

## EARNINGS RELEASE 4Q19/2019



São Paulo, February 19, 2020. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 4<sup>th</sup> quarter of 2019 (4Q19) and for the year of 2019. The Company's parent company and consolidated financial statements for the years ended December 31, 2019 and 2018 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the Brazilian Securities Commission (CVM) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and provide all the significant information related solely to the financial statements, 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 2018.

*Starting in 2019, our financial statements are 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 14 and 15.*

### ANNUAL CONSOLIDATED HIGHLIGHTS\*:

- › **DRUGSTORES: 2,073 stores in operation (240 organic openings, 42 Onofre and 34 closures)**
- › **MARKET SHARE: 1.3 percentage point national increase, with a 2.4 gain in São Paulo**
- › **GROSS REVENUE: R\$ 18.4 billion, 18.5% growth (9.2% retail same-store sales growth)**
- › **GROSS MARGIN: 28.2% of gross revenue, a 0.4 percentage point decrease**
- › **EBITDA: R\$ 1,343.6 million, a margin of 7.3% and an increase of 12.4%**
- › **NET INCOME: R\$ 587.3 million, 3.2% of net margin, an increase of 7.0%**
- › **CASH FLOW: R\$ 1.5 million positive free cash flow, R\$ 188.4 million of cash consumption**

\*3Q19 results were adjusted to consider Onofre's operations only after their respective integration.

RADL3

**R\$ 119.90/share**

NUMBER OF SHARES

**330,386,000**

MARKET CAP

**R\$ 39,613 (million)**

CLOSING

**February 18, 2020**

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Summary	2018	2019	4Q18	1Q19	2Q19	3Q19	4Q19
<i>(R\$ thousand)</i>							
# of Stores - Retail + 4Bio	1,825	2,073	1,825	1,873	1,917	1,995	2,073
Organic Openings	240	240	70	62	47	52	79
Onofre Stores		42				42	
Store Closures	(25)	(34)	(13)	(14)	(3)	(16)	(1)
# of Stores (average)	1,713	1,938	1,801	1,849	1,897	1,960	2,044
Headcount (EoP)	36,510	41,450	36,510	36,192	37,395	39,029	41,450
Pharmacist Count (EoP)	6,959	7,840	6,959	7,106	7,389	7,663	7,840
# of Tickets (000)	223,423	255,899	59,425	58,634	62,840	66,270	68,156
Gross Revenue	15,519,133	18,396,046	4,178,909	4,153,923	4,440,683	4,771,280	5,030,160
Gross Profit	4,445,521	5,183,302	1,197,788	1,161,663	1,289,285	1,321,350	1,411,003
% of Gross Revenues	28.6%	28.2%	28.7%	28.0%	29.0%	27.7%	28.1%
Adjusted EBITDA	1,195,191	1,343,595	311,109	270,070	363,688	359,420	350,431
% of Gross Revenues	7.7%	7.3%	7.4%	6.5%	8.2%	7.5%	7.0%
Adjusted Net Income	548,614	587,148	154,404	105,494	160,486	152,476	168,692
% of Gross Revenues	3.5%	3.2%	3.7%	2.5%	3.6%	3.2%	3.4%
Net Income	509,313	542,914	121,531	102,058	151,334	146,247	143,275
% of Gross Revenues	3.3%	3.0%	2.9%	2.5%	3.4%	3.1%	2.8%
Free Cash Flow	(139,933)	1,471	29,103	(210,518)	42,872	120,717	48,400

## LETTER TO OUR SHAREHOLDERS

Fiscal 2019 was a strong year for **RD**. The price investments initiated in 2018 and the reversal of the industry's store opening peak observed in 2017 and 2018 led to mature stores growth significantly ahead of inflation. Additionally, we opened 240 new stores with strong marginal returns, entered Amazonas, our 23<sup>rd</sup> state, acquired and quickly integrated and turned around Onofre, gained significant market share, increased our scale advantage, and advanced in our digital transformation.

We ended 2019 with R\$ 18.4 billion in revenues, an increase of R\$ 2.9 billion and a growth of 18.5%. We opened 240 new stores, acquired another 42 from Onofre, quickly rebranded to Raia or Drogasil, and closed 34, ending the year with 2,073 stores. Our net addition totaled 248, of which 206 stores were organic, versus 106 for the rest of ABRAFARMA. Consequently, our market share reached 13.7% in the 4Q19, a 1.3 percentage point annual increase, with strong gains in every region. We opened two new Distribution Centers, in Fortaleza (CE) and in Guarulhos (SP), our largest and most automated facility, and relocated the one in RJ to its metropolitan region. Finally, we also generated 4.9 thousand new employment positions, a headcount increase of 14% in the year.

In a year with significant top line acceleration, we posted mature store growth of 5.2% for the average of the year and of 7.3% for the 4Q19, a real growth of 0.9% and of 3.0%, respectively, which is allowing us to start 2020 with a strong sales momentum. Our adjusted EBITDA reached R\$ 1,343.6, an increase of 12.4%, and a margin of 7.3%, a loss of 0.4 percentage point driven by our investments in pricing. Our adjusted net income amounted to R\$ 587.3 million, an increase of 7.0%. We generated R\$ 1.5 million in free cash flow, as our R\$ 656.5 million in investments were more than fully supported by our cash flows from operations. We accrued R\$ 211.5 million in interest on equity, a payout of 39.0%, in addition to a share appreciation of 97.5% in the year.

In 2019, inspired by our Purpose of *"taking close care of people's health and well-being during all times of their lives"*, we started an ambitious digital transformation, which will allow us to shift our focus from disease-caring to the promotion of health and wellness. We will strive to promote healthy habits and prevention by offering our customers adherence programs, medication and refill reminders, vaccination and other health services. In addition to supporting our customers in taking care of their health and wellness, we will also support them in maximizing their savings and time through value-added services such as subscriptions, smart coupons and pre-approval for PBM programs. We also want to empower our customers, so that they can buy from us anytime, anywhere, in a frictionless manner, including in-store purchases, click-and-collect, and fast ship-from-store deliveries.

To accomplish this transformation, we can leverage: (i) an active base of 36 million customers, which account for 95% of our revenues, with full demand visibility; and (ii), 2,073 stores in 23 states, the largest own-store footprint in Brazil, serving 88% of the Brazilian A-class population within a 1.5 km radius, which constitute a very powerful foundation to support our strategy.

Already in the initial year, we have reached several milestones of our digital transformation. Our digital sales (e-commerce and click-and-collect) accounted for 2.3% of total revenues in the 4Q19, with a total growth of 163% and an organic growth, not including Onofre, of 61% in the quarter. In the 4Q19, the growth in digital sales contributed with 0.6 percentage point to our mature-store growth. Finally, we ended 2019 with 1.2 million app downloads and with an increase of 0.3 million downloads per month in the 4Q19.

We have also advanced in the organizational and infra-structure requirements to support our digital transformation. We ended 2019 with a new data lake up-and-running, and started the conversion of our systems into microservices and their migration to the cloud. We have also deployed seven agile teams to improve our digital offering, including fully dedicated data scientists and design experts that help us in understanding and improving the customer journey. Finally, we have successfully integrated Onofre's digital brand into our operations, allowing its demand to be serviced at a lower cost through our store network.

In the 4Q19, 67% of our digital transactions were fulfilled in-store, either through click-and-collect, which is available in 100% of our stores, or ship-from-store, which we do from 131 stores in 27 cities in up to 4 hours. Of these, 61 stores are already doing 1-hour deliveries, which will be expanded in the near future. We also offer next-day delivery in circa 450 cities all over Brazil.

The importance of digital goes far beyond the sales that are made through this channel, since its adoption boosts the customers lifetime value across all channels, including the stores. For our customers who have already gone digital, their improved experience and our increased capacity to engage with them have resulted so far in a 40% increase in their overall spending, which was driven by a 26% higher purchasing frequency and a 12% higher average ticket.

The overall revenues from digital customers amounted to 5.6% of our total 4Q19 sales, of which 2.3% were digital revenues (e-commerce and click-and-collect), and 3.3% were normal in-store purchases. As we improve our apps, promote their adoption, increase our geographic footprint and reduce the lead time of our ship-from store deliveries, omnichannel customers will account for an increasingly higher percentage of total sales, which will translate in increased loyalty, higher share of wallet and overall spending, which will drive higher mature-store sales growth, operating leverage and a leap in value creation.

## CHALLENGES AND OPPORTUNITIES FOR 2020

Our priority for 2020 is instilling in the Company an obsession for measuring, understanding and enhancing customer loyalty. Our strategy will be focused on driving customer acquisition, engagement, retention and monetization. We will also focus on talent development and sustainability, which are paramount for our long-term success.

**Increase customer acquisition:** Our store network has a pivotal role in acquiring customers and building loyalty. We ended 2019 with 2,073 stores, of which 1,387 were opened in the last 8 years. We opened 240 new stores per year both in 2018 and in 2019 across 23 states, which delivered real marginal returns around 20%, and acquired Onofre in 2019, adding another 42 stores. Onofre's quick integration and turnaround allowed those stores to break-even already in the initial month of integration and to reach margins above the Company's average in December. As our capillarity increased with organic growth and M&A, so has new customer acquisition, share of wallet and frequency from existing customers. In 2020, we will open another 240 new stores. We will also expand our new super popular model, building on the success we already have with popular stores, as we already operate 424 under this format, 76 of which were opened in 2019. *Univers*, our PBM, has been another important vehicle for customer acquisition, by delivering significant new account growth as well as higher activation within existing clients. Finally, *RD Brands* is another important customer acquisition and monetization instrument, by offering mix differentiation with significant value-for-money, which will keep driving growth on top of the current 6% participation on the front-store revenues, with high margins.

**Build customer loyalty and engagement:** The cornerstone of our strategy is enhancing customer loyalty and engagement by offering a seamless omnichannel experience. We strive to create a level of convenience and loyalty through digitalization that increases customer lifetime value across all channels. We will increase the number of agile teams from 7 to 20. Our teams will be focused on fully understanding the consumer journey, so that we can leverage mobile technology and analytics to improve their experience and eliminate pain points. We will also incentivize app adoption through virtual promotions, by enhancing in-store convenience through the apps, by expanding both 4-hour and 1-hour ship-from-store deliveries, as well as through click-and-collect. Finally, we will boost our loyalty program, which will focus on health and wellness promotion and in prevention. We have partnered with GPA, Brazil's leading food retailer, in order to launch *Stix*, a loyalty coalition with a common currency, to be anchored by the leaders of the two highest-frequency retail segments in Brazil, which we believe will allow us to significantly strengthen customer loyalty.

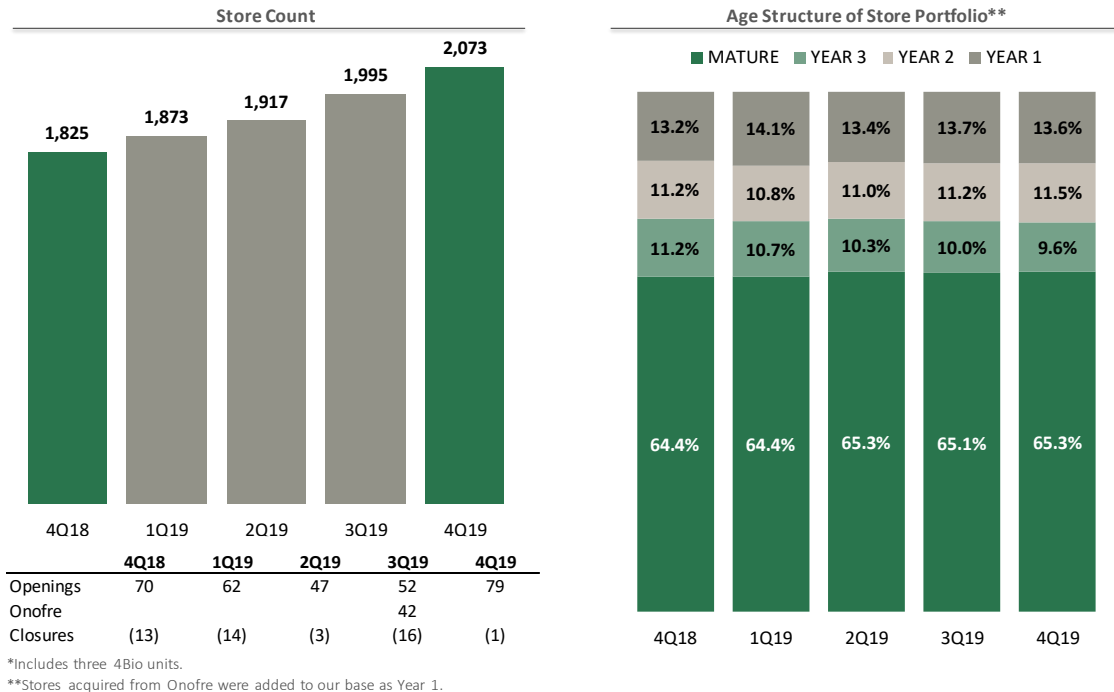
**Sustain mature-store sales growth above inflation and fast market share gains:** In 2018, as the market became more competitive, we started investing in pricing. While we saw a great increase in customer traffic, the lower average prices led to a mature store decline of 1.3%. In 2019, with the easier comp base and less competitive net openings (106 net store additions by other ABRAFARMA chains, versus 248 for RD, including 42 acquired Onofre stores), our mature store comps reached 5.2% for the year and 7.3% in the 4Q19, ahead of inflation. We are starting 2020 with strong momentum, but the comp base will get more challenging as the year unfolds. Still, we expect to sustain mature store growth ahead of inflation for the whole year and for the years ahead, as a result of our competitive prices and of our digital transformation, which should translate in sustainable sales growth from new customer acquisition as well as from increased loyalty and spending from existing customers. As we grow mature stores ahead of inflation, we expect to generate operating leverage and sales expense dilution. In spite of the increased G&A expenses required to support our digitalization, our expectation is to increase our EBITDA margin for 2020. Finally, we are committed to sustain fast market share gains like we did in 2019, where we gained 1.3 percentage point in the year.

**Invest in leadership development and succession planning:** In 2019, we invested significantly in strengthening our corporate structure. With the acquisition of Onofre, we added more than 100 new professionals who brought new capabilities to RD. For 2020, we will invest in the development of our executives and in succession planning both at the C-level and at the director level. We are also strengthening our People Committee, which reports to our board, by bringing external people to contribute with new experiences.

**Build a Regenerative Sustainability Agenda:** In 2019, we strengthened our management structure and board oversight for sustainability. We built a dedicated area and instituted a committee reporting to the board. We are building a long-term aspiration and roadmap, aligned with the UN Sustainable Development Goals, shifting our focus from compensating damages to creating a positive impact for the environment and the communities we serve. While the journey is only beginning, we have already accomplished important milestones, such as the measuring of our carbon footprint, joining the UN Global Pact and UN Women, as well as auditing our supply chain by focusing on own-brand manufacturers. We believe that a strategic approach to Sustainability is key to mitigate risks, foster innovation and to create long-term value for our stakeholders.

Finally, we would like to thank our shareholders for the continued support, our more than 41 thousand employees for the relentless commitment, and the millions of customers that, every month, entrust us with their health and well-being. We would like to reiterate our commitment to keep on creating value for our shareholders, opportunities for our employees and well-being for our clients by always living-up to our Purpose of **Taking Close Care of People's Health and Well-being during all Times of their Lives.**

## STORE DEVELOPMENT



We opened 240 new stores organically, added 42 stores from Onofre’s acquisition and closed 34 stores in 2019 (79 openings and 1 closure in the 4Q19), ending the year with 2,073 stores in operation, including three 4Bio units.

We have reached our guidance of 240 gross openings for 2019, and reiterate our gross openings guidance of 240 stores for 2020. At the end of the period, a total of 34.7% of our stores were still maturing and had not yet achieved their full revenue and profitability potential.

Of the 34 stores closed in 2019 (1 in the 4Q19), 7 stores were still in the maturation process and represent corrections of mistakes that are normal in such large-scale expansion. We recorded 20 closures driven by the optimization of our store portfolio (1 in the 4Q19), with positive return expectations associated to them. Lastly, we closed 7 popular stores that could not be converted to the new, larger format.

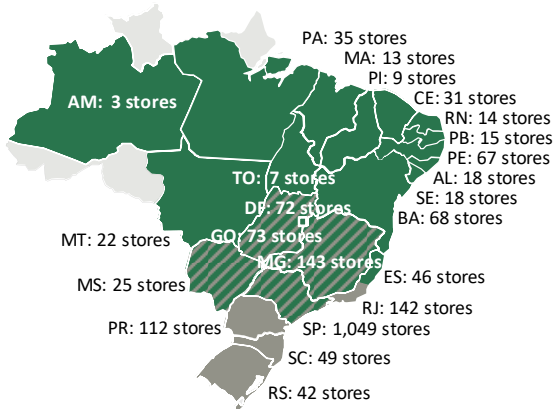
Our national market share reached 13.7% in the quarter, which represented a 1.3 percentage point increase when compared to the 4Q18. Of this increase, 0.3 percentage point was due to the Onofre acquisition. This performance was due to the effectiveness of the pricing investments we have made since the 2Q18, especially in generics, and the sharp reversion of the accelerated store opening cycle undertaken by several competitors in 2017 and 2018.

We have increased our market share in the quarter in all six core regions where we operate, driven by our strong mature-store sales growth and by our expansion. São Paulo was our main highlight, as we recorded a market share of 26.3%, a 2.4 percentage points increase, including Onofre, and a strong recovery despite the decentralization of our openings to other core regions in recent years.

We have also achieved strong market share gains in the North, where we reached a market share of 3.6%, a 1.9 percentage point gain, and in the Northeast, where we reached a market share of 8.8%, an increase of 1.8 percentage point. Finally, we recorded a market share of 15.9% in the Midwest, an increase of 0.7 percentage point, a market share of 8.3% in the South, an increase of 1.0 percentage point and a market share of 9.4% in the Southeast (excluding São Paulo), an increase of 0.6 percentage point.

In 2019, we have marked our presence in 23 states which represent 98.7% of the Brazilian pharmaceutical market by entering the state of Amazonas, where we currently have 3 stores.

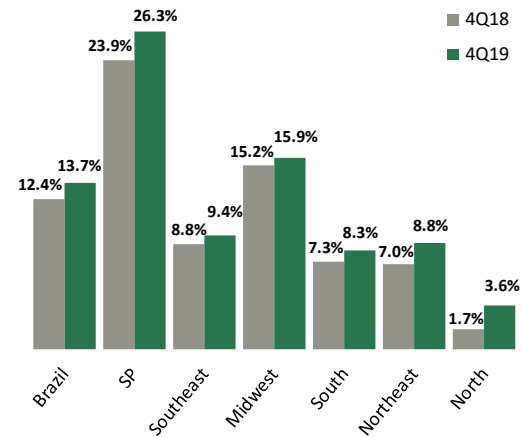
### Geographic Presence



Total: 2,073 stores

- Raia: 913 stores
- Drogasil: 1,157 stores
- \* 4Bio: 3 stores

### Retail Market Share

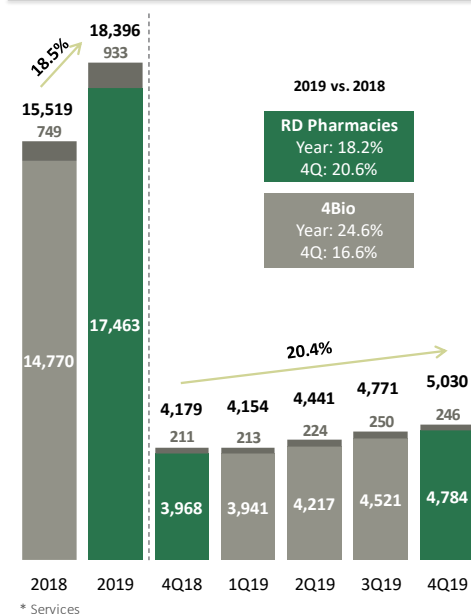


Organic LTM Openings	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
São Paulo	82	75	79	76	73	76	67	65	76
Other States	128	137	141	154	167	182	176	166	164
<b>Total</b>	<b>210</b>	<b>212</b>	<b>220</b>	<b>230</b>	<b>240</b>	<b>258</b>	<b>243</b>	<b>231</b>	<b>240</b>
<i>São Paulo %</i>	<i>39.0%</i>	<i>35.4%</i>	<i>35.9%</i>	<i>33.0%</i>	<i>30.4%</i>	<i>29.5%</i>	<i>27.6%</i>	<i>28.1%</i>	<i>31.7%</i>

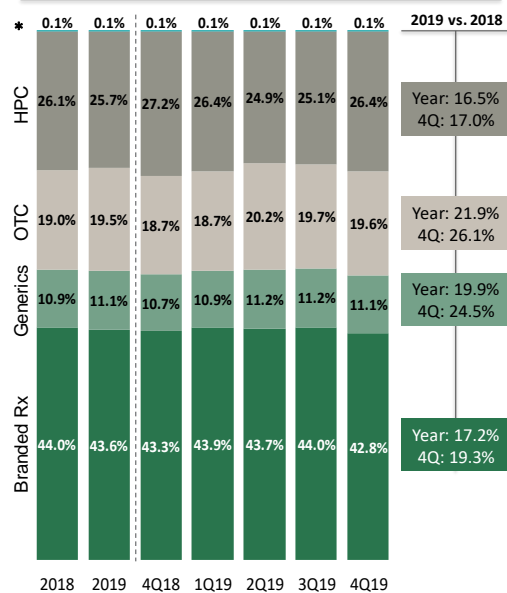
Source: IQVIA.

## GROSS REVENUE

### Consolidated Gross Revenue



### Retail Sales Mix

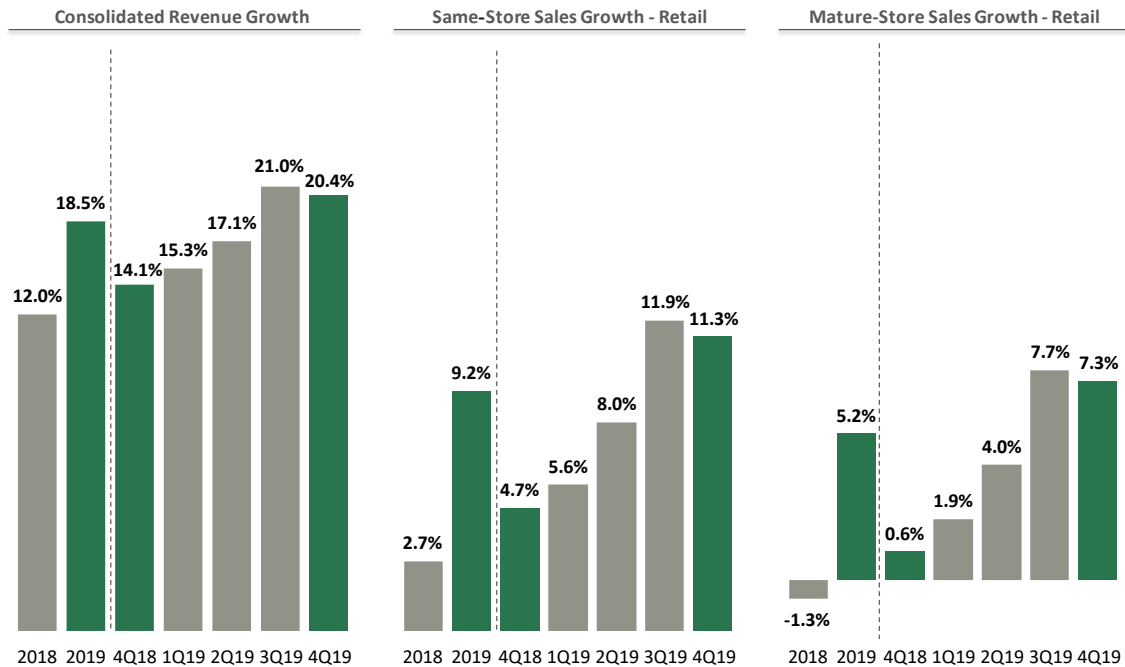


We ended 2019 with consolidated gross revenue of R\$ 18,396.0 million (R\$ 5,030.2 in the quarter), an 18.5% increase over 2018 (20.4% in the quarter). Our drugstores increased 18.2% (20.6% in the quarter), while 4Bio grew 24.6% (16.6% in the quarter).

OTC was the highlight of the year, growing 21.9% (26.1% in the quarter) and gaining 0.5 percentage point of participation (0.9 in the quarter). Generics grew 19.9% (24.5% in the quarter), and gained 0.2 percentage point (0.4 in the quarter). Branded Rx grew 17.2% (19.3% in the quarter) and lost 0.4 percentage point of participation (0.5 in the quarter). Lastly, HPC grew 16.5% (17.0% in the quarter) and lost 0.4 percentage point in the sales mix (0.8 in the quarter).

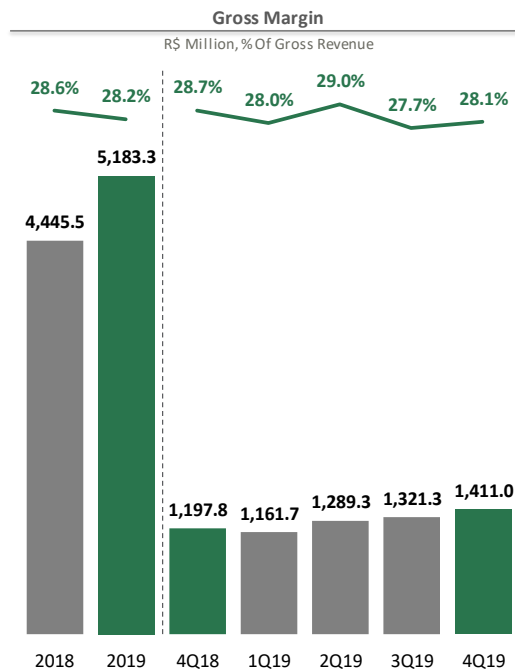


OTC was driven by a stronger winter season and new product launches, while Generics experienced significant volume growth as a result of our pricing strategy. Lastly, HPC underperformance was due to poor summer performance from adverse weather.



We recorded a same-store sales growth of 9.2% and of 5.2% in mature stores. In the 4Q19, same store sales increased by 11.3%, while mature stores increased 7.3%. These figures do not consider Onofre’s stores and e-commerce operations. We recorded a positive calendar effect of 0.3% in the quarter. Digital sales contributed with 0.6 additional percentage points in the quarter. Finally, the Brazilian pharmaceutical market grew by 9.0% in the last twelve months ended in December 2019, according to IQVIA, a testament to the defensive nature of our industry.

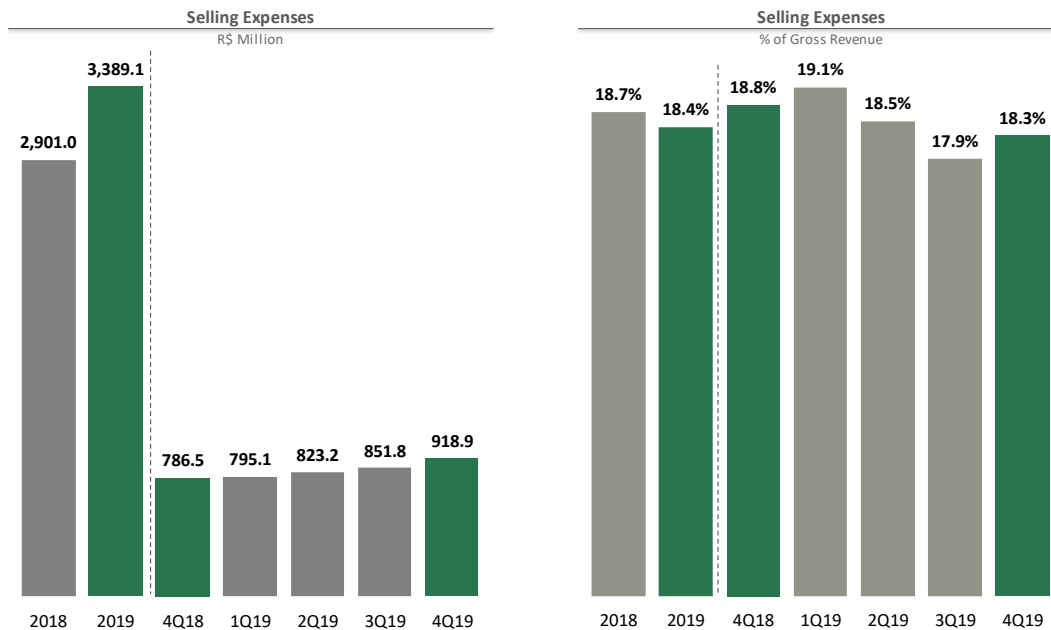
## GROSS PROFIT



Our gross margin reached 28.2%, a 0.4 percentage point pressure versus 2018. In the 4Q19, we recorded a gross margin of 28.1%, a 0.6 percentage point pressure over the 4Q18. The pressure comes mainly from our aggressive pricing strategy.

## SELLING EXPENSES

In 2019, selling expenses totaled R\$ 3,389.1 million, equivalent to 18.4% of gross revenue, a 0.3 percentage point decrease over 2018.



We recorded a dilution of 0.3 percentage point in personnel and of 0.1 in pre-operating and acquiring expenses each. On the other hand, rentals and logistics were pressured by 0.1 percentage point each.

These dilutions were mainly driven by the gain of operating leverage due to mature store sales performance above inflation throughout the year. The pressure in logistics was the result of increased freight expenses due to our expansion into the North and the opening of three new DCs throughout the year.

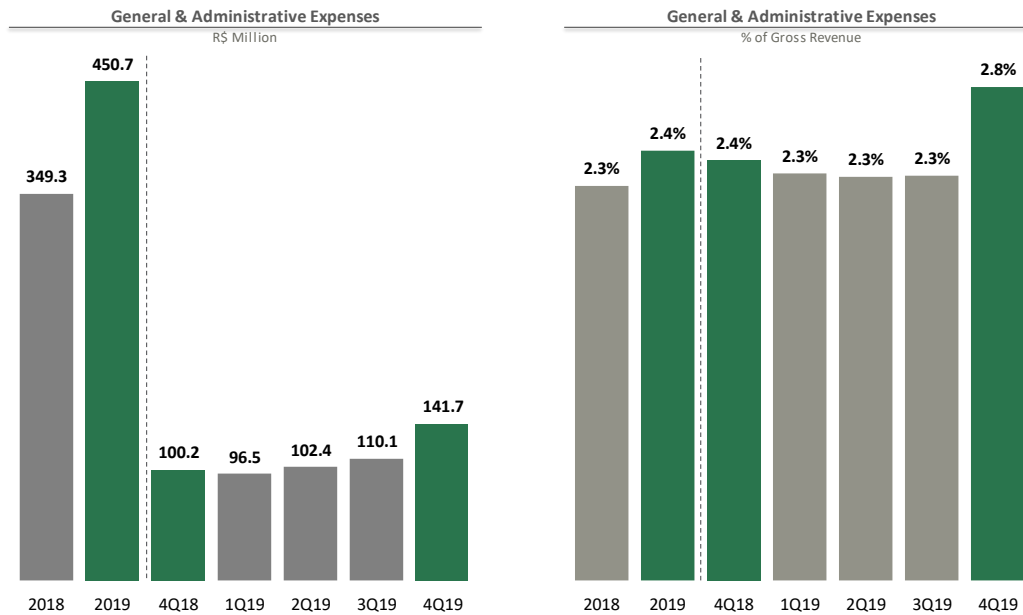
In the quarter, selling expenses totaled R\$ 918.9 million, equivalent to 18.3% of gross revenue, a 0.5 percentage point dilution over the 4Q18, also a result of the operating leverage gain due to mature store performance above inflation. We recorded a 0.5 percentage point dilution in personnel and another 0.1 percentage point in pre-operating expenses, partially offset by a 0.1 percentage point pressure from logistics.

## GENERAL & ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R\$ 450.7 million in 2019, equivalent to 2.4% of gross revenue, a 0.1 percentage point pressure over 2018, mainly due to labor contingencies, an increase in the provisions for variable compensation, in light of the performance in the year, and to our investments in digital.

In the 4Q19, general and administrative expenses amounted to R\$ 141.7 million, equivalent to 2.8% of gross revenue, a 0.4 percentage point pressure. We recorded a peak of 0.3 percentage point in labor contingencies, due to the revision of the provisioning criteria on the base of ongoing claims. In addition, we recorded a one-time 0.1 percentage point pressure related to provision increases for variable compensation due to the good performance of the year.

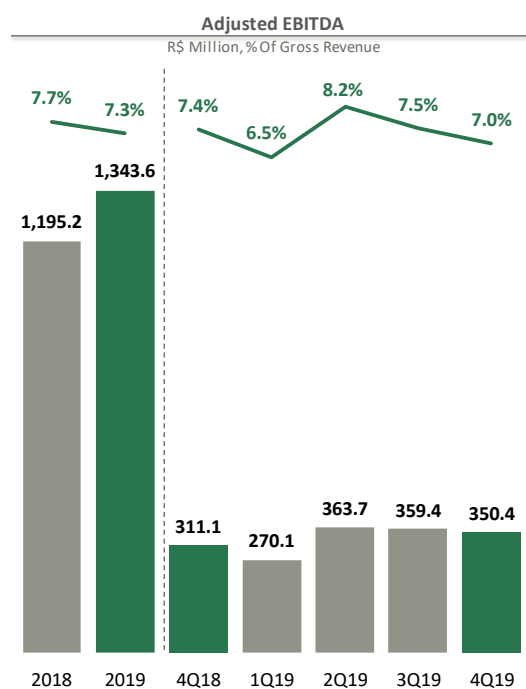
Excluding these one-time effects, G&A would have totaled 2.4%, which we believe to be our current navigation level, already taking into account the investments made in digital, including consultancy services and an increase in our corporate structure.



## EBITDA

Our adjusted EBITDA reached R\$ 1,343.6 million in 2019, an increase of 12.4% and an EBITDA margin of 7.3%, representing a 0.4 percentage point pressure compared to the previous year. In the 4Q19, we achieved an adjusted EBITDA of R\$ 350.4 million, an increase of 12.6% and an EBITDA margin of 7.0%, a 0.4 percentage point pressure. This pressure was due to a 0.6 percentage point loss in gross margins and a one-off 0.4 percentage point pressure in G&A expenses, partly offset by a dilution of 0.5 percentage point in selling expenses. Without the non-recurring effects, the EBITDA margin would have been 7.4% in the quarter.

New stores opened in the year, as well as those in the opening process and the ones acquired from Onofre, reduced the EBITDA by R\$ 6.0 million in 2019 (an R\$ 11.9 million increase in the quarter). Considering only the 1,791 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\$ 1,349.6 million (R\$ 338.5 million in the quarter), equivalent to an EBITDA margin of 7.6% (7.3% in the quarter).





RD Pharmacies reached an adjusted EBITDA of R\$ 1,329.1 (R\$ 349.2 million in the quarter) and a margin of 7.6% (7.3% in the quarter), a 0.4 percentage point pressure over 2018 (0.4 percentage point pressure in the quarter).

Finally, 4Bio reached an EBITDA of R\$ 14.5 million (R\$ 1.2 million in the quarter) and a margin of 1.6% (0.5% in the quarter), a 0.6 percentage point margin pressure (1.8 percentage point pressure in the quarter).

## EBITDA RECONCILIATION AND NON-RECURRING EXPENSES

EBITDA Reconciliation	1Q19	2Q19	3Q19	4Q19	2019
<i>(R\$ million)</i>					
<b>Net Income</b>	<b>102.1</b>	<b>151.3</b>	<b>465.2</b>	<b>143.3</b>	<b>861.9</b>
(+) Income Tax	16.6	41.3	(17.0)	13.0	<b>53.8</b>
(+) Financial Result	28.4	32.8	32.9	22.4	<b>116.5</b>
<b>EBIT</b>	<b>147.0</b>	<b>225.4</b>	<b>481.1</b>	<b>178.7</b>	<b>1,032.2</b>
(+) Depreciation and Amortization	117.8	124.4	131.8	133.3	<b>507.3</b>
<b>EBITDA</b>	<b>264.9</b>	<b>349.8</b>	<b>612.9</b>	<b>311.9</b>	<b>1,539.5</b>
(+) Asset write-off	2.4	0.6	6.3	7.7	<b>16.9</b>
(+) Restructuring Expenses		1.2	4.5	10.5	<b>16.1</b>
(+) Consulting and Advisory Expenses	5.2	4.3		5.9	<b>15.3</b>
(+) Distribution Center closure - Barra Mansa	1.6	7.8	3.3		<b>12.8</b>
(+) Labor contingencies from previous years				3.7	<b>3.7</b>
(-) INSS credits from previous years			(4.6)		<b>(4.6)</b>
(-) Non-recurring tax credits	(4.0)			(4.1)	<b>(8.1)</b>
<b>Non-recurring / non-operating Expenses - RD</b>	<b>5.2</b>	<b>13.9</b>	<b>9.4</b>	<b>23.6</b>	<b>52.1</b>
(+) Other Net Operating Losses			84.8	12.5	<b>97.2</b>
(-) Negative Goodwill Gain			(357.7)	2.4	<b>(355.3)</b>
<b>Non-recurring / non-operating Expenses - Onofre</b>			<b>(272.9)</b>	<b>14.9</b>	<b>(258.0)</b>
<b>Total non-recurring / non-operating Expenses</b>	<b>5.2</b>	<b>13.9</b>	<b>(263.5)</b>	<b>38.5</b>	<b>(205.9)</b>
(+) EBITDA non-integrated operations			10.0		<b>10.0</b>
<b>Adjusted EBITDA</b>	<b>270.1</b>	<b>363.7</b>	<b>359.4</b>	<b>350.4</b>	<b>1,343.6</b>

In 2019, we recorded R\$ 52.1 million in non-recurring/non-operating expenses, of which R\$ 23.6 million were incurred in the 4Q19.

In the 4Q19, we recorded R\$ 10.5 million in restructuring expenses, of which R\$ 5.7 million refer to a one-time financial compensation to our directors due to the elimination of the vehicle benefit policy.

We've also recorded R\$ 7.7 million in asset write-offs related to store closures, R\$ 5.9 in strategic consulting expenses and R\$ 3.7 million in labor contingencies from previous years. Also, we recorded R\$ 4.1 million in tax credits from previous fiscal periods or non-recurring.

Finally, we have recorded a non-recurring expense of R\$ 14.9 million related to Onofre. This amount is comprised by a R\$ 2.4 million loss in negative goodwill stemming from Onofre's incorporation, plus another R\$ 12.5 million in other net operating losses.

## DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

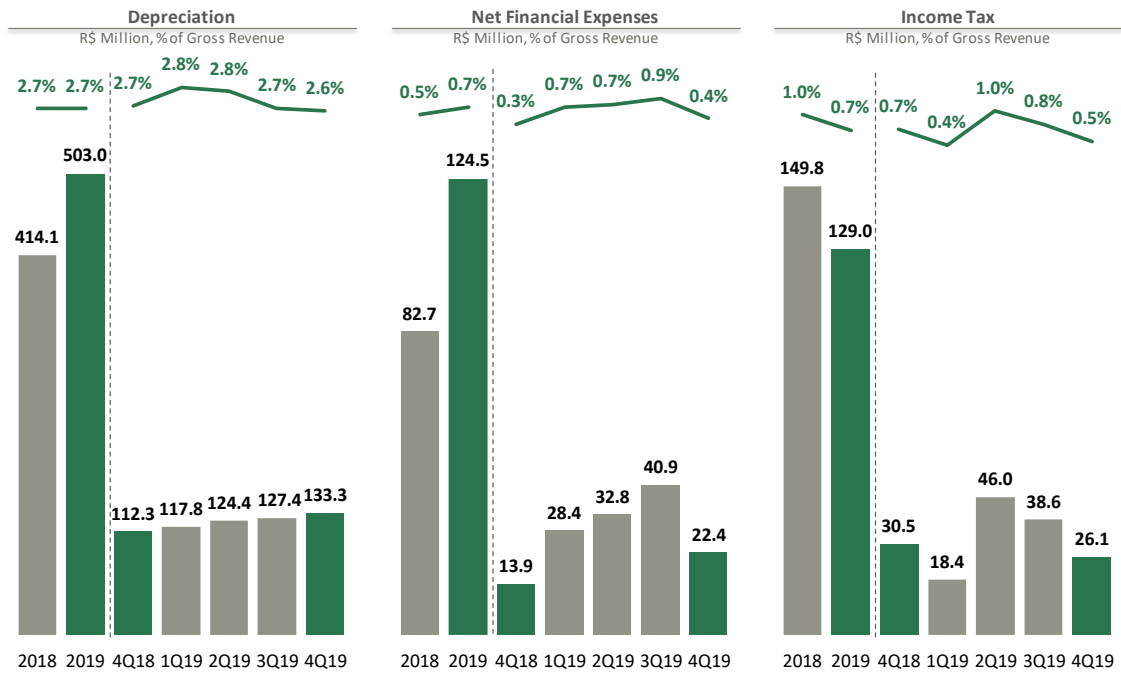
Depreciation expenses amounted to R\$ 503.0 million in 2019 (R\$ 133.3 million in the quarter), equivalent to 2.7% of gross revenue (2.6% in the quarter) stable when compared to the previous year (0.1 percentage point dilution in the quarter).

Net Financial expenses totaled R\$ 124.5 million in 2019 (R\$ 22.4 million in the quarter), representing 0.7% of gross revenue (0.4% in the quarter), a 0.2 percentage point pressure over the previous year (0.1 percentage point pressure in the quarter). Net Present Value Adjustment penalized the financial result by R\$ 56.7 million in 2019 (R\$ 15.7 million in the quarter).

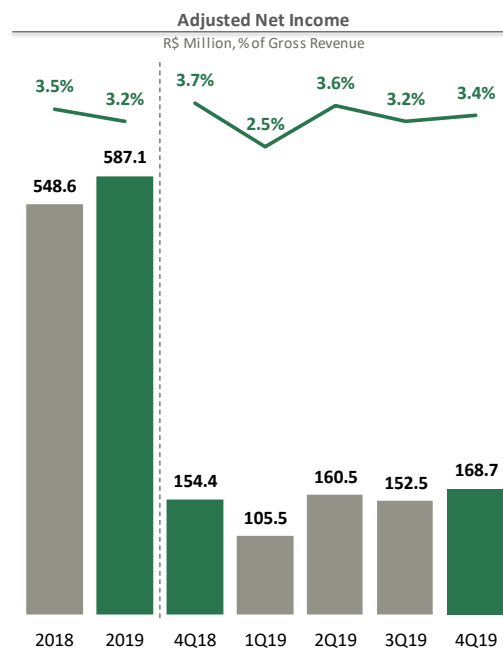
In addition, we recorded R\$ 5.7 million in net financial expenses from the option to acquire 4Bio (R\$ 4.1 million net financial income in the quarter), versus R\$ 11.1 million net financial income in 2018 (R\$ 15.3 million net financial income in the 4Q18). It is important to mention that the R\$ 4.1 million of net financial income registered in the 4Q19 was a result of a R\$ 5.1 million in financial income related to a reduction in the expected value of the remaining 45% of 4Bio due to lower projected margins between 2019 and 2023, less R\$ 1.0 million of interests accrued on the option. This impairment analysis is done once a year in the fourth quarter.

Excluding the NPV adjustments and the financial income on the option to acquire 4Bio, the interest accrued on net debt amounted to R\$ 62.1 million in 2019 (R\$ 10.8 million in the quarter) or 0.3% of gross revenue (0.2% of gross revenue in the quarter), stable versus 2018.

We booked R\$ 129.0 million in income taxes (R\$ 26.1 million in the 4Q19), equivalent to 0.7% of gross revenue (0.5% in the 4Q19).

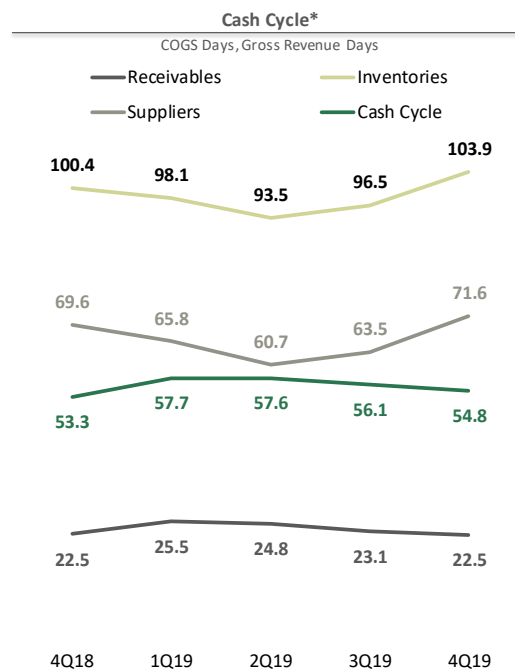


## NET INCOME



Adjusted Net income totaled R\$ 587.1 million in 2019, equivalent to a net margin of 3.2% (R\$ 168.7 million in the quarter, a net margin of 3.4%). This represented a 7.0% increase in net income and a 0.3 percentage point net margin pressure over the previous year (9.3% increase and a 0.3 percentage point contraction in the quarter).

## CASH CYCLE



\* Adjusted for discounted receivables.

Our cash cycle in the 4Q19 was 1.5 day higher when compared to the same period of the previous year. Inventories increased by 3.5 days mainly due to the opening of three new DCs, including our largest one in Guarulhos (SP). In addition, accounts payable increased 2.0 days. Lastly, receivables remained stable when compared to the same period of 2018.

## CASH FLOWS

We recorded a positive free cash flow of R\$ 1.5 million and a total cash consumption of R\$ 188.4 million in 2019. Our operating cash flow totaled R\$ 657.9 million, which fully funded the R\$ 656.5 million in investments undertaken in the period. Resources from operations totaled R\$ 1,183.3 million, equivalent to 6.4% of gross revenue, while we recorded a working capital consumption of R\$ 525.4 million.

In the 4Q19, we recorded a positive free cash flow of R\$ 48.4 million and a total cash consumption of R\$ 46.5 million. Our operating cash flow totaled R\$ 202.2 million, which fully funded the R\$ 153.8 million in investments undertaken in the period.

Resources from operations totaled R\$ 268.9 million, equivalent to 5.3% of gross revenue, while we recorded a working capital consumption of R\$ 66.7 million.

Of the R\$ 656.5 million invested in the year, R\$ 361.4 million corresponded to new store openings, R\$ 72.9 million to the renovation or expansion of existing stores and R\$ 214.8 million to investments in infrastructure, of which R\$ 111.6 million were due to opening or reallocation of 3 DCs, including the DC of Guarulhos, the company's biggest facility.

Net financial expenses totaled R\$ 67.8 million in 2019 (R\$ 6.7 million in expenses in the quarter), excluding the NPV adjustments. These were more than fully offset by the R\$ 95.0 million in tax shields related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid in the following quarters (R\$ 18.9 million in the quarter).

We accrued R\$ 211.5 million in interest on equity in 2019 (R\$ 49.0 million in the quarter) versus R\$ 209.5 million in 2018 (R\$ 56.0 million in the 4Q18), reflecting a payout of 39.0% over the Net Income adjusted for Onofre, through the full usage of the legal interest on equity limit.

Cash Flow	4Q19	4Q18	2019	2018
<i>(R\$ million)</i>				
<b>Adjusted EBIT</b>	<b>217.2</b>	<b>198.8</b>	<b>826.3</b>	<b>781.1</b>
NPV Adjustment	(17.3)	(16.6)	(55.5)	(50.4)
Non-Recurring Expenses	(38.5)	(49.8)	205.9	(59.5)
Income Tax (34%)	(54.9)	(45.0)	(332.1)	(228.2)
Depreciation	133.3	112.3	507.3	414.1
Others	29.1	61.4	31.4	68.0
<b>Resources from Operations</b>	<b>268.9</b>	<b>261.1</b>	<b>1,183.3</b>	<b>925.1</b>
Cash Cycle*	(60.4)	17.9	(418.8)	(344.4)
Other Assets (Liabilities)**	(6.3)	(29.0)	(106.5)	(17.6)
<b>Operating Cash Flow</b>	<b>202.2</b>	<b>250.0</b>	<b>657.9</b>	<b>563.0</b>
<b>Investments</b>	<b>(153.8)</b>	<b>(220.9)</b>	<b>(656.5)</b>	<b>(703.0)</b>
<b>Free Cash Flow</b>	<b>48.4</b>	<b>29.1</b>	<b>1.5</b>	<b>(139.9)</b>
Interest on Equity	(93.0)	(86.4)	(186.6)	(173.6)
Income Tax Paid over Interest on Equity	(14.1)	(15.2)	(30.5)	(29.5)
Net Financial Expenses***	(6.7)	1.5	(67.8)	(32.9)
Share Buyback	-	-	-	(46.9)
Income Tax (Tax benefit over financial expenses and interest on equity)	18.9	17.6	95.0	81.5
<b>Total Cash Flow</b>	<b>(46.5)</b>	<b>(53.5)</b>	<b>(188.4)</b>	<b>(341.4)</b>

\*Includes adjustments to discounted receivables.

\*\*Includes adjustments for the incorporation of Onofre's assets and liabilities.

\*\*\*Excludes NPV adjustments.

## INDEBTEDNESS

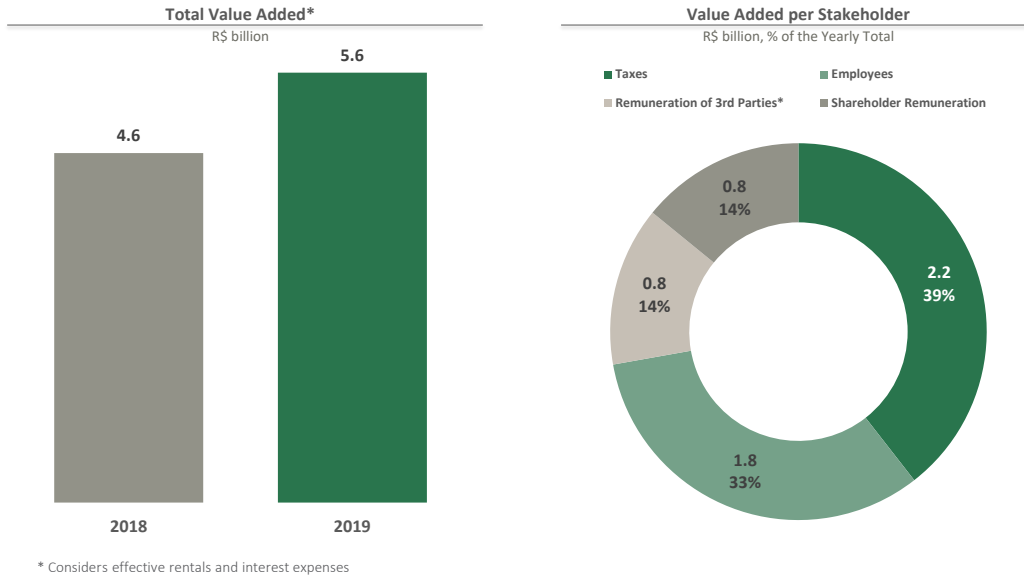
At the end of the year, we recorded an adjusted net debt position of R\$ 923.4 million, versus R\$ 735.0 million recorded at the end of 2018. The Adjusted Net Debt to EBITDA totaled 0.7x, 0.1x higher than the same period of last year in spite of the significant investment undertaken in the year, especially in logistics.

This net debt includes R\$ 42.1 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 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\$ 54.1 million in discounted receivables recorded in the quarter.

Net Debt	4Q19	3Q19	2Q19	1Q19	4Q18
<i>(R\$ million)</i>					
Short-term Debt	228.7	247.5	274.7	280.8	272.9
Long-term Debt	897.8	989.9	705.0	797.5	570.2
<b>Total Gross Debt</b>	<b>1,126.5</b>	<b>1,237.4</b>	<b>979.7</b>	<b>1,078.3</b>	<b>843.1</b>
(-) Cash and Equivalents	299.2	406.7	145.4	243.6	241.6
<b>Net Debt</b>	<b>827.3</b>	<b>830.7</b>	<b>834.3</b>	<b>834.7</b>	<b>601.6</b>
Discounted Receivables	54.1	-	118.3	65.9	97.0
Put/Call options to acquire 4Bio (estimated)	42.1	46.2	38.2	37.3	36.4
<b>Adjusted Net Debt</b>	<b>923.4</b>	<b>876.9</b>	<b>990.8</b>	<b>937.9</b>	<b>735.0</b>
Adjusted Net Debt / EBITDA	0.7x	0.7x	0.8x	0.8x	0.6x

Our gross debt totaled R\$ 1,126.5 million, of which 91.4% corresponds to the debentures issued in 2017, 2018 and 2019, as well as a Certificate of Real Estate Receivables and 8,6% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines. Of our total debt, 79.7% is long-term, while 20.3% relates to its short-term parcels. We ended the quarter with a total cash position (cash and marketable securities) of R\$ 299.2 million.

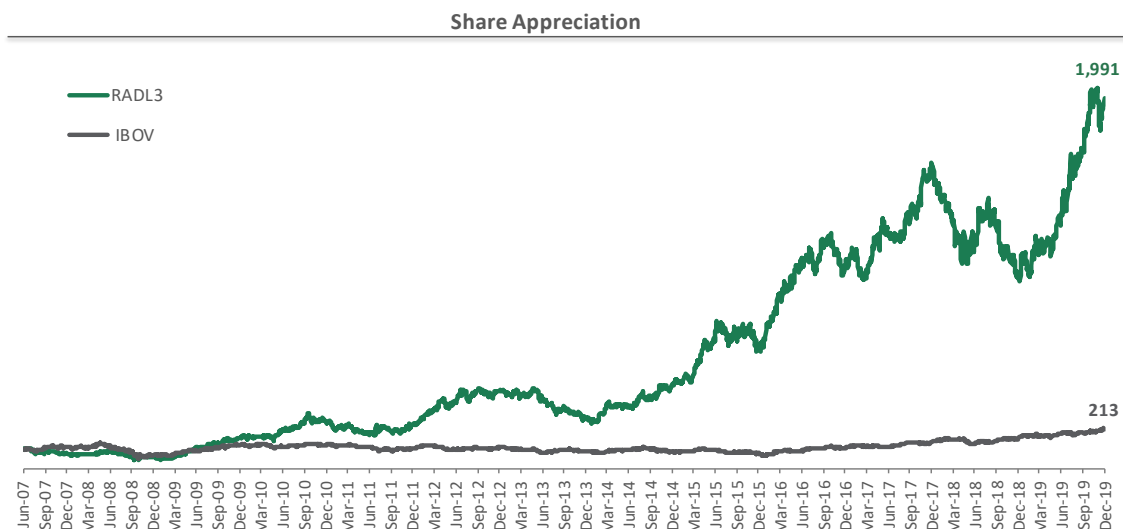
## SHARED VALUE CREATION



Being a Company focused towards People, Health and Well-being, our goals stretch beyond profit generation and encompass value creation for all stakeholders. As such, in 2019, the Company shared R\$ 5.6 billion in added value, an increase of 23% over the previous year, split as follows: R\$ 2.2 billion was shared with our government, in the federal, state and municipal levels in the form of taxes, R\$ 1.8 billion was shared with our employees, R\$ 0.8 billion went to landlords and financial institutions and R\$ 0.8 billion to our shareholders' remuneration, of which R\$ 0.6 billion was reinvested in the business.

## TOTAL SHAREHOLDER RETURNS

Our share price increased 97.5% in 2019, 65.6 percentage points above the IBOVESPA, which increased by 31.9%. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,891.1% versus a return of only 113.2% for the IBOVESPA. Including the payment of interest on equity, we generated an average annual total return to shareholders of 28.9%.



Considering the IPO of Raia in December of 2010, the cumulative return amounted to 665.4% versus an increase of only 70.6% of the IBOVESPA. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 26.5%. Lastly, our shares recorded an average daily trading volume of R\$ 77.1 million in the quarter.

## 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.

It is important to mention that due to a change in the discount rate used to calculate the present value of the liabilities regarding financial leases, the Company booked a retroactive adjustment in the 4Q19 IFRS 16 results. Further details regarding this matter can be found in Section 15 (“Leases”) of our Annual Financial Statements.

Income Statement (R\$ million)	IAS 17					IFRS 16					Change	
	1Q19	2Q19	3Q19	4Q19	2019	1Q19	2Q19	3Q19	4Q19	2019	Δ 4Q19	Δ 2019
<b>Gross Revenue</b>	<b>4,153.9</b>	<b>4,440.7</b>	<b>4,771.3</b>	<b>5,030.2</b>	<b>18,396.0</b>	<b>4,153.9</b>	<b>4,440.7</b>	<b>4,771.3</b>	<b>5,030.2</b>	<b>18,396.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Gross Profit</b>	<b>1,161.7</b>	<b>1,289.3</b>	<b>1,321.3</b>	<b>1,411.0</b>	<b>5,183.3</b>	<b>1,161.7</b>	<b>1,289.3</b>	<b>1,321.3</b>	<b>1,411.0</b>	<b>5,183.3</b>	<b>0.0</b>	<b>0.0</b>
Gross Margin	28.0%	29.0%	27.7%	28.1%	28.2%	28.0%	29.0%	27.7%	28.1%	28.2%	0.0%	0.0%
Selling Expenses	(795.1)	(823.2)	(851.8)	(918.9)	(3,389.1)	(650.1)	(672.5)	(692.1)	(788.5)	(2,803.2)	130.4	585.9
G&A	(96.5)	(102.4)	(110.1)	(141.7)	(450.7)	(96.0)	(101.9)	(109.8)	(141.4)	(449.0)	0.3	1.6
<b>Total Expenses</b>	<b>(891.6)</b>	<b>(925.6)</b>	<b>(961.9)</b>	<b>(1,060.6)</b>	<b>(3,839.7)</b>	<b>(746.1)</b>	<b>(774.4)</b>	<b>(801.8)</b>	<b>(929.9)</b>	<b>(3,252.2)</b>	<b>130.7</b>	<b>587.5</b>
as % of Gross Revenue	21.5%	20.8%	20.2%	21.1%	20.9%	18.0%	17.4%	16.8%	18.5%	17.7%	-2.6%	-3.2%
<b>Adjusted EBITDA</b>	<b>270.1</b>	<b>363.7</b>	<b>359.4</b>	<b>350.4</b>	<b>1,343.6</b>	<b>415.6</b>	<b>514.9</b>	<b>519.5</b>	<b>481.1</b>	<b>1,931.1</b>	<b>130.7</b>	<b>587.5</b>
as % of Gross Revenue	6.5%	8.2%	7.5%	7.0%	7.3%	10.0%	11.6%	10.9%	9.6%	10.5%	2.6%	3.2%
Non-Recurring Expenses / Revenues	(5.2)	(13.9)	(9.4)	(38.5)	(67.0)	(5.2)	(13.1)	(8.9)	(37.8)	(65.1)	0.7	1.9
Depreciation and Amortization	(117.8)	(124.4)	(127.4)	(133.3)	(503.0)	(254.0)	(265.7)	(284.9)	(209.2)	(1,013.8)	(75.9)	(510.9)
Financial Results	(28.4)	(32.8)	(40.9)	(22.4)	(124.5)	(55.2)	(59.7)	(68.8)	(151.1)	(334.9)	(128.7)	(210.4)
Income Tax	(16.6)	(41.3)	(35.4)	(13.0)	(106.2)	(10.6)	(35.6)	(27.2)	12.0	(61.5)	24.9	44.7
<b>Net Income</b>	<b>102.1</b>	<b>151.3</b>	<b>146.2</b>	<b>143.3</b>	<b>542.9</b>	<b>90.5</b>	<b>140.7</b>	<b>129.7</b>	<b>94.9</b>	<b>455.8</b>	<b>(48.3)</b>	<b>(87.1)</b>
as % of Gross Revenue	2.5%	3.4%	3.1%	2.8%	3.0%	2.2%	3.2%	2.7%	1.9%	2.5%	-1.0%	-0.5%

Balance Sheet (R\$ million)	4Q19		Change
	IAS 17	IFRS 16	Δ 4Q19
<b>Assets</b>	<b>9,212.5</b>	<b>12,248.3</b>	<b>3,035.8</b>
<b>Current Assets</b>	<b>5,766.1</b>	<b>5,756.0</b>	<b>(10.1)</b>
Taxes Receivable	155.4	145.6	(9.8)
Other Accounts Receivable	244.7	244.4	(0.3)
<b>Non-Current Assets</b>	<b>3,446.4</b>	<b>6,492.2</b>	<b>3,045.8</b>
Taxes Receivable	58.3	68.1	9.8
Other Credits	334.9	334.4	(0.5)
Property, Plant and Equipment	1,777.7	4,814.3	3,036.5
<b>Liabilities and Shareholder's Equity</b>	<b>9,212.5</b>	<b>12,248.3</b>	<b>3,035.8</b>
<b>Current Liabilities</b>	<b>3,573.8</b>	<b>4,078.5</b>	<b>504.7</b>
Financial Leases	0.0	566.6	566.6
Taxes Payable	102.6	102.7	0.1
Dividend and Interest on Equity	103.8	68.3	(35.6)
Other Accounts Payable	162.8	136.3	(26.5)
<b>Non-Current Liabilities</b>	<b>1,516.9</b>	<b>4,093.4</b>	<b>2,576.5</b>
Financial Leases	0.0	2,618.0	2,618.0
Income Tax and Social Charges Deferred	165.5	124.0	(41.5)
<b>Shareholder's Equity</b>	<b>4,121.8</b>	<b>4,076.4</b>	<b>(45.4)</b>
Income Reserves	1,428.7	1,372.0	(56.7)
Additional Dividend Proposed	30.4	41.6	11.3



Cash Flow (R\$ million)	IAS 17					IFRS 16					Change	
	1Q19	2Q19	3Q19	4Q19	2019	1Q19	2Q19	3Q19	4Q19	2019	Δ 4Q19	Δ 2019
<b>Adjusted EBIT</b>	<b>152.3</b>	<b>239.2</b>	<b>217.6</b>	<b>217.2</b>	<b>826.3</b>	<b>161.6</b>	<b>249.2</b>	<b>234.6</b>	<b>271.9</b>	<b>917.3</b>	<b>54.8</b>	<b>91.0</b>
NPV Adjustment	(10.1)	(10.7)	(17.4)	(17.3)	(55.5)	(10.1)	(10.7)	(17.4)	(17.3)	(55.5)	0.0	0.0
Non-Recurring Expenses	(5.2)	(13.9)	263.5	(38.5)	205.9	(5.2)	(13.9)	263.5	(38.5)	205.9	0.0	0.0
Income Tax (34%)	(46.5)	(73.0)	(157.7)	(54.9)	(332.1)	(49.7)	(76.4)	(163.4)	(73.5)	(363.0)	(18.6)	(30.9)
Depreciation	117.8	124.4	131.8	133.3	507.3	254.0	265.7	283.5	209.2	1,012.4	75.9	505.1
Rental Expenses	0.0	0.0	0.0	0.0	0.0	(145.5)	(151.9)	(169.6)	(131.4)	(598.4)	(131.4)	(598.4)
Others	2.7	(2.3)	1.9	29.1	31.4	5.9	1.8	8.5	48.4	64.6	19.3	33.2
<b>Resources from Operations</b>	<b>210.9</b>	<b>263.8</b>	<b>439.7</b>	<b>268.9</b>	<b>1,183.3</b>	<b>210.9</b>	<b>263.8</b>	<b>439.7</b>	<b>268.9</b>	<b>1,183.3</b>	<b>0.0</b>	<b>0.0</b>
Cash Cycle*	(186.1)	(133.5)	(38.9)	(60.4)	(418.8)	(186.1)	(133.5)	(38.9)	(60.4)	(418.8)	0.0	0.0
Other Assets (Liabilities)**	(32.9)	71.2	(138.5)	(6.3)	(106.5)	(32.9)	71.2	(138.5)	(6.3)	(106.5)	0.0	0.0
<b>Operating Cash Flow</b>	<b>(8.1)</b>	<b>201.6</b>	<b>262.2</b>	<b>202.2</b>	<b>657.9</b>	<b>(8.1)</b>	<b>201.6</b>	<b>262.2</b>	<b>202.2</b>	<b>657.9</b>	<b>0.0</b>	<b>0.0</b>
<b>Investments</b>	<b>(202.4)</b>	<b>(158.7)</b>	<b>(141.5)</b>	<b>(153.8)</b>	<b>(656.5)</b>	<b>(202.4)</b>	<b>(158.7)</b>	<b>(141.5)</b>	<b>(153.8)</b>	<b>(656.5)</b>	<b>0.0</b>	<b>0.0</b>
<b>Free Cash Flow</b>	<b>(210.5)</b>	<b>42.9</b>	<b>120.7</b>	<b>48.4</b>	<b>1.5</b>	<b>(210.5)</b>	<b>42.9</b>	<b>120.7</b>	<b>48.4</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>
Interest on Equity	(1.2)	(92.4)	(0.0)	(93.0)	(186.6)	(1.2)	(92.4)	(0.0)	(93.0)	(186.6)	0.0	0.0
Income Tax Paid over Interest on Equity	0.0	(8.5)	(7.9)	(14.1)	(30.5)	0.0	(8.5)	(7.9)	(14.1)	(30.5)	0.0	0.0
Net Financial Expenses***	(16.0)	(19.8)	(25.2)	(6.7)	(67.8)	(16.0)	(19.8)	(25.2)	(6.7)	(67.8)	0.0	0.0
Share Buyback	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income Tax (Tax benefit over financial expenses and interest on equity)	24.8	24.9	26.3	18.9	95.0	24.8	24.9	26.3	18.9	95.0	0.0	0.0
<b>Total Cash Flow</b>	<b>(202.9)</b>	<b>(52.9)</b>	<b>113.8</b>	<b>(46.5)</b>	<b>(188.4)</b>	<b>(202.9)</b>	<b>(52.9)</b>	<b>113.8</b>	<b>(46.5)</b>	<b>(188.4)</b>	<b>0.0</b>	<b>0.0</b>

\*Includes adjustments to discounted receivables.

\*\*Includes adjustments for the incorporation of Onofre's assets and liabilities.

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

**2019/4Q19 Results Conference Calls – February 20, 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)

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<b>Consolidated Adjusted Income Statement</b> <i>(R\$ thousand)</i>	<b>4Q18</b>	<b>4Q19</b>	<b>2018</b>	<b>2019</b>
<b>Gross Revenue</b>	<b>4,178,909</b>	<b>5,030,160</b>	<b>15,519,133</b>	<b>18,396,046</b>
Taxes, Discounts and Returns	(181,845)	(245,045)	(717,688)	(893,150)
<b>Net Revenue</b>	<b>3,997,064</b>	<b>4,785,115</b>	<b>14,801,445</b>	<b>17,502,896</b>
Cost of Goods Sold	(2,799,277)	(3,374,112)	(10,355,924)	(12,319,594)
<b>Gross Profit</b>	<b>1,197,788</b>	<b>1,411,003</b>	<b>4,445,521</b>	<b>5,183,302</b>
Operational (Expenses) Revenue				
Sales	(786,502)	(918,902)	(2,901,011)	(3,389,057)
General and Administrative	(100,177)	(141,670)	(349,318)	(450,650)
<b>Operational Expenses</b>	<b>(886,679)</b>	<b>(1,060,572)</b>	<b>(3,250,330)</b>	<b>(3,839,707)</b>
<b>EBITDA</b>	<b>311,109</b>	<b>350,431</b>	<b>1,195,191</b>	<b>1,343,595</b>
Depreciation and Amortization	(112,310)	(133,256)	(414,134)	(502,963)
<b>Operational Earnings before Financial Results</b>	<b>198,799</b>	<b>217,176</b>	<b>781,058</b>	<b>840,632</b>
Financial Expenses	(31,415)	(43,722)	(154,437)	(200,562)
Financial Revenue	17,512	21,291	71,783	76,070
<b>Financial Expenses/Revenue</b>	<b>(13,903)</b>	<b>(22,431)</b>	<b>(82,654)</b>	<b>(124,491)</b>
<b>Earnings before Income Tax and Social Charges</b>	<b>184,896</b>	<b>194,745</b>	<b>698,404</b>	<b>716,141</b>
Income Tax and Social Charges	(30,492)	(26,052)	(149,790)	(128,993)
<b>Net Income</b>	<b>154,404</b>	<b>168,692</b>	<b>548,614</b>	<b>587,148</b>

<b>Consolidated Income Statement</b> (R\$ thousand)	<u>4Q18</u>	<u>4Q19</u>	<u>2018</u>	<u>2019</u>
<b>Gross Revenue</b>	<b>4,178,909</b>	<b>5,030,160</b>	<b>15,519,133</b>	<b>18,396,046</b>
Taxes, Discounts and Returns	(181,845)	(245,045)	(717,688)	(893,150)
<b>Net Revenue</b>	<b>3,997,064</b>	<b>4,785,115</b>	<b>14,801,445</b>	<b>17,502,896</b>
Cost of Goods Sold	(2,799,277)	(3,374,112)	(10,355,924)	(12,319,594)
<b>Gross Profit</b>	<b>1,197,788</b>	<b>1,411,003</b>	<b>4,445,521</b>	<b>5,183,302</b>
Operational (Expenses) Revenue				
Sales	(786,502)	(918,902)	(2,901,011)	(3,389,057)
General and Administrative	(100,177)	(141,670)	(349,318)	(450,650)
Other Operational Expenses, Net	(49,807)	(38,511)	(59,548)	(67,022)
<b>Operational Expenses</b>	<b>(936,486)</b>	<b>(1,099,083)</b>	<b>(3,309,878)</b>	<b>(3,906,728)</b>
<b>EBITDA</b>	<b>261,302</b>	<b>311,920</b>	<b>1,135,643</b>	<b>1,276,573</b>
Depreciation and Amortization	(112,310)	(133,256)	(414,134)	(502,963)
<b>Operational Earnings before Financial Results</b>	<b>148,992</b>	<b>178,665</b>	<b>721,510</b>	<b>773,610</b>
Financial Expenses	(31,415)	(43,722)	(154,437)	(200,562)
Financial Revenue	17,512	21,291	71,783	76,070
<b>Financial Expenses/Revenue</b>	<b>(13,903)</b>	<b>(22,431)</b>	<b>(82,654)</b>	<b>(124,491)</b>
<b>Earnings before Income Tax and Social Charges</b>	<b>135,089</b>	<b>156,234</b>	<b>638,856</b>	<b>649,119</b>
Income Tax and Social Charges	(13,558)	(12,959)	(129,544)	(106,205)
<b>Net Income</b>	<b>121,531</b>	<b>143,275</b>	<b>509,313</b>	<b>542,914</b>

<b>Assets</b> (R\$ thousand)	<b>4Q18</b>	<b>4Q19</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	241,568	299,226
Accounts Receivable	937,389	1,189,019
Inventories	3,087,275	3,851,389
Taxes Receivable	84,852	155,395
Other Accounts Receivable	156,848	244,699
Anticipated Expenses	21,893	26,369
	<u>4,529,826</u>	<u>5,766,096</u>
<b>Non-Current Assets</b>		
Deposit in Court	25,770	30,001
Taxes Receivable	44,578	58,304
Other Credits	2,484	334,911
Property, Plant and Equipment	1,546,960	1,777,735
Intangible	1,202,388	1,245,441
	<u>2,822,180</u>	<u>3,446,391</u>
<b>ASSETS</b>	<u>7,352,005</u>	<u>9,212,488</u>

<b>Liabilities and Shareholder's Equity</b> <i>(R\$ thousand)</i>	<u>4Q18</u>	<u>4Q19</u>
<b>Current Liabilities</b>		
Suppliers	2,141,274	2,653,237
Loans and Financing	272,939	228,661
Salaries and Social Charges Payable	237,542	296,673
Taxes Payable	92,964	102,672
Dividend and Interest on Equity	24,843	92,946
Provision for Lawsuits	2,512	26,008
Other Accounts Payable	141,370	160,632
	<u>2,913,443</u>	<u>3,560,828</u>
<b>Non-Current Liabilities</b>		
Loans and Financing	570,211	897,815
Provision for Lawsuits	48,877	67,114
Income Tax and Social Charges deferred	237,757	166,234
Other Accounts Payable	46,949	386,449
	<u>903,794</u>	<u>1,517,612</u>
<b>Shareholder's Equity</b>		
Common Stock	1,808,639	2,500,000
Capital Reserves	116,363	129,768
Revaluation Reserve	12,022	11,848
Income Reserves	1,522,073	1,429,597
Accrued Income	0	0
Equity Adjustments	(30,230)	(30,230)
Non Controller Interest	34,911	51,421
Additional Dividend Proposed	70,990	41,643
	<u>3,534,769</u>	<u>4,134,047</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>7,352,005</u>	<u>9,212,488</u>



Cash Flow (R\$ thousand)	4Q18	4Q19	2018	2019
<b>Earnings before Income Tax and Social Charges</b>	<b>135,089</b>	<b>156,234</b>	<b>638,856</b>	<b>908,588</b>
<b>Adjustments</b>				
Depreciation and Amortization	112,310	133,255	414,134	507,269
Compensation plan with restricted shares, net	3,186	3,224	12,515	13,439
Interest over additional stock option	(15,294)	(4,097)	(11,135)	5,734
P,P&E and Intangible Assets residual value	4,894	7,881	12,166	24,474
Provisioned Lawsuits	52,844	14,291	49,167	3,892
Provisioned Inventory Loss	(1,644)	(432)	(2,680)	(585)
Provision for Doubtful Accounts	(635)	1,773	(4,739)	1,658
Provisioned Store Closures	2,784	(1)	1,556	(6,505)
Interest Expenses	14,082	15,673	56,699	66,746
Debt Issuance Costs Amortization	495	728	(2,388)	2,718
Gains from business combination	0	2,407	0	(356,628)
	<b>308,111</b>	<b>330,936</b>	<b>1,164,151</b>	<b>1,170,800</b>
<b>Assets and Liabilities variation</b>				
Clients and Other Accounts Receivable	117,695	11,136	1,133	(252,043)
Inventories	(278,729)	(388,669)	(567,001)	(674,930)
Other Short Term Assets	(2,153)	51,795	(10,091)	130,307
Long Term Assets	1,326	(30,456)	(45,438)	(369,517)
Suppliers	275,702	371,197	318,449	465,192
Salaries and Social Charges	(51,094)	(49,532)	34,743	45,442
Taxes Payable	(15,209)	(35,761)	(69,041)	(34,692)
Other Liabilities	3,242	3,713	922	9,194
Rents Payable	5,960	2,336	12,885	3,917
<b>Cash from Operations</b>	<b>364,851</b>	<b>266,695</b>	<b>840,712</b>	<b>493,670</b>
Interest Paid	(23,770)	(26,985)	(43,478)	(41,764)
Income Tax and Social Charges Paid	(14,937)	(56)	(118,381)	(111,143)
<b>Net Cash from (invested) Operational Activities</b>	<b>326,144</b>	<b>239,654</b>	<b>678,853</b>	<b>340,763</b>
<b>Investment Activities Cash Flow</b>				
Cash acquired from business combination	0	0	0	283,685
P,P&E and Intangible Acquisitions	(220,912)	(153,582)	(702,985)	(656,697)
P,P&E Sale Payments	7	(219)	17	237
<b>Net Cash from Investment Activities</b>	<b>(220,905)</b>	<b>(153,801)</b>	<b>(702,968)</b>	<b>(372,775)</b>
<b>Financing Activities Cash Flow</b>				
Funding	16,994	21,866	423,954	738,923
Payments	(67,777)	(122,220)	(202,597)	(462,651)
Share Buyback	0	0	(46,925)	0
Interest on Equity and Dividends Paid	(86,444)	(92,955)	(173,622)	(186,601)
<b>Net Cash from Funding Activities</b>	<b>(137,227)</b>	<b>(193,309)</b>	<b>810</b>	<b>89,671</b>
<b>Cash and Cash Equivalents net increase</b>	<b>(31,988)</b>	<b>(107,456)</b>	<b>(23,305)</b>	<b>57,658</b>
<b>Cash and Cash Equivalents in the beginning of the period</b>	<b>273,556</b>	<b>406,683</b>	<b>264,873</b>	<b>241,568</b>
<b>Cash and Cash Equivalents in the end of the period</b>	<b>241,568</b>	<b>299,226</b>	<b>241,568</b>	<b>299,226</b>