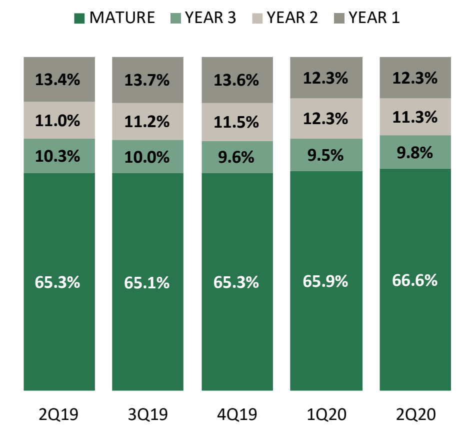
We opened 55 stores in the 2Q20, 8 more than in the same period of 2019, with no store closures, ending the quarter with a total of 2,162 locations. Despite the delay, especially in March, of some store openings due to the pandemic, we recorded a total of 94 store openings in the first semester of 2020, versus 109 in the same period of 2019.

At the end of the period, 33.4% of our stores were still in the process of maturation and had not yet reached their full potential both in terms of revenue and profitability.

Store Count*



Age Structure of Store Portfolio**



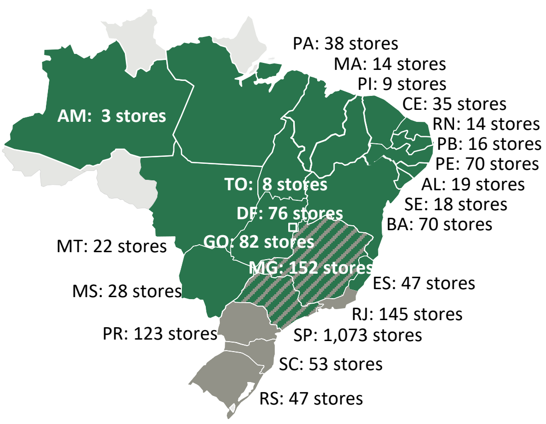
	2Q19	3Q19	4Q19	1Q20	2Q20
Openings	47	52	79	39	55
Onofre		42			
Closures	(3)	(16)	(1)	(5)	0

*Includes three 4Bio units.
**Stores acquired from Onofre were added to our base as Year 1.

We reiterate our guidance of 240 gross store openings for the year, since we have a very robust new store pipeline that will allow us to maintain our long-term expansion strategy unhindered by the pandemic.

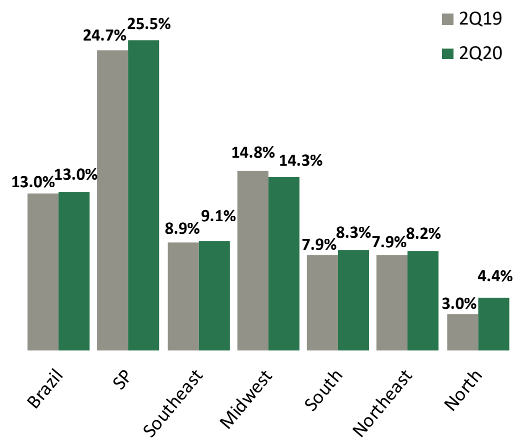
This accelerated expansion pace is only possible due to the first-mover advantage we enjoyed and to the strong brand awareness that we developed in 23 states of Brazil over the last decade, which allowed us to triple our store base since the merger while expanding our margins, as well as to operate in all of these markets with similar mature store profitability and marginal returns.

Geographic Presence



Total: 2,162 stores
Raia: 942 stores
Drogasil: 1,217 stores
* 4Bio: 3 stores

Retail Market Share



Source: IQVIA. Southeast excludes SP.

LTM Openings	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
São Paulo	79	76	73	76	67	65	76	71	71
Other States	141	154	167	182	176	166	164	146	154
Onofre						42	42	42	42
Total	220	230	240	258	243	273	282	259	267
*São Paulo %**	*35.9%*	*33.0%*	*30.4%*	*29.5%*	*27.6%*	*28.1%*	*31.7%*	*32.7%*	*31.6%*

*Disconsiders Onofre

We continue to diversify our store network, both geographically and demographically. Excluding the Onofre acquisition, 68.4% of our openings in the last twelve months were outside our home market, the state of São Paulo. Also, while 64% of our stores have popular or hybrid formats, 82% of the openings in the period were in this group, increasing our reach into the extended middle class.

We closed in the quarter our oldest distribution center (DC), which was located in our headquarters in the city of São Paulo, as part of a planned capacity rebalancing. Our stores in the city will be serviced by the Embu and by the recently opened Guarulhos DCs. Finally, we are in the process of opening a new DC in Gravataí, in the greater region of Porto Alegre (RS), which will be fully operational in September to support the acceleration of our expansion into Rio Grande do Sul, which is delivering excellent results.

Our national retail market share totaled 13.0%, in line with the 2Q19. São Paulo was our highlight, with a share of 25.5%, a 0.8 percentage point gain. We recorded strong gains in the North, reaching a market share of 4.4%, with a 1.4 percentage point gain. We recorded a market share of 8.3% in the South, a 0.4 percentage point gain, 8.2% in the Northeast, a 0.3 percentage point gain and a 9.1% in the Southeast, a 0.2 percentage point gain. Finally, we recorded 14.3% in the Midwest, a 0.5 percentage point loss due to a more stringent social isolation.

Social distancing measures had a very different impact on demand across different income segments. According to IQVIA, high income regions, where RD concentrates a disproportionate share of its store base, saw significant a decrease in market representativeness when compared to low income regions due to a higher level of compliance. Considering a constant demand by income segment, our market share would have been an estimated 13.8%, with 26.3% in São Paulo.

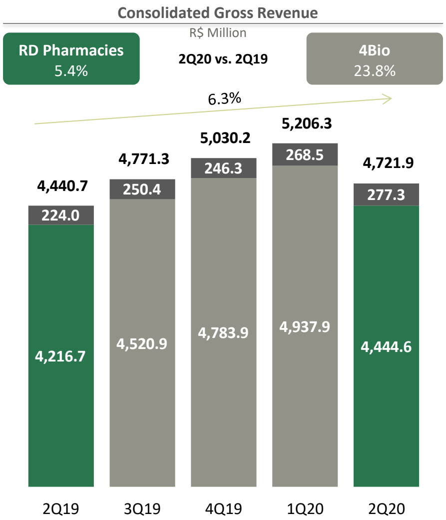
The table below illustrates the performance gap between premium stores in relation to hybrid and popular stores in the quarter, which penalized our overall market share considering the higher relevance of the premium stores as a percentage of our store base in comparison to the average of the Brazilian market

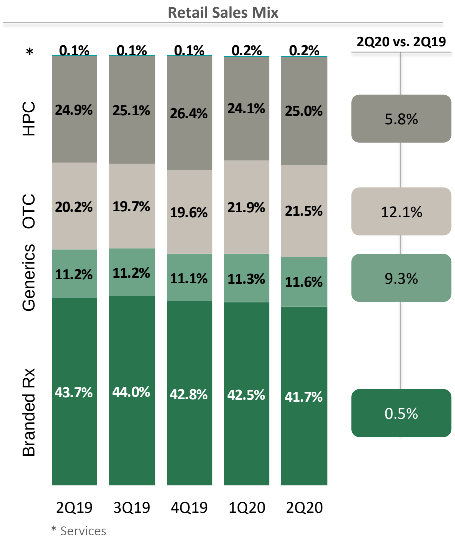
Retail Sales 2Q20	All Stores	Premium Stores	Hybrid Stores	Popular Stores
Total	+5.4%	-1.6%	+9.1%	+15.5%
Same Stores	-2.6%	-6.9%	-0.1%	+3.3%
Mature Stores	-6.9%	-10.1%	-4.4%	-3.5%

It is also important to mention that the bulk of the shopping mall stores, which were significantly affected from temporary closures, shorter working hours and diminished customer traffic in the quarter, are located in premium regions.

GROSS REVENUES

We ended the 2Q20 with consolidated gross revenues of R$ 4,721.9 million, a 6.3% increase over the same period of the previous year. Our drugstore revenues increased by 5.4%, while 4Bio grew 23.8% in the period.



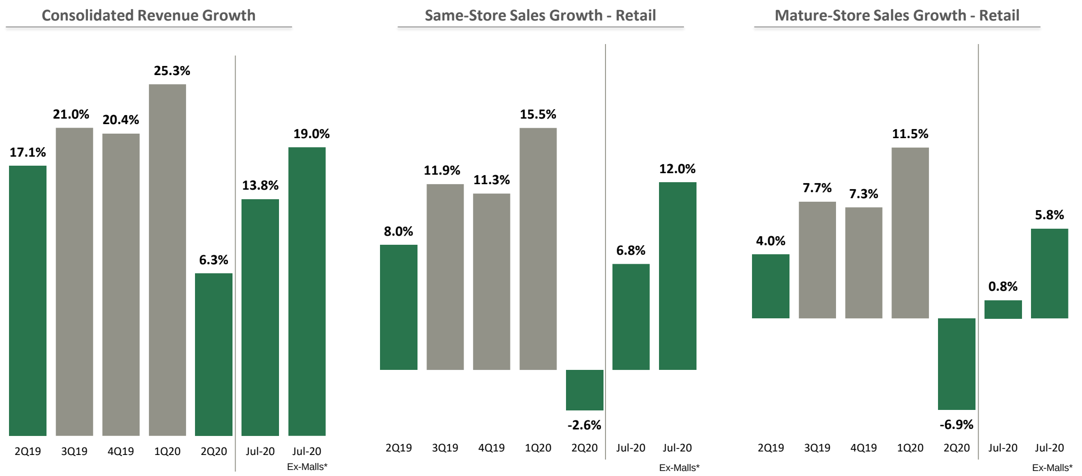


OTC was the highlight of the quarter growing 12.1% and gaining 1.3 percentage point in the mix. Generics grew 9.3% and gained 0.4 percentage point in the mix, whereas HPC grew 5.8% and gained 0.1 percentage point in the mix. On the other hand, Branded Rx grew only 0.5% with a loss of 2.0 percentage points in the mix, driven by a reduction in prescriptions and overall medical activity of non-urgent acute treatment due to social distancing and to the demand anticipation observed in the 1Q20.

Our same store sales declined by 2.6% and our mature store sales declined by 6.9%, with a negative calendar effect of 0.4%. This deceleration comes from five major effects: the sales loss in our shopping mall stores, the 60-day postponement in the annual price cap increase, the stockpiling by customers in the previous quarter prior to lockdowns, the reduced demand for non-urgent acute treatment drugs and the temporary shift of market activity to lower income regions.

If we exclude the 124 shopping mall stores from our store base, which had to cope with temporary closures, shorter working hours and severely diminished customer traffic during the quarter, our total consolidated sales in the 2Q20 grew by 12.3%, with same-store sales growth of 3.2% and a mature store sales loss of 1.2%.

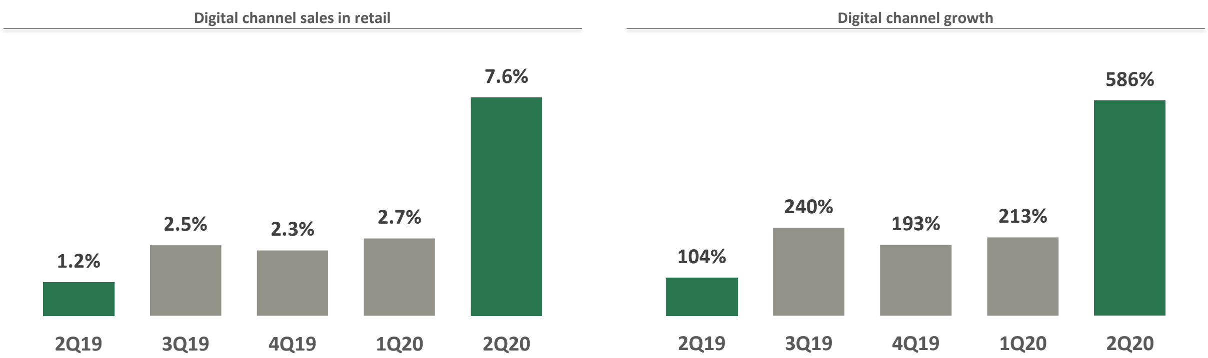
Finally, we recorded in July a total consolidated growth of 13.8%, with mature-store sales growth of 0.8%, signalling a strong recovery over the 2Q20 that we expect to subsist in the 3Q20. Excluding the 124 shopping mall stores, total consolidated growth was 19.0% and mature-stores sales growth was 5.8%, a real growth of 3.5% considering the 2.3% CPI for the previous twelve months.



* Excludes 124 shopping mall stores which had to cope with temporary closures as well as with shorter working hours and severely diminished customer traffic in the quarter

DIGITAL

Our digital channel penetration reached 7.6% of RD's retail revenues, an increase of 6.4 percentage points versus the previous year. We recorded a growth of almost seven times in the 2Q20 when compared to the same period of the previous year and of almost six times when excluding the Onofre e-commerce operation.



The relevance of our digital channels increased not only because of the new customer habits emerging from the COVID-19 pandemic, but also because our strategic planning developed in 2018, which set a robust ambition for RD in digital, setting in motion from the beginning of 2019 a significant enhancement in our apps and websites, the deployment of several agile teams and an upgrade in our IT and logistics infrastructures, which was also accelerated due to the Onofre acquisition. It is important to highlight that our digital channels deliver a profitability comparable to the rest of the Company.

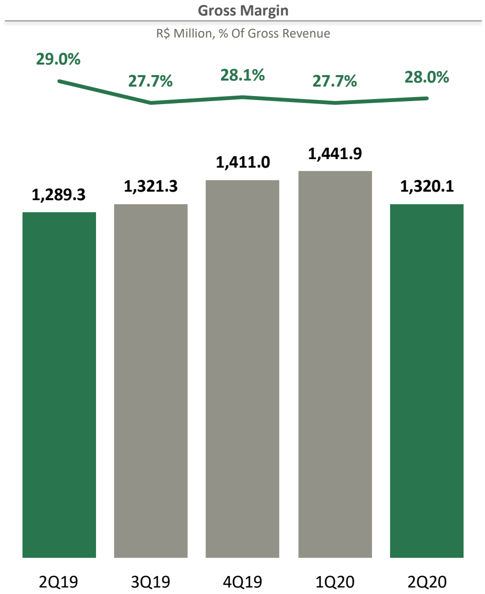
Since the outset of the pandemic, we have further strengthened our fulfillment capacity to meet this increased demand. Our ship-from-store network increased from 127 stores in January to 345 stores in June, spreading throughout 161 cities which concentrate 87% of RD's store sales. We now offer deliveries in 1 to 4 hours in 72 different cities, up from 28 cities in August of 2019, with an accelerated plan to increase this number to other cities. We also offer Click and Collect in 100% of our store network since 2019.

We also launched in the quarter a new neighborhood delivery service in 100% of our locations, with ordering directly to stores, pedestrian deliveries by our store personnel and free shipping to customers within a radius of up to 500 meters. This new service allows us to leverage the unique capillarity of our 2,162-store network in more than 370 cities in 23 states to better service our customers nationwide and significantly accelerate our digital growth, a synergy evidenced by the fact that 68% of digital sales are already serviced by the stores.

Our digital initiatives led to an increase in the number of our app downloads. We ended the 2Q20 with an additional 1.4 million app downloads, 12 times more than in the 2Q19. Total downloads since the beginning of 2019 reached 4.1 million, including 0.8 million in July alone.

It is important to note that RD's national scope results in very diverse environments when considering digital penetration. Although our national average represents 7.6% of retail sales, penetration by market ranges from 2.6% in lower-penetration state capitals all the way to double-digit penetration in other capitals while peaking at 18.6% in our highest-penetrated capital. As we enhance our execution in low-penetration areas, the national average is expected to increase.

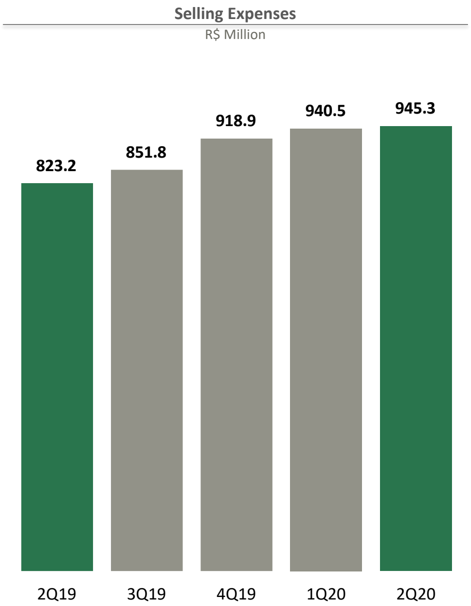
GROSS PROFIT

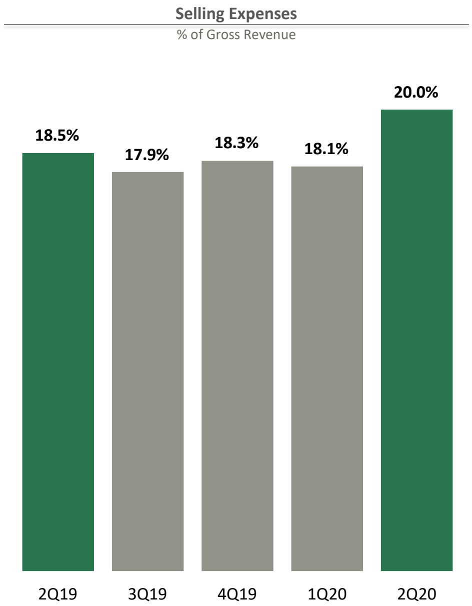


Our gross profit in the quarter totaled R$ 1.3 billion, an increase of 2.4%. Our gross margin was 28.0% in the period, a 1.0 percentage point pressure versus the 2Q19, mainly as a result of the two-month postponement of the price cap increase, which transferred part of the inflationary gains on inventories from the 2Q20 to the 3Q20, albeit having a neutral expected effect within the year. Other impacts recorded include a 0.3 percentage point pressure from the Net Present Value (NPV) adjustment, which is a non-cash effect, due to the much higher cash cycle than normal and lower interest rates, and a 0.1 percentage point pressure from higher inventory losses.

SELLING EXPENSES

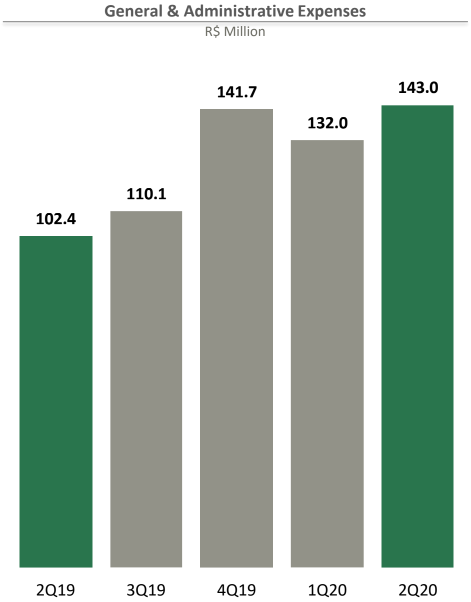
Selling expenses totaled R$ 945.3 million in the 2Q20, equivalent to 20.0% of gross revenues, and a 1.5 percentage point pressure when compared to the same period of the previous year, mainly driven by the loss in operating leverage as a result of the lower mature store sales recorded in the quarter due to the pandemic.

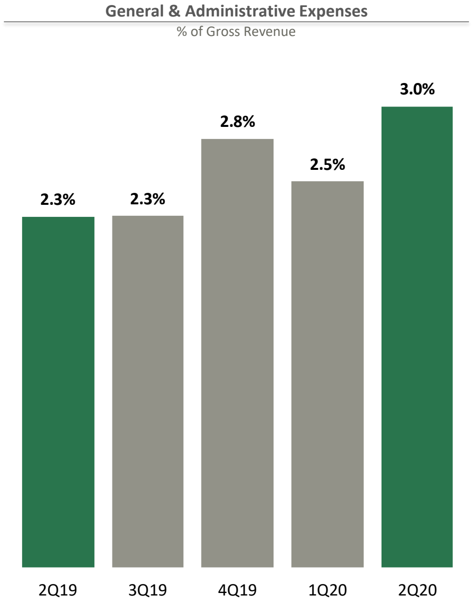




We recorded an estimated a 0.2 percentage point pressure due to additional expenses related to the pandemic, including personal protection equipment, additional store cleaning expenses and others. These pressures were more than offset by 0.3 percentage point in savings, especially in rentals related to shopping mall stores and in reduced payroll expenses due to temporary leaves granted to employees with COVID-19 or who are part of a risk group whose salaries are being partly paid by the government. Finally, we also recorded an 0.2 percentage point pressure in delivery and marketing expenses related to digital growth.

GENERAL & ADMINISTRATIVE EXPENSES



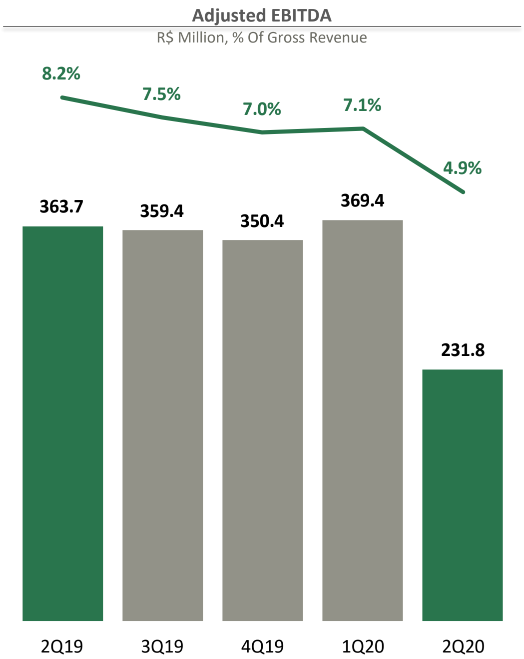


General and Administrative expenses amounted to R$ 143.0 million in the 2Q20, equivalent to 3.0% of gross revenues and a 0.7 percentage point pressure over the same period of 2019, mainly driven by the loss in operating leverage as a result of the lower mature store sales recorded in the quarter due to the pandemic. We recorded a 0.2 percentage point pressure from COVID-19 related expenses, mostly due to home-office set-up and institutional marketing related to the pandemic, partly offset by 0.1 percentage point in savings in travelling and training expenses.

We also recorded a 0.1 percentage point pressure due to the structure enhancement made to support our digital efforts, including our agile teams as well as our IT conversion to microservices and migration the cloud. Finally, we recorded a 0.2 percentage point pressure from labor contingencies and a 0.1 percentage point dilution from consulting expenses.

EBITDA

Our adjusted EBITDA totaled R$ 231.8 million in the quarter, with an adjusted EBITDA margin of 4.9%, a 3.3 percentage point contraction, mainly driven by the loss of operating leverage in the period.



RD Pharmacies reached an EBITDA of R$ 227.6 million and a margin of 5.1% in the 2Q20, a contraction of 3.4 percentage point over the same period of the last year. New stores opened in the quarter, as well as those in the opening process, reduced the EBITDA by R$ 6.5 million in the 2Q20. Therefore, considering only the 2,065 stores in operation since the end of 2019 and full logistics, general and administrative expenses, RD Pharmacies EBITDA would have totaled R$ 234.1 million, equivalent to 5.4% of gross revenue.

Finally, 4Bio reached an EBITDA of R$ 4.2 million, with a margin of 1.5%, a 0.9 percentage point contraction.

EBITDA RECONCILIATION AND NON-RECURRING EXPENSES

EBITDA Reconciliation	2Q20	2Q19
(R$ million)		
Net Income	**60.2**	**151.3**
(+) Income Tax	10.2	41.3
(+) Financial Result	20.2	32.8
EBIT	**90.6**	**225.4**
(+) Depreciation and Amortization	138.9	124.4
EBITDA	**229.6**	**349.8**
(+) COVID-19 Donations	25.9	
(+) Consulting, Advisory and Restructuring Expenses	8.0	5.5
(+) Distribution Center Closure - Barra Mansa		7.8
(-) INSS, Pis and Cofins Credits from Previous Years	(32.0)	
(+) Other non-recurring / non-operating net expenses	0.3	0.6
Total non-recurring / non-operating Expenses	**2.2**	**13.9**
Adjusted EBITDA	**231.8**	**363.7**

In the 2Q20 we recorded R$ 2.2 million in net non-recurring/non-operating expenses. In April, we set a grant named “Every Care Counts” to support circa 50 public and not-for-profit hospitals in vulnerable cities in the interior of Brazil to help them in getting equipped to fight the pandemic. This donation totaled R$ 25.9 million including R$ 0.9 million in administrative costs. We also recorded R$ 8.0 million in consulting expenses mostly to support the development of new projects and R$ 0.3 million in other non-recurring/non-operating net expenses.

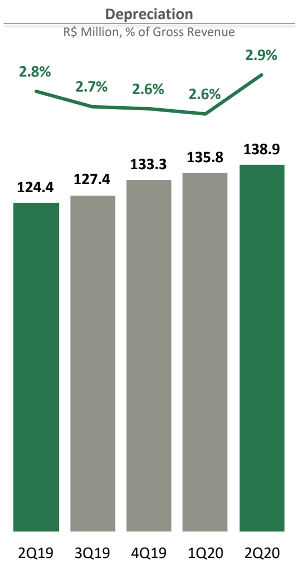
Finally, we booked R$ 32.0 million in non-recurring income mostly related to retroactive Social Security credits based on recent interpretations of Brazilian labor law by the federal revenue service agency. The new level of expenses with personnel in the 2Q20 onwards is already reflected in our regular statements.

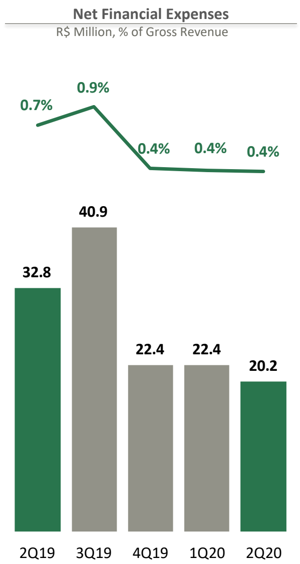
DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

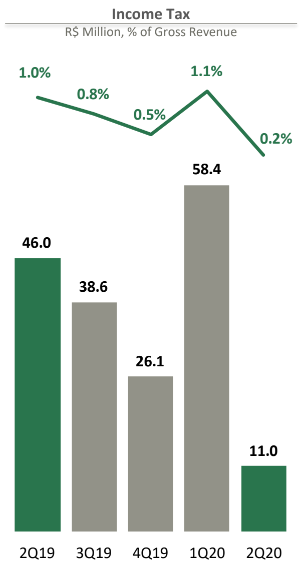
Depreciation expenses amounted to R$ 138.9 million in the 2Q20, equivalent to 2.9% of gross revenue, a 0.1 percentage point increase when compared to the previous year. This increase comes from lower revenues in the quarter.

Net Financial expenses represented 0.4% of gross revenue, a 0.3 percentage point dilution over the 2Q19. Of the R$ 20.2 million recorded in the quarter, R$ 2.7 million refers to the NPV adjustment while other R$ 1.2 million refers to interests on the options to acquire the remaining 45% of 4Bio. Excluding these, the interest accrued on net debt amounted to R$ 16.2 million in the 2Q20, equivalent to 0.3% of gross revenue and a 0.1 percentage point dilution when compared to the 2Q19.

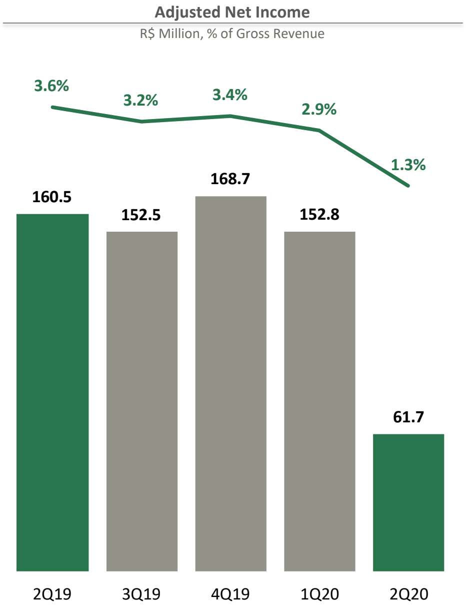
Lastly, we booked R$ 11.0 million in income taxes, equivalent to 0.2% of gross revenue, a 0.8 percentage point decrease. This decrease is related mostly to the lower EBIT margin and the interest on equity accrued in the quarter.







NET INCOME

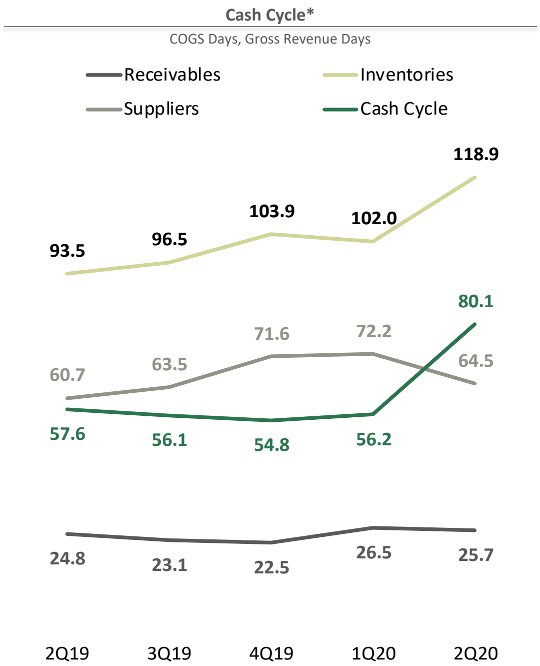


Our adjusted net income totaled R$ 61.7 million in the quarter. We recorded a net margin of 1.3%, a 2.3 percentage point contraction over the 2Q19.

CASH CYCLE

Our cash cycle in the 2Q20 was 22.5 days higher when compared to the same period of the previous year. Our inventories increased by 25.4 days, while receivables increased 0.9 day. Finally, accounts payable increased by 3.8 days when compared to the same period of 2019.

This peak in cash cycle reflects a loss in operating leverage due to the mature stores sales decrease, as well as higher inventories as an insulation to potential shortages due to the effect of the pandemic on our supply chain, which relies on imported raw materials, as well as to the postponement of the price cap increase, which urged us to sustain inventory levels at a higher level from March to May in order to capture the inflationary gains on inventories.



* Adjusted to discounted receivables.

CASH FLOW

We recorded a negative free cash flow of R$ 437.5 million and a total cash consumption of R$ 544.8 million in the 2Q20. Our operating cash flow consumed R$ 286.3 million in the quarter.

Resources from operations totaled R$ 202.6 million, equivalent to 4.3% of gross revenue, while we recorded a working capital consumption of R$ 488.8 million.

Of the R$ 151.3 million invested in the quarter, R$ 67.1 million corresponded to new store openings, R$ 32.0 million to the renovation or expansion of existing stores and R$ 52.2 million to investments in infrastructure.

Net financial expenses totaled R$ 17.5 million in the 2Q20, excluding the NPV adjustments. These were more than fully offset by the R$ 22.6 million in 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. In the 2Q20 we accrued R$ 49.0 million in interest on equity versus R$ 53.5 million in the 2Q19, reflecting a payout of 81.4% over the Net Income, through the full usage of the legal interest on equity limit.

Cash Flow	**2Q20**	**2Q19**
(R$ million)		
Adjusted EBIT	**92.9**	**239.2**
NPV Adjustment	(1.8)	(10.7)
Non-Recurring Expenses	(2.2)	(13.9)
Income Tax (34%)	(30.2)	(73.0)
Depreciation	138.9	124.4
Others	5.0	(2.3)
Resources from Operations	**202.6**	**263.8**
Cash Cycle*	(532.1)	(133.5)
Other Assets (Liabilities)**	43.3	71.2
Operating Cash Flow	**(286.3)**	**201.6**
Investments	**(151.3)**	**(158.7)**
Free Cash Flow	**(437.5)**	**42.9**
Interest on Equity	(107.0)	(92.4)
Income Tax Paid over Interest on Equity	(5.4)	(8.5)
Net Financial Expenses***	(17.5)	(19.8)
Income Tax (Tax benefit over financial expenses and interest on equity)	22.6	24.9
Total Cash Flow	**(544.8)**	**(52.9)**

*Includes adjustments to discounted receivables.
**Includes NPV adjustments.
***Excludes NPV adjustments.

INDEBTEDNESS

At the end of the quarter, we recorded an adjusted net financial debt position of R$ 1,508.9 million, versus R$ 990.8 million recorded in the same period of 2019. The Adjusted Net Debt to EBITDA ratio equaled 1.2x, 0.4 higher than the same period of last year, mainly as a result of the cash consumption caused by the working capital investments in the quarter.

It is important to mention that we expect to reduce our net debt to EBITDA ratio to historical levels within the year by normalizing our cash cycle.

We contracted R$ 700 million in new debt between March and April to withstand the working capital pressures from the pandemic, and these were raised at competitive conditions given our AAA(bra) rating by Fitch. We currently do not see the need for additional debt in the short-term and expect our leverage to return to historical figures in the upcoming quarters.

This net debt includes R$ 44.5 million in liabilities 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 considering the amendment to 4Bio's purchase and sale agreement, as announced to the market in September 24, 2019, which will now occur in two different stages: the 1st call/put option on 2/3 of the remaining shares (30% of total 4Bio shares) exercisable in 2021; and the 2nd call/put option on 1/3 of the remaining shares (15% of total 4Bio shares) exercisable in 2024. Other conditions of the agreement remain unchanged. The estimated valuation of 4Bio will be revisited every year-end to reflect changes in the financial outlook of the Company. In addition, we had R$ 2.4 million in discounted receivables recorded in the quarter.

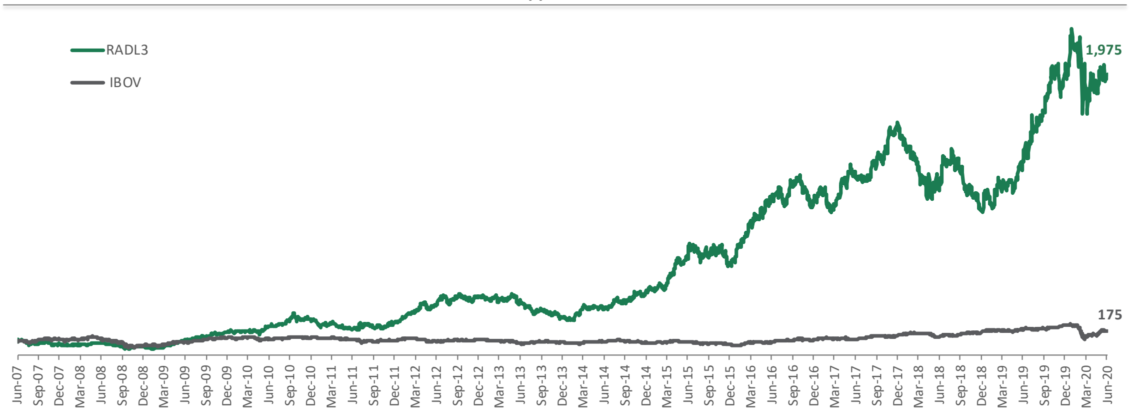
Net Debt	2Q20	1Q20	4Q19	3Q19	2Q19
(R$ million)					
Short-term Debt	537.4	533.5	228.7	247.5	274.7
Long-term Debt	1,191.1	879.7	897.8	989.9	705.0
Total Gross Debt	**1,728.4**	**1,413.2**	**1,126.5**	**1,237.4**	**979.7**
(-) Cash and Equivalents	266.4	533.7	299.2	406.7	145.4
Net Debt	**1,462.0**	**879.5**	**827.3**	**830.7**	**834.3**
Discounted Receivables	2.4	41.4	54.1	-	118.3
Put/Call options to acquire 4Bio (estimated)	44.5	43.3	42.1	46.2	38.2
Adjusted Net Debt	**1,508.9**	**964.2**	**923.4**	**876.9**	**990.8**
Adjusted Net Debt / EBITDA	1.2x	0.7x	0.7x	0.7x	0.8x

Our gross debt totaled R$ 1,728.4 million, of which 54.9% corresponds to the debentures issued in 2017, 2018 and 2019, as well as a Certificate of Real Estate Receivables, 3.4% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines and the remaining 41.7% corresponds to other credit lines. Of our total debt, 68.9% is long-term, while 31.1% relates to its short-term parcels. We ended the quarter with a total cash position (cash and marketable securities) of R$ 266.4 million.

TOTAL SHAREHOLDER RETURNS

Our share price increased by 8.6% during the quarter, 21.6 percentage points below the IBOVESPA, which increased by 30.2%. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,875.4% versus a return of only 74.8% for the IBOVESPA. Including the payment of interest on equity, we generated an average annual total return to shareholders of 27.6%.

Share Appreciation



Considering the IPO of Raia in December of 2010, the cumulative return amounted to 659.4% versus an increase of only 39.8% of the IBOVESPA. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 24.9%. Lastly, our shares recorded an average daily trading volume of R$ 197.0 million in the quarter.

SUSTAINABILITY

In the 2Q20 we concluded our 2019 Annual Sustainability Report, which follows GRI (Global Reporting Initiative) criteria. This is the fourth edition of the report, was audited by KPMG and is available at www.rd.com.br/sustentabilidade/relatorio-de-sustentabilidade.

We also concluded our carbon inventory following the GHG Protocol methodology for scopes 1, 2 and 3, which has also been audited by an independent party (KPMG). As part of RD's climate agenda, we defined the first goal for the reduction of Scope 2 emissions for 2021 and also adhered to the collaborative Platform *Compromisso com Clima* ("Commitment to Climate") aiding the offset of carbon emissions from RD's operations.

Another highlight in the quarter is the expanded presence of renewable energy sources in stores throughout Brazil. By the end of 2019, 117 stores had access to energy supplied by photovoltaic and small hydroelectric plants. By December 2020, we expect to conclude the expansion to more than 1,700 stores. From 2021 onwards, about 77% of the store network will be served by distributed energy plants from renewable sources.

RD's reverse drug logistics program began in 2010 and today is present in 552 stores, distributed throughout 98 municipalities with more than 64 tons of drugs received in 2019 that were disposed of in an environmentally friendly way. Our goal for 2020 is to have 1,700 collection points in the 23 states in which we are currently present.

Finally, RD participated in a campaign against domestic violence called "*Sinal Vermelho*" (red signal), created in partnership with ABRAFARMA, the National Council for Justice (CNJ) and Brazilian Magistrate Association (AMB), in which mistreated customers could signal our store employees with a red "X" drawn on the palm of their hand, for instance with lipstick, and our team would mobilize the authorities.

IFRS 16

Starting in 2019, our financial statements are prepared in accordance with IFRS 16. In order to preserve historic comparability, the figures in this report are presented under IAS 17 / CPC 06, the previous reporting standard, which we believe best represents the economic performance of our operations.

Financial statements in both IAS 17 and IFRS 16 are also available at our website ir.rd.com.br, under Interactive Spreadsheets.

Income Statement *(R$ million)*	**2Q20**		**Change**
	IAS 17	**IFRS 16**	**Δ 2Q20**
Gross Revenue	**4,721.9**	**4,721.9**	**0.0**
Gross Profit	**1,320.1**	**1,320.1**	**0.0**
Gross Margin	28.0%	28.0%	0.0%
Selling Expenses	(945.3)	(779.3)	166.0
G&A	(143.0)	(142.5)	0.5
Total Expenses	**(1,088.3)**	**(921.8)**	**166.5**
as % of Gross Revenue	23.0%	19.5%	-3.5%
Adjusted EBITDA	**231.8**	**398.3**	**166.5**
as % of Gross Revenue	4.9%	8.4%	3.5%
Non-Recurring Expenses / Revenues	(2.2)	(1.0)	1.2
Depreciation and Amortization	(138.9)	(275.1)	(136.2)
Financial Results	(20.2)	(72.9)	(52.7)
Income Tax	(10.2)	(3.0)	7.2
Net Income	**60.2**	**46.2**	**(14.0)**
as % of Gross Revenue	1.3%	1.0%	-0.3%

Balance Sheet *(R$ million)*	**2Q20**		**Change**
	IAS 17	**IFRS 16**	**Δ 2Q20**
Assets	**9,639.8**	**12,755.2**	**3,115.4**
Current Assets	**6,140.0**	**6,139.9**	**(0.1)**
Taxes Receivable	140.1	140.1	0.0
Other Accounts Receivable	233.5	233.4	(0.1)
Non-Current Assets	**3,499.8**	**6,615.3**	**3,115.5**
Income Tax and Social Charges deferred	19.7	19.7	0.0
Other Credits	340.9	340.4	(0.5)
Investments	3.3	3.3	(0.0)
Property, Plant and Equipment	1,780.2	4,896.2	3,116.0
Liabilities and Shareholder's Equity	**9,639.8**	**12,755.2**	**3,115.4**
Current Liabilities	**3,613.3**	**4,014.8**	**401.6**
Financial Leases	0.0	448.7	448.7
Dividend and Interest on Equity	110.0	85.3	(24.7)
Other Accounts Payable	170.1	147.7	(22.4)
Non-Current Liabilities	**1,815.7**	**4,623.0**	**2,807.2**
Financial Leases	0.0	2,867.9	2,867.9
Income Tax and Social Charges Deferred	162.9	102.2	(60.7)
Shareholder's Equity	**4,210.8**	**4,117.4**	**(93.4)**
Income Reserves	1,429.6	1,372.0	(57.6)
Accrued Income	108.1	72.4	(35.8)
Non Controller Interest	53.7	53.7	(0.0)

Cash Flow *(R$ million)*	2Q20 IAS 17	2Q20 IFRS 16	Change Δ 2Q20
Adjusted EBIT	**92.9**	**123.2**	**30.3**
NPV Adjustment	(1.8)	(1.8)	0.0
Non-Recurring Expenses	(2.2)	(2.2)	0.0
Income Tax (34%)	(30.2)	(30.2)	0.0
Depreciation	138.9	275.1	136.2
Rental Expenses	0.0	(167.7)	(167.7)
Others	5.0	6.2	1.2
Resources from Operations	**202.6**	**202.6**	**0.0**
Cash Cycle*	(532.1)	(532.1)	0.0
Other Assets (Liabilities)**	43.3	43.3	0.0
Operating Cash Flow	**(286.3)**	**(286.3)**	**0.0**
Investments	**(151.3)**	**(151.3)**	**0.0**
Free Cash Flow	**(437.5)**	**(437.5)**	**0.0**
Interest on Equity	(107.0)	(107.0)	0.0
Income Tax Paid over Interest on Equity	(5.4)	(5.4)	0.0
Net Financial Expenses***	(17.5)	(17.5)	0.0
Income Tax (Tax benefit over financial expenses and interest on equity)	22.6	22.6	0.0
Total Cash Flow	**(544.8)**	**(544.8)**	**0.0**

*Includes adjustments to discounted receivables.

**Includes NPV adjustments

***Excludes NPV adjustments

2Q20 Results Conference Calls – August 12th, 2020

Portuguese
at 10:00 am (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: ir.rd.com.br.

For more information, please contact our Investor Relations department.

E-mail: ri@rd.com.br

Consolidated Adjusted Income Statement *(R$ thousand)*	**2Q19**	**2Q20**
Gross Revenue	**4,440,683**	**4,721,872**
Taxes, Discounts and Returns	(215,189)	(252,098)
Net Revenue	**4,225,494**	**4,469,774**
Cost of Goods Sold	(2,936,209)	(3,149,652)
Gross Profit	**1,289,285**	**1,320,122**
Operational (Expenses) Revenues		
Sales	(823,210)	(945,308)
General and Administrative	(102,388)	(143,003)
Operational Expenses	**(925,598)**	**(1,088,312)**
EBITDA	**363,688**	**231,811**
Depreciation and Amortization	(124,442)	(138,934)
Operational Earnings before Financial Results	**239,245**	**92,877**
Financial Expenses	(48,678)	(35,124)
Financial Revenue	15,903	14,936
Financial Expenses/Revenue	**(32,776)**	**(20,187)**
Earnings before Income Tax and Social Charges	**206,469**	**72,690**
Income Tax and Social Charges	(45,983)	(11,002)
Net Income	**160,486**	**61,688**

Consolidated Income Statement *(R$ thousand)*	2Q19	2Q20
Gross Revenue	**4,440,683**	**4,721,872**
Taxes, Discounts and Returns	(215,189)	(252,098)
Net Revenue	**4,225,494**	**4,469,774**
Cost of Goods Sold	(2,936,209)	(3,149,652)
Gross Profit	**1,289,285**	**1,320,122**
Operational (Expenses) Revenues		
Sales	(823,210)	(945,308)
General and Administrative	(102,388)	(143,003)
Other Operational Expenses, Net	(13,867)	(2,240)
Operational Expenses	**(939,465)**	**(1,090,552)**
EBITDA	**349,821**	**229,571**
Depreciation and Amortization	(124,442)	(138,934)
Operational Earnings before Financial Results	**225,378**	**90,637**
Financial Expenses	(48,678)	(35,124)
Financial Revenue	15,903	14,936
Financial Expenses/Revenue	**(32,776)**	**(20,187)**
Earnings before Income Tax and Social Charges	**192,602**	**70,450**
Income Tax and Social Charges	(41,269)	(10,240)
Net Income	**151,334**	**60,210**

Assets	**2Q19**	**2Q20**
(R$ thousand)		
Current Assets		
Cash and Cash Equivalents	145,387	266,416
Accounts Receivable	1,092,726	1,330,446
Inventories	3,016,387	4,114,635
Taxes Receivable	104,623	140,053
Other Accounts Receivable	192,867	233,490
Anticipated Expenses	41,118	54,925
	4,593,108	6,139,964
Non-Current Assets		
Deposit in Court	26,034	30,595
Taxes Receivable	54,937	71,494
Income Tax and Social Charges deferred	0	19,678
Other Credits	2,009	340,901
Investments	0	3,289
Property, Plant and Equipment	1,659,838	1,780,196
Intangible	1,204,452	1,253,664
	2,947,270	3,499,817
ASSETS	7,540,378	9,639,782

Liabilities and Shareholder's Equity	**2Q19**	**2Q20**
(R$ thousand)		
Current Liabilities		
Suppliers	1,959,370	2,232,219
Loans and Financing	274,744	537,353
Salaries and Social Charges Payable	298,981	415,427
Taxes Payable	132,658	119,333
Dividend and Interest on Equity	96,150	109,951
Provision for Lawsuits	9,583	28,870
Other Accounts Payable	128,920	170,099
	2,900,407	3,613,253
Non-Current Liabilities		
Loans and Financing	704,966	1,191,067
Provision for Lawsuits	36,990	72,545
Income Tax and Social Charges deferred	240,169	162,925
Other Accounts Payable	44,533	389,209
	1,026,659	1,815,746
Shareholder's Equity		
Common Stock	2,500,000	2,500,000
Capital Reserves	122,833	137,813
Revaluation Reserve	11,935	11,762
Income Reserves	830,713	1,429,597
Accrued Income	138,837	108,150
Equity Adjustments	(30,230)	(30,230)
Non Controller Interest	39,224	53,691
	3,613,312	4,210,782
LIABILITIES AND SHAREHOLDERS' EQUITY	7,540,378	9,639,782

Cash Flow	2Q19	2Q20
(R$ thousand)		
Earnings before Income Tax and Social Charges	**192,602**	**70,450**
Adjustments		
Depreciation and Amortization	124,442	138,933
Compensation plan with restricted shares, net	3,319	4,533
Interest over additional stock option	905	1,226
P,P&E and Intangible Assets residual value	(3,019)	233
Provisioned Lawsuits	(4,026)	2,976
Provisioned Inventory Loss	1,222	(2,610)
Provision for Doubtful Accounts	170	(85)
Interest Expenses	16,264	17,829
Debt Issuance Costs Amortization	736	991
Provision for Estimated Losses on other Assets	0	(29)
	332,616	**234,447**
Assets and Liabilities variation		
Clients and Other Accounts Receivable	(10,118)	161,169
Inventories	(9,371)	(179,298)
Other Short Term Assets	9,430	(15,532)
Long Term Assets	(3,018)	(6,976)
Suppliers	(61,636)	(553,015)
Salaries and Social Charges	59,139	121,906
Taxes Payable	(13,179)	(36,496)
Other Liabilities	(10,039)	11,530
Rents Payable	609	(118)
Cash from Operations	**294,433**	**(262,383)**
Interest Paid	(2,733)	(17,809)
Income Tax and Social Charges Paid	(25,997)	(43,064)
Net Cash from (invested) Operational Activities	**265,703**	**(323,256)**
Investment Activities Cash Flow		
P,P&E and Intangible Acquisitions	(158,738)	(151,252)
P,P&E Sale Payments	50	0
Net Cash from Investment Activities	**(158,688)**	**(151,252)**
Financing Activities Cash Flow		
Funding	89,169	411,599
Payments	(202,015)	(97,362)
Interest on Equity and Dividends Paid	(92,378)	(107,020)
Net Cash from Funding Activities	**(205,224)**	**207,217**
Cash and Cash Equivalents net increase	**(98,209)**	**(267,291)**
Cash and Cash Equivalents in the beggining of the period	**243,596**	**533,708**
Cash and Cash Equivalents in the end of the period	**145,387**	**266,416**