People, Health and Well-being.
RaiaDrogasil S.A.

EARNINGS RELEASE

4Q18/2018

São Paulo, February 26, 2019. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 4rd quarter of 2018 (4Q18) and for the year of 2018. The Company's parent company and consolidated financial statements for the years ended December 31, 2018 and 2017 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the CVM and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC). These financial statements 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. Such information was prepared in Reais and all growth rates relate to the same period of 2017.

CONSOLIDATED HIGHLIGHTS:

- **DRUGSTORES:** 1,825 stores in operation (240 openings and 25 closures)
- **MARKET SHARE:** 12.9% in Brazil, a 0.9 percentage point increase
- **GROSS REVENUE:** R$ 15.5 billion, 12.0% growth (2.7% retail same-store sales growth)
- **GROSS MARGIN:** 28.6% of gross revenue, a 0.2 percentage point decrease
- **EBITDA:** R$ 1,195.2 million, a margin of 7.7% and an increase of 5.7%
- **NET INCOME:** R$ 548.6 million, 3.5% of net margin, an increase of 7.0%
- **CASH FLOW:** R$ 139.9 million negative free cash flow, R$ 341.4 million of cash consumption

RADL3
R$ 59.00/share

NUMBER OF SHARES
330,386,000

MARKET CAP
R$ 19,493 (million)

CLOSING
February 25, 2019

Summary	2017	2018	4Q17	1Q18	2Q18	3Q18	4Q18
(R$ thousand)							
# of Stores - Retail + 4Bio	1,610	1,825	1,610	1,651	1,708	1,768	1,825
Store Openings	210	240	60	44	62	64	70
Store Closures	(20)	(25)	(4)	(3)	(5)	(4)	(13)
# of Stores (average)	1,510	1,713	1,588	1,629	1,680	1,744	1,801
Headcount (EoP)	32,265	36,510	32,265	32,633	33,880	34,708	36,510
Pharmacist Count (EoP)	6,044	6,959	6,044	6,323	6,582	6,806	6,959
# of Tickets (000)	206,286	223,423	53,957	52,291	55,148	56,560	59,425
Gross Revenue	13,852,469	15,519,133	3,662,178	3,603,969	3,791,578	3,944,677	4,178,909
Gross Profit	3,987,999	4,445,521	1,046,258	1,026,758	1,104,199	1,116,776	1,197,788
% of Gross Revenues	28.8%	28.6%	28.6%	28.5%	29.1%	28.3%	28.7%
Adjusted EBITDA	1,130,285	1,195,191	288,719	272,185	316,648	295,250	311,109
% of Gross Revenues	8.2%	7.7%	7.9%	7.6%	8.4%	7.5%	7.4%
Adjusted Net Income	512,513	548,614	132,623	121,288	141,775	131,148	154,404
% of Gross Revenues	3.7%	3.5%	3.6%	3.4%	3.7%	3.3%	3.7%
Net Income	512,653	509,313	134,188	121,288	137,656	128,837	121,531
% of Gross Revenues	3.7%	3.3%	3.7%	3.4%	3.6%	3.3%	2.9%
Free Cash Flow	(49,668)	(139,934)	68,432	(102,012)	(67,705)	681	29,103

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IBRX IBRA IGCT ITAG IGC ICON MLCX RADL3 NOVO MERCADO

LETTER TO OUR SHAREHOLDERS

Fiscal 2018 was a challenging year for **RD**, as our softer revenue growth due to increased competition led to a margin contraction. Notwithstanding, we opened a record of 240 new stores with strong marginal returns, entered two new states, gained significant market share, increased our scale advantage, invested boldly in pricing and initiated an ambitious digital transformation. As we strengthen our competitive position and execution in an industry under tremendous financial pressures, our belief is that we have never been better positioned than we are today.

We ended 2018 with R$ 15.5 billion in revenues, an increase of 12.0%. We opened 240 new stores and closed 25, ending the year with 1,825 stores. We posted a revenue increase of R$ 1.6 billion, extending our industry leadership. Consequently, our market share reached 12.9% in the 4Q18, a 0.9 percentage point annual increase, with stability in São Paulo and gains in every other region.

In a year with significant investments in generics pricing, the gains from smarter front-store pricing, better supplier negotiations and opportunity buys allowed us to defend our gross margin. However, the reduction in average prices led to a mature store sales loss of 1.3%, resulting in a reduction of operating leverage that pressured our expenses. Still, our adjusted EBITDA reached R$ 1.2 billion, an increase of 5.7%, and a margin of 7.7%, a loss of 0.5 percentage point. Our adjusted net income amounted to R$ 548.6 million, an increase of 7.0%. We consumed a free cash flow of R$ 139.9 million, as R$ 563.0 million in cash flows from operations funded most of our R$ 703.0 million in investments. Our ROIC totaled 16.2%, a reduction of 3.5 percentage points due to a lower margin and faster investment pace. We distributed R$ 209.5 million in interest on equity, a payout of 41.1%, while our share price fell by 36.4%.

We operate in a high-growth industry driven by the secular aging of the population, and our market remains very fragmented. This has attracted a significant store opening activity by both established competitors and new entrants which, however, have been eluded by its many entry barriers (brand awareness, scale, as well as location, working capital and people management). As the market became more competitive, the combination of increased capital allocation with margin pressures has led both to an industrywide leverage increase and to a quick reversal of the expansion cycle, which is strengthening our competitive positioning.

We ended the year with 1,825 stores in 22 Brazilian states. We are the only chain in Brazil enjoying both a national presence and a strong brand awareness, with consistent performance for mature stores and high expected returns for new and future stores in every single state. We also have nine distribution centers to support our operations, and will open another two DCs in 2019, one in Fortaleza (CE) and the other in Guarulhos (SP), which will be our largest and most automated DC, with an area of 28,000 m^2.

This unique growth platform has allowed us to open 240 new stores per year, with marginal real IRR slightly below 20% and very low execution risk. This is our most perennial competitive advantage, which was built brick by brick over the last 20 years as we started expanding outside of São Paulo, overcoming entry barriers in each state, which today are much more significant than before, and building our brand. Today, we have 52% of our stores outside of São Paulo, which generate 47% of our revenues. Of the openings undertaken in 2018, 70% happened in other states, a testament to the quality and extent of our existing growth platform.

In 2018, we concluded our new strategic planning with the support of Bain & Company and started a new cycle for the Company. Inspired by our Purpose of *"taking close care of people´s health and well-being during all times of their lives"*, our strategy aims at maximizing the customer experience and value through 5 core pillars: store expansion (traditional and low-income formats), organic customer acquisition (growing Univers and leveraging digital marketing), customer engagement (loyalty program, CRM and omnichannel), monetization (pricing and private label) and healthcare (health services and 4Bio). The implementation of this strategy will rely on 4 core enablers: customer centricity, digital transformation, leadership and talent, and sustainability.

We have a unique suite of assets to fuel this digital transformation: (i) a database with 30.6 million active customers, which account for 94% of our revenues, which provide us with full demand visibility; and (ii), 1,825 stores in 22 states, which cover 86% of the Brazilian A class population within a 1.5 km radius, a store network that will be further expanded by leveraging our national growth platform. This combination will allow us to acquire new customers through our stores, consolidate their loyalty through CRM and offer them a national, proximity-driven omnichannel solution, including store purchases, fast and efficient store-based neighborhood deliveries, as well as instant Click & Collect, positioning us to spearhead the transformation of our industry.

In 2018, we reached many milestones on all pillars. In addition to the organic growth, Univers proved to be a strong customer acquisition platform, as it expanded our client portfolio and increased revenues. We made relevant strides in customer engagement by introducing a chronic program aimed at increasing treatment adherence and loyalty, improved our apps, rolled Click & Collect to all our 1,825 stores, offered neighborhood deliveries in 16 cities and deployed three agile teams to improve our digital offering. We advanced in monetization through smarter pricing, by experimenting with machine learning and by increasing our private label penetration. Finally, we advanced in healthcare by piloting an immunization program which will be progressively expanded, and by strengthening 4Bio, which reached R$ 749.3 million in revenues, an increase of 37.3%, and with the adjusted EBITDA increasing by 53.7%.

CHALLENGES AND OPPORTUNITIES FOR 2019

Fast Organic Growth: We have 1,825 stores, of which 1,179 stores were opened in the last 7 years since the merger. We started opening 100 stores per year. Step by step, by reinforcing prospection, by leveraging on analytics, by strengthening the governance and the property screening, by smoothing the licensing, the engineering processes, the opening pace and by measuring and predicting cannibalization and marginal revenues per store, we opened 240 new stores in 2018. These stores have been opened in superb locations across 22 states, and have delivered consistent revenues per mature store and marginal returns slightly below 20%, allowing us to significantly boost value creation over this period. In 2019, we will open another 240 new stores by leveraging our unique national growth platform. We are also boosting our popular store format by increasing the store size, enhancing customer experience with a full front-store offering, introducing a loyalty program and CRM initiative and by leveraging the Raia and Drogasil brands while maintaining the same austerity and operating model of Farmasil (pedestrian locations, shorter store hours, leaner expenses, payment at the pharmacy counter, focus on generics, etc.). As we increase our market share and store density in existing markets, successfully opening stores for C-class consumers is paramount for us to be able to sustain an accelerated expansion in the years to come.

Deliver a Customer-Centric Digital Experience: The cornerstone of our strategy is improving the customer engagement by offering a seamless omnichannel experience and increasing loyalty through CRM. We have evidence that omnichannel customers have higher spending and loyalty than store-only customers, even though the bulk of spending remains in the stores. Therefore, the idea behind store-based neighborhood deliveries and Click & Collect are not to create value on their own, even though that could end up happening. Rather, it is to create a level of convenience and loyalty that increase s customers lifetime value across every channel. A digital customer, who has our app downloaded, will engage with us in a much deeper way than just buying on-line. We set a goal of ending 2019 with 2 million omnichannel customers, up from 400 thousand in the end of 2018. But since delivery and Click & Collect are the entry door to omnichannel, in order to meet that goal, we will invest significantly to boost those services, as well as to enhance the in-store experience through digital. We will also leverage mobile technology and analytics to improve every element and eliminate every pain of the customer experience, be it in-store, fully-digital or through a combined physical and digital journey, the way of the future, and to do it, we will launch more agile teams to work on the digital transformation. We want to boost Click & Collect, increase the reach of our store-based neighborhood deliveries as well as to offer cheaper next-day delivery from every DC.

Normalize our mature-store sales growth: The main challenge we faced in 2018 was the deceleration of our mature store growth. Historically, we have seen comps around inflation, which have allowed us to sustain our operating leverage (we have the highest revenue per store and expense dilution among the top chains in Brazil). In 2018, as the market became more competitive, we decided to invest heavily in pricing, especially in generics. We believe the bulk of the investment is behind us, but if we see a need or an opportunity, we are willing to invest more with in order to accelerate our growth. While we have seen a tremendous boost in volumes, the lower average prices resulted in a mature store decline of 1.3% in 2018. As we start 2019, we will carry into the year the growth momentum of the 4Q18, which is slightly above zero. Our goal is to progressively a ccelerate our mature store comps, so as to end the year around inflation. We believe this can happen due to a sequential performance improvement resulting from our new price strategy and digital initiatives, and also because our comps will become easier as the year unfolds. By normalizing our growth by year-end, we will be able to enter 2020 with a good momentum and with the expectation of increasing our margins.

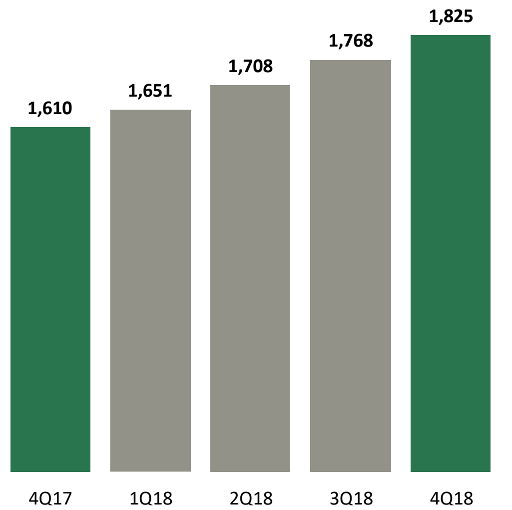
Reduce Expenses and Improve the Management Model: We may lose operating leverage in 2019 and face expense pressures due to the high IGP-M and the two new DCs, among others, which will likely result in margin pressures. Therefore, we want to tackle our inefficiencies and seek opportunities to reduce expenses to mitigate those pressures. We have made strong efforts on store efficiency since 2016, which has increased the productivity gap over the market. Now, with a leaner expense base, finding new efficiencies will require a novel approach. Thus, we hired *Heartman House*, a consulting company specialized in productivity to help us define expense reduction strategies for each line and align the established targets to management compensation. Also, we will search for expense anomalies using advanced analytics, which will also help us to be more accurate and to act faster on expense reduction.

Developing our leaders: Nurturing talent and forming leaders has always been a key challenge to accelerate growth. Since the merger, we have introduced several leadership development programs which have allowed us to accelerate our annual expansion to 240 new stores. As we embark on a customer-centric digital transformation, we have established a new Employee Value Proposition (EVP), aimed at transforming our culture and building new competences. Our goal is to become a more fluid organization, with better horizontal communication and with agile teams, which are multidisciplinary and interdependent in nature, fueling our innovation.

Finally, we would like to thank our shareholders for their continued support, our more than 36 thousand employees for their relentless commitment, and the millions of clients 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 living up to our Purpose of ***Taking Close Care of People´s Health and Well-being during all Times of their Lives.***

STORE DEVELOPMENT

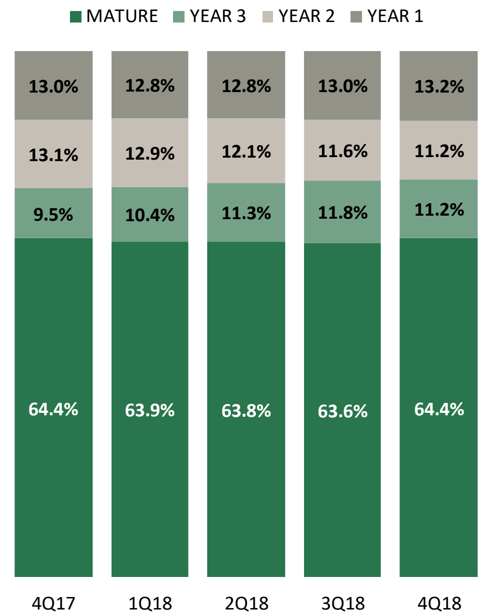
Store Count*



	4Q17	1Q18	2Q18	3Q18	4Q18
Openings	60	44	62	64	70
Closures	(4)	(3)	(5)	(4)	(13)

* Includes three 4Bio stores.

Age Structure of Store Portfolio



We opened 240 new stores and closed 25 in 2018 (70 openings and 13 closures in the 4Q18), ending the year with 1,825 stores in operation, including three 4Bio units.

We have reached our guidance of 240 gross openings for 2018, reflecting the strength of our expansion, and reiterate our gross openings guidance of 240 stores for 2019. At the end of the period, a total of 35.6% of our stores were still maturing and had not yet achieved their full revenue and of profitability potential.

Of the 25 stores closed in 2018 (13 in the 4Q18), 9 stores (4 in the 4Q18) were still in the maturation process and represent corrections of expansion mistakes that are normal in such large-scale expansion. In addition, we recorded 4 mature store relocations (1 in the 4Q18) and another 6 closures driven by the optimization of our store portfolio (all 6 in the 4Q18), with positive return expectations associated to them.

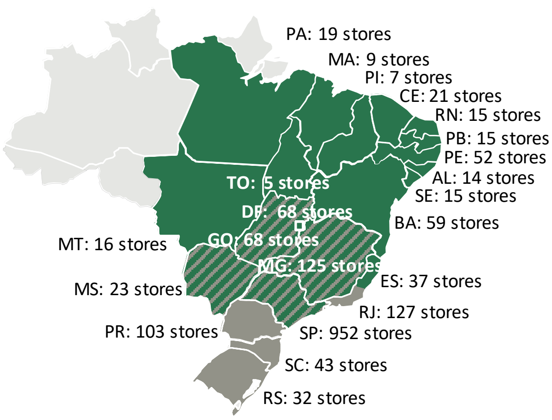
Also, we recorded 4 store closures in the 3Q18 under the Farmasil brand and 3 switches to Drogasil during the 4Q18, as a consequence of the enhancement of our popular store format, which will leverage the existing operating model of Farmasil at larger store areas (120 m² to 140 m²) by using the Raia and Drogasil brands, which may result in the closure of the stores in which the sales areas cannot be increased.

The remaining 2 closures in the 4Q18 were temporary and due to the rebranding of stores, which were already reopened in January.

Our national market share reached 12.9% in the quarter (including 4Bio), our all-time high, which represented a 0.9 percentage point increase when compared to the 4Q17. We have increased or maintained our market share in all six core regions where we operate. Our main highlights were the Midwest region, where we ended the year with 14.7% of market share, a 1.0 percentage point increase, and the Northeast, where we reached a market share of 6.9%, an increase of 1.2 percentage point. We recorded a market share of 22.9% in São Paulo, which remained flat when compared to the 4Q17, and of 8.6% in the remaining states of the Southeast, a 0.6 percentage point gain. Finally, we recorded a 7.2% market share in the South, an increase of 0.6 percentage point and a 1.7% market share in the North, an increase of 1.4 percentage point.

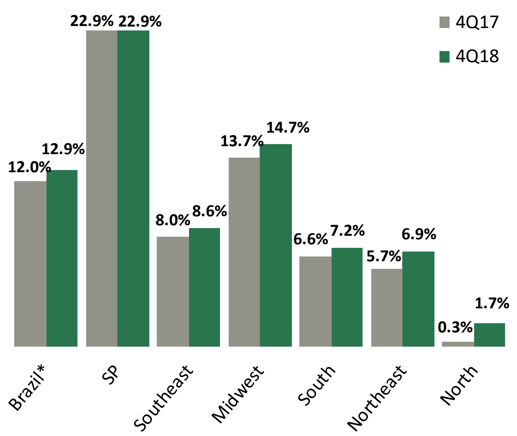
In 2018, we have consolidated our presence in 22 states which represent 97.7% of the Brazilian pharmaceutical market by entering the states of Maranhão and Pará with 9 and 19 stores, respectively, with very strong initial results.

Geographic Presence



Total: 1,825 stores
Raia: 814 stores
Drogasil: 991 stores
* Farmasil: 17 stores
* 4Bio: 3 stores

Market Share



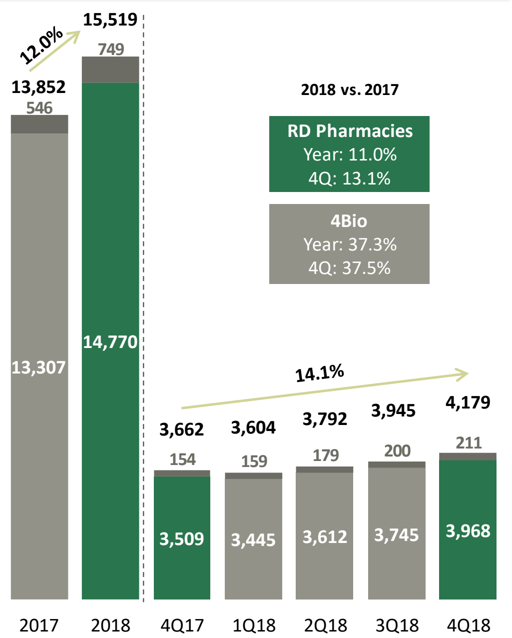
PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

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

Source: IQVIA.
* Includes 4Bio only for Brazil total.

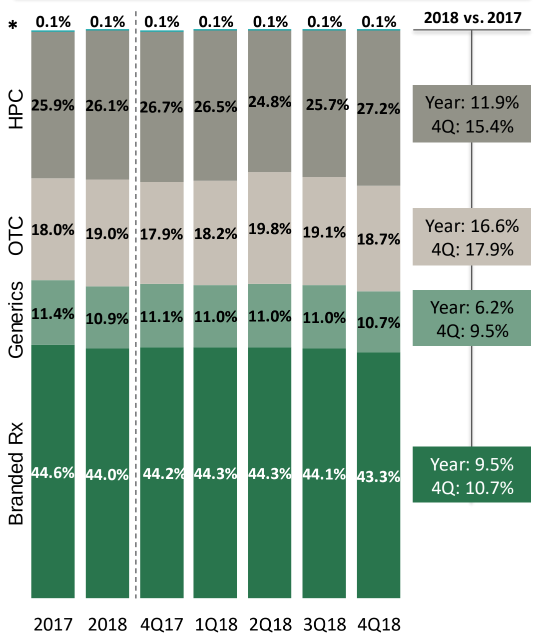
GROSS REVENUE

Consolidated Gross Revenue



* Services

Retail Sales Mix

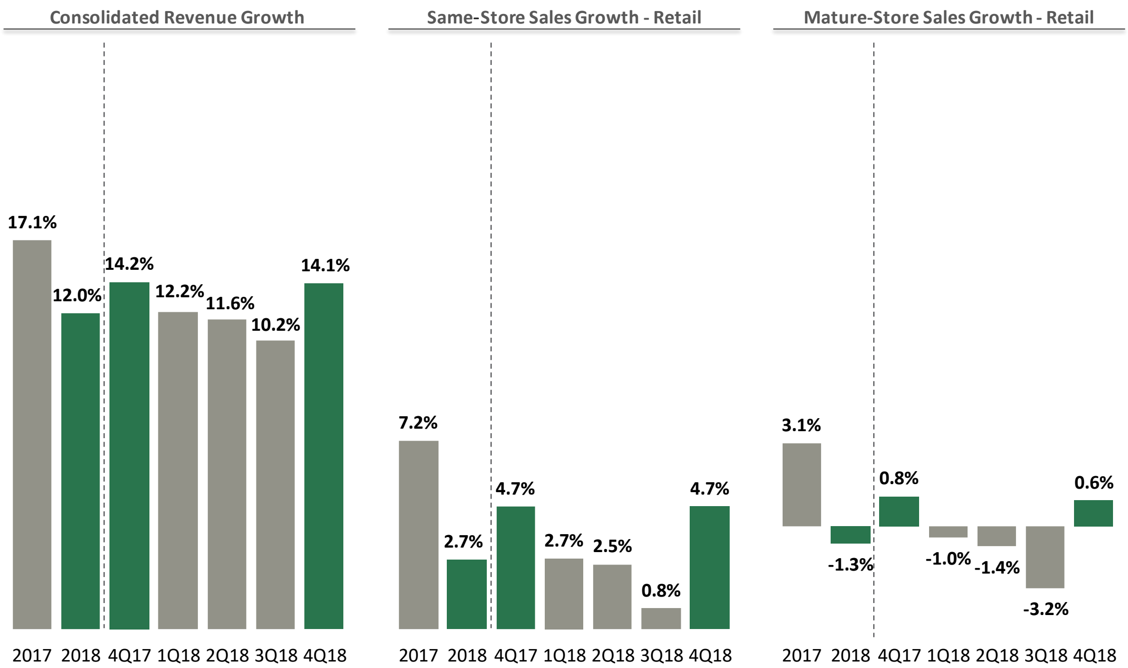


We ended 2018 with consolidated gross revenue of R$ 15,519.1 million (R$ 4,178.9 in the quarter), a 12.0% increase over the previous year (14.1% in the quarter). Our drugstore revenue increased 11.0% (13.1% in the quarter), while 4Bio grew 37.3% in the period (37.5% in the quarter).

Once again OTC was the highlight of the year, growing 16.6% (17.9% in the quarter) and gaining 1.0 percentage point of participation in the sales mix (0.8% in the quarter). HPC grew 11.9% (15.4% in the quarter), and gained 0.2 percentage point in the sales mix (0.5%

in the quarter). On the other hand, Branded Rx grew 9.5% in the year (10.7% in the quarter), and lost 0.6 percentage point of its participation in the sales mix (reduction of 0.9% in the quarter). The outperformance by OTC at the expense of Branded was helped by drug switches, which represented a migration of 0.4 percentage point (0.4% in the quarter). Generics revenues grew 6.2% (9.5% in the quarter), with 16.4% of growth in units sold (22.5% in the quarter), reflecting our successful pricing and mix strategy.

It is important to highlight that the good performance of HPC is partially due to easy comps of the 4Q17, when we recorded an unusually colder and rainier quarter, especially in the peak days preceding the New Year break, which penalized our seasonal HPC mix in the quarter.



We recorded in 2018 a same-store sales growth of 2.7% and of -1.3% in mature stores. In the 4Q18, same store sales increased by 4.7%, while mature stores recorded an increase of 0.6%. We recorded a positive calendar effect of 0.1% in the quarter.

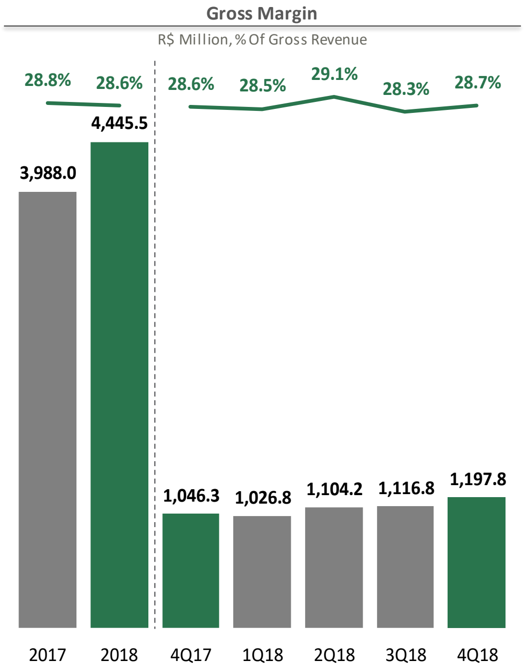
Finally, the Brazilian pharmaceutical market grew by 8.2% in 2018, according to IQVIA, supported by a 6.6% growth in units, which implies an average price growth of 1.5%, below inflation. This reflects mainly a migration of the costumer to cheaper generics brands.

GROSS PROFIT

Our gross margin reached 28.6%, a 0.2 percentage point pressure versus 2017. In the 4Q18, we recorded a gross margin of 28.7%, a 0.1 percentage point increase over the 4Q17.

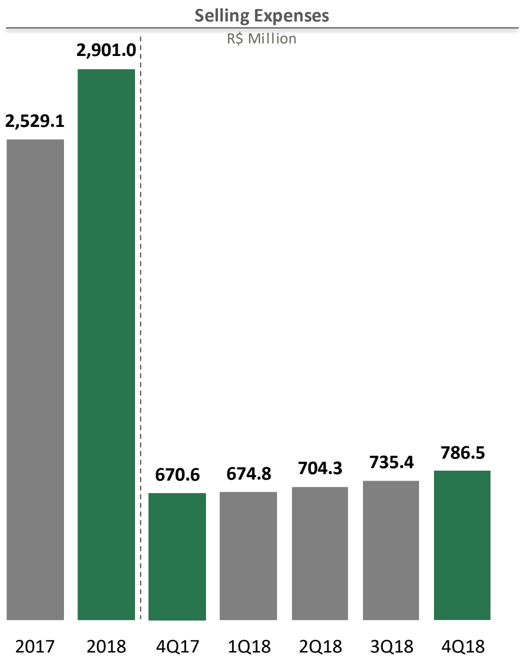
In 2018, we recorded a 0.1 percentage point margin pressure due to a lower Net Present Value (NPV) adjustment, which is a non-cash effect, since interest rates have declined in Brazil, and a 0.2 percentage point pressure from 4Bio, due to its negative mix effect. These pressures registered in the year were partially offset by commercial gains of 0.1 percentage point.

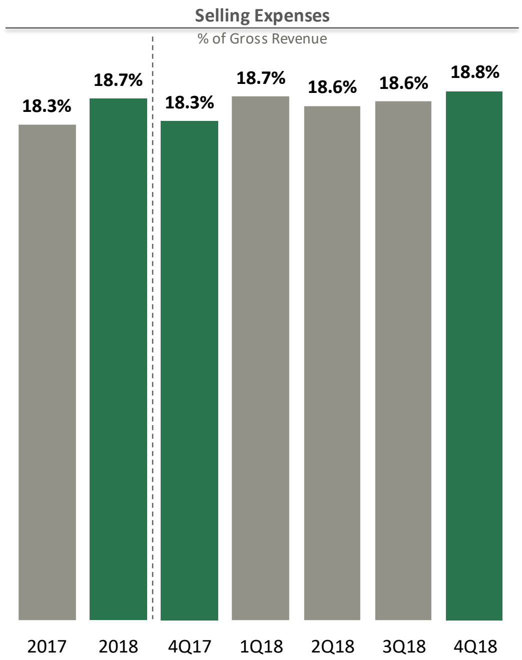
In the 4Q18, we recorded a 0.3 percentage point gain due to PIS and Cofins tax credits, which refer to the full year of 2018 but were fully undertaken in the quarter, as from now ICMS can be excluded from the tax calculation base. This gain was partially offset by a 0.2 percentage point pressure from 4Bio.



SELLING EXPENSES

In 2018, selling expenses totaled R$ 2,901.0 million, equivalent to 18.7% of gross revenue, a 0.4 percentage point increase over 2017.





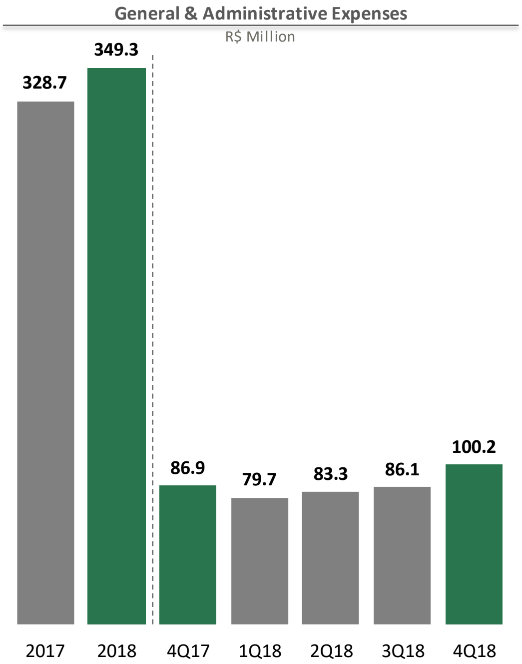
Personnel expenses and rentals pressured by 0.2 percentage point each, while logistics and new stores expenses pressured by 0.1 percentage point each. These pressures were mainly driven by the loss of operating leverage due to mature-store sales performance below inflation through the year, as well as to the acceleration of the IGP-M index, which increased rentals expenses. They were partially offset by a 0.2 percentage point dilution due to 4Bio, which has lower selling expenses and recorded significant expense dilution in 2018.

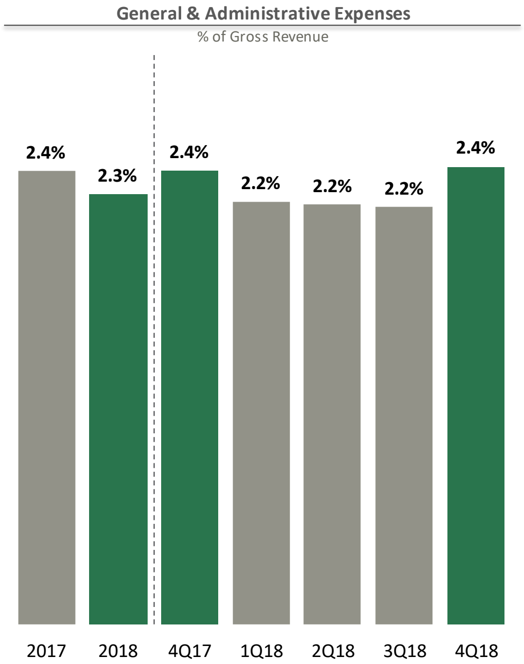
In the quarter, selling expenses totaled R$ 786.5 million, equivalent to 18.8% of gross revenue, a 0.5 percentage point pressure over 4Q17, also stemming from the loss of operating leverage and the acceleration of the IGP-M index. Rentals, logistics and the result of the stores opened in 2018, including pre-operating expenses, pressured by 0.2 percentage point each, while other selling expenses pressured by another 0.1 percentage point. These pressures were partially offset by a 0.2 percentage point dilution from 4Bio.

GENERAL & ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R$ 349.3 million in 2018, equivalent to 2.3% of gross revenue, a 0.1 percentage point dilution over 2017, reflecting mainly lower variable compensation expenditures.

In the 4Q18, general and administrative expenses amounted to R$ 100.2 million, equivalent to 2.4% of gross revenue, stable versus the same period of last year. We recorded a 0.2 percentage point pressure in labor contingencies, offset by a 0.2 percentage point dilution due to lower variable compensation expenditures.



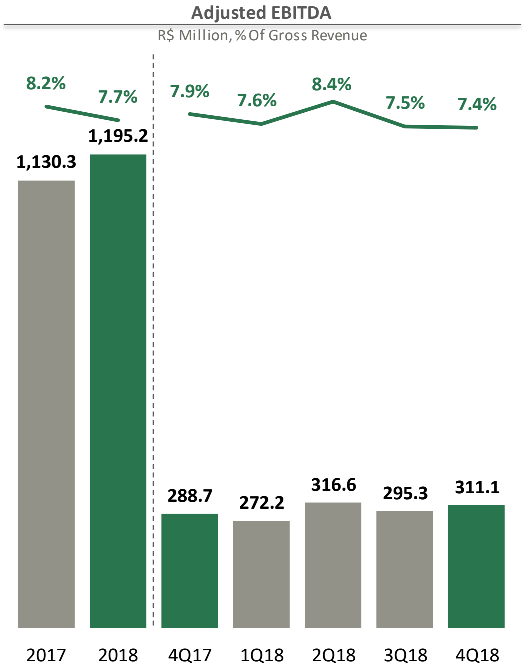


EBITDA

Our adjusted EBITDA reached R$ 1,195.2 million in 2018, an increase of 5.7% and an EBITDA margin of 7.7%, representing a 0.5 percentage point pressure compared to the previous year.

In 4Q18, we achieved an adjusted EBITDA of R$ 311.1 million, an increase of 7.8% and an EBITDA margin of 7.4%, a 0.5 percentage point pressure. It is important to mention that the 4Q18 gross margin was benefited by PIS and COFINS tax credits of 0.3 percentage point related to previous quarters of 2018. On the other hand, labor contingencies allowances from previous quarters of 2018 penalized the quarter by 0.1 percentage point. Without these effects, the EBITDA margin in the quarter would have been 7.2%.

New stores opened in the year, as well as those in the opening process, reduced the EBITDA by R$ 42.4 million in 2018 (a R$ 6.2 million reduction in the quarter). Considering only the 1,585 stores in operation since the end of 2017 and the full absorption of logistics, general and administrative expenses by such stores, our EBITDA would have totaled R$ 1,237.7 million (R$ 317.4 million in the quarter), equivalent to a margin of 8.3% (8.1% in the quarter).



RD Pharmacies reached an adjusted EBITDA of R$ 1,178.4 (R$ 306.3 million in the quarter) and a margin of 8.0% (7.7% in the quarter), a 0.4 percentage point pressure over 2017 (0.4 percentage point pressure in the quarter).

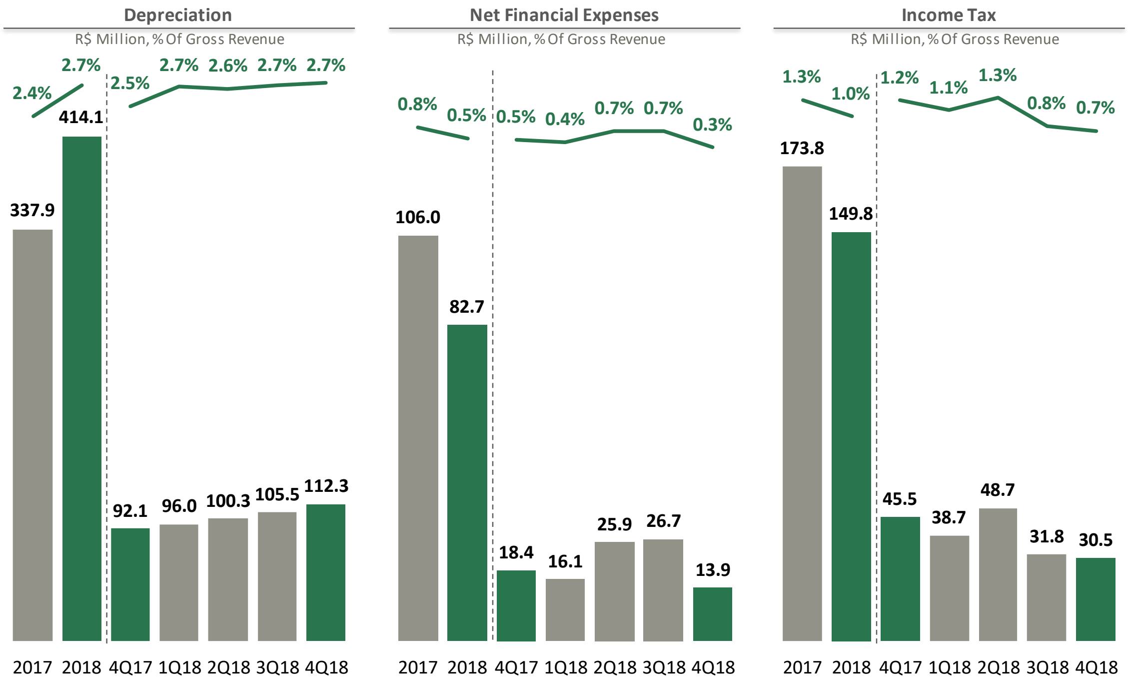
Finally, 4Bio reached an EBITDA of R$ 16.8 million (R$ 4.8 million in the quarter) and a margin of 2.2% (2.3% in the quarter), a 0.2 percentage point margin expansion (0.6 percentage point expansion in the quarter).

EBITDA Reconciliation	1Q18	2Q18	3Q18	4Q18	2018
(R$ million)					
Net Income	**121.3**	**137.7**	**128.8**	**121.5**	**509.3**
(+) Income Tax	38.7	46.6	30.6	13.6	129.5
(+) Financial Result	16.1	25.9	26.7	13.9	82.7
EBIT	**176.1**	**210.1**	**186.2**	**149.0**	**721.5**
(+) Depreciation and Amortization	96.0	100.3	105.5	112.3	414.1
EBITDA	**272.2**	**310.4**	**291.7**	**261.3**	**1,135.6**
(+) Expenses related to the Strategic Planning		9.6	2.2	2.1	13.9
(+) Asset Write-off - Farmasil			1.3	0.3	1.5
(-) Non-recurring tax credits		(3.3)		(7.4)	(10.7)
(+) Labor Contigencies: claims filled in previous years				47.2	47.2
(+) Restructuring Charges				7.6	7.6
Total Non-Recurring Expenses	**0.0**	**6.2**	**3.5**	**49.8**	**59.6**
Adjusted EBITDA	**272.2**	**316.6**	**295.3**	**311.1**	**1,195.2**

In 2018, we recorded R$ 59.6 million in non-recurring expenses, of which R$ 49.8 million were incurred in the 4Q18.

In the 4Q18, we recorded R$ 47.2 million in labor contingencies relating to claims filed in previous years due to a change in estimation methodology. In addition, we recorded R$ 7.6 million of restructuring charges expected for 2020, R$ 2.1 million in consulting expenses related to the development of our Strategic Planning and R$ 0.3 million in asset write-off related to the closure of 4 Farmasil stores which could not be converted to our enhanced popular format. Finally, we recorded R$ 7.4 million in non-recurring gains arising from PIS and COFINS tax credits that also relate to previous years.

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES



Depreciation expenses amounted to R$ 414.1 million in 2018 (R$ 112.3 million in the quarter), equivalent to 2.7% of gross revenue (2.7% in the quarter) and a 0.3 percentage point increase when compared to the previous year (0.2 percentage point pressure in the quarter) reflecting the acceleration of our expansion program and a lower dilution due to a weaker sales performance in the year.

Net Financial expenses totaled R$ 82.7 million in 2018 (R$ 13.9 million in the quarter), representing 0.5% of gross revenue (0.3% in the quarter), a 0.3 percentage point decrease over the previous year (0.2 percentage point dilution in the quarter). Net Present Value Adjustment penalized the financial result by R$ 49.7 million in 2018 (R$ 15.4 million in the quarter).

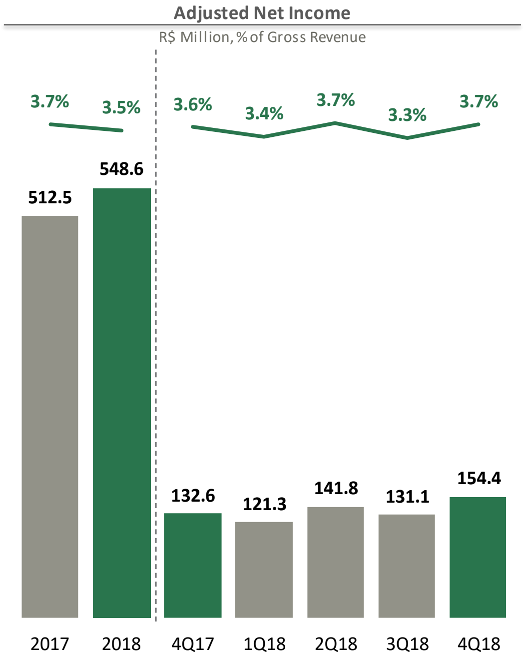
In addition, we recorded R$ 11.1 million in net financial income from the option to acquire 4Bio (R$ 15.3 million net financial income in the quarter), versus R$ 2.3 million expenses in 2017 (R$ 5.0 million net financial income in the 4Q17). It is important to mention that the R$ 15.3 million of net financial income registered in the 4Q18 was a result of a R$ 16.8 million in financial income related to a reduction in the expected value of the remaining 45% of 4Bio in 2021 due to lower projected margins between 2018 and 2020, less R$ 1.5 million of interests accrued on the option. This impairment analysis is done once a year in the fourth quarter.

Excluding the NPV adjustments, the financial income on the option to acquire 4Bio and R$ 5.1 million in a one-off income registered in 1Q18 as a result of a reversion of interests accrued on tax payables, the interest accrued on net debt amounted to R$ 49.2 million in 2018 (R$ 13.8 million in the quarter) or 0.3% of gross revenue (also 0.3% of gross revenue in the quarter), stable versus 2017.

Finally, we booked R$ 149.8 million in income taxes (R$ 30.5 million in the quarter), equivalent to 1.0% of gross revenue (0.7% in the quarter). It is worth mentioning that we have recorded a tax reduction of R$ 21.7 million (R$ 7.7 million in the 3Q18 and R$ 14.0 million in the 4Q18) related to a legal ruling that allowed state investment subvention to be deducted from the income tax base. The tax credits refer to the full year of 2018.

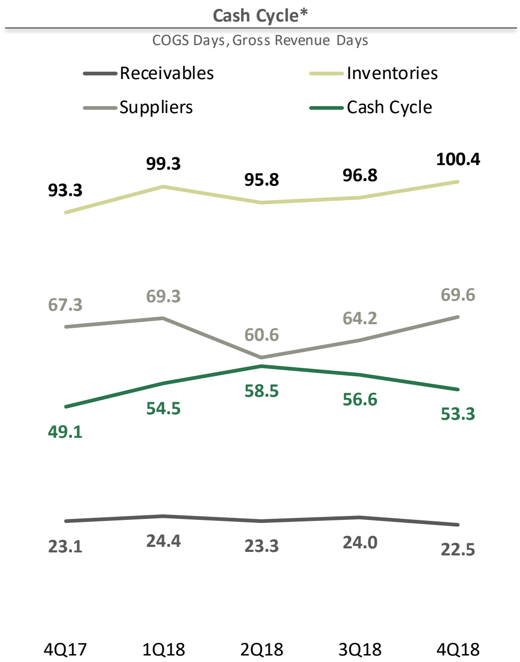
NET INCOME

Adjusted Net income totaled R$ 548.6 million in 2018, equivalent to a net margin of 3.5% (R$ 154.4 million in the quarter, a net margin of 3.7%). This represented a 7.0% increase in net income and a 0.2 percentage point net margin pressure over the previous year (16.4% increase and a 0.1 percentage point expansion in the quarter).



CASH CYCLE

Our cash cycle in the 4Q18 was 4.2 days higher when compared to the same period of the previous year. Inventories increased by 7.1 days reflecting our efforts towards defending gross margin through better commercial conditions with suppliers. In addition, accounts payable increased 2.3 days. Lastly, receivables decreased by 0.6 day reflecting a more favorable calendar in the end of December when compared to the same period of 2017.



* Adjusted to discounted receivables.

CASH FLOW

We recorded a negative free cash flow of R$ 139.9 million in 2018, and a total cash consumption of R$ 341.4 million. Our operating cash flow totaled R$ 563.0 million, which was more than fully consumed by the R$ 703.0 million in investments undertaken in the period. Resources from operations totaled R$ 925.1 million, equivalent to 6.0% of gross revenue, while we recorded a working capital consumption of R$ 362.0 million.

Cash Flow	4Q18	4Q17	2018	2017
(R$ million)				
Adjusted EBIT	**198.8**	**196.6**	**781.1**	**792.4**
NPV Adjustment	(16.6)	(14.6)	(50.4)	(63.9)
Non-Recurring Expenses	(49.8)	2.4	(59.5)	0.2
Income Tax (34%)	(45.0)	(62.7)	(228.2)	(247.8)
Depreciation	112.3	92.1	414.1	337.9
Others	61.4	8.8	68.0	32.2
Resources from Operations	**261.1**	**222.6**	**925.1**	**851.0**
Cash Cycle*	17.9	28.2	(344.4)	(337.0)
Other Assets (Liabilities)**	(29.0)	(22.9)	(17.6)	75.5
Operating Cash Flow	**250.0**	**227.9**	**563.0**	**589.5**
Investments	**(220.9)**	**(159.5)**	**(703.0)**	**(639.2)**
Free Cash Flow	**29.1**	**68.4**	**(139.9)**	**(49.7)**
Interest on Equity	(86.4)	(85.6)	(173.6)	(170.8)
Income Tax Paid over Interest on Equity	(15.2)	(14.5)	(29.5)	(28.5)
Net Financial Expenses***	1.5	(4.5)	(32.9)	(46.8)
Share Buyback	-	-	(46.9)	-
Income Tax (Tax benefit over financial expenses and interest on equity)	17.6	19.0	81.5	84.8
Total Cash Flow	**(53.5)**	**(17.2)**	**(341.4)**	**(211.0)**

*Includes adjustments to discounted receivables.

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

***Excludes NPV adjustments.

In the 4Q18, we recorded a positive free cash flow of R$ 29.1 million, and a total cash consumption of R$ 53.5 million. Our operating cash flow totaled R$ 250.0 million, which fully funded the R$ 220.9 million in investments undertaken in the period. Resources from operations totaled R$ 261.1 million, equivalent to 6.2% of gross revenue, while we recorded a working capital consumption of R$ 11.1 million.

Of the R$ 703.0 million invested in the year, R$ 441.3 million corresponded to new store openings, R$ 128.9 million to the renovation or expansion of existing stores and R$ 132.8 million to investments in infrastructure.

Net financial expenses totaled R$ 32.9 million in 2018 (R$ 1.5 million in revenue in the quarter), excluding the NPV adjustments. These were more than fully offset by the R$ 81.5 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 (R$ 17.6 million in the quarter).

We accrued R$ 209.5 million in interest on equity in 2018 (R$ 56.0 million in the quarter) versus R$ 202.5 million in 2017 (R$ 51.5 million in the 4Q17), reflecting a payout of 41.1%, through the full usage of the legal interest on equity limit.

INDEBTEDNESS

At the end of the year, we recorded an adjusted net debt position of R$ 735.0 million, versus R$ 393.6 million recorded at the end of 2017. The Adjusted Net Debt to EBITDA totaled 0.6x, 0.3x higher than the same period of last year in spite of the significant investment undertaken in the year.

This net debt includes R$ 36.4 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 2018, 2019 and 2020 and the forecasted net debt for

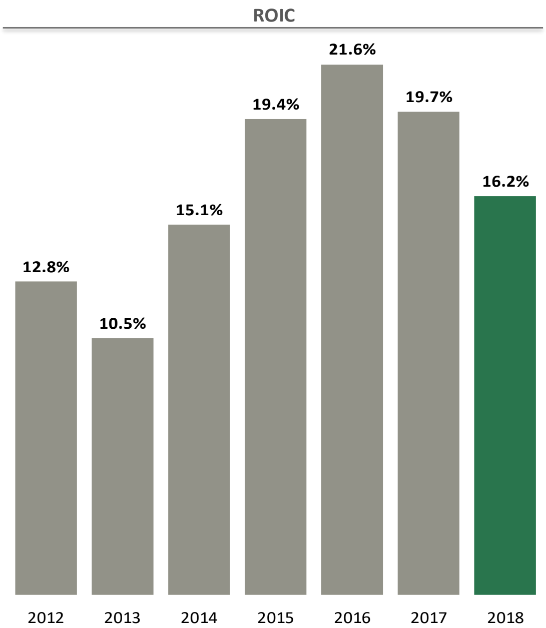
2020 as stipulated in the acquisition contracts. This estimate has been revisited annually to reflect changes in the economic outlook of 4Bio. In addition, we had R$ 97.0 million in discounted receivables recorded in the quarter.

Net Debt	4Q17	4Q18
(R$ million)		
Short-term Debt	196.2	272.9
Long-term Debt	414.7	570.2
Total Gross Debt	**611.0**	**843.1**
(-) Cash and Equivalents	264.9	241.6
Net Debt	**346.1**	**601.6**
Discounted Receivables	-	97.0
Put/Call option to acquire 4Bio (estimated)	47.5	36.4
Adjusted Net Debt	**393.6**	**735.0**
Adjusted Net Debt / EBITDA	0.3x	0.6x

Our gross debt totaled R$ 843.1 million, of which 22,1% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines, 75.9% corresponds to the debentures issued on April 2017 and 2018 and 2.0% corresponds to other debts. Of our total debt, 67.6% is long-term, while 32.4% relates to its short-term parcels. We ended the quarter with a total cash position (cash and marketable securities) of R$ 241.6 million.

RETURN ON INVESTED CAPITAL

We recorded in 2018 a return on invested capital of 16.2%, a 3.5 percentage point decrease when compared to 2017, reflecting a lower operating margin, accelerated investments and an increase in our cash conversion cycle.



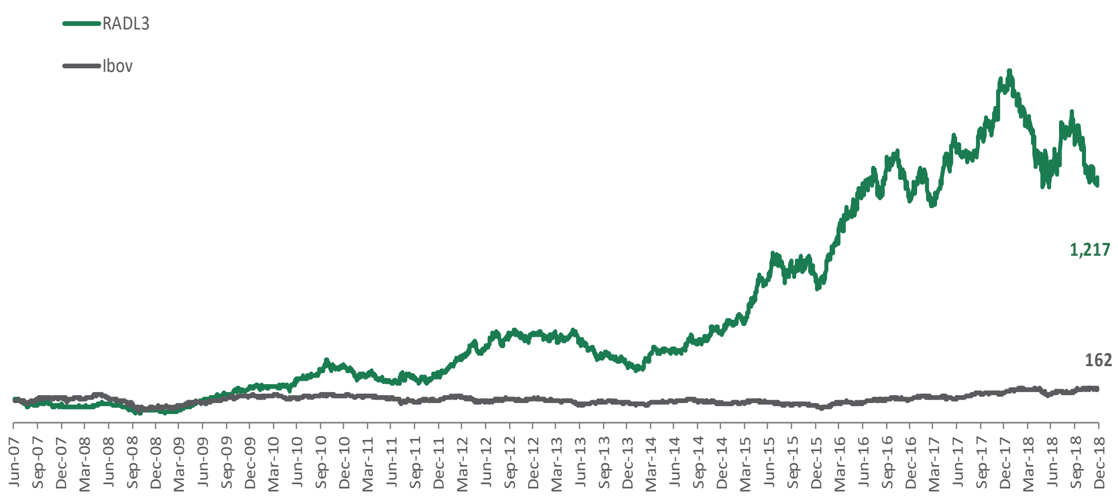
It is important to highlight that our ROIC is heavily penalized by our accelerated organic growth, since 35.6% of our fully invested stores have not yet reached their maturation and their profitability potential. This effect is especially detrimental for the stores opened in 2018 or at the pre-operational stage for opening in 2019, which consumed a CAPEX of R$ 441.3 million as well as additional working capital investments, yet generated a negative EBITDA of R$ 42.4 million in the fiscal year, since in average, they have not yet reached break-even. Therefore, as the store portfolio matures, the ROIC is expected to escalate.

TOTAL SHAREHOLDER RETURN

Our share price fell 36.4% in 2018, 51.9 percentage points below the Ibovespa, which increased by 15.5%. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,055.2% versus a return of only 61.6% for the Ibovespa. Including the payment of interest on equity, we generated an average annual total return to shareholders of 22.4%. Considering the IPO of Raia in December of 2010, the cumulative return amounted to 325.6% versus an increase of only 29.3% of the Ibovespa. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 19.8%.

We recorded an average daily trading volume of R$ 91.6 million in the quarter.

Share Appreciation



SUBSEQUENTIAL EVENTS

On February 26, 2018, the Company has firmed a Sale and Purchase Agreement with CCI Foreign, S.A.R.L. and Beauty Holdings, L.L.C., subsidiaries of CVS Health Corporation (CVS), regulating the acquisition of 100% of Onofre by RD.

Acquired by CVS in 2013, Onofre is one of the most traditional drugstore chains in Brazil. It combines a network of 50 stores (47 in São Paulo, 2 in Rio de Janeiro and 1 in Belo Horizonte) with one of the main pharmaceutical e-commerce operations in the country, being one of the leading brands in the channel.

The acquisition of Onofre will allow us to increase our scale and capillarity in the traditional retail, as well as to accelerate and enhance our digital strategy, increasing the density of deliveries and expanding the operation of the "Onofre em Casa", with local delivery for every market where RD has structured logistics.

The closing and implementation of the transaction shall occur once certain conditions precedent have been verified, among which the prior approval of the Administrative Council of Economic Defense - CADE, in the form of art. 88, paragraph 3, of Law no. 12529, of November 30, 2011. Once the transaction is concluded, the ongoing arbitration process in the Brazil-Canada Arbitration Chamber, involving Onofre and CVS, will remain under the management of CVS Health, without any involvement of RD, with CVS being solely responsible for both gains and losses incurred as a result of the arbitral award.

Adjusted Income Statement *(R$ thousand)*	4Q17	4Q18	2017	2018
Gross Revenue	**3,662,178**	**4,178,909**	**13,852,469**	**15,519,133**
Taxes, Discounts and Returns	(160,882)	(181,845)	(639,964)	(717,688)
Net Revenue	**3,501,296**	**3,997,064**	**13,212,505**	**14,801,445**
Cost of Goods Sold	(2,455,038)	(2,799,277)	(9,224,506)	(10,355,924)
Gross Profit	**1,046,258**	**1,197,788**	**3,987,999**	**4,445,521**
Operational (Expenses) Revenue				
Sales	(670,608)	(786,502)	(2,529,051)	(2,901,011)
General and Administrative	(86,931)	(100,177)	(328,663)	(349,318)
Operational Expenses	**(757,539)**	**(886,679)**	**(2,857,714)**	**(3,250,330)**
EBITDA	**288,719**	**311,109**	**1,130,285**	**1,195,191**
Depreciation and Amortization	(92,123)	(112,310)	(337,915)	(414,134)
Operational Earnings before Financial Results	**196,596**	**198,799**	**792,370**	**781,058**
Financial Expenses	(40,066)	(31,415)	(212,922)	(154,437)
Financial Revenue	21,626	17,512	106,883	71,783
Financial Expenses/Revenue	**(18,440)**	**(13,903)**	**(106,039)**	**(82,654)**
Earnings before Income Tax and Social Charges	**178,156**	**184,896**	**686,331**	**698,404**
Income Tax and Social Charges	(45,533)	(30,492)	(173,819)	(149,790)
Net Income	**132,623**	**154,404**	**512,513**	**548,614**

Consolidated Income Statement *(R$ thousand)*	**4Q17**	**4Q18**	**2017**	**2018**
Gross Revenue	**3,662,178**	**4,178,909**	**13,852,469**	**15,519,133**
Taxes, Discounts and Returns	(160,882)	(181,845)	(639,964)	(717,688)
Net Revenue	**3,501,296**	**3,997,064**	**13,212,505**	**14,801,445**
Cost of Goods Sold	(2,455,038)	(2,799,277)	(9,224,506)	(10,355,924)
Gross Profit	**1,046,258**	**1,197,788**	**3,987,999**	**4,445,521**
Operational (Expenses) Revenue				
Sales	(670,608)	(786,502)	(2,529,051)	(2,901,011)
General and Administrative	(86,931)	(100,177)	**(328,663)**	**(349,318)**
Other Operational Expenses, Net	2,372	(49,807)	**212**	**(59,548)**
Operational Expenses	**(755,167)**	**(936,486)**	(2,857,502)	(3,309,878)
EBITDA	**291,091**	**261,302**	1,130,497	1,135,643
Depreciation and Amortization	(92,123)	(112,310)	**(337,915)**	**(414,134)**
Operational Earnings before Financial Results	**198,968**	**148,992**	**792,583**	**721,510**
Financial Expenses	(40,066)	(31,415)	(212,922)	(154,437)
Financial Revenue	21,626	17,512	**106,883**	**71,783**
Financial Expenses/Revenue	**(18,440)**	**(13,903)**	**(106,039)**	**(82,654)**
Earnings before Income Tax and Social Charges	**180,528**	**135,089**	686,544	638,856
Income Tax and Social Charges	(46,339)	(13,558)	**(173,891)**	**(129,544)**
Net Income	**134,188**	**121,531**	**512,653**	**509,313**

Assets	**4Q17**	**4Q18**
(R$ thousand)		
Current Assets		
Cash and Cash Equivalents	264,873	241,568
Accounts Receivable	930,071	937,389
Inventories	2,517,594	3,087,275
Taxes Receivable	78,777	84,852
Other Accounts Receivable	119,004	156,848
Anticipated Expenses	17,885	21,893
	3,928,204	4,529,826
Non-Current Assets		
Deposit in Court	29,215	25,770
Taxes Receivable	34,293	44,578
Other Credits	5,246	2,484
Property, Plant and Equipment	1,276,276	1,546,960
Intangible	1,191,016	1,202,388
	2,536,045	2,822,180
ASSETS	6,464,249	7,352,005

Liabilities and Shareholder's Equity	**4Q17**	**4Q18**
(R$ thousand)		
Current Liabilities		
Suppliers	1,815,687	2,141,274
Loans and Financing	196,248	272,939
Salaries and Social Charges Payable	202,799	237,542
Taxes Payable	130,432	92,964
Dividend and Interest on Equity	37,474	24,843
Provision for Lawsuits	2,724	2,512
Other Accounts Payable	108,415	141,370
	2,493,779	2,913,443
Non-Current Liabilities		
Loans and Financing	414,711	570,211
Provision for Lawsuits	8,170	48,877
Income Tax and Social Charges deferred	228,714	237,757
Other Accounts Payable	68,503	46,949
	720,098	903,794
Shareholder's Equity		
Common Stock	1,808,639	1,808,639
Capital Reserves	151,156	116,363
Revaluation Reserve	12,197	12,022
Income Reserves	1,228,149	1,522,073
Accrued Income	0	0
Equity Adjustments	(30,230)	(30,230)
Non Controller Interest	27,860	34,911
Additional Dividend Proposed	52,602	70,990
	3,250,372	3,534,769
LIABILITIES AND SHAREHOLDERS' EQUITY	6,464,249	7,352,005

Cash Flow	4Q17	4Q18	2017	2018
(R$ thousand)				
Earnings before Income Tax and Social Charges	**180,528**	**135,089**	**686,544**	**638,856**
Adjustments				
Depreciation and Amortization	92,122	112,310	337,914	414,134
Compensation plan with restricted shares, net	3,129	3,186	12,638	12,515
Interest over additional stock option	(5,000)	(15,294)	2,287	(11,135)
P,P&E and Intangible Assets residual value	1,953	4,894	6,609	12,166
Provisioned Lawsuits	(78)	52,844	7,788	49,167
Provisioned Inventory Loss	1,704	(1,644)	3,656	(2,680)
Provision for Doubtful Accounts	588	(635)	2,314	(4,739)
Provisioned Store Closures	1,529	2,784	(811)	1,556
Interest Expenses	13,653	14,082	64,234	56,699
Debt Issuance Costs Amortization	65	495	188	(2,388)
	290,193	**308,111**	**1,123,360**	**1,164,151**
Assets and Liabilities variation				
Clients and Other Accounts Receivable	(44,471)	117,695	(173,728)	1,133
Inventories	(180,604)	(278,729)	(371,782)	(567,001)
Other Short Term Assets	8,849	(2,153)	27,852	(10,091)
Long Term Assets	(2,672)	1,326	(17,895)	(45,438)
Suppliers	253,257	275,702	208,482	318,449
Salaries and Social Charges	(48,824)	(51,094)	3,421	34,743
Taxes Payable	(11,984)	(15,209)	(19,936)	(69,041)
Other Liabilities	(9,963)	3,242	(10,368)	922
Rent Payable	4,220	5,960	9,472	12,885
Cash from Operations	**258,001**	**364,851**	**778,878**	**840,712**
Interest Paid	(19,169)	(23,770)	(36,863)	(43,478)
Income Tax and Social Charges Paid	(21,352)	(14,937)	(113,175)	(118,381)
Net Cash from (invested) Operational Activities	**217,480**	**326,144**	**628,840**	**678,853**
Investment Activities Cash Flow				
P,P&E and Intangible Acquisitions	(160,001)	(220,912)	(640,330)	(702,985)
P,P&E Sale Payments	547	7	1,150	17
Net Cash from Investment Activities	**(159,454)**	**(220,905)**	**(639,180)**	**(702,968)**
Financing Activities Cash Flow				
Funding	(9)	16,994	400,448	423,954
Payments	(102,075)	(67,777)	(231,021)	(202,597)
Share Buyback	0	0	0	(46,925)
Interest on Equity and Dividends Paid	(85,632)	(86,444)	(170,847)	(173,622)
Net Cash from Funding Activities	**(187,716)**	**(137,227)**	**(1,420)**	**810**
Cash and Cash Equivalents net increase	**(129,690)**	**(31,988)**	**(11,760)**	**(23,305)**
Cash and Cash Equivalents in the beggining of the period	**394,563**	**273,556**	**276,632**	**264,873**
Cash and Cash Equivalents in the end of the period	**264,873**	**241,568**	**264,873**	**241,568**

2018/4Q18 Results Conference Calls – February 27, 2019

Portuguese
at 10:00 am (Brasília)

Dial in access:
+55 (11) 2188-0155

Conference ID: RD

Replay (available for 7 days):
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at 12:00 pm (Brasília)

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