RaiaDrogasil S.A.

People, Health and Well-being.

EARNINGS RELEASE

2017

São Paulo, February 22, 2018. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 4rd quarter of 2017 (4Q17) and for the year of 2017. The Company's parent company and consolidated financial statements for the years ended December 31, 2016 and 2015 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 2016.

CONSOLIDATED HIGHLIGHTS:

- **DRUGSTORES:** 1,610 stores in operation (210 openings and 20 closures)
- **GROSS REVENUES:** R$ 13.9 billion, 17.1% growth (7.2% retail same-store sales growth)
- **GROSS MARGIN:** 28.8% of gross revenues, a 0.8 percentage point decrease
- **EBITDA:** R$ 1,130.3 million, a margin of 8.2% and a decrease of 0.2 percentage point
- **NET INCOME:** R$ 512.5 million, 3.7% of net margin, an increase of 12.3%
- **CASH FLOW:** R$ 49.7 million negative free cash flow, R$ 211.0 million of cash consumption

RADL3

R$ 81.90/share

NUMBER OF SHARES

330.386.000

MARKET CAP

R$ 27.059 (million)

CLOSING

February 21, 2018

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Summary	2016	2017	4Q16	1Q17	2Q17	3Q17	4Q17
(R$ thousand)							
# of Stores - Retail + 4Bio	1,420	1,610	1,420	1,457	1,506	1,554	1,610
Store Openings	212	210	62	42	54	54	60
Store Closures	(27)	(20)	(12)	(5)	(5)	(6)	(4)
# of Stores (average)	1,324	1,510	1,394	1,435	1,485	1,533	1,588
Headcount (EoP)	29,009	32,265	29,009	28,952	30,264	31,163	32,265
Pharmacist Count (EoP)	5,515	6,044	5,515	5,561	5,773	5,977	6,044
# of Tickets (000)	187,764	206,286	49,302	48,439	51,091	52,798	53,957
Gross Revenue	11,827,567	13,852,469	3,205,873	3,212,406	3,397,860	3,580,024	3,662,178
Gross Profit	3,504,143	3,987,999	922,344	921,624	999,721	1,020,396	1,046,258
% of Gross Revenues	29.6%	28.8%	28.8%	28.7%	29.4%	28.5%	28.6%
EBITDA	987,649	1,130,285	235,996	244,018	301,085	296,463	288,719
% of Gross Revenues	8.4%	8.2%	7.4%	7.6%	8.9%	8.3%	7.9%
Adjusted Net Income	456,318	512,513	92,236	105,427	137,970	136,493	132,623
% of Gross Revenues	3.9%	3.7%	2.9%	3.3%	4.1%	3.8%	3.6%
Net Income	451,252	512,653	87,169	104,002	137,970	136,493	134,188
% of Gross Revenues	3.8%	3.7%	2.7%	3.2%	4.1%	3.8%	3.7%
Free Cash Flow	18,077	(49,670)	50,097	(172,735)	(47,500)	102,135	68,430

LETTER TO OUR SHAREHOLDERS

Fiscal 2017 was another strong year for **RD**, as we delivered solid revenue growth and efficiency gains that allowed us to sustain only minimal margin loss when compared to a record 2016, when high pharmaceuticals inflation (11.8%) led to an abnormal gross margin boost. Our results underscore the defensive nature of our industry, driven by the secular ageing of the population, the robustness of our expansion, allowing us to open 210 new stores and gain significant market share while maintaining store productivity, as well as to the strength of our execution, entailing strong and sustainable efficiency gains that almost fully offset those pressures, driving a sustainable expense dilution that fully preserved service quality, as attested by another year with record-low customer insatisfaction (1.4% negative evaluations versus 2.0% in 2016).

In April, we unveiled our new corporate brand, **RD – People, Health and Well-being**, which 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"***. **RD** will keep guiding its actions through five essential values: ***Ethics, Efficiency, Innovation, Relations of Trust and Long-Term View***. The **RD** brand also reflects the transformation of our business, which combines an integrated portfolio of Healthcare and Wellness Assets: ***RD Pharmacies*** (***Droga Raia, Drogasil and Farmasil***), ***RD Health*** (***4-Bio*** and ***Univers***) and ***RD Brands*** (***Needs, B-Well, Triss, Caretech and Nutrigood***).

We have also reaffirmed our clear commitment towards Sustainability, based on an agenda that is fully aligned with our Purpose: **To Take Care of People's Health, To Take Care of the Planet's Health** and **To Take Care of the Business' Health**. Each of these three main axes is divided into nine specific guidelines containing a work plan approved by the board with specific actions, targets and timetables, many of which influence the variable compensation of each involved executive.

In 2017, for the first time since **RD** was established, we published the 2016 Sustainability Report disclosing our economic, social and environmental performance, according to the G4 version of the Global Reporting Initiative (GRI), which contains guidelines and metrics that constitute a baseline to systematically track our progress in future reports.

Our management agenda has been focused on the four Strategic Pillars established in 2014, which are allowing us to create new differentials and to deliver better service to our Customers: Accelerating Organic Growth, Introducing New Formats, Enhancing Category Management and Shopping Experience, as well as Engaging, Analyzing and Potentializing Customers. We have also worked on the three core enablers for implementing those strategies: People, Processes and Platforms.

We are proud to report on the achievement of several milestones. We accelerated annual growth to 210 new stores, a significant boost in opening pace since the merger while preserving historical returns. We have advanced in Farmasil, with the opening of 7 stores and the closing of one, aiming at creating another long-term lever for the Company. We have started to roll-out of the new Drogasil store identity, aligned with the brand´s positioning to enhance shopper experience. In 2016, we opened 54 stores with the new identity and retrofitted another 27 to the format. Following a leap in Category Management with Dunnhumby, our data science partner, we have continued our capability build-up by starting the implementation of a new pricing platform, which will enhance price discrimination across stores and make us more competitive. We also achieved strides in CRM, with the roll-out of new loyalty programs both in Raia and in Drogasil and with increased personalization now supported both by our store and digital platforms.

In order to reinvent our execution, we have also worked relentlessly on the three core strategic enablers. On the people side, following the big leap in execution achieved in the previous years, we started a cultural transformation by disseminating our Identity, Values and Purpose. By upgrading processes and enhancing platforms, two edges of the same sword, we further improved the supply chain management, achieving a record low level of stock outs and opening a new distribution center in Salvador that has allowed us to increase delivery frequency and reduce shipping costs in Bahia, Sergipe and Espirito Santo. Finally, we delivered a record expense dilution by gaining process efficiency in several expense lines.

Finally, we have also advanced toward our vision of providing unmatched, innovative and integrated services for patients, health operators, manufacturers and physicians through **RD Health**. 4Bio, our Specialty Retailing platform, grew revenues by 53.1%, becoming the undisputed industry leader, while allowing us to cross-sell specialty products to our customers in all 1,610 stores. Also, we have concluded the migration of all institutional clients from our legacy Raia and Drogasil Platforms to Univers, our new proprietary PBM platform, that allows members to buy from any Raia or Drogasil store, and signed many new and meaningful accounts which supported very strong revenue growth in the year.

We ended 2017 with R$ 13.9 billion in consolidated gross revenues, recording 17.1% of growth versus 2016. We opened 210 new stores and closed 20, ending the year with 1,610 stores throughout Brazil. We posted a revenue increase of R$ 2.0 billion in 2017, similar to the total revenues of the fourth largest drugstore Brazilian chain, further consolidating our industry leadership. Consequently, our market share reached 12.0% in the 4Q17, a 0.5 percentage point increase over the 4Q16.

In a year with significant gross margin headwinds due to the abnormal inflationary gains of 2016, our expense dilution allowed us to substantially defend our EBITDA margin, which has now become fully structural as opposed to inflation-boosted. Our consolidated EBITDA reached R$ 1.1 billion, an increase of 14.4%, and a margin of 8.2%, a 0.2 percentage point pressure. Our retail margin was contracted by only 0.1 percentage point, while 4Bio responded for the difference. Our net income amounted to R$ 512.5 million, a net margin of 3.7%. We consumed a free cash flow of R$ 49.7 million, as R$ 589.5 million in cash flows from operations almost totally funded our R$ 639.2 million in investments. Our ROIC totaled 19.7%, a reduction of 1.9 percentage points due to a slightly lower margin and faster investment pace. We distributed R$ 202.5 million in interest on equity, a payout of 39.5%, posting a Total Shareholder Return of 52.3%.

CHALLENGES AND OPPORTUNITIES FOR THE FUTURE

As we progress along the strategic path envisioned in 2014 and wrap-up on the remaining initiatives, which are reaching their final steps of implementation, we have started to lay our eyes on the next cycle ahead. The main priority for 2018, in addition to concluding or enhancing the many initiatives started in the last few years, will be the development of a new strategic planning for the next 5 years aiming at developing new levers that may support another leap in the value that we provide to our clients and create to our shareholders.

We have already identified three core levers for value creation that shall be cornerstone of our strategy, which will be further explored, detailed and challenged during our strategic planning:

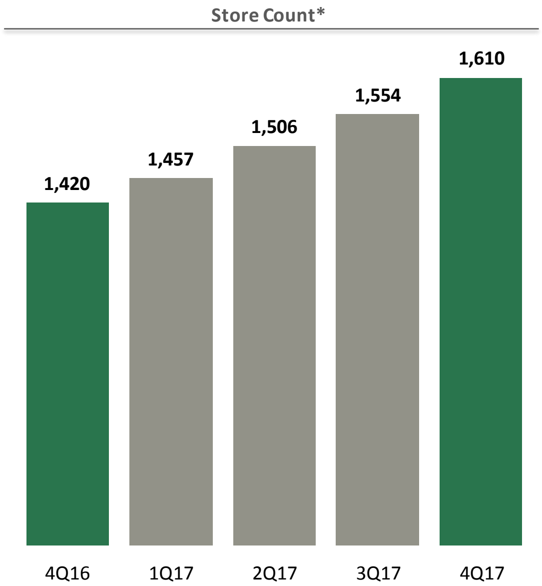
Further Accelerate our Expansion: In 2011, when **RD** was created and in 2012, the *Year 1* of the new company, we opened an average of 100 stores per year. Step by step, by reinforcing our prospection, by leveraging on expansion analytics, by strengthening the governance and the property screening behind our new store decisions, by smoothing our store licensing and engineering processes, by streamlining the opening pace through each year, by continuously forming new store managers through a strengthened career program and by starting to measure and predict cannibalization and marginal revenues per store, we have been able to accelerate to around 130 stores per year in 2013 and 2014, to 156 stores in 2015 and to around 210 stores in 2016 and 2017, totaling 1,040 new store openings. We have today 1,610 stores, of which approximately two thirds were opened in the last 7 years since the merger. Our new stores have been opened in superb locations across 20 states, which deliver consistent revenues per mature store when compared to those of the legacy portfolio, allowing us to significantly expand our margins and boost returns and value creation over this period. We are the only drugstore chain in Brazil with the brands already established and with a track record of consistent sales per mature store and high marginal returns across all states that account for more than 90% of the Brazilian pharmaceutical market. Hence, we have already constituted a truly unique national expansion platform that will allow us to keep accelerating our growth without facing meaningful entry barriers. We have established a guidance of 240 new stores per year for 2018 and 2019 and envision many more years of accelerated expansion with similar historic productivity and returns. We also expect to overcome Farmasil´s expansion learning curve to make it into a new long-term driver for value creation.

Deliver a Customer-Centric Digital Experience: We want to evolve from providing an analog to a digital customer experience. We want to leverage our unmatched customer database from a loyalty program that represents 93% of our revenues and the analytical capabilities provided by Dunnhumby to create a seamless digital experience, based on omnichannel retailing, personalized product and service offerings and a high level of customer engagement in store, in our apps, web-sites and in social media. We believe the stores will remain the cornerstone of the customer experience by delivering enhanced access, convenience, experience and service, but we also believe that digital will allow us enhance customer experience in store and to extend it to out of store, relieving existing pain-points from the shopping experience. Since 2014 we have focused on the physical omnichannel infrastructure, including a new e-commerce platform, the launch of our apps, fulfillment from a DC, which will allow us to extend the reach of our omnichannel offering to several other states, and store neighborhood delivery pilots. In 2018, we will leverage that infrastructure to enhance our apps, promote their adoption and start offering a full omnichannel experience in multiple states, complementing the store experience with affordable remote delivery, fast premium neighborhood delivery and free and painless in-store collection. Beyond 2018, our main challenge will be to enhance personalization and provide value-added services that enhance the customer engagement with integrated touch-points in store, in the apps and web sites and in the social media.

Leverage our Healthcare Platform: **RD Health** already constitutes a powerful healthcare platform, which is already the undisputed leader in Brazil with health operators as well as with corporations, both in primary care and in specialty through Univers and 4Bio, respectively. We want to take that platform to the next level, integrating our offerings, accelerating account growth and member adoption while assessing other adjacencies where we might be able to leverage our know-how and infrastructure to create value to our institutional clients.

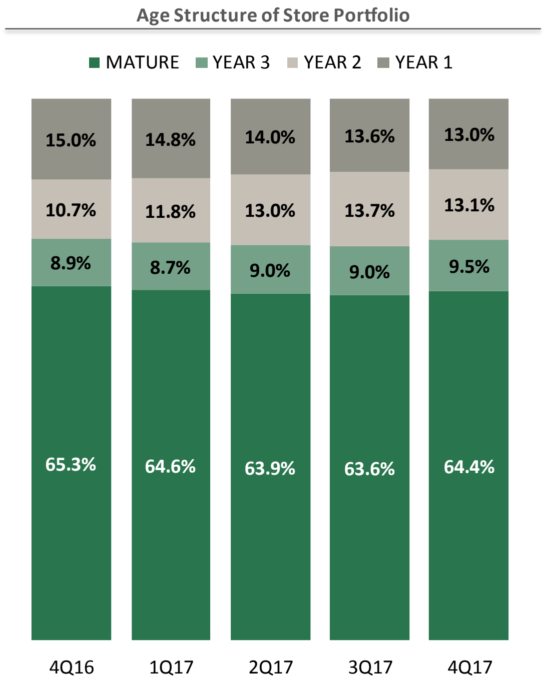
Finally, we would like to thank our shareholders for their continued trust, our more than 30 thousand employees for their relentless commitment, and the millions of clients that, every month, entrust us with their health and well-being. We would like to reiterate our commitment to keep on creating value 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



	4Q16	1Q17	2Q17	3Q17	4Q17
Openings	62	42	54	54	60
Closures	(12)	(5)	(5)	(6)	(4)

* Includes three 4Bio stores.



We opened 210 new stores and closed 20 in 2017 (60 openings and 4 closures in the 4Q17), ending year with 1,610 stores in operation, including three 4Bio units.

We have surpassed the 200 gross openings guidance for the second year in a row, reflecting the robustness of our expansion. Additionally, 2017 is shaping up to become our strongest vintage since 2012, with expected mature revenues per store higher than the current average for the Company. We reiterate the gross openings guidance of 240 stores per year for 2018 and 2019.

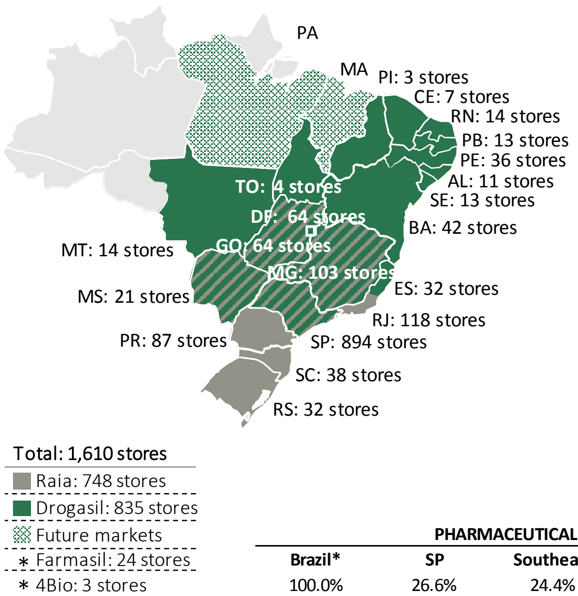
At the end of the period, 35.6% of our stores were still in the process of maturation and had not yet reached their full potential both in terms of revenue and of profitability.

Of the 20 store closures undertaken in 2017 (4 in the 4Q17), 7 stores were still in the maturation process and represent corrections of expansion mistakes that are normal in such large-scale expansion. The remaining 13 closures were driven by the optimization of our store portfolio, with positive return expectations associated to them.

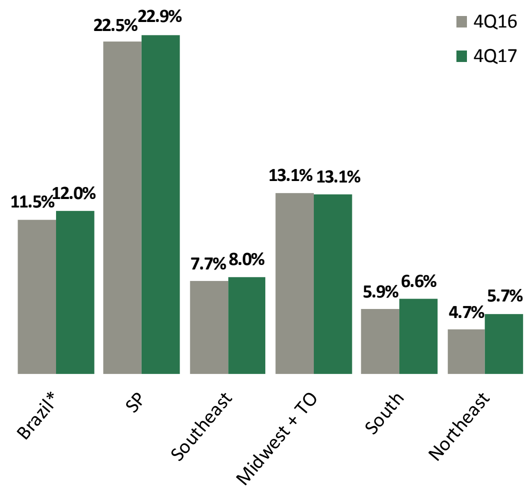
Our average national market share reached 12.0% in the quarter (including 4Bio), a 0.5 percentage point increase when compared to the 4Q16. We have increased or maintained our market share in all five core regions where we operate. The Northeast remained as our main highlight, where we recorded a market share of 5.7%, a 1.0 percentage point increase driven by our organic expansion. We recorded a market share of 22.9% in São Paulo, a 0.4 percentage point increase, and of 8.0% in the remaining states of the Southeast, a 0.3 percentage point gain. Finally, we recorded a 13.1% market share in the Midwest, which has finally stabilized after 2 quarters of year-on-year decline due to a strong comp base in Brasilia.

In December, we entered the state of Piauí by opening three stores in Teresina with great initial results. We are now present in 20 states that account for 94% of the Brazilian pharmaceutical market. In the upcoming quarters, we will also enter the states of Pará and Maranhão, which will extend our presence to 22 states, which will include a full presence in the Northeast (Bahia, Sergipe, Alagoas, Pernambuco, Paraíba, Rio Grande do Norte, Ceará, Piauí and Maranhão).

Geographic Presence



Market Share



PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

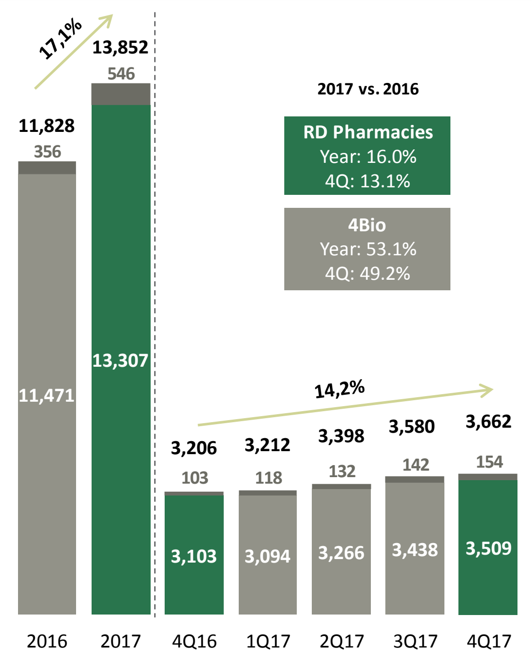
Brazil*	SP	Southeast	Midwest + TO	South	Northeast
100.0%	26.6%	24.4%	9.8%	16.2%	18.6%

Source: IMS Health

* Includes 4Bio only for Brazil total.

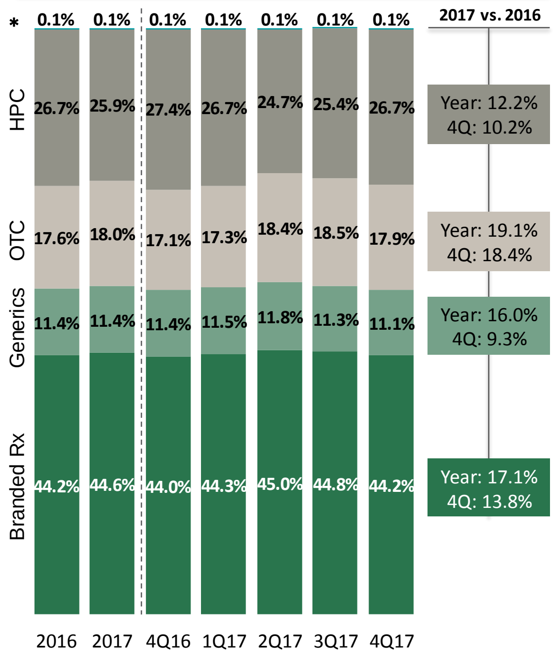
GROSS REVENUES

Consolidated Gross Revenue



* Services

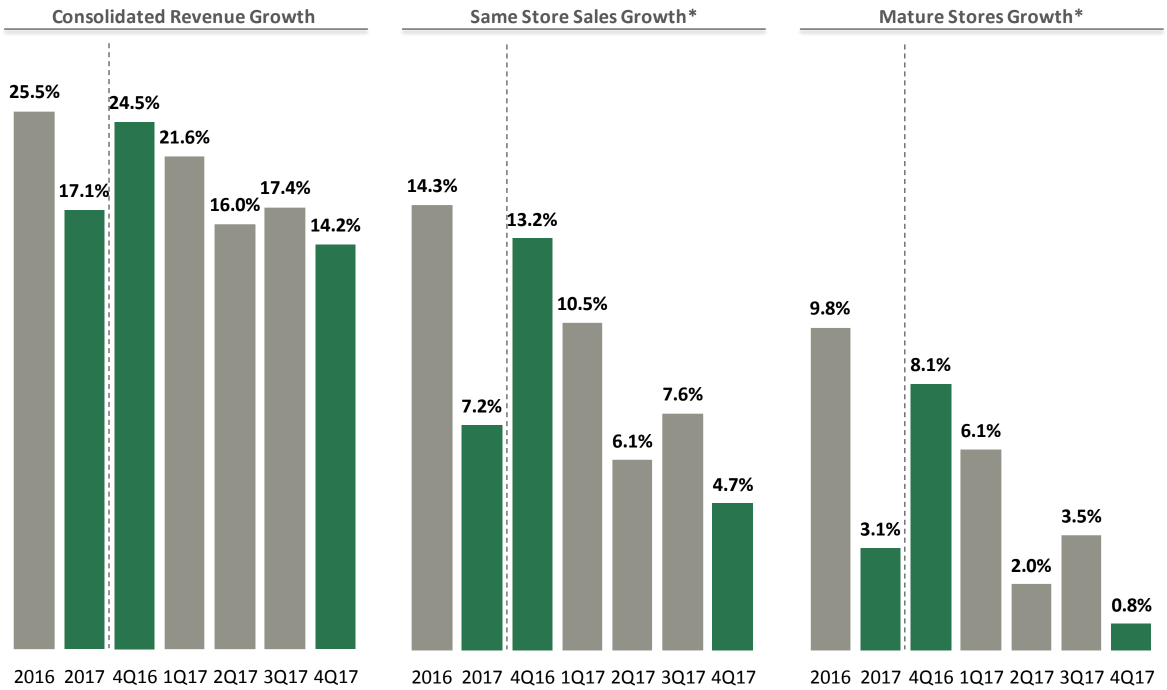
Retail Sales Mix



We ended 2017 with consolidated gross revenues of R$ 13,852.5 million (R$ 3,662.2 in the quarter), a 17.1% increase over the previous year (14.2% in the quarter). Our drugstore revenues increased by 16.0% (13.1% in the quarter), while 4Bio grew 53.1% in the period (49.2% in the quarter). We recorded a negative calendar effect of 0.8% in the quarter.

OTC was the highlight of 2017 by growing 19.1% (18.4% in the quarter) and gaining 0.4 percentage point of participation in the sales mix (0.8% in the quarter). Branded Rx grew 17.1% (13.8% in the quarter), and also gained 0.4 percentage point in the sales mix (0.2% in the quarter). On the other hand, Generics grew by 16.0% in the year (9.3% in the quarter), maintaining its participation in the sales mix (reduction of 0.3% in the quarter), while HPC grew by 12.2% (10.2% in the quarter) and lost 0.8 percentage point in the sales mix (reduction of 0.7% in the quarter).

It is important to highlight that 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 (although partially mitigated by a peak in repellents sales due to the yellow fever pandemic), while benefiting the OTC category.



* RD Pharmacies only

Considering our retail operations, same store sales increased by 7.2%, while our mature stores recorded 3.1% of growth. In the 4Q17, same store sales increased by 4.7% while mature stores recorded an increase of 0.8%, penalized by the adverse calendar effect.

Finally, the Brazilian pharmaceutical market grew by 9.5% in the last twelve months ended in December 2017, according to IMS Health, a testament to the defensive nature of our Industry.

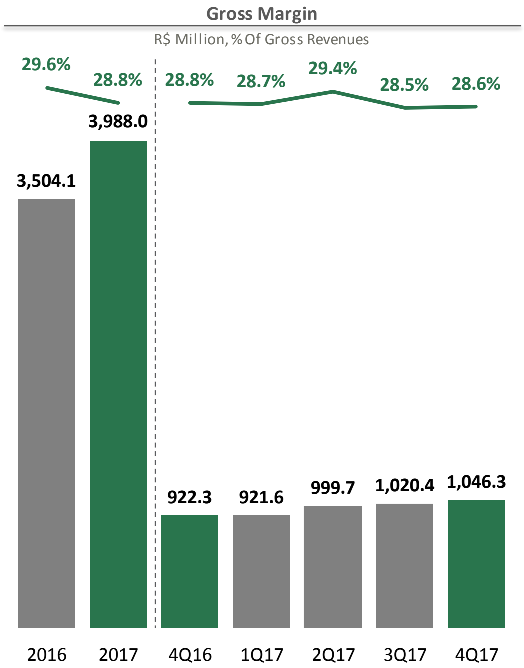
GROSS MARGIN

Our gross margin reached 28.8%, a 0.8 percentage point pressure versus 2016. In the 4Q17, we recorded a gross margin of 28.6%, a 0.2 percentage point pressure over the 4Q16.

The margin pressure recorded in the year was mainly due to the high comp base of 2016, when the price cap increase averaged a very high 11.8%, as opposed to the normal increase of 3.1% recorded in 2017, a margin pressure of 0.7 percentage point (no effect in the quarter).

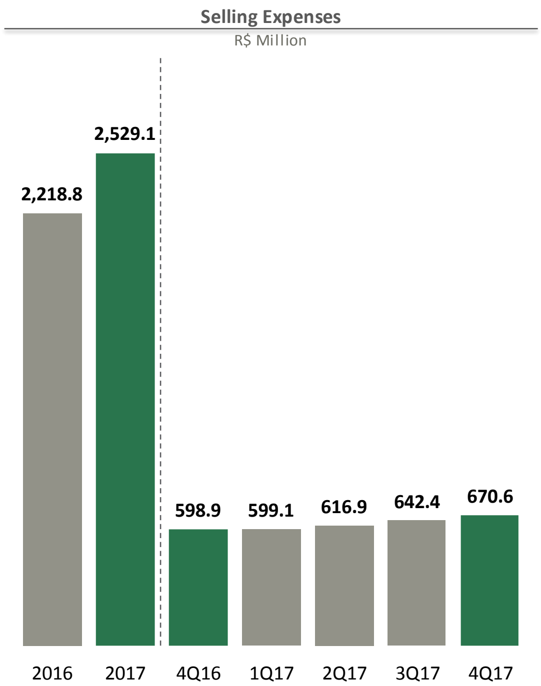
We also recorded a 0.1 percentage point margin pressure due to a lower Net Present Value (NPV) adjustment (0.2 percentage point in the quarter), which is a non-cash effect, since interest rates have sharply declined in Brazil, and a 0.3 percentage point pressure from 4Bio (also 0.3 percentage point in the quarter), due to its negative mix effect and to gross margin pressures.

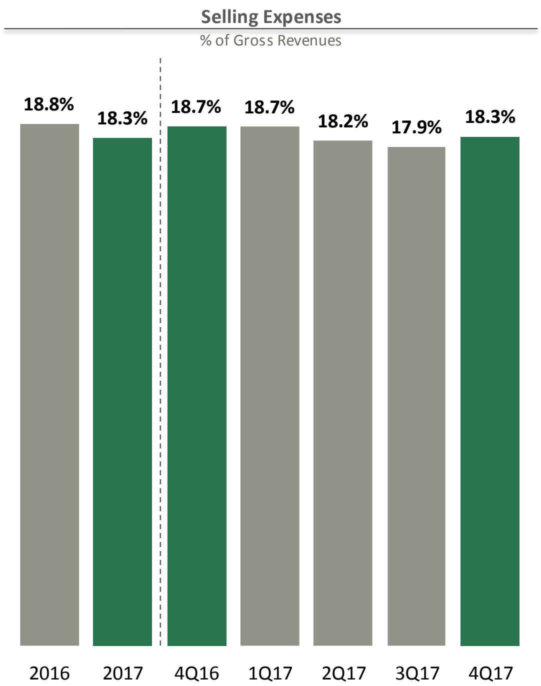
These gross margin pressures registered in 2017 were partially offset by scale gains in purchasing which, combined with other effects, amounted to a 0.3 percentage point gain (0.3 percentage point gain also in the 4Q17).



SELLING EXPENSES

In the 2017, selling expenses totaled R$ 2,529.1 million, equivalent to 18.3% of gross revenue, a 0.5 percentage point dilution over 2016.





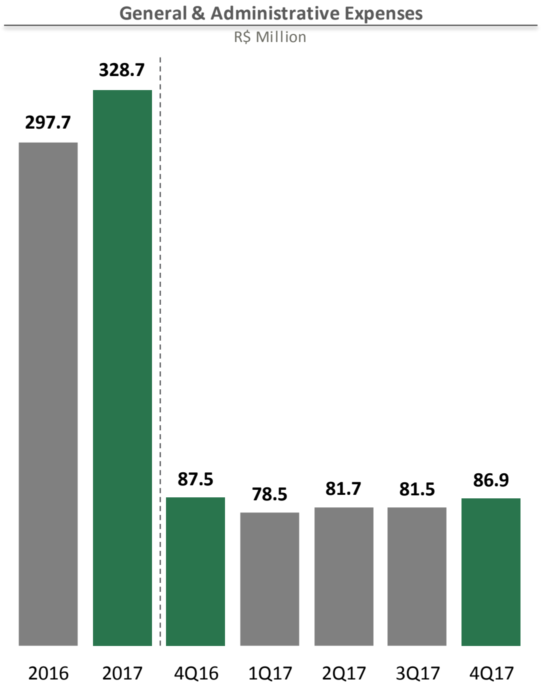
This expense dilution is a result of an enhanced expense control and of a very disciplined execution carried out by the Company throughout the year. The unfavorable calendar effect recorded in the quarter has transitorily penalized expense dilution when compared to the previous two quarters.

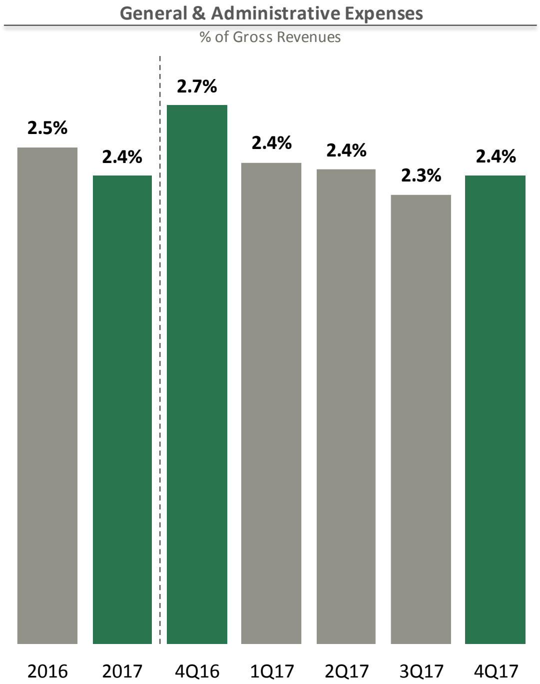
Personnel expenses were diluted by 0.2 percentage point, while marketing, logistics, pre-operating expenses and other expenses recorded dilutions of 0.1 percentage point each. We also recorded a 0.1 percentage point dilution from 4Bio, which has lower selling expenses than the average for the Company. Finally, these dilutions were partially offset by a pressure of 0.2 percentage point in rentals.

In the quarter, selling expenses totaled R$ 670.6 million, equivalent to 18.3% of gross revenues, a 0.4 percentage point dilution over the 4Q16, also stemming from our enhanced expense control. Personnel expenses, marketing, logistics and other expenses were diluted by 0.1 percentage point each. We also recorded a 0.1 percentage point dilution from 4Bio, which has lower selling expenses than the average for the company. Finally, these dilutions were partially offset by pressures in Electricity of 0.1 percentage point.

GENERAL & ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R$ 328.7 million in 2017, equivalent to 2.4% of gross revenue, a 0.1 percentage point dilution over 2016. This expense reduction was due to a dilution of personnel expenses stemming from economies of scale.



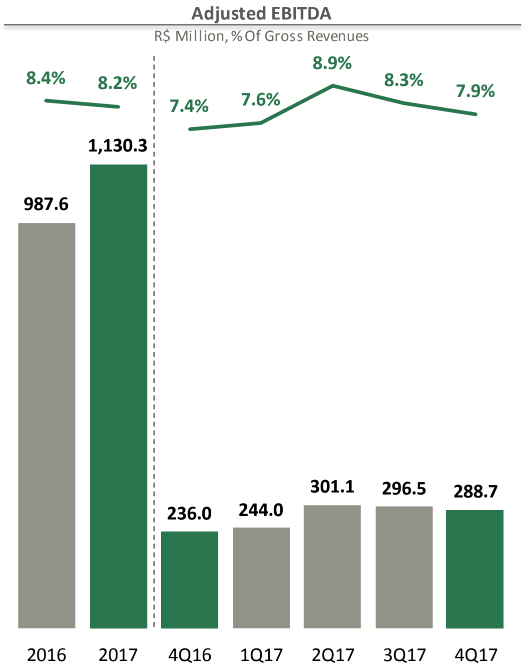


In the 4Q17, general and administrative expenses amounted to R$ 86.9 million, equivalent to 2.4% of gross revenue, a 0.3 percentage point dilution over the same period of last year. This expense reduction was due to an inflated base in the 4Q16, when we had a 0.2 percentage point pressure in our compensation allowance that reflected the annual appreciation of our share price over the outstanding shares granted under our restricted shares incentive program. Finally, we recorded another 0.1 percentage point dilution in labor contingencies.

EBITDA

Our Adjusted EBITDA reached R$ 1,130.3 in 2017, an EBITDA margin of 8.2%, representing a contraction of 0.2 percentage point and an increase of 14.4% over 2016. In the 4Q17, the Adjusted EBITDA totaled R$ 288.7 million, a 22.3% increase over the 4Q16. Our adjusted EBITDA margin totaled 7.9%, a 0.5 percentage point expansion over the same period of last year.

Although we faced a gross margin pressure of 0.8 percentage point due to the higher comp base of the 2Q16 and the 3Q16, we mitigated it through a strong SG&A dilution of 0.6% that reflected a disciplined expense control throughout the year.



It is important to mention that we recorded a 0.1 percentage point margin pressure due to a lower Net Present Value (NPV) adjustment (0.2 percentage point in the quarter), which is a non-cash adjustment driven by lower interest rates. Excluding that adjustment, the annual EBITDA margin pressure amounted to only 0.1 percentage point, with a 0.1 percentage point retail margin expansion (excluding 4Bio) in 2017.

New stores opened in the year, as well as those that were in the opening process, reduced the EBITDA by R$ 17.0 million in the 2017, but generated a positive quarterly contribution of R$ 6.1 million. This was a result of the high quality of the new store portfolio, since 2017 is shaping up to be the best sore vintage in terms of projected mature store sales since 2012, and of the consistent expansion pace implemented throughout the year, as the 96 stores opened in the 1H17 had enough time and traction to contribute positively, more the offsetting the opening pressures of the 114 stores opened in the 2H17, which did not have enough time to break-even.

Considering only the 1,400 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$ 1,147.3 million (R$ 282.6 in the quarter), equivalent to an EBITDA margin of 8.6% over gross revenues (8.3% in the quarter).

RD Pharmacies reached an adjusted EBITDA of R$ 1,119.3 (R$ 286.1 million in the quarter) and a margin of 8.4% (8.2% in the quarter), a 0.1 percentage point pressure over 2016 (0.7 percentage point expansion in the quarter).

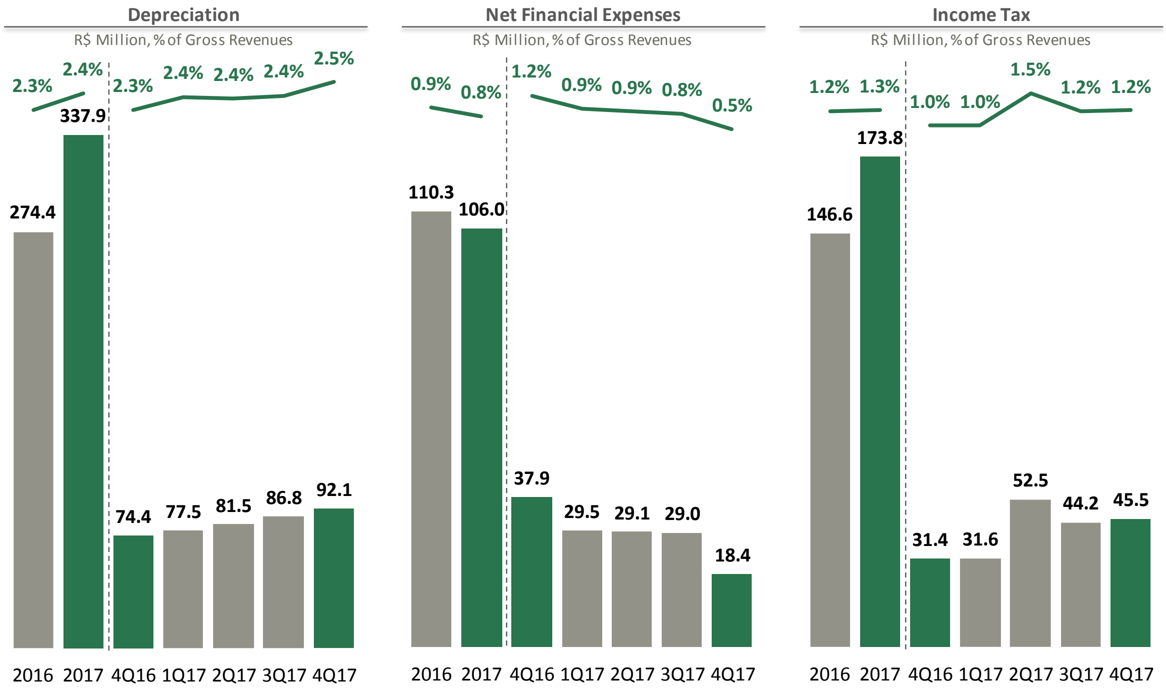
Finally, 4Bio reached an EBITDA of R$ 10.9 million (R$ 2.6 million in the quarter) and a margin of 2.0% (1.7% in the quarter), a 2.8 percentage point margin pressure due to structural gross margin pressures (1.7 percentage point pressure in the quarter).

NON-RECURRING REVENUES / EXPENSES

During the 4Q17, we recorded R$ 2.4 million in non-recurring gains arising from tax credits that relate to previous years. In 2017, total non-recurring gains amounted to R$ 0.2 million (R$ 2.4 million in the 4Q17).

Non-Recurring Revenues / Expenses	1Q17	4Q17	2017
(R$ million)			
Labor contingencies: change in loss estimates	(12.1)		(12.1)
Retirement compensation: C-level Executive	(3.2)		(3.2)
Trade allowances: elimination of recognition timing delay	13.1		13.1
INSS credit from previous years		2.4	2.4
Total	**(2.2)**	**2.4**	**0.2**

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES



Depreciation expenses amounted to R$ 337.9 million in 2017, equivalent to 2.4% of gross revenues, a 0.1 percentage point increase when compared to the previous year. In the 4Q17, depreciation amounted to R$ 92.1 million, or 2.5% of gross revenues, a 0.2 percentage point increase when compared to the same period of the previous year.

Net Financial expenses totaled R$ 106.0 million in 2017 (R$ 18.4 million in the quarter), representing 0.8% of gross revenues (0.5% in the quarter), a 0.1 percentage point decrease over the previous year. Net Present Value Adjustment penalized the financial result by R$ 59.2 million in 2017 (R$ 13.9 million in the quarter).

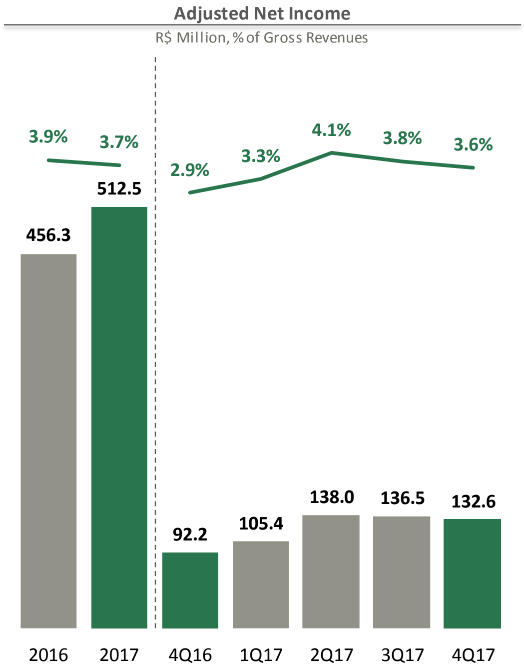
In addition, we recorded R$ 2.3 million in financial expenses from the option to acquire 4Bio during the year (R$ 5.0 million net financial income in the quarter), versus R$ 13.6 million in 2016 (R$ 9.0 million expenses in the 4Q16). It is important to mention that the R$ 5.0 million of net financial income registered in the 4Q17 was a result of a R$ 7.7 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$ 2.7 million of interests accrued on the option. This impairment analysis is undertaken once a year in the fourth quarter.

Excluding the NPV adjustments and expenses on the option to acquire 4Bio, the interest accrued on net debt amounted to R$ 44.6 million in 2017 (R$ 9.5 million in the quarter), or 0.3 of gross revenues (also 0.3% of gross revenues in the quarter).

Finally, we booked R$ 173.8 million in income taxes, equivalent to 1.3% of gross revenues. In the 4Q17, we booked R$ 45.5 million in taxes, equivalent to 1.2% of gross revenues.

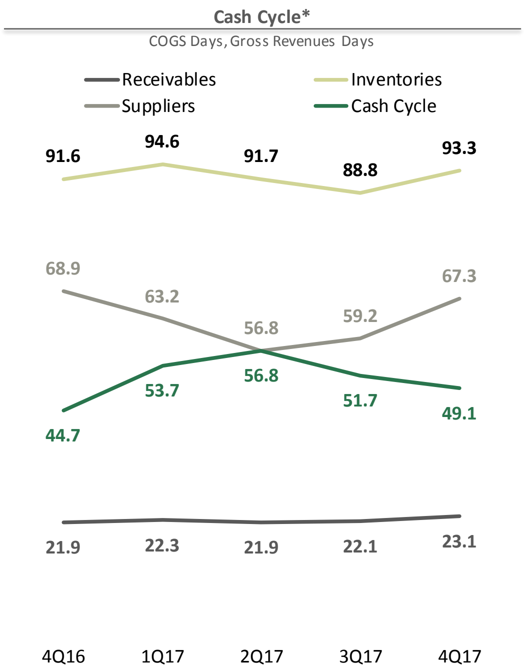
NET INCOME

Adjusted Net income totaled R$ 512.5 million in 2017, equivalent to a net margin of 3.7% (R$ 132.6 million in the quarter, a net margin of 3.6%). This represented a 12.3% increase in net income and a 0.2 percentage point pressure over the previous year (43.8% increase and a 0.7 percentage point expansion in the quarter).



CASH CYCLE

Our cash cycle in the 4Q17 was 4.4 days higher when compared to the same period of the previous year. Inventories increased by 1.7 day and accounts payable decreased 1.6 day. Lastly, receivables increased by 1.2 day reflecting an unfavorable calendar in the end of December when compared to the same period in 2016.



* Adjusted to discounted receivables.

CASH FLOW

We recorded a negative free cash flow of R$ 49.7 million in 2017, and a total cash consumption of R$ 211.0 million. Our operating cash flow totaled R$ 589.5 million, which was more than fully consumed by the R$ 639.2 million in investments undertaken in the period. Resources from operations totaled R$ 851.0 million, equivalent to 6.1% of gross revenues, while we recorded a working capital consumption of R$ 261.5 million.

Cash Flow *(R$ million)*	4Q17	4Q16	2017	2016
Adjusted EBIT	**196.6**	**161.6**	**792.4**	**713.2**
NPV Adjustment	(14.6)	(20.4)	(63.9)	(67.3)
Non-Recurring Expenses	2.4	(7.7)	0.2	(7.7)
Income Tax (34%)	(62.7)	(45.4)	(247.8)	(217.0)
Depreciation	92.1	74.4	337.9	274.4
Others	8.8	5.4	32.2	12.9
Resources from Operations	**222.6**	**167.9**	**851.0**	**708.6**
Cash Cycle*	28.2	34.0	(337.0)	(257.5)
Other Assets (Liabilities)**	(22.9)	(17.1)	75.5	56.1
Operating Cash Flow	**227.9**	**184.8**	**589.5**	**507.1**
Investments	**(159.5)**	**(134.7)**	**(639.2)**	**(489.1)**
Free Cash Flow	**68.4**	**50.1**	**(49.7)**	**18.1**
Interest on Equity	(85.6)	(81.9)	(170.8)	(153.3)
Income Tax Paid over Interest on Equity	(14.5)	(13.7)	(28.5)	(27.0)
Net Financial Expenses***	(4.5)	(15.2)	(46.8)	(42.1)
Income Tax (Tax benefit over financial expenses and interest on equity)	19.0	22.2	84.8	80.5
Total Cash Flow	**(17.2)**	**(38.5)**	**(211.0)**	**(123.9)**

*Includes adjustments to discounted receivables.

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

***Excludes NPV adjustments.

In the 4Q17, we recorded a positive free cash flow of R$ 68.4 million, and a total cash consumption of R$ 17.2 million. Our operating cash flow totaled R$ 227.9 million, which more than fully funded the R$ 159.5 million in investments undertaken in the period. Resources from operations totaled R$ 222.6 million, equivalent to 6.1% of gross revenues, while we recorded a working capital reduction of R$ 5.3 million.

Of the R$ 639.2 million invested in the year, R$ 360.7 million corresponded to new store openings, R$ 111.3 million to the renovation or expansion of existing stores and R$ 167.2 million to investments in infrastructure.

Net financial expenses totaled R$ 46.8 million in 2017 (R$ 4.5 million in the quarter), excluding the NPV adjustments. These were more than fully offset by the R$ 84.8 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 (R$ 19.0 million in the quarter).

We accrued R$ 202.5 million in interest on equity in 2017 (R$ 51.5 million in the quarter) versus R$ 194.7 million in 2016 (R$ 50 million in the 4Q16), reflecting a payout of 39.5%, 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$ 393.6 million, versus R$ 182.6 million recorded by the end of 2016. The Adjusted Net Debt to EBITDA totaled 0.3x, only 0.1x higher than the same period of last year in spite of the significant investment undertaken in the year.

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 2017, assuming the pre-agreed multiple, the average forecasted annual EBITDA for 2018, 2019 and 2020 and the forecasted net debt for

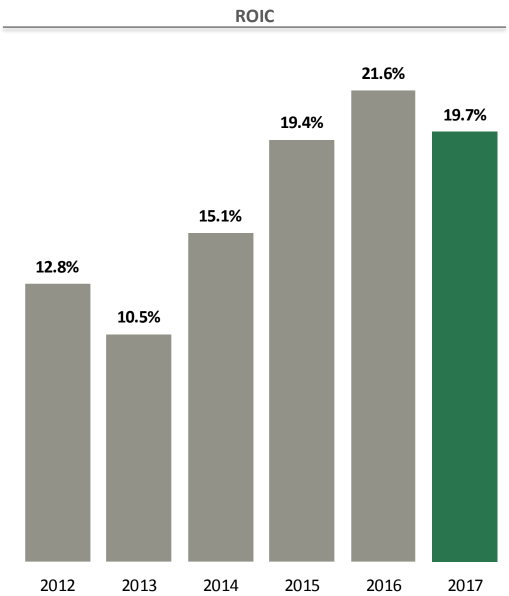
2020 as stipulated in the acquisition contracts. This estimate will be revisited annually to reflect changes in the economic outlook of 4Bio. Further, we had no discounted receivables recorded in the quarter.

Net Debt	4Q16	4Q17
(R$ million)		
Short-term Debt	132.6	196.2
Long-term Debt	281.4	414.7
Total Gross Debt	**414.0**	**611.0**
(-) Cash and Equivalents	276.6	264.9
Net Debt	**137.3**	**346.1**
Discounted Receivables	-	-
Put/Call option to acquire 4Bio (estimated)	45.2	47.5
Adjusted Net Debt	**182.6**	**393.6**
Adjusted Net Debt / EBITDA	0.2x	0.3x

Our gross debt totaled R$ 611.0 million, of which 50.4% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines, and 49.6% correspond to the debentures issued on April 2017. Of our total debt, 67.9% is long-term, while 32.1% relates to its short-term parcels. We ended the quarter with a total cash position (cash and marketable securities) of R$ 264.9 million.

RETURN ON INVESTED CAPITAL

We recorded in 2017 a return on invested capital of 19.7%, a 1.9 percentage point decrease when compared to 2017, reflecting a slightly lower operating margin, accelerated investments and an increase in our cash conversion cycle.



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 2017 or at the pre-operational stage for opening in 2018, which consumed a CAPEX of R$ 360.7 million as well as additional working capital investments, yet generated a negative EBITDA of R$ 17.0 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.

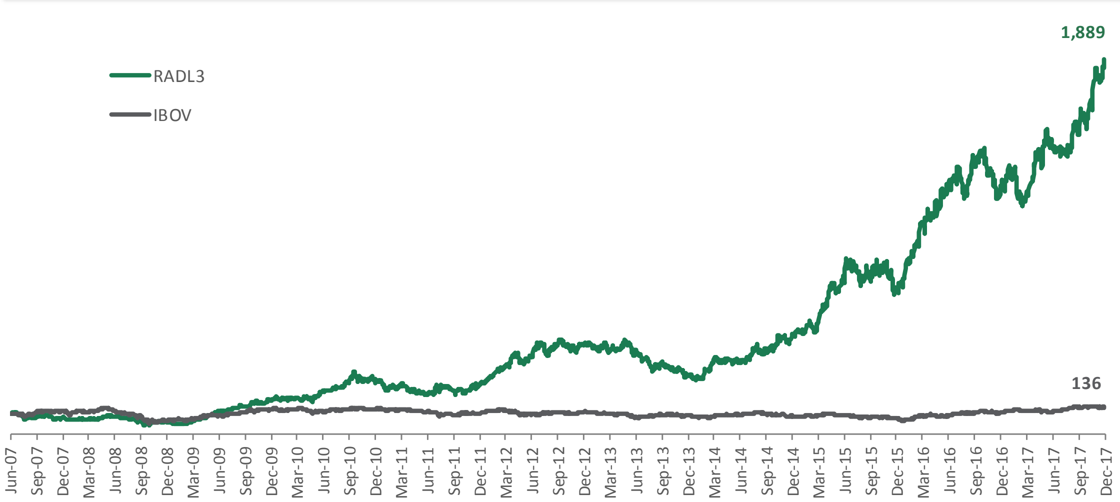
TOTAL SHAREHOLDER RETURN

Our share price appreciated by 51.3% in 2017, 28.2 percentage points above the the Ibovespa, which increased by 23.1%. Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,788.9% versus a return of only 36.3% for the Ibovespa. Including the payment of interest on equity, we generated an average annual total return to shareholders of 32.6%. Considering the IPO of

Raia in December of 2010, the cumulative return amounted to 788.0% versus an increase of only 9.7% of the Ibovespa. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 36.4%.

We recorded an average daily trading volume of R$ 93.0 million in the quarter.

Share Appreciation



SUSTAINABILITY

In 2017, we unveiled our new corporate brand, **RD – People, Health and Well-being**, which 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 also reaffirmed our clear commitment towards Sustainability, based on an agenda that is fully aligned to our Purpose: **To Take Care of People's Health, To Take Care of the Planet's Health** and **To Take Care of the Business' Health**.

Each of these three main axes is divided into nine specific guidelines that ground our decision-making process. Guidelines are preceded by a work plan approved by the board with specific actions, targets and timetables, many of which influence the variable compensation of the involved executives. **RD** understand sustainability as a lens to look at the business, as a transversal concept that is part to our Essence. This sustainability agenda is therefore parallel to our strategic plan and regularly supervised by our Board.

1 To take care of **people's** health:	2 To take care of **business'** health:	3 To take care of the **planet´s** health:
1.1 To encourage employee quality of life and to offer a work environment that promotes equality and respects differences	2.1 To encourage dialogue and generate long-term value for our stakeholders	3.1 To minimize the use of natural resources and to protect the effects of construction in our stores, DCs and office projects
1.2 To promote customer health and well-being, encouraging health habits, access to products and services and close treatment follow-up	2.2 To work with suppliers and service providers in line with our values	3.2 To reduce business-generated waste and provide for the adequate disposal thereof
1.3 To back social initiatives that support health and well-being at the communities we serve	2.3 To promote employee personal and professional development, to always prepare leaders	3.3 To reduce the socioenvironmental impact of our distribution process

In order to develop this agenda, we consulted with 73 people in three face-to-face workshops, including administrators, employees and customers, and conducted online surveys answered by other key stakeholders. We also benchmarked our main competitors, international peers and other companies we admire for reference purposes.

This process led to the identification of 23 potential issues and to the development of a materiality matrix that correlates what is important to the business with what is important to our main stakeholders, leading to the prioritization of these three axes and nine sustainability guidelines.

In 2017, for the first time since **RD** was established, we published the 2016 Sustainability Report, disclosing our economic, social and environmental performance to our stakeholders, as well as informing the guidelines and metrics that will ensure our ongoing evolution, according to the G4 version of the Global Reporting Initiative (GRI).

The content reported provides not only disclosure to our stakeholders, but especially, substantial grounds for self-assessment purposes as well as to define new pathways for improvement. As this was the first such effort ever made, it includes some data and information that, even though cannot be compared to previous years, constitute our baseline to regularly track progress in future reports.

Adjusted Income Statement *(R$ thousand)*	4Q16	4Q17	2016	2017
Gross Revenue	**3,205,873**	**3,662,178**	**11,827,567**	**13,852,469**
Taxes, Discounts and Returns	(148,876)	(160,882)	(571,001)	(639,964)
Net Revenue	**3,056,997**	**3,501,296**	**11,256,565**	**13,212,505**
Cost of Goods Sold	(2,134,653)	(2,455,038)	(7,752,422)	(9,224,506)
Gross Profit	**922,344**	**1,046,258**	**3,504,143**	**3,987,999**
Operational (Expenses) Revenue				
Sales	(598,867)	(670,608)	(2,218,765)	(2,529,051)
General and Administrative	(87,480)	(86,931)	(297,728)	(328,663)
Operational Expenses	**(686,348)**	**(757,539)**	**(2,516,493)**	**(2,857,714)**
EBITDA	**235,996**	**288,719**	**987,649**	**1,130,285**
Depreciation and Amortization	(74,397)	(92,123)	(274,434)	(337,915)
Operational Earnings before Financial Results	**161,600**	**196,596**	**713,215**	**792,370**
Financial Expenses	(69,165)	(40,066)	(219,754)	(212,922)
Financial Revenue	31,229	21,626	109,432	106,883
Financial Expenses/Revenue	**(37,936)**	**(18,440)**	**(110,322)**	**(106,039)**
Earnings before Income Tax and Social Charges	**123,663**	**178,156**	**602,893**	**686,331**
Income Tax and Social Charges	(31,427)	(45,533)	(146,575)	(173,819)
Net Income	**92,236**	**132,623**	**456,318**	**512,513**

Consolidated Income Statement *(R$ thousand)*	4Q16	4Q17	2016	2017
Gross Revenue	**3,205,873**	**3,662,178**	**11,827,567**	**13,852,469**
Taxes, Discounts and Returns	(148,876)	(160,882)	(571,001)	(639,964)
Net Revenue	**3,056,997**	**3,501,296**	**11,256,565**	**13,212,505**
Cost of Goods Sold	(2,134,653)	(2,455,038)	(7,752,422)	(9,224,506)
Gross Profit	**922,344**	**1,046,258**	**3,504,143**	**3,987,999**
Operational (Expenses) Revenue				
Sales	(598,867)	(670,608)	(2,218,765)	(2,529,051)
General and Administrative	(87,480)	(86,931)	(297,728)	(328,663)
Other Operational Expenses, Net	(7,677)	2,372	(7,677)	212
Operational Expenses	**(694,024)**	**(755,167)**	**(2,524,170)**	**(2,857,502)**
EBITDA	**228,319**	**291,091**	**979,973**	**1,130,497**
Depreciation and Amortization	(74,397)	(92,123)	(274,434)	(337,915)
Operational Earnings before Financial Results	**153,923**	**198,968**	**705,538**	**792,583**
Financial Expenses	(69,165)	(40,066)	(219,754)	(212,922)
Financial Revenue	31,229	21,626	109,432	106,883
Financial Expenses/Revenue	**(37,936)**	**(18,440)**	**(110,322)**	**(106,039)**
Earnings before Income Tax and Social Charges	**115,987**	**180,528**	**595,216**	**686,544**
Income Tax and Social Charges	(28,817)	(46,339)	(143,965)	(173,891)
Net Income	**87,169**	**134,188**	**451,252**	**512,653**

Assets *(R$ thousand)*	**4Q16**	**4Q17**
Current Assets		
Cash and Cash Equivalents	276,632	264,873
Accounts Receivable	772,241	930,071
Inventories	2,149,468	2,517,594
Taxes Receivable	111,772	78,777
Other Accounts Receivable	105,111	119,004
Following Fiscal Year Expenses	12,558	17,885
	3,427,782	3,928,204
Non-Current Assets		
Deposit in Court	23,007	29,215
Taxes Receivable	22,963	34,293
Other Credits	4,887	5,246
Property, Plant and Equipment	1,006,606	1,276,276
Intangible	1,174,057	1,191,016
	2,231,521	2,536,045
ASSETS	5,659,303	6,464,249

Liabilities and Shareholder's Equity	**4Q16**	**4Q17**
(R$ thousand)		
Current Liabilities		
Suppliers	1,615,586	1,815,687
Loans and Financing	132,581	196,248
Salaries and Social Charges Payable	199,378	202,799
Taxes Payable	96,731	130,432
Dividend and Interest on Equity	25,933	37,474
Provision for Lawsuits	0	2,724
Other Accounts Payable	114,474	108,415
	2,184,683	2,493,779
Non-Current Liabilities		
Loans and Financing	281,387	414,711
Provision for Lawsuits	2,591	8,170
Income Tax and Social Charges deferred	193,188	228,714
Other Accounts Payable	61,499	68,503
	538,665	720,098
Shareholder's Equity		
Common Stock	1,808,639	1,808,639
Capital Reserves	138,553	151,156
Revaluation Reserve	12,383	12,197
Income Reserves	919,117	1,228,149
Equity Adjustments	(30,230)	(30,230)
Non Controller Interest	26,169	27,860
Additional Dividend Proposed	61,324	52,602
	2,935,955	3,250,372
LIABILITIES AND SHAREHOLDERS' EQUITY	5,659,303	6,464,249

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Cash Flow	4Q16	4Q16	2016	2017
(R$ thousand)				
Earnings before Income Tax and Social Charges	**115,987**	**180,528**	**595,216**	**686,544**
Adjustments				
Depreciation and Amortization	74,396	92,122	274,434	337,914
Compensation plan with restricted shares, net	3,393	3,129	7,984	12,638
Interest over additional stock option	8,989	(5,000)	13,596	2,287
P,P&E and Intangible Assets residual value	5,830	1,953	12,189	6,609
Provisioned Lawsuits	2,583	(78)	6,667	7,788
Provisioned Inventory Loss	(7,362)	1,704	(14,147)	3,656
Provision for Doubtful Accounts	(691)	588	(504)	2,314
Provisioned Store Closures	1,675	1,529	737	(811)
Interest Expenses	12,126	13,653	42,023	64,234
Debênture Emission Costs Amortization	0	65	0	188
	216,926	**290,193**	**938,195**	**1,123,360**
Assets and Liabilities variation				
Clients and Other Accounts Receivable	(53,095)	(44,471)	(176,255)	(173,728)
Inventories	(197,741)	(180,604)	(484,868)	(371,782)
Other Short Term Assets	7,978	8,849	(55,081)	27,852
Long Term Assets	(5,685)	(2,672)	(6,360)	(17,895)
Suppliers	281,310	253,257	403,633	208,482
Salaries and Social Charges	(40,079)	(48,824)	33,971	3,421
Taxes Payable	(10,410)	(11,984)	753	(19,936)
Other Liabilities	2,744	(9,963)	15,171	(10,368)
Rent Payable	4,366	4,220	11,927	9,472
Cash from Operations	**206,314**	**258,001**	**681,086**	**778,878**
Interest Paid	(5,492)	(19,169)	(21,896)	(36,863)
Income Tax and Social Charges Paid	(10,737)	(21,352)	(103,661)	(113,175)
Net Cash from (invested) Operational Activities	**190,085**	**217,480**	**555,529**	**628,840**
Investment Activities Cash Flow				
P,P&E and Intangible Acquisitions	(135,355)	(160,001)	(490,169)	(640,330)
P,P&E Sale Payments	676	547	1,112	1,150
Net Cash from Investment Activities	**(134,679)**	**(159,454)**	**(489,057)**	**(639,180)**
Financing Activities Cash Flow				
Funding	80,478	(9)	222,468	400,448
Payments	(33,229)	(102,075)	(125,017)	(231,021)
Interest on Equity and Dividends Paid	(81,850)	(85,632)	(153,342)	(170,847)
Net Cash from Funding Activities	**(34,601)**	**(187,716)**	**(55,891)**	**(1,420)**
Cash and Cash Equivalents net increase	**20,805**	**(129,690)**	**10,581**	**(11,760)**
Cash and Cash Equivalents in the beggining of the period	**255,827**	**394,563**	**266,051**	**276,632**
Cash and Cash Equivalents in the end of the period	**276,632**	**264,873**	**276,632**	**264,872**

2017/4Q17 Results Conference Calls – February 23, 2018

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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English
at 12:00 pm (Brasília)

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+55 (11) 2188-0155

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