



1Q17 EARNINGS RELEASE

São Paulo, April 27, 2017. **RD – People, Health and Well-being** (Raia Drogasil S.A. – BM&FBovespa: RADL3) announces today its results for the 1st quarter of 2017 (1Q17). The quarterly information of RD was prepared in accordance to the Accounting Pronouncement 21 – Intermediate Statements as well as the standards issued by the Brazilian Securities and Exchange Commission – CVM and was reviewed by our independent auditors in accordance with Brazilian intermediate statements standards of auditing. Such information was prepared in thousand Reals and all growth rates relate to the same period of 2016.

From the 1Q17 onwards, our net income will no longer be adjusted to include the tax shield from the amortization of the goodwill generated in 2011 through the merger, which ceases in May 2018.

HIGHLIGHTS:

- **Drugstores:** 1,457 stores in operation (42 openings and 5 closures)
- **Gross Revenue:** R\$ 3.2 billion, 21.6% of growth (10.5% retail same-store sales growth)
- **Gross Margin:** 28.7% of gross revenue, in line with 1Q16
- **Adjusted EBITDA:** R\$ 244.0 million, 7.6% margin, a 0.3 percentage point margin expansion
- **Adjusted Net Income:** R\$ 105.4 million, a 3.3% margin and an increase of 17.0%
- **Cash Flow:** R\$ 172.7 million negative free cash flow, R\$ 162.7 million total cash consumption
- **Debentures:** Raised 300 MM in April, 2017: Rating AAA-Br (Fitch), 5 years, 104,75% of CDI
- **New Corporate Name:** Change to **RD**, reflecting our new identity that emerged since the merger

RADL3: R\$ 66.65/share

Number of Shares: 330,386,000

Market Cap: R\$ 22,020 million

Closing: April 26, 2017

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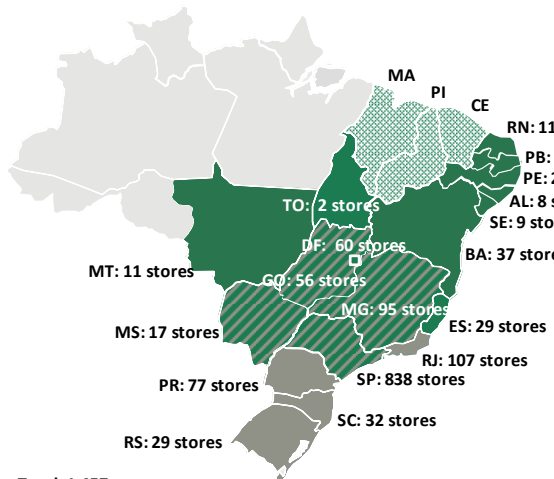
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Summary (R\$ thousand)	1Q16	2Q16	3Q16	4Q16	1Q17
# of Stores - Retail + 4Bio	1,274	1,330	1,370	1,420	1,457
Store Openings	39	58	53	62	42
Store Closures	0	(2)	(13)	(12)	(5)
# of Stores (average)	1,250	1,303	1,347	1,394	1,435
Headcount (EoP)	26,720	27,767	28,661	29,009	28,952
Pharmacist Count (EoP)	4,963	5,214	5,393	5,515	5,561
# of Tickets (000)	44,145	46,696	47,620	49,302	48,439
Gross Revenue	2,641,079	2,930,451	3,050,163	3,205,873	3,212,406
Gross Profit	756,940	924,825	900,034	922,344	921,624
% of Gross Revenues	28.7%	31.6%	29.5%	28.8%	28.7%
EBITDA	192,839	304,811	254,004	235,996	244,018
% of Gross Revenues	7.3%	10.4%	8.3%	7.4%	7.6%
Adjusted Net Income	90,131	157,068	116,884	92,236	105,427
% of Gross Revenues	3.4%	5.4%	3.8%	2.9%	3.3%
Net Income	90,131	157,068	116,884	87,169	104,002
% of Gross Revenues	3.4%	5.4%	3.8%	2.7%	3.2%
Free Cash Flow	(171,016)	(13,077)	156,901	46,564	(172,734)



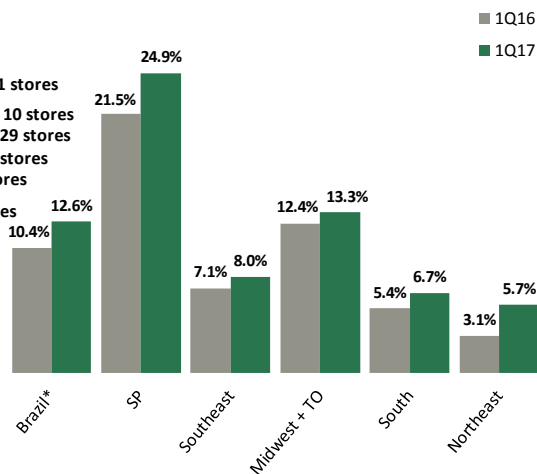


Geographic Presence



Total: 1,457 stores
 ■ Raia: 694 stores
 ■ Drogasil: 760 stores
 ■ Future markets
 * 4Bio: 3 stores

Market Share**



PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

Brazil*	SP	Southeast	Midwest	South	Northeast
100.0%	27.0%	23.8%	9.7%	16.3%	18.6%

Source: IMS Health

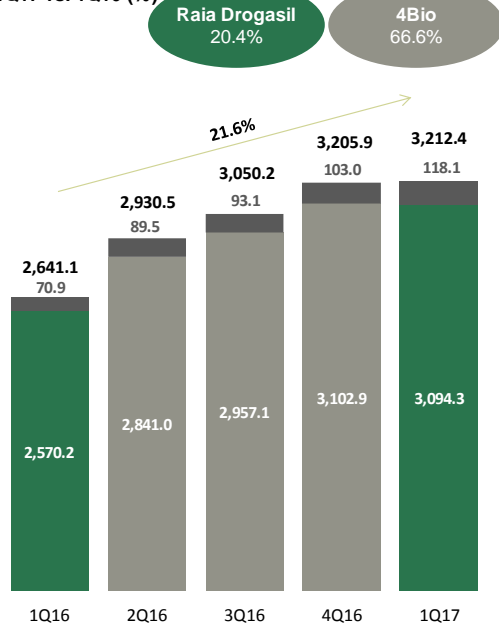
* Includes 4Bio only for Brazil total.

** Comparable Market Share, excluding new informants added to the panel during the last twelve months. Our national market share including the full panel was of 11.4%

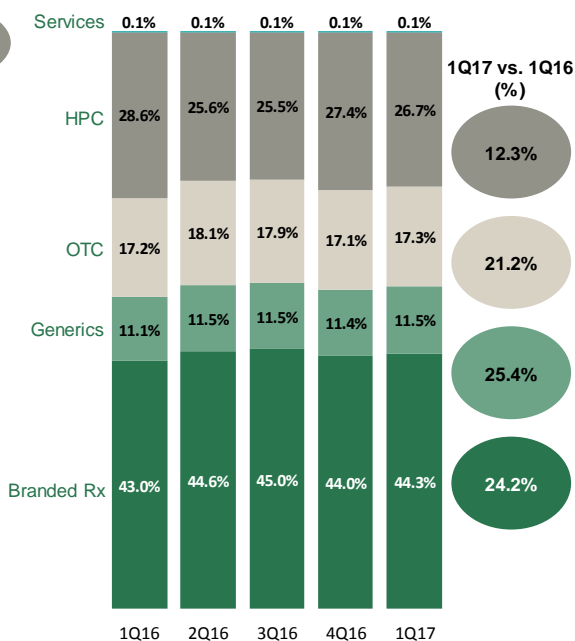
GROSS REVENUES

Consolidated Gross Revenue

1Q17 vs. 1Q16 (%)



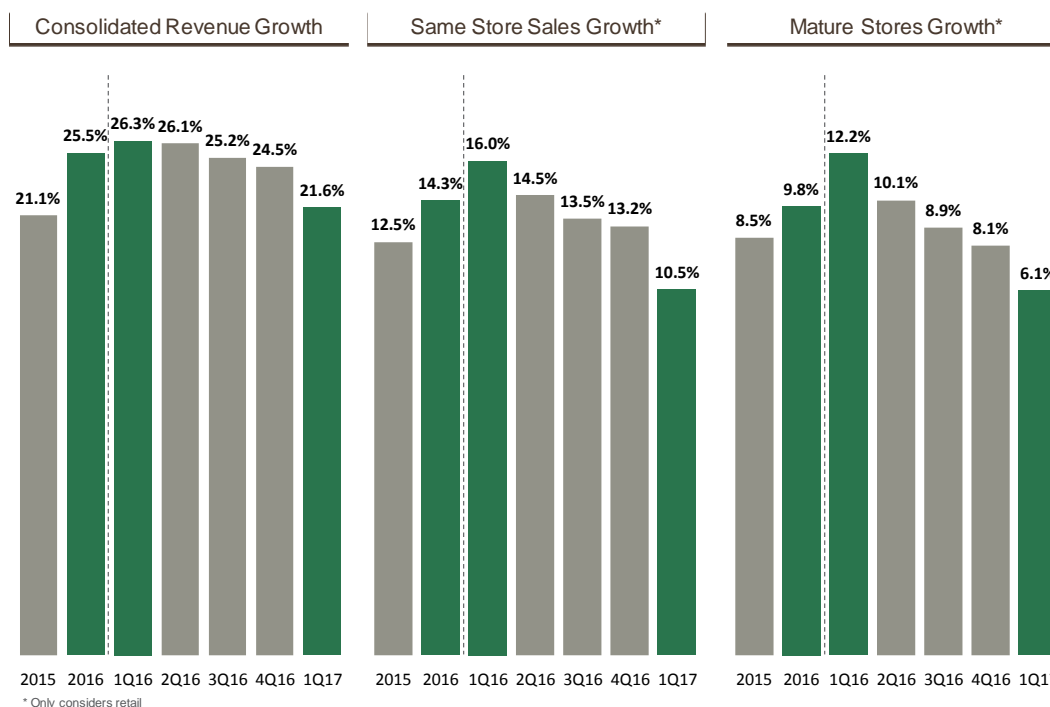
Retail Sales Mix



We ended the 1Q17 with gross revenues of R\$ 3,212.4 million, a 21.6% increase over the previous year. Our retail operations recorded a 20.4% growth, while 4Bio grew 66.6% in the period.



Pharmaceuticals were the highlight of the quarter. Generics' sales increased by 25.4%, gaining 0.4 percentage point of participation in the sales mix, followed by Branded Rx which grew 24.2%. OTC grew 21.2% and gained 0.1 percentage point of participation. HPC grew by 12.3% and lost 1.9 percentage point in the company's sales mix. This was due both to a strong 1Q16 comp base driven by the Zika virus outbreak and to a deceleration in basic HPC categories' sales.

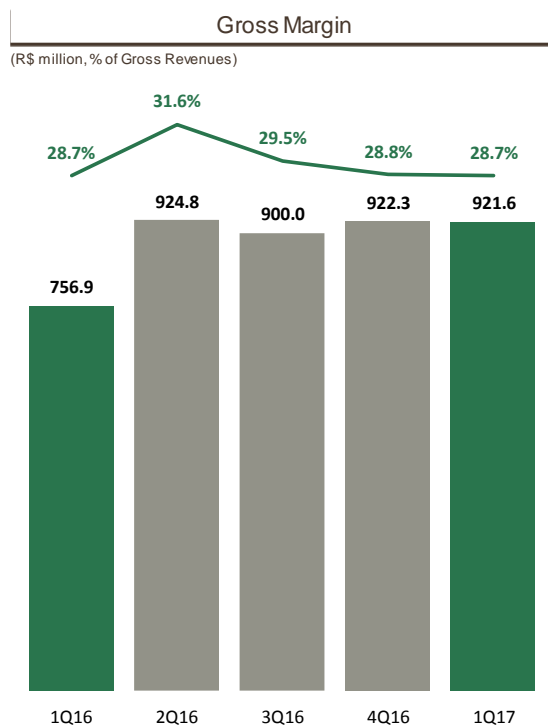


Same store sales for our retail operations increased by 10.5% while our mature stores recorded an increase of 6.1%. It is important to highlight that, on top of the strong HPC comps afore mentioned, we also faced a negative calendar effect of 0.2%. Despite having one day less because of the leap year, we had two more working days when compared to the 1Q16.

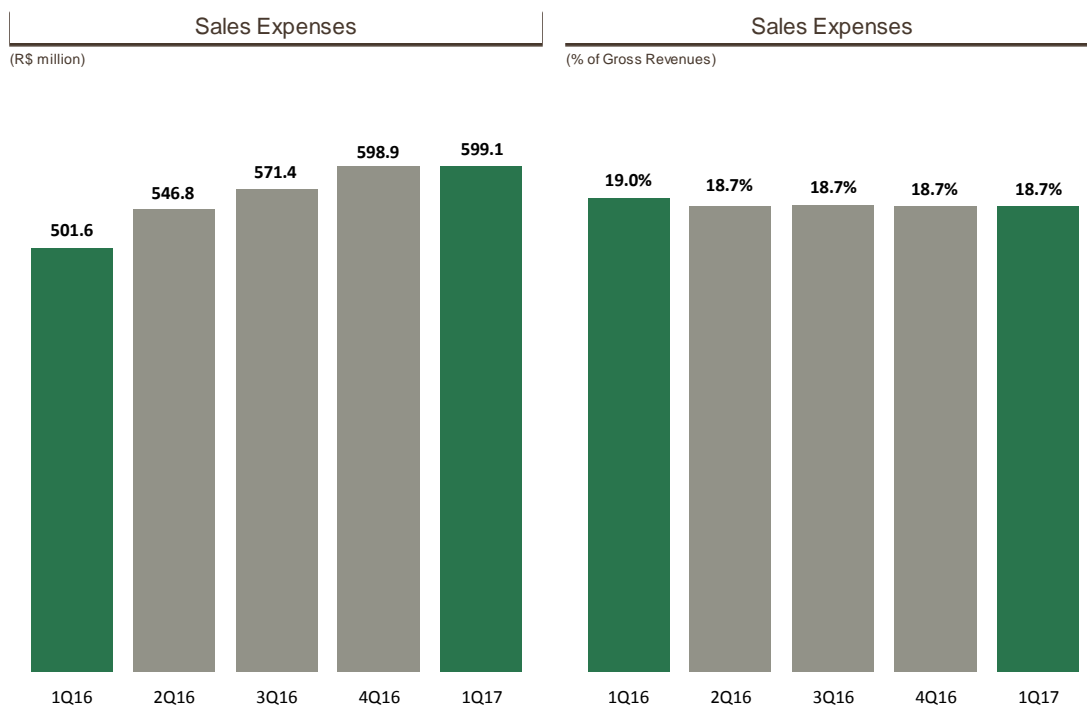
The Brazilian pharmaceutical market grew by 12.8% (3.2% in units sold) in the last twelve months ended in March, 2017, according to the IMS Health, a testament to the defensive nature of our industry.

GROSS PROFIT

Our gross margin reached 28.7% in the quarter, in line with the 1Q16. We recorded a positive effect of 0.2 percentage point arising from Net Present Value (NPV) adjustment and another 0.1 percentage point gain from improvements in commercial terms. Those gains were fully offset by 4Bio's negative margin mix effect, since Specialty Drugs have a lower gross margin than Retail and since 4Bio experienced a gross margin pressure in the quarter.



SALES EXPENSES



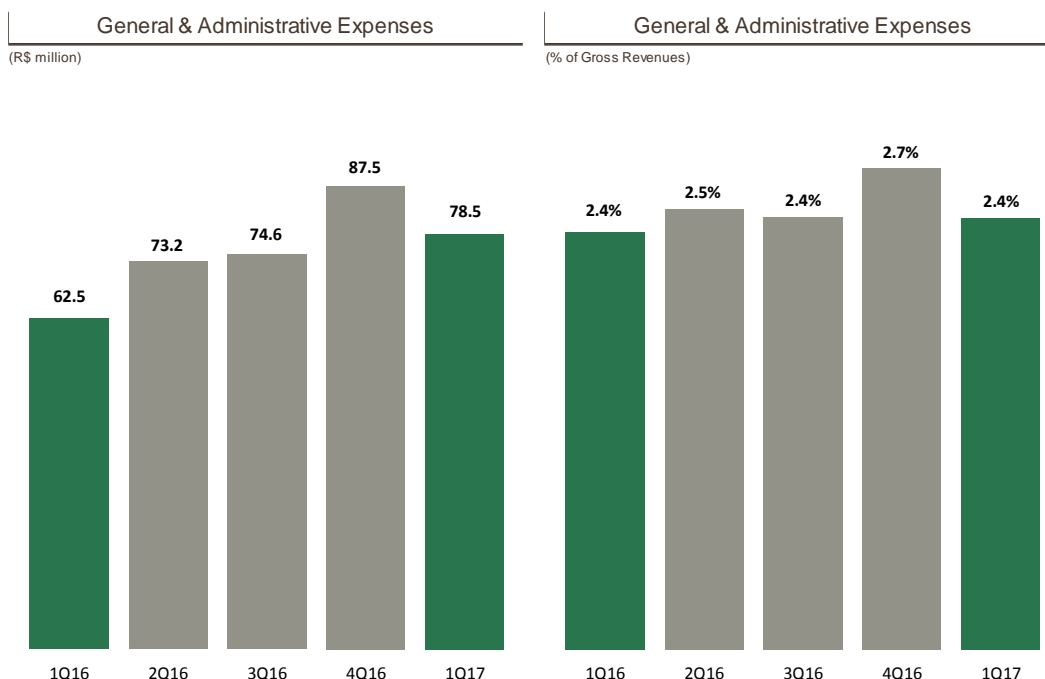
In the 1Q17, sales expenses totaled R\$ 599.1 million, equivalent to 18.7% of gross revenue, a 0.3 percentage point dilution over the same period of the previous year and in line with the 4Q16.



Personnel and electricity expenses decreased by 0.1 percentage point each. In addition, a reduction in pre-operating expenses contributed to a further dilution of 0.2 percentage point in the quarter, which was fully offset by a 0.2 percentage point pressure from rentals, since the IGP-M exceeded the IPCA over the last twelve months by 1.5 percentage point. Finally, we recorded a 0.1 percentage point dilution related to 4Bio, which has lower selling expenses than the average for the company and achieved significant operating leverage in the quarter.

GENERAL & ADMINISTRATIVE EXPENSES

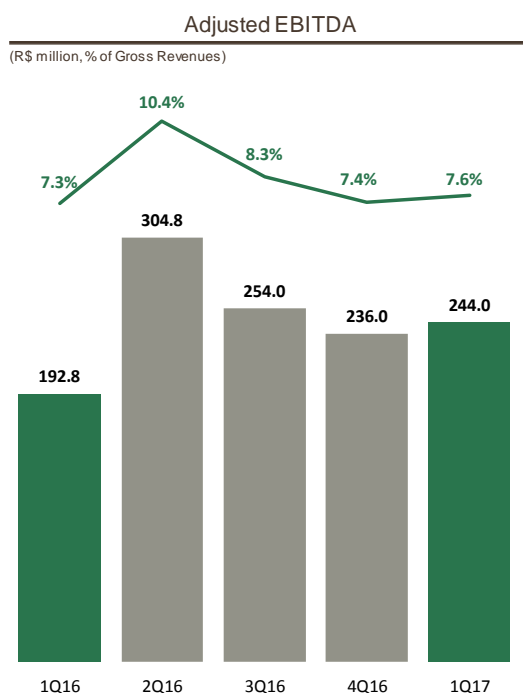
General and administrative expenses amounted to R\$ 78.5 million in the 1Q17, equivalent to 2.4% of gross revenue, in line with the previous year. We recorded a 0.1 percentage point dilution in payroll expenses, which was offset by a pressure in labor contingencies.



EBITDA

Our Adjusted EBITDA reached R\$ 244.0 million in the quarter, a 26.5% increase over the 1Q16. Our Adjusted EBITDA margin reached 7.6%, a margin expansion of 0.3 percentage points over the same period of last year.

New stores opened in the quarter, as well as those that were in the opening process, reduced the EBITDA by R\$ 11.7 million in the 1Q17. Therefore, considering only the 1,415 stores in operation since the end of 2016 and the full absorption of logistics as well as of general and administrative expenses by such stores, our adjusted EBITDA would have totaled R\$ 255.7 million, equivalent to an EBITDA margin of 8.0% over gross revenues.



Our drugstore operations reached an adjusted EBITDA of R\$ 241.6 million and a margin of 7.8% in the 1Q17, a 0.4 percentage point increase over the same period of last year. This margin improvement came both from gross margin expansion and expense dilutions.

4Bio reached an EBITDA of R\$ 2.4 million, an increase of 36.3% and an EBITDA margin of 2.0%, a 0.5 percentage point pressure.

NON-RECURRING EXPENSES

We incurred in R\$ 2.2 million of non-recurring expenses in the 1Q17, as shown below:

Non-Recurring Expenses	1Q17
(R\$ million)	
Labor contingencies: change in loss estimates	(12.1)
Retirement compensation: C-level Executive	(3.2)
Trade allowances: elimination of recognition timing delay	13.1
Total	(2.2)

We had R\$ 12.1 million in labor contingencies due to a change in loss estimates related to pre-existing claims following recent trends. We also incurred in R\$ 3.2 million related to retirement compensation granted to a former C-Level executive. Finally, we eliminated a recognition timing delay related to specific trade allowances, resulting in a one-time gain of R\$ 13.1 million, which would have been booked with a one-month delay. This was possible due to improved controls by the Company.

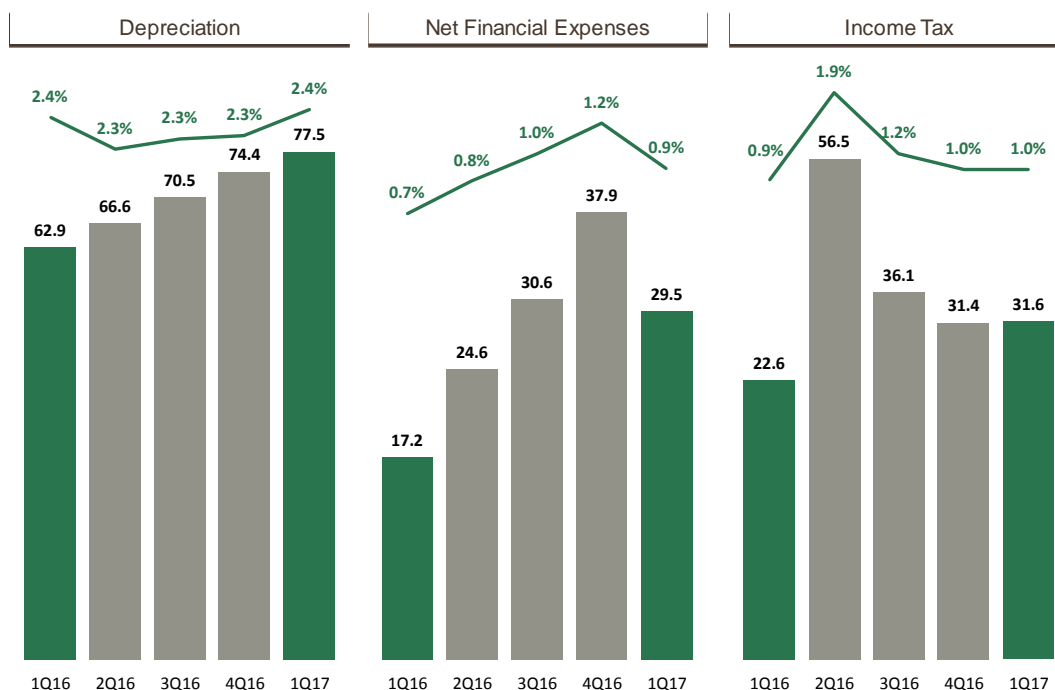
DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

Depreciation expenses amounted to R\$ 77.5 million in the quarter, equivalent to 2.4% of gross revenues, in line with the 1Q16.

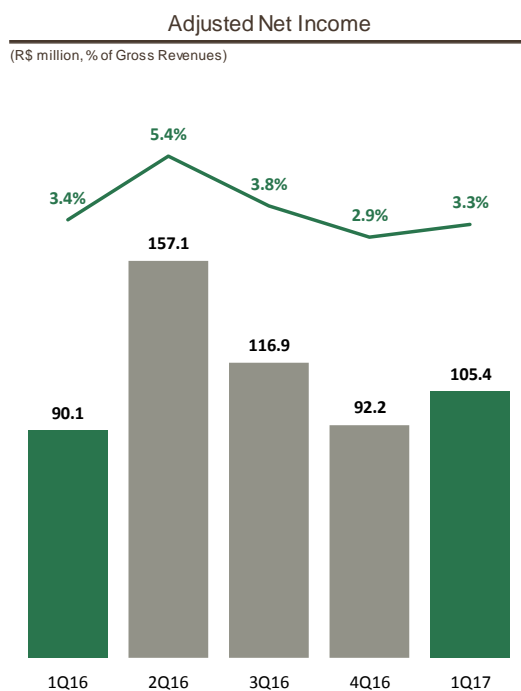
Financial expenses represented 0.9% of gross revenues, a 0.2 percentage point increase over the 1Q16. Of the R\$ 29.5 million recorded in the quarter, R\$ 18.5 million refers to the NPV Adjustment while R\$ 2.3 million refers to the interest on the option to acquire 4Bio in 2021. The interest effectively accrued on financial debt amounted to R\$ 8.6 million, equivalent to 0.3% of revenues in the 1Q17, a 0.1 percentage point increase when compared to the 1Q16.



Finally, we booked R\$ 31.6 million in income taxes, equivalent to 1.0% of gross revenues. From this quarter onwards, Income Taxes are no longer be adjusted for the tax shield on the amortization of the goodwill generated in the merger, which will cease in May 2018.



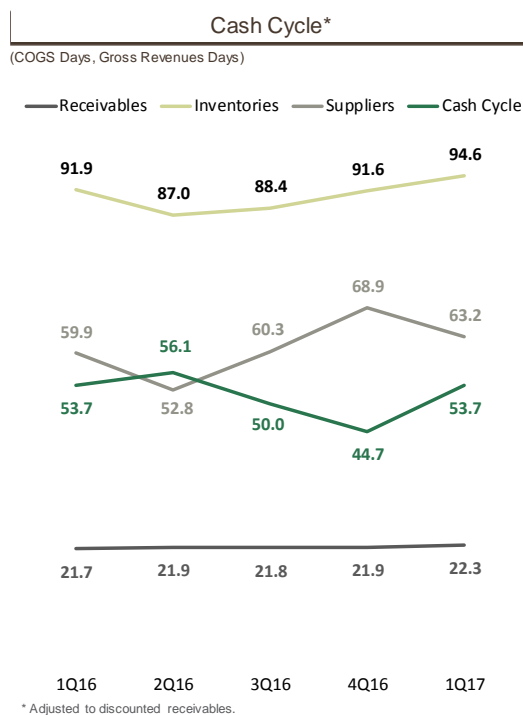
NET INCOME



Adjusted net income totaled R\$ 105.4 million in the quarter, a 17.0% increase over the previous year. We achieved an adjusted net margin of 3.3%, a 0.1 percentage point contraction.



CASH CYCLE



Our cash cycle remained stable when compared to the same period of the previous year. Inventories increased by 2.7 days, which was more than compensated by a 3.3 days increase in accounts payable. Finally, receivables contributed negatively and increased by 0.6 day versus the previous year.

CASH FLOW

In the 1Q16, we generated a negative free cash flow of R\$ 172.7 million, and a negative total cash flow of R\$ 162.7 million. It is important to highlight that the first quarter always brings an unfavorable cash cycle seasonality, while the fourth quarter has the most favorable seasonality of the year, therefore resulting in a material cash outlay in the quarter.

Resources from operations amounted to R\$ 188.3 million, equivalent to 5.9% of gross revenues, while we recorded a working capital increase of R\$ 246.7 million (including adjustments to discounted receivables) amounting to a negative operating cash flow of R\$ 37.6 million.

Of the R\$ 135.1 million invested in the quarter, R\$ 80.7 million corresponded to new store openings, R\$ 21.7 million to the renovation or expansion of existing stores, and R\$ 32.7 million to investments in infrastructure.

Net financial expenses totaled R\$ 10.9 million in the quarter, excluding NPV adjustments. These were more than fully offset by the R\$ 21.1 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\$ 51.0 million in interest on equity in the 1Q17, reflecting a payout of 49.0%, through the full utilization of the legal interest on equity limit.



Cash Flow	1Q17	1Q16
<i>(R\$ million)</i>		
Adjusted EBIT	166.5	129.9
NPV Adjustment	(21.1)	(10.5)
Non-Recurring Expenses	(2.2)	-
Income Tax (34%)	(48.7)	(40.6)
Depreciation	77.5	62.9
Others	16.3	(0.7)
Resources from Operations	188.3	141.1
Cash Cycle*	(246.7)	(206.6)
Other Assets (Liabilities)**	20.8	(6.6)
Operating Cash Flow	(37.6)	(72.1)
Investments	(135.1)	(98.9)
Free Cash Flow	(172.7)	(171.0)
Interest on Equity	(0.1)	(0.0)
Net Financial Expenses***	(10.9)	(4.9)
Income Tax (Tax benefit over financial expenses and interest on equity)	21.1	17.9
Total Cash Flow	(162.7)	(158.1)

*Includes adjustments to discounted receivables.

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

***Excludes NPV adjustments.

INDEBTEDNESS

At the end of the quarter, we recorded an adjusted net debt position of R\$ 345.2 million, versus R\$ 220.0 million recorded in the same period of 2016. Adjusted Net Debt to EBITDA totaled 0.3x, stable from 1Q16.

This net debt includes R\$ 47.5 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 2016, 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 will be revisited annually to reflect changes in the economic outlook of 4Bio. Further, we added back R\$ 5.9 million in receivables discounted in the quarter.

Net Debt	1Q16	1Q17
<i>(R\$ million)</i>		
Short-term Debt	108.7	167.9
Long-term Debt	185.0	305.5
Total Gross Debt	293.7	473.4
(-) Cash and Equivalents	106.8	181.6
Net Debt	186.9	291.8
Discounted Receivables	-	5.9
Put/Call option to acquire 4Bio (estimated)	33.1	47.5
Adjusted Net Debt	220.0	345.2
Adjusted Net Debt / EBITDA	0.3x	0.3x

Our gross debt totaled R\$ 473.4 million, of which 98.4% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines and 1.6% corresponds to the bank debt related to 4Bio. Of our total debt, 64.5% is long-term, while 35.5% relates to the short-term parcels of our long-term debt. We ended the quarter with a total cash position (cash and marketable securities) of R\$ 181.6 million.

Until 2016, our financing needs were serviced almost exclusively by BNDES. Starting in 2017, BNDES has implemented changes in its lending policy that are resulting in increased marginal interest rates, which has urged us to change our financing strategy.



In April 2017, we issued R\$ 300 million in debentures, with a 5-year term, with bi-annual principal amortizations and interest payments but with a 1-year grace period for the principal amortization. We had a firm commitment of Banco Itaú at a rate of 107.5% of the CDI (the bank interchange rate), but through a highly successful bookbuilding process, we managed to reduce the interest rate to only 104.75% of the CDI, reflecting our strong balance sheet and cash generation as recognized by the AAA-Br rating granted to RD by Fitch.

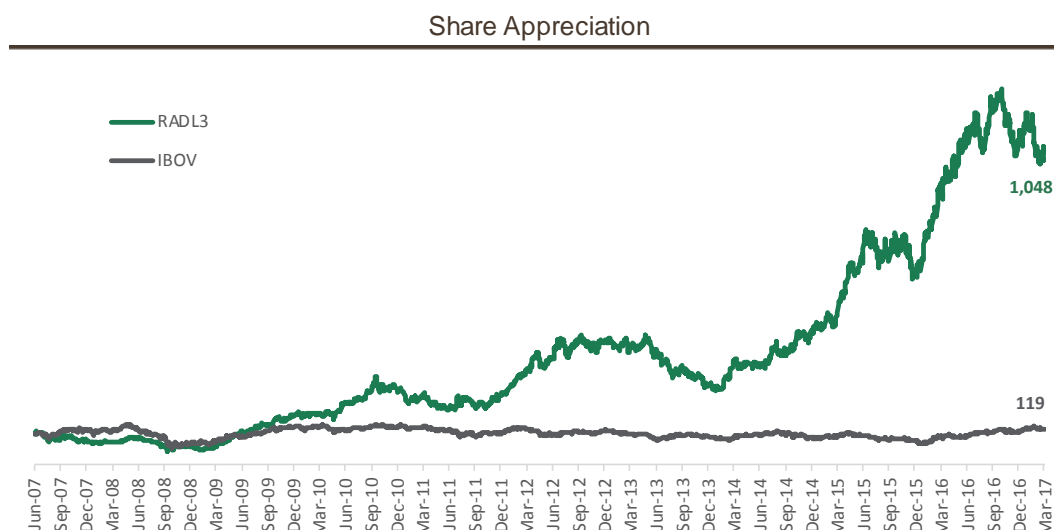
The bulk of the R\$ 300 million (approximately R\$ 180 million according to our estimates) will be used for principal amortization and interest payments in the year, while the balance will finance our working capital needs.

TOTAL SHAREHOLDER RETURN

Our share price fell by 4.1% in the 1Q17, while the Ibovespa gained 7.9% in the same period.

Since the IPO of Drogasil, we achieved a cumulative share appreciation of 947.7% versus a return of 19.5% of the IBOVESPA. Including the payment of interest on equity, we generated an average annual total return to shareholders of 27.2%. Considering the IPO of Raia in December of 2010, the cumulative return amounted to 460.0% versus a decrease of 4.4% by the Ibovespa. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 31.5%.

We recorded an average daily trading volume of R\$ 80.6 million in the quarter.



NEW CORPORATE NAME

On April 12, 2017, we announced the change of our Corporate Brand to **RD – People, Health and Well-being**.

Established on November 10, 2011, Raia Drogasil combined shared values and vision and almost two centuries of tradition of Droga Raia and Drogasil, aiming at better caring for people's health and well-being. Today, 5 years after the merger, we are a completely different company, with scale, efficiency and profitability levels that are unique in the sector and with fully unified management, processes and systems.

The successful conclusion of the integration cycle has paved the way for a new stage in the Company's history, which remains true to Droga Raia's and to Drogasil's roots while enjoying a unique Identity that emerged since the merger, based on an own Essence, Purpose, and Values.

The **RD – People, Health and Well-being** corporate brand fully reflects our Identity, as well as our Purpose of *"Taking Close Care of People's Health and Well-being during all Times of their Lives"*.



We will keep guiding its actions thorough five essential values: **Ethics, Efficiency, Innovation, Relations of Trust and Long-Term View**, and through a clear commitment to Sustainability, which is based on 3 pillars: Taking Care of People's Health, Taking Care of the Planet's Health and Taking Care of the Business' Health.

Our new corporate brand also reflects the transformation that our business has undergone by combining an integrated portfolio of Healthcare and Wellness Assets: **RD Drugstores** (*Droga Raia, Drogasil and Farmasil*), **RD Services** (*4-Bio and Univers*) and **RD Brands** (*Needs, B-Well, Triss and Pluiii*).

It is important to highlight that both our legal corporate name (Raia Drogasil S.A.) and ticker (RADL3) will remain unchanged.



Adjusted Income Statement
(R\$ thousand)

	<u>1Q16</u>	<u>1Q17</u>
Gross Revenue	2,641,079	3,212,406
Taxes, Discounts and Returns	(125,652)	(155,296)
Net Revenue	2,515,427	3,057,110
Cost of Goods Sold	(1,758,487)	(2,135,486)
Gross Profit	756,940	921,624
Operational (Expenses) Revenue		
Sales	(501,633)	(599,142)
General and Administrative	(62,468)	(78,464)
Operational Expenses	(564,101)	(677,606)
EBITDA	192,839	244,018
Depreciation and Amortization	(62,930)	(77,522)
Operational Earnings before Financial Results	129,909	166,496
Financial Expenses	(42,829)	(57,710)
Financial Revenue	25,640	28,219
Financial Expenses/Revenue	(17,189)	(29,490)
Earnings before Income Tax and Social Charges	112,720	137,006
Income Tax and Social Charges	(22,589)	(31,578)
Net Income	90,131	105,427



Consolidated Income Statement
(R\$ thousand)

	1Q16	1Q17
Gross Revenue	2,641,079	3,212,406
Taxes, Discounts and Returns	(125,652)	(155,296)
Net Revenue	2,515,427	3,057,110
Cost of Goods Sold	(1,758,487)	(2,135,486)
Gross Profit	756,940	921,624
Operational (Expenses) Revenue		
Sales	(501,633)	(599,142)
General and Administrative	(62,468)	(78,464)
Other Operational Expenses, Net	0	(2,160)
Operational Expenses	(564,101)	(679,766)
EBITDA	192,839	241,858
Depreciation and Amortization	(62,930)	(77,522)
Operational Earnings before Financial Results	129,909	164,336
Financial Expenses	(42,829)	(57,710)
Financial Revenue	25,640	28,219
Financial Expenses/Revenue	(17,189)	(29,490)
Earnings before Income Tax and Social Charges	112,720	134,846
Income Tax and Social Charges	(22,589)	(30,844)
Net Income	90,131	104,002



Assets

(R\$ thousand)

	1Q16	1Q17
Current Assets		
Cash and Cash Equivalents	106,770	181,601
Accounts Receivable	629,502	781,330
Inventories	1,775,777	2,221,116
Taxes Receivable	79,305	95,620
Other Accounts Receivable	110,901	139,299
Following Fiscal Year Expenses	19,419	28,452
	<u>2,721,674</u>	<u>3,447,418</u>
Non-Current Assets		
Deposit in Court	23,230	25,076
Taxes Receivable	23,861	24,302
Other Credits	2,290	5,770
Property, Plant and Equipment	835,302	1,049,967
Intangible	1,169,021	1,179,057
	<u>2,053,704</u>	<u>2,284,172</u>
ASSETS	<u>4,775,378</u>	<u>5,731,590</u>



Liabilities and Shareholder's Equity
(R\$ thousand)

	<u>1Q16</u>	<u>1Q17</u>
Current		
Suppliers	1,157,077	1,483,477
Loans and Financing	108,675	167,928
Salaries and Social Charges Payable	164,597	193,325
Taxes Payable	79,309	127,157
Dividend and Interest on Equity	113,695	131,169
Provision for Lawsuits	1,690	5,596
Other Accounts Payable	95,867	120,631
	<u>1,720,910</u>	<u>2,229,284</u>
Non-Current Assets		
Loans and Financing	185,015	305,479
Provision for Lawsuits	3,120	7,373
Income Tax and Social Charges deferred	175,072	199,069
Other Accounts Payable	35,781	59,986
	<u>398,988</u>	<u>571,908</u>
Shareholder's Equity		
Common Stock	1,808,639	1,808,639
Capital Reserves	133,262	141,319
Revaluation Reserve	12,523	12,337
Income Reserves	665,820	919,117
Accrued Income	42,347	52,903
Equity Adjustments	(30,230)	(30,230)
Non Controller Interest	23,119	26,314
	<u>2,655,480</u>	<u>2,930,398</u>
LIABILITIES AND SHAREHOLDERS' EQUITY	<u>4,775,378</u>	<u>5,731,590</u>



Cash Flow

	1Q16	1Q17
Earnings before Income Tax and Social Charges	112,720	134,846
Adjustments		
Depreciation and Amortization	62,930	77,522
Compensation plan with restricted shares, net	1,920	2,768
Interest over additional stock option	1,467	2,310
P,P&E and Intangible Assets residual value	163	429
Provisioned Lawsuits	153	10,534
Provisioned Inventories Loss	(3,596)	1,086
Provision for Doubtful Accounts	651	1,540
Provisioned Store Closures	0	(91)
Interest Expenses	9,279	13,050
	185,687	243,994
Assets and Liabilities variation		
Clients and Other Accounts Receivable	(40,899)	(44,802)
Inventories	(121,728)	(72,734)
Other Short Term Assets	(29,477)	257
Long Term Assets	(5,120)	(4,289)
Suppliers	(43,959)	(123,259)
Salaries and Social Charges	(811)	(6,054)
Taxes Payable	17,167	14,956
Other Liabilities	4,444	530
Rent Payable	1,094	1,646
Cash from Operations	(33,602)	10,245
Interest Paid	(5,373)	(5,984)
Income Tax and Social Charges Paid	(14,768)	(16,516)
Net Cash from (invested) Operational Activities	(53,743)	(12,255)
Investment Activities Cash Flow		
P,P&E and Intangible Acquisitions	(98,929)	(135,578)
P,P&E Sale Payments	0	494
Net Cash from Investment Activities	(98,929)	(135,084)
Financing Activities Cash Flow		
Funding	37,320	85,849
Payments	(43,923)	(33,474)
Interest on Equity and Dividends Paid	(6)	(67)
Net Cash from Funding Activities	(6,609)	52,308
Cash and Cash Equivalents net increase	(159,281)	(95,031)
Cash and Cash Equivalents in the beginning of the period	266,051	276,632
Cash and Cash Equivalents in the end of the period	106,770	181,601



1Q17 Results Conference Calls – April 28, 2017

Portuguese

at 10:00 am (Brasília)

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

Replay (available for 7 days):
+55 (11) 2188-0400

English

at 12:00 pm (Brasília)

Dial in access:
+1 (646) 843-6054
+55 (11) 2188-0155
Conference ID: RD

Replay (available for 7 days):
+55 (11) 2188-0400

Live broadcast through the internet at: www.rd.com.br/ir

For more information, please contact our Investor Relations department.

E-mail: ri@rd.com.br