



São Paulo, April 29, 2019. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 1st quarter of 2019 (1Q19). The Company's quarterly financial statements for the periods ended in March 31, 2019 and 2018 have been prepared in accordance with technical pronouncement CPC 21 (R1) – “Interim Financial Reporting”, the requirements in Official Letter/CVM/SNC/SEP 003/2011 of April 28, 2011, and the International Financial Reporting Standards (IFRS) – IAS 34. The financial statements were prepared in Reais and all growth rates unless otherwise stated relate to the same period of 2018.

Starting in 2019, our financial statements are prepared in accordance with IFRS 16. In order to preserve the historic comparability, the 1Q19 figures in this report are also presented under IAS 17 / CPC 06, the previous reporting standard. The effects of this accounting change are detailed on pages 2 and 3.

QUARTERLY HIGHLIGHTS:

- › **DRUGSTORES: 1,873 stores in operation (62 openings and 14 closures)**
- › **RETAIL MARKET SHARE: 1.1 percentage point national increase, with 1.0 gain in São Paulo**
- › **GROSS REVENUE: R\$ 4.2 billion, 15.3% growth (1.9% retail mature-store sales growth)**
- › **GROSS MARGIN: 28.0% of gross revenue, a 0.5 percentage point decrease**
- › **EBITDA: R\$ 270.1 million, a margin of 6.5%, a 1.1 percentage point decrease**
R\$ 415.6 million, a margin of 10.0%, a 0.9 percentage point decrease (IFRS16)
- › **NET INCOME: R\$ 105.5 million, 2.5% of net margin**
R\$ 93.9 million, 2.3% of net margin (IFRS 16)
- › **CASH FLOW: R\$ 210.5 million negative free cash flow, R\$ 202.9 million of cash consumption**

RADL3

R\$ 67.75/share

NUMBER OF SHARES

330,386,000

MARKET CAP

R\$ 22,384 (million)

CLOSING

April 26, 2019

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Summary	Previous Standard (IAS 17)				IFRS 16		
	1Q18	2Q18	3Q18	4Q18	1Q19	1Q18	1Q19
<i>(R\$ thousand)</i>							
# of Stores - Retail + 4Bio	1,651	1,708	1,768	1,825	1,873	1,651	1,873
Store Openings	44	62	64	70	62	44	62
Store Closures	(3)	(5)	(4)	(13)	(14)	(3)	(14)
# of Stores (average)	1,629	1,680	1,744	1,801	1,849	1,629	1,849
Headcount (EoP)	32,633	33,880	34,708	36,510	36,192	32,633	36,192
Pharmacist Count (EoP)	6,323	6,582	6,806	6,959	7,106	6,323	7,106
# of Tickets (000)	52,291	55,148	56,560	59,425	58,634	52,291	58,634
Gross Revenue	3,603,969	3,791,578	3,944,677	4,178,909	4,153,923	3,603,969	4,153,923
Gross Profit	1,026,758	1,104,199	1,116,776	1,197,788	1,161,663	1,026,758	1,161,663
% of Gross Revenues	28.5%	29.1%	28.3%	28.7%	28.0%	28.5%	28.0%
Adjusted EBITDA	272,185	316,648	295,250	311,109	270,070	391,945	415,555
% of Gross Revenues	7.6%	8.4%	7.5%	7.4%	6.5%	10.9%	10.0%
Adjusted Net Income	121,288	141,775	131,148	154,404	105,494	109,517	93,915
% of Gross Revenues	3.4%	3.7%	3.3%	3.7%	2.5%	3.0%	2.3%
Net Income	121,288	137,656	128,837	121,531	102,058	109,517	90,479
% of Gross Revenues	3.4%	3.6%	3.3%	2.9%	2.5%	3.0%	2.2%
Free Cash Flow	(102,012)	(67,705)	681	29,103	(210,515)	(102,012)	(210,515)

IFRS 16

The IFRS 16 / CPC 06 (R2) has changed the accounting standards for the fixed portion of rentals. The outstanding lease payment obligations are now recognized as a liability, with the corresponding recognition of the right-of-use as a fixed asset. As a consequence, the rental expenses are substituted by interest on the lease liability as well as by a depreciation of the right-of-use.

Therefore, when compared to IAS 17 / CPC 06 model, the IFRS 16 creates a positive effect on the EBITDA, as the leases of commercial properties (stores and DCs), residential properties and vehicles are reclassified from operating expenses to amortization expenses and financial expenses.

The total rental amount paid over the full contract term is identical to the sum of the depreciation of the right-of-use plus the interest expenses, therefore resulting in a cumulative net income identical to the one under the previous criteria.

However, there is a relevant timing difference, as the interest expenses accrued in the early years of the contract are higher than those at the later years. And since the Company has more leasing obligations in their early years rather than in their later years, the IFRS 16 currently results in a lower net income, as shown below:

Cumulative Impact of the Existing Lease Contracts on Income Statement as of January 1, 2019

Income Statement	2019	2020	2021	2022	2023	2024	2025	2026+	Total
<i>(R\$ million)</i>									
Rental Expenses (+)	587.9	583.7	580.9	547.1	480.1	418.3	339.0	547.3	4,084.3
Right-of-use Depreciation (-)	(535.5)	(529.2)	(526.6)	(493.2)	(428.8)	(371.6)	(299.0)	(470.3)	(3,654.2)
Interest over Leases (-)	(99.4)	(85.2)	(70.6)	(55.9)	(42.4)	(30.3)	(19.9)	(26.5)	(430.1)
EBT	(47.0)	(30.7)	(16.2)	(1.9)	8.9	16.4	20.0	50.5	0.0
Income Tax (34%)	16.0	10.4	5.5	0.7	(3.0)	(5.6)	(6.8)	(17.2)	0.0
Net Income	(31.0)	(20.2)	(10.7)	(1.3)	5.9	10.8	13.2	33.3	0.0

Note: the schedule assumes no addition, renovation or anticipated termination of existing lease contracts.

Finally, since the rental amounts actually paid have not changed and since the IFRS 16 is not recognized by the Brazilian tax authorities, this accounting change has no cash effect when compared to the previous standard.

The full pro forma figures for 2018 considering the IFRS 16 standard and 1Q19 considering the previous standard (IAS 17) are available for download in our website ([link](#)).

IFRS 16 IMPACT OVER 1Q19 AND 1Q18 FINANCIAL STATEMENTS

Income Statement	1Q19			1Q18		
	IAS 17	Change	IFRS 16	IAS 17	Change	IFRS 16
<i>(R\$ million)</i>						
Gross Revenue	4,153.9	0.0	4,153.9	3,604.0	0.0	3,604.0
Gross Profit	1,161.7	0.0	1,161.7	1,026.8	0.0	1,026.8
Gross Margin	28.0%	0.0%	28.0%	28.5%	0.0%	28.5%
Selling Expenses	(795.1)	145.0	(650.1)	(674.8)	119.2	(555.6)
G&A	(96.5)	0.5	(96.0)	(79.7)	0.5	(79.2)
Total Expenses	(891.6)	145.5	(746.1)	(754.6)	119.8	(634.8)
as % of Gross Revenue	21.5%	-3.5%	18.0%	20.9%	-3.3%	17.6%
Adjusted EBITDA	270.1	145.5	415.6	272.2	119.8	391.9
as % of Gross Revenue	6.5%	3.5%	10.0%	7.6%	3.3%	10.9%
Non-Recurring Expenses / Revenues	(5.2)	0.0	(5.2)	0.0	0.0	0.0
Depreciation and Amortization	(117.8)	(136.2)	(254.0)	(96.0)	(113.0)	(209.0)
Financial Results	(28.4)	(26.9)	(55.2)	(16.1)	(24.6)	(40.8)
Income Tax	(16.6)	6.0	(10.6)	(38.7)	6.1	(32.7)
Net Income	102.1	(11.6)	90.5	121.3	(11.8)	109.5
as % of Gross Revenue	2.5%	-0.3%	2.2%	3.4%	-0.3%	3.0%

Balance Sheet (R\$ million)	1Q19			1Q18		
	IAS 17	Change	IFRS 16	Previous	Change	IFRS 16
Assets	7,588.6	3,599.1	11,187.7	6,496.8	3,347.5	9,844.3
Current Assets	4,681.8	(0.2)	4,681.5	3,931.8	(0.1)	3,931.7
Other Accounts Receivable	178.6	(0.2)	178.4	141.8	(0.1)	141.7
Non-Current Assets	2,906.8	3,599.3	6,506.2	2,565.0	3,347.6	5,912.7
Other Credits	2.4	(0.6)	1.8	3.1	(0.8)	2.3
Property, Plant and Equipment	1,624.7	3,599.9	5,224.6	1,306.9	3,348.4	4,655.3
Liabilities and Shareholder's Equity	7,588.6	3,599.1	11,187.7	6,496.8	3,347.5	9,844.3
Current Liabilities	2,876.8	477.6	3,354.5	2,575.4	473.3	3,048.7
Financial Leases	0.0	505.6	505.6	0.0	495.6	495.6
Other Accounts Payable	141.7	(28.0)	113.7	113.8	(22.3)	91.5
Non-Current Liabilities	1,128.7	3,133.1	4,261.8	697.1	2,886.0	3,583.0
Financial Leases	0.0	3,139.0	3,139.0	0.0	2,892.0	2,892.0
Income Tax and Social Charges Deferred	243.8	(6.0)	237.9	243.6	(6.1)	237.5
Shareholder's Equity	3,583.0	(11.6)	3,571.4	3,224.4	(11.8)	3,212.6
Accrued Income	43.1	(11.6)	31.5	70.0	(11.8)	58.2
Non Controller Interest	36.9	(0.0)	36.9	28.2	(0.0)	28.2

Cash Flow (R\$ million)	1Q19			1Q18		
	IAS 17	Change	IFRS 16	IAS 17	Change	IFRS 16
Adjusted EBIT	152.3	9.3	161.6	176.1	6.8	183.0
NPV Adjustment	(10.1)	0.0	(10.1)	(8.5)	0.0	(8.5)
Non-Recurring Expenses	(5.2)	0.0	(5.2)	0.0	0.0	0.0
Income Tax (34%)	(46.5)	(3.2)	(49.7)	(57.0)	(2.3)	(59.3)
Depreciation	117.8	136.2	254.0	96.0	113.0	209.0
Rental Expenses	0.0	(145.5)	(145.5)	0.0	(119.8)	(119.8)
Others	2.7	3.2	5.9	2.2	2.3	4.5
Resources from Operations	208.9	0.0	208.9	208.9	0.0	208.9
Cash Cycle*	(186.1)	0.0	(186.1)	(153.3)	0.0	(153.3)
Other Assets (Liabilities)**	(32.9)	0.0	(32.9)	(33.4)	0.0	(33.4)
Operating Cash Flow	(8.1)	0.0	(8.1)	22.2	0.0	22.2
Investments	(202.4)	0.0	(202.4)	(124.2)	0.0	(124.2)
Free Cash Flow	(210.5)	0.0	(210.5)	(102.0)	0.0	(102.0)
Interest on Equity	(1.2)	0.0	(1.2)	(0.1)	0.0	(0.1)
Net Financial Expenses***	(16.0)	0.0	(16.0)	(5.4)	0.0	(5.4)
Share Buyback	0.0	0.0	0.0	(46.9)	0.0	(46.9)
Income Tax (Tax benefit over financial expenses and interest on equity)	24.8	0.0	24.8	19.2	0.0	19.2
Total Cash Flow	(202.9)	0.0	(202.9)	(135.2)	0.0	(135.2)

*Includes adjustments to discounted receivables.

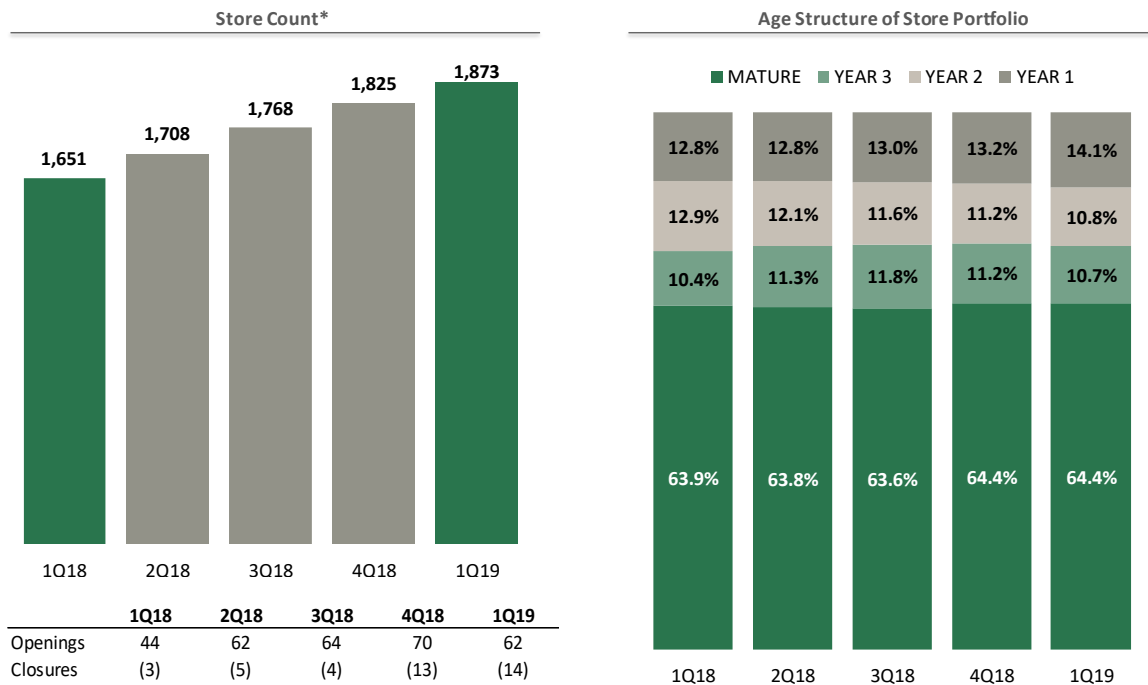
**Includes tax shield from goodwill amortization and NPV adjustments.

***Excludes NPV adjustments and Interest over Leases.

STORE DEVELOPMENT

We opened 62 new stores in the 1Q19, ending the quarter with a total of 1,873 stores in operation, including three 4Bio units. We reiterate our guidance of 240 gross openings for 2019.

At the end of the period, 35.6% of our stores were still in the process of maturation and had not yet reached their full potential both in terms of revenue and of profitability. It is worth mentioning that the performance of the stores opened over the last twelve months remains in line with our historical standards.



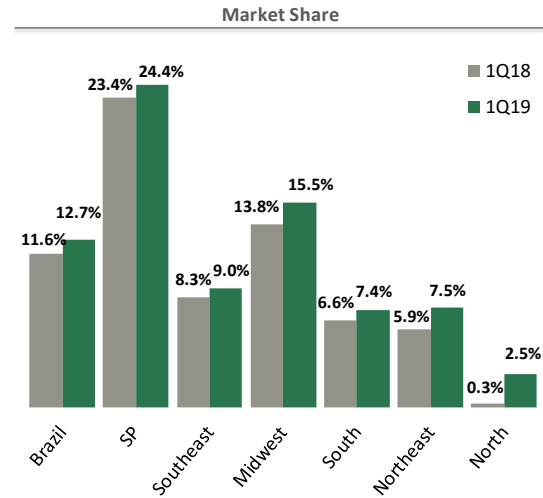
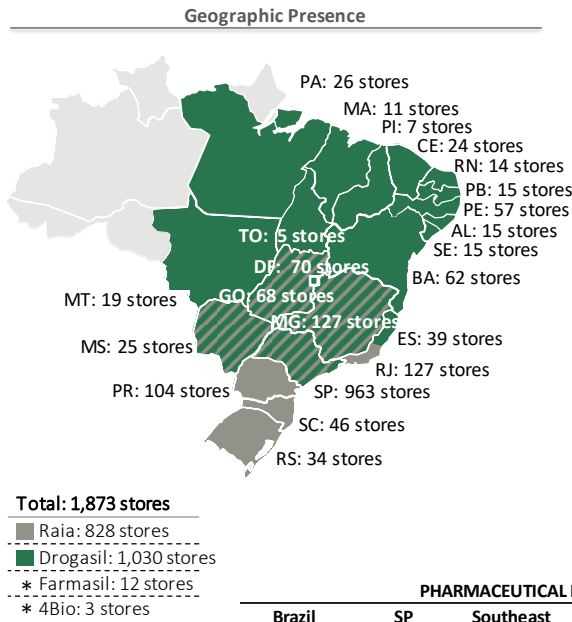
* Includes three 4Bio stores.

We closed 14 stores during the quarter, of which 4 were still in the maturation process, representing corrections of expansion mistakes that are normal in such large-scale expansion, 5 were mature stores, as part of the optimization of our store portfolio, with positive return expectations associated to them, and 5 were Farmasil stores that could not be converted to the new, larger format.

Our national retail market share reached 12.7% in the 1Q19, a 1.1 percentage point increase when compared to the same period of the previous year. We increased our market share in all five regions where we operate under a context of intense competition, a testament to the strength of our brands, to the unique quality of our locations and to the high caliber of our execution. Together, they constitute a very high entry barrier in all our core markets.

São Paulo was our main highlight, as we recorded a market share of 24.4%, a 1.0 percentage point gain, a strong recovery that showcases the effectiveness of our new generics strategy and the reversal of the expansion cycle which was pursued by many of our competitors over the last years. We also recorded market shares of 9.0% in the Southeast (not including São Paulo), a 0.7 percentage point increase, and of 7.4% in the South, a 0.8 percentage point gain. Finally, we also obtained strong gains in the Midwest and in the Northeast, reaching market shares of 15.5% and of 7.5% with gains of 1.7 percentage point and of 1.6 percentage point, respectively, as well as of 2.5% in the North, a 2.2 percentage point increase driven by our strong organic expansion into Pará.

In order to better align the market share criteria analyzed internally with the numbers reported to the market, our market share figures now include only retail sales, excluding 4Bio's sales from the numerator and the total specialty market from the denominator. The historic market share data under the new criteria is available for download in our website.



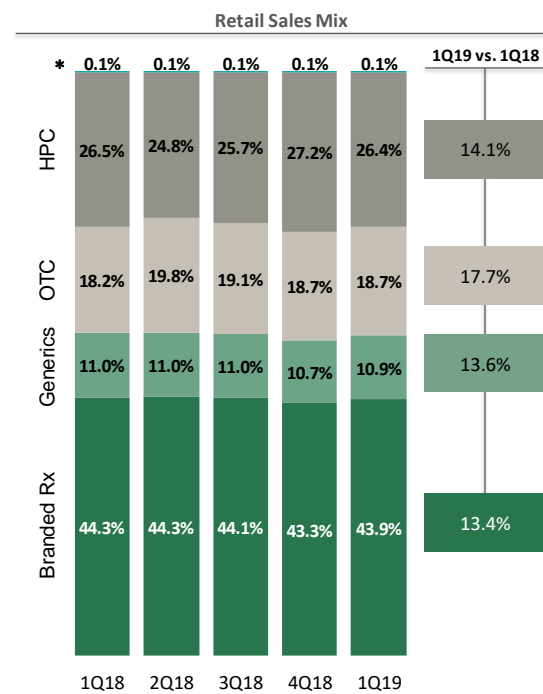
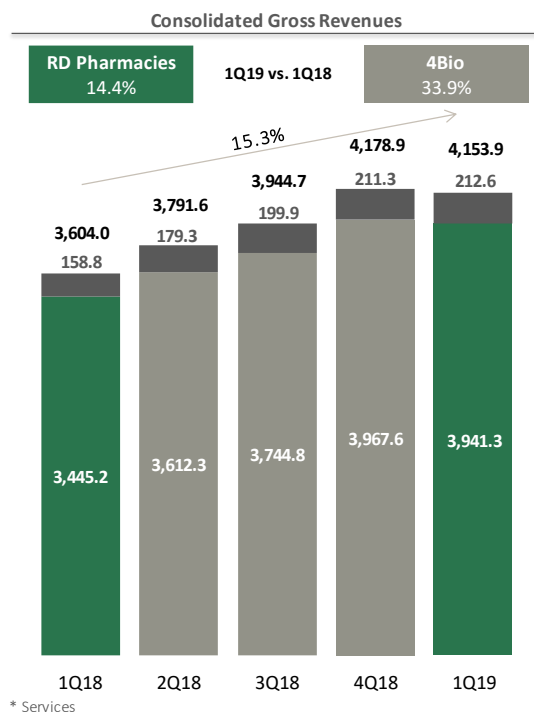
PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

Region	SP	Southeast	Midwest	South	Northeast	North	
Brazil	100.0%	27.0%	24.2%	9.1%	16.0%	18.7%	5.1%

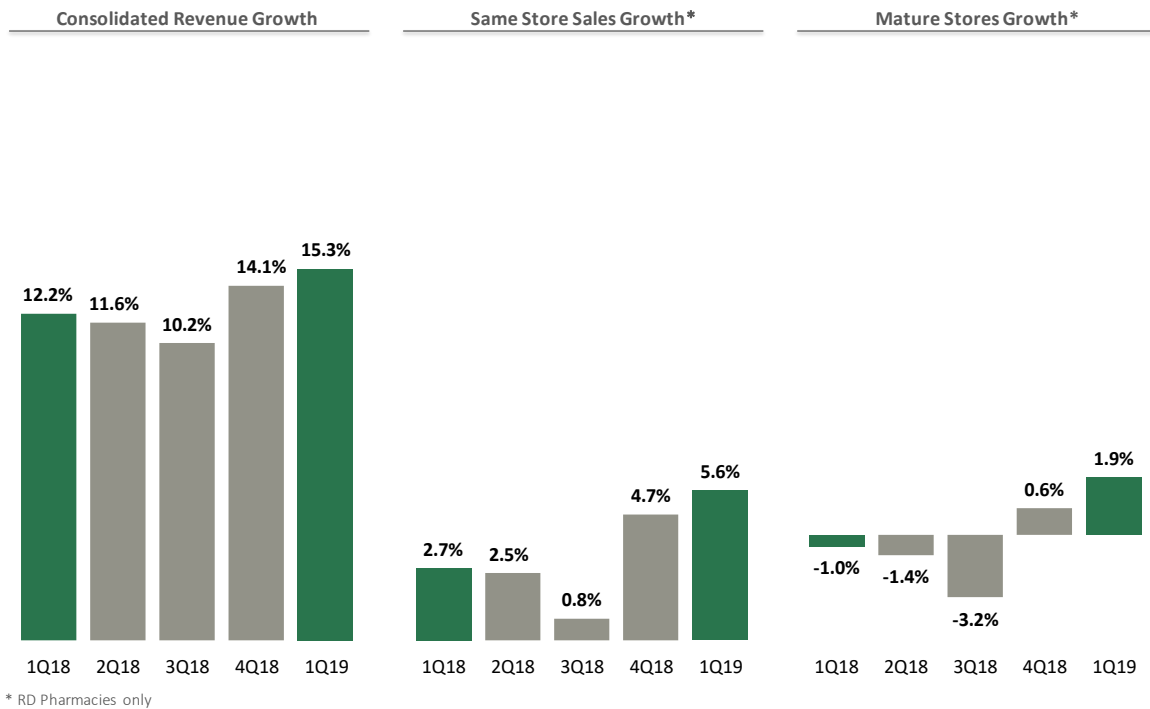
Source: IQVIA

GROSS REVENUES

We ended the 1Q19 with consolidated gross revenues of R\$ 4,153.9 million, a 15.3% increase over the same period of the previous year. Our drugstore revenues increased by 14.4%, while 4Bio grew 33.9% in the period.



OTC was the highlight of the quarter by growing 17.7% and gaining 0.5 percentage point of participation in the sales mix. HPC grew 14.1%, losing 0.1 percentage point of participation in the sales mix, while Generics grew 13.6%, losing 0.1 percentage point in the sales mix and Branded Rx grew 13.4%, losing 0.4 percentage point in the sales mix.



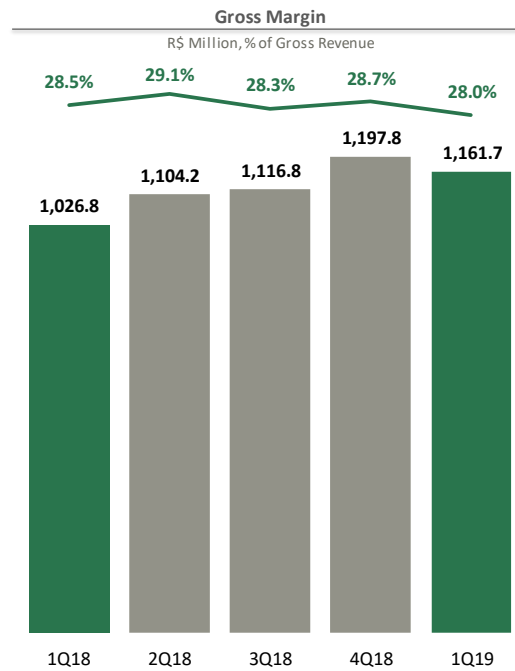
Retail same store sales increased by 5.6%, while our mature stores increased 1.9%, a significant improvement over previous quarters due to an easier comp base and to a sequential acceleration. There was no calendar effect in the quarter.

Finally, the Brazilian pharmaceutical market grew by 8.9% in the last twelve months ended in March, according to IQVIA, supported by a 6.8% growth in units, which implies an average price growth of only 2.0%, which is below inflation. This reflects a relevant price erosion in generics, which is starting to stabilize.

GROSS MARGIN

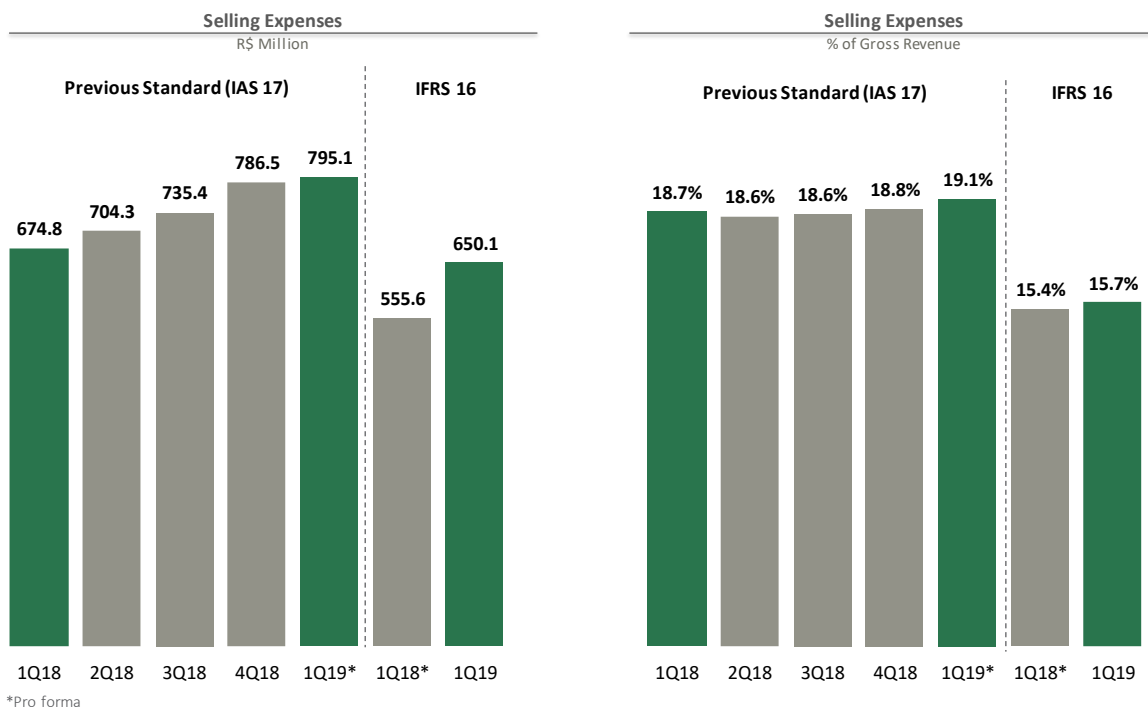
Our gross margin reached 28.0% in the quarter, a 0.5 percentage point pressure versus the 1Q18. We recorded a 0.3 percentage point retail margin pressure and a 0.2 percentage point pressure coming from 4Bio, due its negative mix effect and gross margin pressure in the quarter.

The retail gross margin pressure reflects the aggressive generics pricing and mix strategy that we implemented throughout 2018, which has been instrumental to accelerate our market share gains in the more recent quarters. It also reflects the normalization of our opportunity purchases which had peaked in 2018 and had helped sustain our retail gross margins in that year despite the price investments undertaken.



SELLING EXPENSES

In the 1Q19, selling expenses totaled R\$ 795.1 million, equivalent to 19.1% of gross revenue, a 0.4 percentage point pressure when compared to the same quarter of the previous year.



Rentals expenses and logistics pressured by 0.2 percentage point each, while electricity and personnel expenses pressured by another 0.1 percentage point each. These pressures were driven by the loss of operating leverage due to mature-store sales performance below inflation, by the acceleration of the IGP-M index, which pressured our rentals, as well as by the pre-operating expenses related

to the opening of our new Guarulhos DC, to be opened in the second half of 2019 and to the incremental freight expenses from our expansion into Pará. Finally, we recorded a 0.2 percentage point dilution from 4Bio, which has lower selling expenses than the average for the Company.

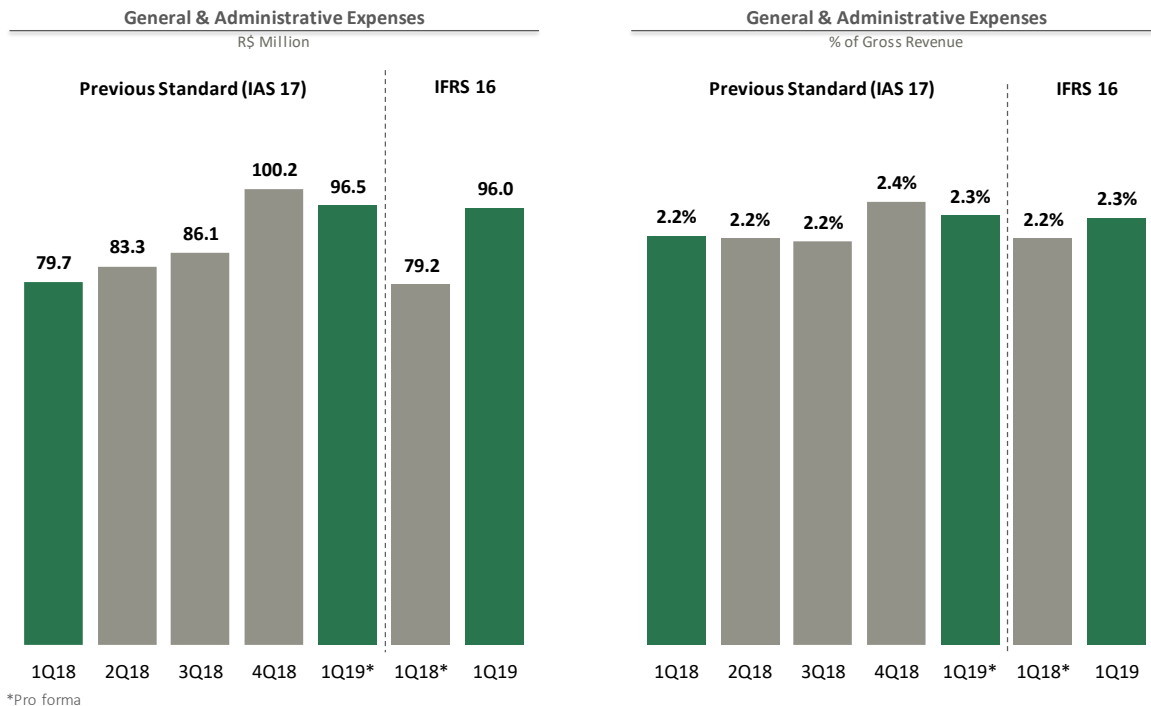
Considering IFRS 16, selling expenses totaled R\$ 650.1 million, equivalent to 15.7% of gross revenues, a 0.3 percentage point pressure when compared to the same quarter of the previous year.

GENERAL & ADMINISTRATIVE EXPENSES

General and Administrative expenses amounted to R\$ 96.5 million in the 1Q19, equivalent to 2.3% of gross revenue and a 0.1 percentage point pressure over the same period of 2018.

We recorded a transitory pressure of 0.1 percentage point. It is important to mention that in the 1Q18 we had a valley in our G&A expenses reflecting a lower compensation allowance due to the effect of our share price depreciation over the outstanding shares granted under our restricted share incentive program, while this year we had an appreciation of the share price.

Considering IFRS 16, General and Administrative expenses amounted to R\$ 96.0 million in the 1Q19, equivalent to 2.3% of gross revenue and a 0.1 percentage point pressure over the same period of 2018.

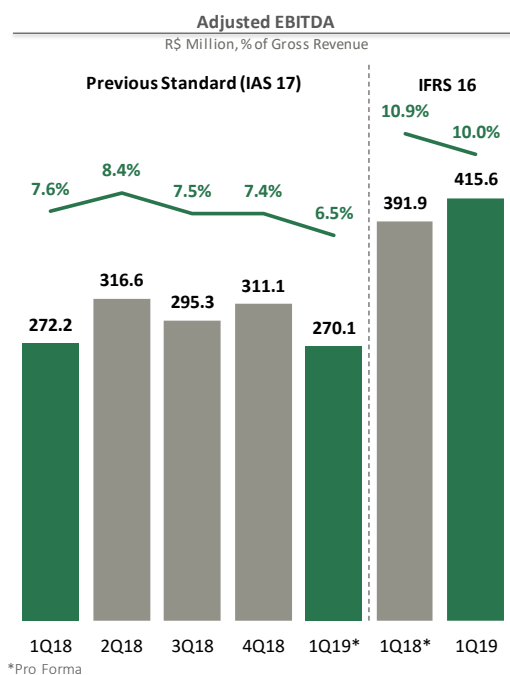


EBITDA

Our adjusted EBITDA reached R\$ 270.1 million in the quarter. Our EBITDA margin totaled 6.5%, leading to a pressure of 1.1 percentage point.

New stores opened in the quarter, as well as those in the opening process, reduced the EBITDA by R\$ 12.9 million. Therefore, considering only the 1,811 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\$ 283.0 million, equivalent to a margin of 6.9% over gross revenues.

RD Pharmacies reached an EBITDA of R\$ 268.9 million and a margin of 6.8% in the 1Q19, a pressure of 1.0 percentage point over the same period of the last year. Finally, 4Bio reached an EBITDA of R\$ 1.2 million and a margin of 0.6%, a 0.8 percentage point margin pressure due to a more competitive market scenario.



Considering the IFRS 16, our adjusted EBITDA reached R\$ 415.6 million in the quarter. Our EBITDA margin totaled 10.0%, a pressure of only 0.9 percentage point. The margin pressure considering IFRS 16 standard is lower due to the exclusion of fixed rental expenses from the operating result, which have increased in the 1Q19.

In the 1Q19 we recorded R\$ 5.2 million in non-recurring/non-operating expenses, of which R\$ 2.4 million were due to asset write-offs related to store closures, R\$ 5.2 million were related to consulting and advisory expenses while R\$1.6 million were related to the closing of our distribution center in Barra Mansa, located in the countryside of Rio de Janeiro, which will be relocated over the next months to Duque de Caxias, which is part of the Rio de Janeiro metropolitan region with a lower operating cost. Finally, we recorded R\$ 4.0 million in non-recurring gains arising from PIS and COFINS tax credits.

EBITDA Reconciliation (R\$ million)	Previous Standard		IFRS 16	
	1Q18	1Q19	1Q18	1Q19
Net Income	121.3	102.1	109.5	90.5
(+) Income Tax	38.7	16.6	32.7	10.6
(+) Financial Result	16.1	28.4	40.8	55.2
EBIT	176.1	147.0	183.0	156.4
(+) Depreciation and Amortization	96.0	117.8	209.0	254.0
EBITDA	272.2	264.9	391.9	410.3
(+) Asset Write-off		2.4		2.4
(+) Consulting and Advisory Expenses		5.2		5.2
(-) Non-recurring tax credits		(4.0)		(4.0)
(+) Distribution Center Closure - Barra Mansa		1.6		1.6
Total Non-recurring / Non-operating Expenses	0.0	5.2	0.0	5.2
Adjusted EBITDA	272.2	270.1	391.9	415.6

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

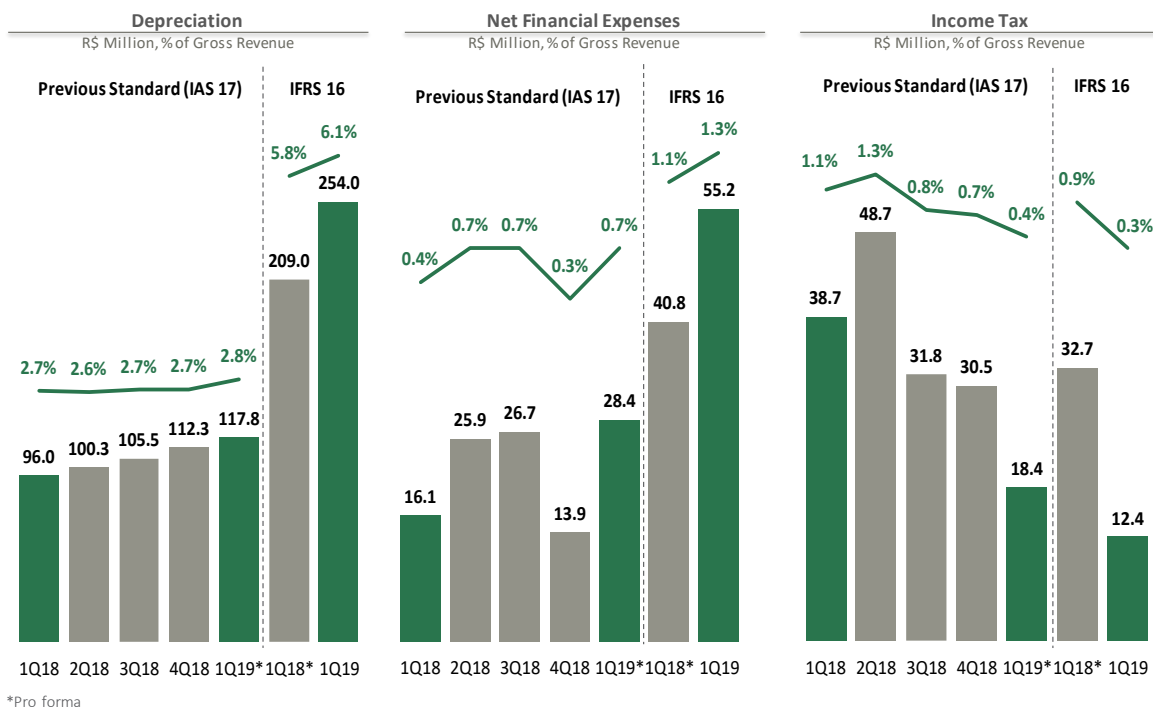
Depreciation expenses amounted to R\$ 117.8 million in the 1Q19, equivalent to 2.8% of gross revenue, a 0.1 percentage point increase when compared to the previous year, reflecting a higher Capex due to an acceleration in our expansion program. Considering the IFRS 16, Depreciation totaled R\$ 254.0 million, equivalent to 6.1% of gross revenue, a 0.3 percentage point increase.

Net Financial expenses represented 0.7% of gross revenue, a 0.3 percentage point pressure over the 1Q18. Of the R\$ 28.4 million recorded in the quarter, R\$ 12.4 million refers to the NPV adjustment while other R\$ 0.9 million refers to interest on the option to

acquire the remaining 45% of 4Bio in 2021. Excluding the NPV adjustments and the expenses related to the option to acquire 4Bio, the interest accrued on net debt amounted to R\$ 15.1 million in the 1Q19, equivalent to 0.4 percentage point of gross revenue and a 0.1 percentage point pressure when compared to the 1Q18. Under the IFRS 16, net financial expenses totaled R\$ 55.2 million, a 0.2 percentage point pressure over the 1Q18.

Finally, we booked R\$ 18.4 million in income taxes, equivalent to 0.4% of gross revenue, a 0.7 percentage point dilution. It is worth mentioning that we have recorded a tax reduction of R\$ 4.0 million related to a legal ruling that allowed state investment subvention to be deducted from the income tax base.

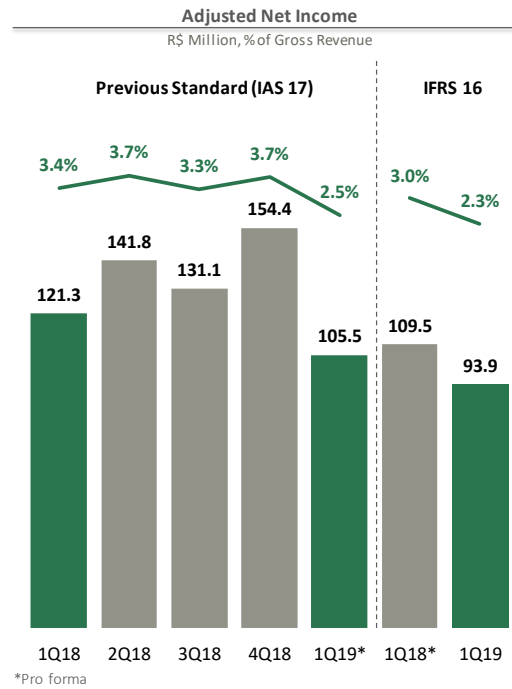
Under the IFRS 16, accrued income taxes totaled R\$ 12.4 million, equivalent to 0.3% of gross revenue, a 0.6 percentage point dilution. We highlight that IFRS 16 does not change the effective tax base, and the mismatch between the “cash” and the accrued income taxes is recorded on the balance sheet as a deferred asset.



NET INCOME

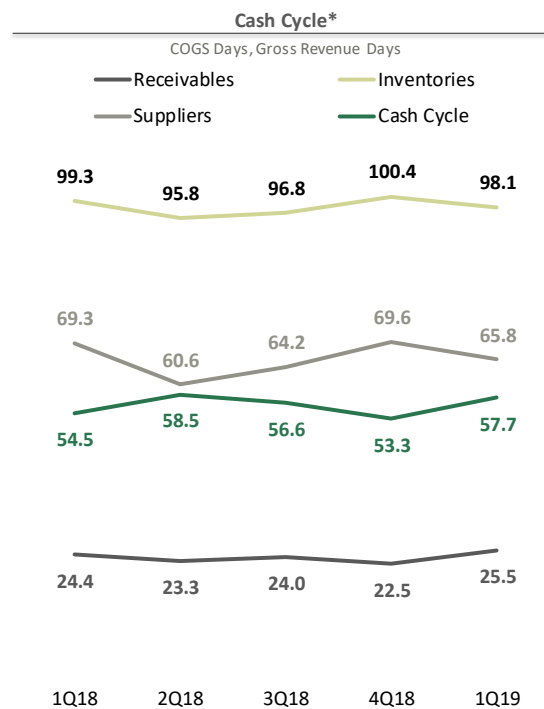
Net income totaled R\$ 105.5 million in the quarter, a 13.0% decrease over the same period of the previous year. We achieved a net margin of 2.5%, a 0.9 percentage point pressure over the 1Q18.

Considering IFRS 16, the Net income totaled R\$ 93.9 million in the quarter, a net margin of 2.3% and a 0.7 percentage point pressure over the 1Q18. As mentioned in page 2, lease expense recognition pattern in IFRS 16 penalizes the Net Income in the short-term due to higher interest payable on a larger liability, while it generates a positive effect as the contracts approach maturation. By definition, the cumulative effect of each contract over the Net Income is null.



CASH CYCLE

Our cash cycle in the 1Q19 was 3.2 days higher when compared to the same period of the previous year. Inventories decreased by 1.2 day while accounts payable decreased by 3.5 days. Lastly, receivables increased by 1.1 day, reflecting an unfavorable calendar in the end of March when compared to the same period in 2018.



* Adjusted for discounted receivables.

CASH FLOW

In the 1Q19, we recorded a negative free cash flow of R\$ 210.5 million, and a negative total cash flow of R\$ 202.9 million. Both free cash flow and total cash flow deteriorated versus the 1Q18, as a result of our accelerated expansion, which requires considerable investments.

Cash Flow (R\$ million)	IAS 17		IFRS 16	
	1Q19	1Q18	1Q19	1Q18
Adjusted EBIT	152.3	176.1	161.6	183.0
NPV Adjustment	(10.1)	(8.5)	(10.1)	(8.5)
Non-Recurring Expenses	(5.2)	-	(5.2)	-
Income Tax (34%)	(46.5)	(57.0)	(49.7)	(59.3)
Depreciation	117.8	96.0	254.0	209.0
Others****	2.7	2.2	5.9	4.5
Resources from Operations	210.9	208.9	210.9	208.9
Cash Cycle*	(186.1)	(153.3)	(186.1)	(153.3)
Other Assets (Liabilities)**	(32.9)	(33.4)	(32.9)	(33.4)
Operating Cash Flow	(8.1)	22.2	(8.1)	22.2
Investments	(202.4)	(124.2)	(202.4)	(124.2)
Free Cash Flow	(210.5)	(102.0)	(210.5)	(102.0)
Interest on Equity	(1.2)	(0.1)	(1.2)	(0.1)
Net Financial Expenses***	(16.0)	(5.4)	(16.0)	(5.4)
Share Buyback	-	(46.9)	-	(46.9)
Income Tax (Tax benefit over financial expenses and interest on equity)	24.8	19.2	24.8	19.2
Total Cash Flow	(202.9)	(135.2)	(202.9)	(135.2)

*Includes adjustments to discounted receivables.

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

***Excludes NPV adjustments and Interest over Leases.

Resources from operations amounted to R\$ 210.9 million, equivalent to 5.1% of gross revenues, while we recorded a working capital consumption of R\$ 219.0 million (including adjustments to discounted receivables), amounting to a negative total operating cash flow of R\$ 8.1 million.

Of the R\$ 202.4 million invested in the quarter, R\$ 87.2 million corresponded to new store openings, R\$ 11.8 million to the renovation or expansion of existing stores and R\$ 103.5 million to investments in infrastructure.

Net financial expenses totaled R\$ 16.0 million in the quarter, excluding NPV adjustments. These were more than fully offset by the R\$ 24.8 million tax shield related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid in the following quarters.

We accrued R\$ 57.0 million in interest on equity in the 1Q19, reflecting a payout of 55.9%, through the full usage of the legal interest on equity limit.

INDEBTEDNESS

At the end of the quarter, we recorded an adjusted net financial debt position of R\$ 937.9 million, versus R\$ 528.8 million recorded in the same period of 2018. The Adjusted Net Debt to EBITDA totaled 0.8x, 0.3x higher than the same period of last year due to the significant investment undertaken over the last twelve months.

This net financial debt includes R\$ 37.3 million in liability related to the exercise of the put option granted and/or call option obtained for the acquisition of the remaining 45% minority stake of 4Bio. This liability reflects the estimated valuation of 4Bio as of December 2018, assuming the pre-agreed multiple, the average forecasted annual EBITDA for 2019 and 2020 and the forecasted net debt for 2020 as stipulated in the acquisition contracts. This estimate will be revisited annually to reflect changes in the economic outlook of 4Bio.

Net Debt	1Q18	2Q18	3Q18	4Q18	1Q19
<i>(R\$ million)</i>					
Short-term Debt	186.2	227.2	237.2	272.9	280.8
Long-term Debt	387.3	684.4	665.9	570.2	797.5
Total Gross Debt	573.5	911.6	903.1	843.1	1,078.3
(-) Cash and Equivalents	102.7	281.3	273.6	241.6	243.6
Net Debt	470.8	630.4	629.6	601.6	834.7
Discounted Receivables	9.1	2.3	0.2	97.0	65.9
Put/Call option to acquire 4Bio (estimated)	48.9	50.2	51.7	36.4	37.3
Adjusted Net Debt	528.8	682.9	681.5	735.0	937.9
Adjusted Net Debt / EBITDA	0.5x	0.6x	0.6x	0.6x	0.8x

Our gross financial debt totaled R\$ 1,078.3 million, of which 14.9% correspond to BNDES (Brazilian Economic and Social Development Bank) lines, 83.0% correspond to the debentures issued on April 2017 and 2018 as well as our recently issued Certificate of Real Estate Receivables, and 2.1% corresponds to other debts. Of our total debt, 74.0% is long-term, while 26.0% relates to its short-term parcels. We ended the quarter with a total cash position (cash and marketable securities) of R\$ 243.6 million.

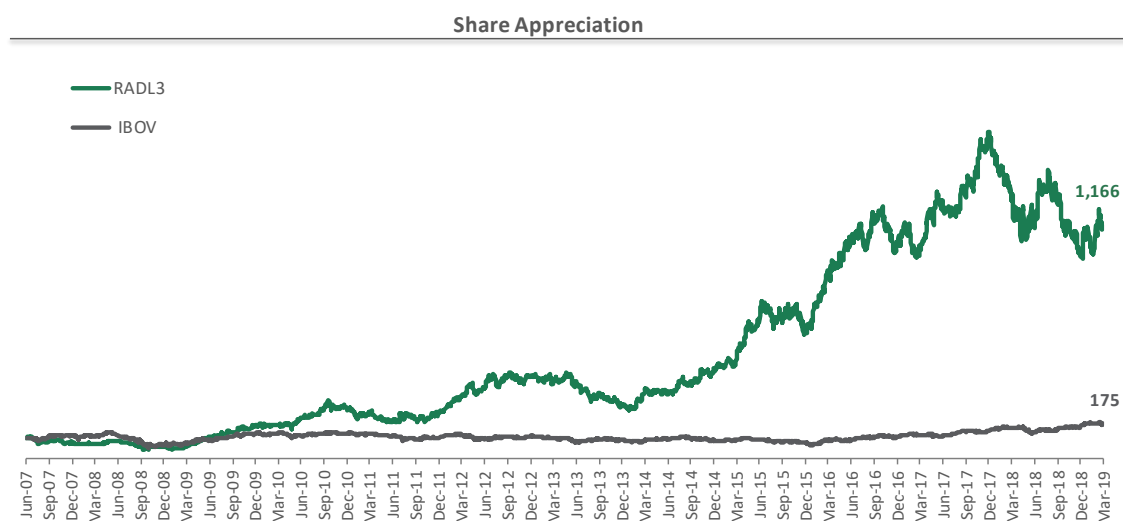
Under the IFRS 16, we have also recognized an additional liability of R\$ 3,644.6 million in both current and non-current lease obligations. It is important to mention that under Brazilian real estate law, any normal lease contract can be unilaterally rescinded by the Company by paying the landlord a compensation equivalent of 3 months of rental.

Finally, in March 2019, we raised R\$ 250 million in a Company issuance of Certificate of Real Estate Receivables. The issuance was made under a single tranche with a 7-year maturity to the payment of the last series and an average cost of 98.5% of CDI.

TOTAL SHAREHOLDER RETURN

Our share price increased by 14.3% in the 1Q19 versus an 8.6% gain of the Ibovespa. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,066.1% versus a return of only 75.4% for the Ibovespa. Including the payment of interest on equity, we generated an average annual total return to shareholders of 25.1%. Considering the IPO of Raia in December of 2010, the cumulative return amounted to 348.3% versus an increase of only 40.4% of the Ibovespa. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 21.0%.

We recorded an average daily trading volume of R\$ 82.9 million in the quarter.



Adjusted Income Statement (R\$ thousand)	IAS 17		IFRS 16	
	1Q18	1Q19	1Q18	1Q19
Gross Revenue	3,603,969	4,153,923	3,603,969	4,153,923
Taxes, Discounts and Returns	(170,391)	(200,571)	(170,391)	(200,571)
Net Revenue	3,433,578	3,953,351	3,433,578	3,953,351
Cost of Goods Sold	(2,406,819)	(2,791,688)	(2,406,819)	(2,791,688)
Gross Profit	1,026,758	1,161,663	1,026,758	1,161,663
Operational (Expenses) Revenue				
Sales	(674,839)	(795,120)	(555,625)	(650,112)
General and Administrative	(79,735)	(96,474)	(79,189)	(95,997)
Operational Expenses	(754,573)	(891,594)	(634,814)	(746,109)
EBITDA	272,185	270,070	391,945	415,555
Depreciation and Amortization	(96,038)	(117,818)	(208,994)	(253,979)
Operational Earnings before Financial Results	176,147	152,252	182,951	161,575
Financial Expenses	(32,605)	(46,015)	(57,244)	(72,895)
Financial Revenue	16,467	17,654	16,467	17,654
Financial Expenses/Revenue	(16,138)	(28,361)	(40,777)	(55,241)
Earnings before Income Tax and Social Charges	160,009	123,891	142,174	106,334
Income Tax and Social Charges	(38,722)	(18,397)	(32,657)	(12,420)
Net Income	121,288	105,494	109,517	93,915

Consolidated Income Statement (R\$ thousand)	IAS 17		IFRS 16	
	1Q18	1Q19	1Q18	1Q19
Gross Revenue	3,603,969	4,153,923	3,603,969	4,153,923
Taxes, Discounts and Returns	(170,391)	(200,571)	(170,391)	(200,571)
Net Revenue	3,433,578	3,953,351	3,433,578	3,953,351
Cost of Goods Sold	(2,406,819)	(2,791,688)	(2,406,819)	(2,791,688)
Gross Profit	1,026,758	1,161,663	1,026,758	1,161,663
Operational (Expenses) Revenue				
Sales	(674,839)	(795,120)	(555,625)	(650,112)
General and Administrative	(79,735)	(96,474)	(79,189)	(95,997)
Other Operational Expenses, Net	0	(5,205)	0	(5,205)
Operational Expenses	(754,573)	(896,799)	(634,814)	(751,314)
EBITDA	272,185	264,864	391,945	410,349
Depreciation and Amortization	(96,038)	(117,818)	(208,994)	(253,979)
Operational Earnings before Financial Results	176,147	147,047	182,951	156,370
Financial Expenses	(32,605)	(46,015)	(57,244)	(72,895)
Financial Revenue	16,467	17,654	16,467	17,654
Financial Expenses/Revenue	(16,138)	(28,361)	(40,777)	(55,241)
Earnings before Income Tax and Social Charges	160,009	118,686	142,174	101,129
Income Tax and Social Charges	(38,722)	(16,628)	(32,657)	(10,650)
Net Income	121,288	102,058	109,517	90,479

	IAS 17		IFRS 16	
	1Q18	1Q19	1Q18	1Q19
Assets (R\$ thousand)				
Current Assets				
Cash and Cash Equivalents	102,675	243,596	102,675	243,596
Accounts Receivable	959,181	1,096,151	959,181	1,096,151
Inventories	2,627,073	3,008,239	2,627,073	3,008,239
Taxes Receivable	68,598	108,711	68,599	108,734
Other Accounts Receivable	141,816	178,617	141,679	178,375
Anticipated Expenses	32,454	46,442	32,454	46,442
	<u>3,931,798</u>	<u>4,681,755</u>	<u>3,931,662</u>	<u>4,681,537</u>
Non-Current Assets				
Deposit in Court	29,972	24,371	29,972	24,371
Taxes Receivable	34,683	52,842	34,683	52,842
Other Credits	3,092	2,353	2,338	1,782
Property, Plant and Equipment	1,306,937	1,624,707	4,655,338	5,224,617
Intangible	1,190,326	1,202,545	1,190,326	1,202,545
	<u>2,565,010</u>	<u>2,906,819</u>	<u>5,912,656</u>	<u>6,506,158</u>
ASSETS	<u>6,496,808</u>	<u>7,588,574</u>	<u>9,844,318</u>	<u>11,187,695</u>

	IAS 17		IFRS 16	
	1Q18	1Q19	1Q18	1Q19
Liabilities and Shareholder's Equity <i>(R\$ thousand)</i>				
Current Liabilities				
Suppliers	1,832,996	2,019,929	1,832,996	2,019,929
Loans and Financing	186,160	280,765	186,160	280,765
Salaries and Social Charges Payable	205,257	239,842	205,257	239,842
Taxes Payable	98,994	118,993	98,994	118,993
Dividend and Interest on Equity	133,933	72,148	133,933	72,148
Provision for Lawsuits	4,196	3,485	4,196	3,485
Other Accounts Payable	113,828	141,687	91,508	113,718
	<u>2,575,363</u>	<u>2,876,848</u>	<u>3,048,663</u>	<u>3,354,458</u>
Non-Current Liabilities				
Loans and Financing	387,345	797,522	387,345	797,522
Provision for Lawsuits	5,973	44,295	5,973	44,295
Income Tax and Social Charges deferred	243,587	243,821	237,523	237,866
Other Accounts Payable	60,148	43,072	60,148	43,072
	<u>697,053</u>	<u>1,128,711</u>	<u>3,583,034</u>	<u>4,261,800</u>
Shareholder's Equity				
Common Stock	1,808,639	1,808,639	1,808,639	1,808,639
Capital Reserves	107,490	119,552	107,490	119,552
Revaluation Reserve	12,153	11,979	12,153	11,979
Income Reserves	1,228,149	1,522,073	1,228,149	1,522,073
Accrued Income	69,998	43,105	58,228	31,546
Equity Adjustments	(30,230)	(30,230)	(30,230)	(30,230)
Non Controller Interest	28,193	36,908	28,193	36,888
Additional Dividend Proposed	0	70,990	0	70,990
	<u>3,224,392</u>	<u>3,583,016</u>	<u>3,212,621</u>	<u>3,571,437</u>
LIABILITIES AND SHAREHOLDERS' EQUITY	<u>6,496,808</u>	<u>7,588,574</u>	<u>9,844,318</u>	<u>11,187,695</u>

	IAS 17		IFRS 16
	1Q18	1Q19	1Q19
Cash Flow			
<i>(R\$ thousand)</i>			
Earnings before Income Tax and Social Charges	160,009	118,686	101,130
Adjustments			
Depreciation and Amortization	96,038	117,819	253,979
Compensation plan with restricted shares, net	3,271	3,130	3,130
Interest over additional stock option	1,348	883	883
P,P&E and Intangible Assets residual value	1,787	5,932	5,932
Provisioned Lawsuits	598	(2,172)	(2,172)
Provisioned Inventory Loss	(507)	(1,443)	(1,443)
Provision for Doubtful Accounts	(2,359)	794	794
Provisioned Store Closures	(592)	(3,540)	(3,540)
Interest Expenses	11,128	14,790	14,790
Debt Issuance Costs Amortization	(3,938)	608	608
Interest Expenses - Financial Leases	0	0	26,881
	266,783	255,487	400,972
Assets and Liabilities variation			
Clients and Other Accounts Receivable	(49,554)	(180,382)	(180,140)
Inventories	(108,973)	80,480	80,480
Other Short Term Assets	(4,389)	(48,429)	(48,431)
Long Term Assets	1,008	(7,424)	(6,852)
Suppliers	14,334	(117,235)	(117,235)
Salaries and Social Charges	2,458	2,300	2,300
Taxes Payable	(31,794)	27,395	27,395
Other Liabilities	(7,808)	(6,117)	(6,117)
Rent Payable	2,182	256	(27,714)
Cash from Operations	84,247	6,331	124,658
Interest Paid	(3,292)	(2,270)	(2,270)
Income Tax and Social Charges Paid	(30,575)	(20,382)	(20,382)
Interest Paid - Financial Leases	0	0	(26,881)
Net Cash from (invested) Operational Activities	50,380	(16,321)	(26,881)
Investment Activities Cash Flow			
P,P&E and Intangible Acquisitions	(124,239)	(202,425)	(174,403)
P,P&E Sale Payments	0	(17)	(17)
Net Cash from Investment Activities	(124,239)	(202,442)	(174,420)
Financing Activities Cash Flow			
Funding	585	265,244	265,244
Payments	(41,938)	(43,234)	(43,234)
Share Buyback	(46,925)	0	0
Interest on Equity and Dividends Paid	(61)	(1,219)	(1,219)
Financial Lease Payments	0	0	(119,468)
Net Cash from Funding Activities	(88,339)	220,791	101,323
Cash and Cash Equivalents net increase	(162,198)	2,028	2,028
Cash and Cash Equivalents in the beginning of the period	264,873	241,568	241,568
Cash and Cash Equivalents in the end of the period	102,675	243,596	243,596

1Q19 Results Conference Calls – April 30, 2019

Portuguese
at 10:00 am (Brasília)

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