RaiaDrogasil

2016 EARNINGS RELEASE

São Paulo, February 16th, 2017. Raia Drogasil S.A. (BM&FBovespa: RADL3) announces today its results for the 4th quarter of 2016 (4Q16) and the year of 2016. The financial statements of Raia Drogasil S.A. was prepared in accordance with the accounting practices adopted in Brazil and with IFRS as well as the standards issued by the Brazilian Securities and Exchange Commission – CVM and was audited by our independent auditors in accordance with Brazilian standards of auditing. Such information was prepared in thousand Reais and all growth rates relate to the same period of 2015.

Specifically in the 4Q16, our financial statements were adjusted to exclude non-recurring expenses related to the restructuring of company's career program, store portfolio adjustments, loyalty program transition allowance, as well as to other non-recurring net recoveries.

On October 1st, 2015 we concluded the acquisition of 55% of 4BIO. Since the 4Q15, our financials have been consolidated. In order to assure the historical comparability, 2015 figures were combined on a pro-forma basis.

CONSOLIDATED HIGHLIGHTS:

- **Drugstores: 1,420 stores in operation (212 openings and 27 closures)**
- **Gross Revenues: R$ 11.8 billion, an increase of 25.5% (14.3% for retail same-store sales)**
- **Gross Margin: 29.6% of gross revenues, a 0.6 percentage point margin increase**
- **EBITDA: R$ 987.6 million, a margin of 8.4% and an expansion of 0.5 percentage point**
- **Adjusted Net Income: R$ 499.1 million, a 4.2% margin and an increase of 27.6%**
- **Cash Flow: R$ 34.9 million free cash flow, R$ 107.0 million total cash consumption**

RADL3: **R$ 65.99/share**

Number of Shares: **330,386,000**

Market Cap: **R$ 21,802 million**

Closing: **February 15th, 2017**

IR Contacts:

Eugênio De Zagottis
Gabriel Rozenberg
Aron Bernardo

Phone: +55 11 3769-7159

E-mail: ri@raiadrogasil.com.br

Summary	2015	2016	4Q15	1Q16	2Q16	3Q16	4Q16
(R$ thousand)							
# of Stores Raia Drogasil + 4Bio	1,235	1,420	1,235	1,274	1,330	1,370	1,420
Store Openings	156	212	62	39	58	53	62
Store Closures	(15)	(27)	(7)	0	(2)	(13)	(12)
# of Stores (average)	1,147	1,324	1,206	1,250	1,303	1,347	1,394
Headcount	26,520	28,878	26,520	26,720	27,767	28,661	28,878
Pharmacist Count	4,698	5,484	4,698	4,963	5,214	5,393	5,484
# of Tickets (000)	165,299	187,731	43,908	44,145	46,696	47,620	49,269
Gross Revenue	9,424,777	11,827,567	2,574,215	2,641,079	2,930,451	3,050,163	3,205,873
Gross Profit	2,735,741	3,504,143	740,084	756,940	924,825	900,034	922,344
% of Gross Revenues	29.0%	29.6%	28.7%	28.7%	31.6%	29.5%	28.8%
EBITDA	743,516	987,649	188,120	192,839	304,811	254,004	235,996
% of Gross Revenues	7.9%	8.4%	7.3%	7.3%	10.4%	8.3%	7.4%
Adjusted Net Income	391,131	499,111	94,865	100,829	167,766	127,582	102,934
% of Gross Revenues	4.2%	4.2%	3.7%	3.8%	5.7%	4.2%	3.2%
Net Income	341,753	451,252	78,347	90,131	157,068	116,884	87,169
% of Gross Revenues	3.6%	3.8%	3.0%	3.4%	5.4%	3.8%	2.7%
Free Cash Flow	73,817	34,933	23,517	(169,549)	(9,578)	158,507	55,553

IBRX IBRA IGCT ITAG IGC ICON MLCX RADL3 NOVO MERCADO BM&FBOVESPA

LETTER TO OUR SHAREHOLDERS

Fiscal 2016 was another strong year for Raia Drogasil, as we delivered record growth and profitability in a challenging scenario. Our results underscore the defensive nature of our industry, driven by the secular ageing of the population, the robustness of our capital structure, insulating us from a tight credit market with high interest rates, and the strength of our execution, spearheading sustainable market share growth and value creation in a very competitive environment.

From 2012 to 2014 our focus was in concluding the integration and in advancing both brands to the best existing standard of execution. The management agenda that started in 2014 has challenged the limits of our execution through innovation and capability building. We defined four Strategic Pillars that 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 three core enablers for implementing those strategies: *People, Processes and Platforms.*

We are proud to report on the achievement of several strategic milestones. We accelerated growth to 212 new stores, a significant boost in opening pace while preserving historical standards and returns. More importantly, we opened the new stores in a balanced, sustainable way, with 46% of the openings in the 1H16 due to an improved execution and to a larger contract pool. We have also advanced in new formats by validating Farmasil, which was under development for four years and is now in the verge of expansion, by developing a Big Store format, allowing us to successfully operate larger stores (350 m^2) and to deploy our learnings to the next tier of stores (200 m^2), as well as by launching a new store identity for Drogasil, aligned with the brand´s positioning in order to enhance shopper experience. We have also achieved a leap in Category Management with Dunnhumby, our data science partner, and are finally making a stride in CRM, with a new loyalty program under pilot and increased personalization now supported by our platforms. Finally, we have also advanced toward our vision of providing unmatched, innovative and integrated services for patients, operators, manufacturers and physicians through a portfolio of integrated healthcare assets. *4Bio*, our Specialty Retailing platform, grew revenues by 92% and expanded margins to become the industry leader, while allowing us to cross-sell specialty products to our customers in all 1,420 stores. Finally, *Univers* was successfully launched as our proprietary PBM brand, with a new platform that allows millions of members to choose from any Raia or Drogasil store in Brazil.

In order to reinvent our execution, we have also worked relentlessly on the three core strategic enablers. On the people side, we significantly strengthened our processes to better support both existing stores and future growth. We also achieved another leap in employee turnover reduction. Finally, we upgraded our training initiatives, introduced e-learning and enhanced our career program, setting the stage to a huge cultural transformation to be engendered from 2017. By upgrading processes and enhancing platforms, two edges of the same sword, we revolutionized our supply chain management: over the last 3 years, by challenging the status quo, we reduced at the same time cash cycle, stock-outs and inventory losses, which are mutually offsetting metrics, to record low levels, an improbable feat and a huge leap in efficiency and customer service. As a consequence of our reinvention, we also excelled in 2016 in customer satisfaction, market share growth, revenue growth and margin expansion.

We ended 2016 with R$ 11.8 billion in consolidated gross revenues and a revenue growth of 25.5% versus 2015, a testament both to the defensive nature of our industry as well as to the improvements in our execution. We opened 212 new stores and closed 27 stores, ending the year with 1,420 stores throughout Brazil. Over the last five years, we opened a total of 731 stores, an unparalleled growth pace in the Brazilian drugstore industry. Our organic expansion, coupled with our same-store sales growth, generated a revenue increase of R$ 2.4 billion in 2016, more than the total revenues of the fourth largest drugstore chain in Brazil, further consolidating our leadership of the Brazilian drugstore market. Consequently, our market share reached 12.5% in the 4Q16, a 2.2 percentage point increase over the 4Q15.

In addition to the strong top-line growth, we also achieved a significant margin expansion, as we boosted the inflationary gains on inventories by increasing forward buying in lieu of a 12% price cap increase. This combination led to a year of record profitability, with an EBITDA of R$ 987.6 million, an increase of 32.8%, and a margin of 8.4%, a 0.5 percentage point expansion. Adjusted net income amounted to R$ 499.1 million, a net margin of 4.2%. Our free cash flow totaled R$ 34.9 million, the fourth consecutive year of positive cash generation. Cash flows from operations totaled R$ 524.0 million, of which R$ 489.1 million were reinvested with strong financial discipline by seeking marginal returns consistent with our track record. As a result, our ROIC reached 21.5%, an increase of 2.1 percentage points, and is expected to further increase in the long-term through productivity gains and the maturation of our stores. We distributed R$ 194.7 million in interest on equity, an 8.6% increase and a payout of 43.1%, posting a Total Shareholder Return of 74.1%.

CHALLENGES AND OPPORTUNITIES FOR 2017

In spite of our strong performance, we have bigger ambitions for the future. We have several strategic initiatives in course that are reshaping the business, the service we provide to our customers and the value we create to shareholders. We also believe that our accelerated expansion, coupled with our high standard of our execution and with the robustness of our capital structure in a challenging environment will keep providing us with significant opportunities of market share gains.

However, we acknowledge that we may have set in 2016 too high a bar to surpass in 2017, as the inflationary gains on inventories, which have driven the 0.5 percentage point margin expansion of the year, will be much lower in 2017. Therefore, it is paramount that we dilute expenses and create optionalities to be able to defend or expand our margins.

In lieu of all these opportunities and challenges, we have established four main priorities for the year:

Advance with the Implementation of our Strategic Plan: In 2014, as previously mentioned, we developed a five-year strategy that aligns execution and innovation across four different pillars: Expansion, New Formats, Category Management and CRM. We opened 212 stores in 2016, an all-time record in Brazil. For 2017, we reiterate the guidance of 200 new stores. We will maintain the same historical standards and IRR expectations, and will enter three new states. Regarding new formats, we concluded the Farmasil pilot and will start expanding it at a progressive pace. On category management, we will advance the role of beauty in our stores and begin the implementation of a new pricing platform, which will allow us to fine-tune our prices across markets based on demand elasticity. Finally, on CRM, we will advance with Omnichannel, roll-out a new loyalty program that leverages the learnings from Dunnhumby and enhances service personalization through our proprietary platforms. These optionalities can have a significant impact in boosting our growth and expanding our margins in the years to come, and could help already in 2017.

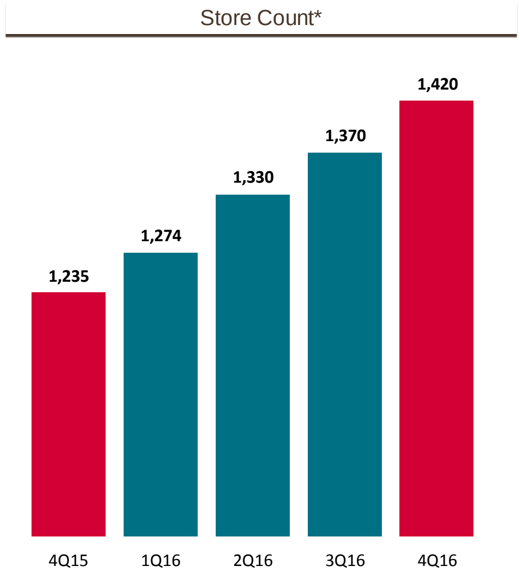
Expand our Market Share: Fiscal 2016 was a year of extraordinary share gains, which happened across all states where we compete. In spite of falling inflation and interest rates, we believe the economy in 2017 will remain very weak, with low GDP growth, persisting leverage and declining execution by several players. Additionally, financial institutions will remain very cautious, spreads still very high, and BNDES will cease to grant subsidized loans. We believe that market consolidation is a resilience game, and that our strong balance sheet and consistency of execution in such a challenging environment will allow us to make strides in market share gain whenever and wherever competitors flounder.

Dilute Expenses: We will focus relentlessly on gaining productivity in 2017. We envision a concrete possibility of diluting expenses mainly driven by the decline in inflation rates, especially toward the second semester. Electricity costs as a percentage of revenues, which skyrocketed over the last years, are starting to fall down as power generation is switching back from thermoelectric to hydroelectric. We have implemented several initiatives to contain labor costs, as we adapted our career program and salary grids, implemented a new staffing algorithm and enhanced our IT platform to increase store productivity. We also invested to increase the automation and productivity of our main DC in São Paulo, as well as in a process efficiency project for all DCs. In the context of gross margin pressures due to much lower inflationary gains on inventories, we rely on the success of these initiatives to defend our current margins.

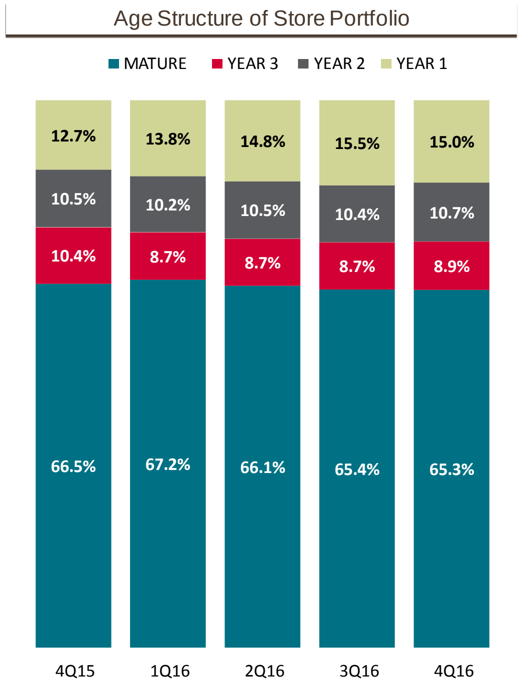
Engender a Cultural Transformation: In 2014, we fully restructured our HR department. Over this period, we changed our full leadership team, currently comprised of a vice-president and three directors that have joined us ever since. Also in 2014, we stabilized our processes, which had significant gaps, and decentralized the structure to better support our stores. In 2015, we revamped existing training programs and introduced several new leadership development initiatives to support growth. In 2016, we took its dissemination a step further with e-learning and started working on a cultural agenda. With the conclusion of the integration and the natural convergence to a single culture, we started an internal soul-searching initiative to understand and document our identity, including our purpose, values and aspirations at the corporate level and the positioning of our drugstore, product and service brands. In 2017, our goal is to engender a cultural transformation, disseminating this identity to all our employees as well as to other stakeholders. Our main goal is to boost the engagement of our team through an inspirational purpose that redefines how they perceive their jobs and relate to our customers, as well as how we are perceived by all our stakeholders and by Society at large.

THE EXECUTIVE TEAM

STORE DEVELOPMENT



	4Q15	1Q16	2Q16	3Q16	4Q16
Openings	62	39	58	53	62
Closures	(7)	0	(2)	(13)	(12)



* Includes three 4Bio stores

We opened 212 new stores and closed 27 in 2016 (62 openings and 12 closures in the 4Q16), ending the year with 1,420 stores in operation, including three 4Bio stores. We surpassed our guidance of 200 gross openings in the year, reflecting a relevant acceleration in our store-opening pace. We reiterate our guidance of 200 gross openings in 2017.

Of the 27 stores closed in the year (12 in the 4Q16), 6 stores were part of the portfolio acquired in 2013 from Santa Marta in the state of Goiás, where we restructured our operations to reduce an excessive store density in some areas of the city created by the transaction. We also closed 4 Farmasil stores outside of São Paulo, as we are restructuring our operations to focus on expanding the format in our home market.

Of the 17 ordinary closures (7 in the 4Q16), which represent the normal course of business, 8 stores were still in the maturation process and represent the correction of opening mistakes that are normal in a large-scale expansion, while the remaining 9 stores relate to portfolio optimizations that have a positive return expectation associated to them.

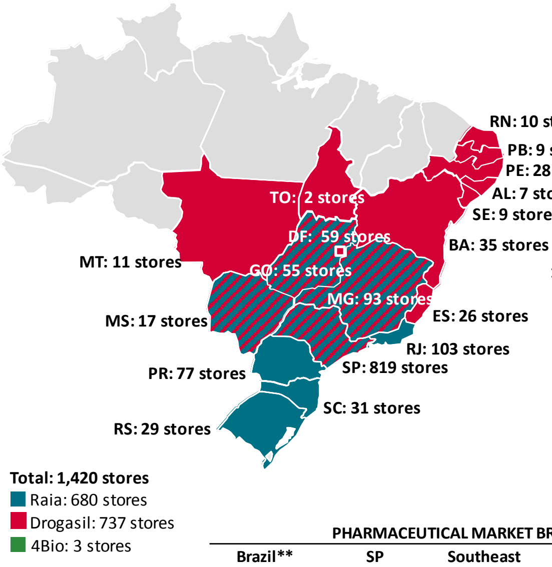
At the end of 4Q16, 34.7% of our stores were still under maturation, and had not yet reached their full potential in terms of revenues and profitability. We ended the quarter with the highest percentage of non-mature stores since the 3Q13.

Our average comparable national market share reached 12.5% in the quarter, a 2.2 percentage point increase, including 4Bio. Our market share figures were adjusted by IMS Health to exclude new informants, so as to preserve historical comparability. Considering the inclusion of new informants, our national market share totaled 11.8% in the quarter.

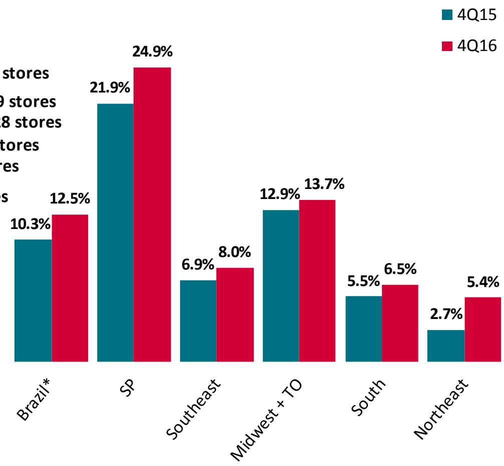
We increased our comparable market share in all regions where we operate. São Paulo was our main highlight, where we reached a market share of 24.9%, a 3.0 percentage point increase driven by our organic expansion. In the remaining states of the Southeast, we gained 0.6 percentage point. We also recorded a strong performance in Northeast, where we reached a market share of 5.4%, a 2.7 percentage point increase driven by strong growth in all states in the region. Finally, we increased our share in the South by 1.0% and recorded a 0.8% market share gain in the Midwest region.

RaiaDrogasil

Geographic Presence



Market Share**



PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

Brazil**	SP	Southeast	Midwest	South	Northeast
100.0%	27.1%	24.0%	9.6%	17.1%	18.1%

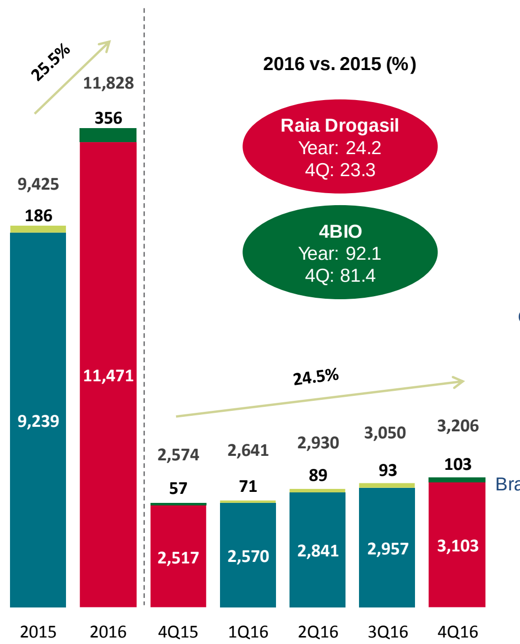
Source: IMS Health

* Includes 4Bio only for Brazil

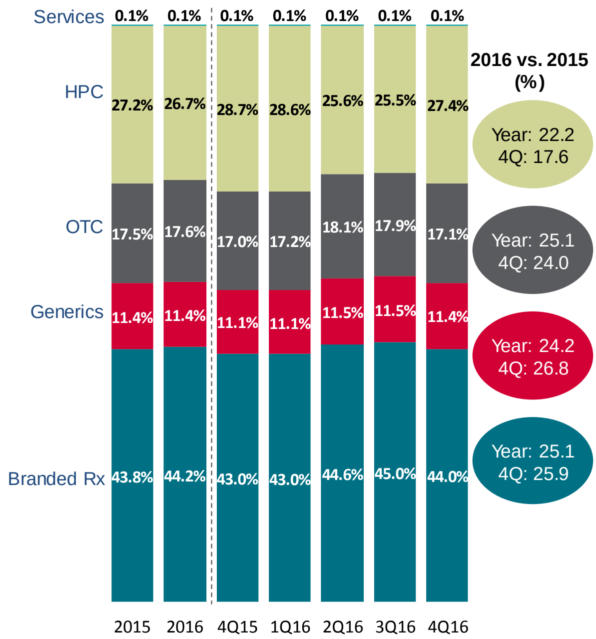
** Comparable Market Share, excluding new informants added to the panel during the last twelve months. Our national market share including the full panel was of 11.8%

GROSS REVENUES

Consolidated Gross Revenues



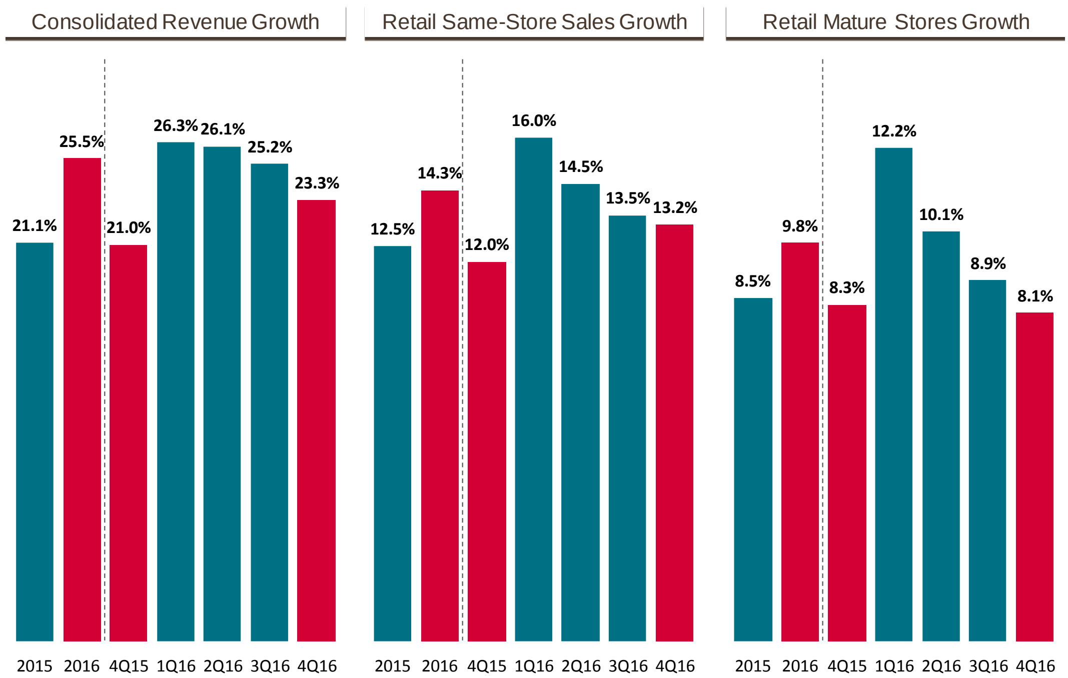
Retail Sales Mix



IBRX IBRA IGCT ITAG IGC ICON MLCX RADL3 NOVO MERCADO BM&FBOVESPA

We ended 2016 with consolidated gross revenues of R$ 11,827.6 million (R$ 3,205.9 million in the quarter), a 25.5% increase over the previous year (24.5% in the quarter). Raia Drogasil grew 24.2% (23.3% in the quarter), while 4Bio grew 92.1% (81.4% in the quarter).

Pharmaceuticals were the highlight of 2016, helped by the high annual drug price increase that averaged 11.8%. Branded Rx revenues increased by 25.1% (25.9% in 4Q16). OTC also grew by 25.1% (24.0% in 4Q16), while Generics increased by 24.2% in 2016 while becoming the best performing category in the 4Q16, with a 26.8% revenue growth, gaining 0.3% share in our sales mix. Lastly, HPC revenues increased by 22.2% in 2016 and 17.6% in the 4Q16, mainly due to the strong comps of the 4Q15 when we experienced an outbreak of the Zika virus that boosted mosquito repellent sales in the quarter.



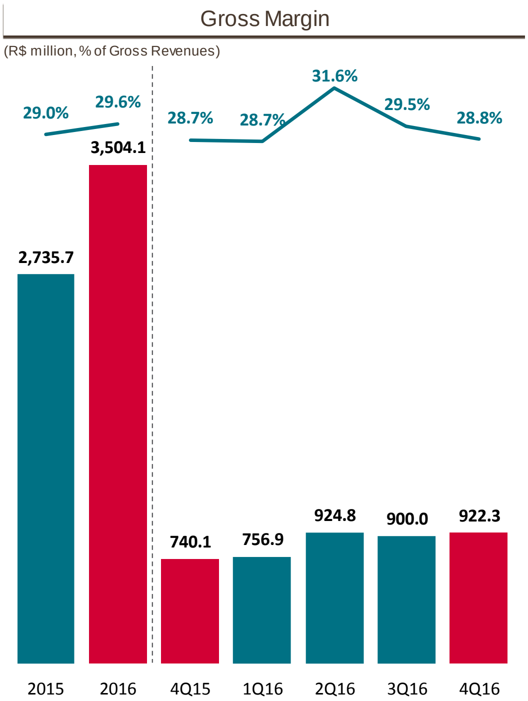
Same store sales at Raia Drogasil increased by 14.3% while our mature stores recorded an increase of 9.8%. In the 4Q16, same store sales increased by 13.2% and mature stores grew by 8.1%. It is important to mention that in the 4Q16 we recorded a positive calendar effect, which benefited our sales by 0.3%.

In 2016, the Brazilian pharmaceutical market grew by 13.1% (4.4% in units sold), according to the IMS Health, a testament to the defensive nature of our market.

GROSS PROFIT

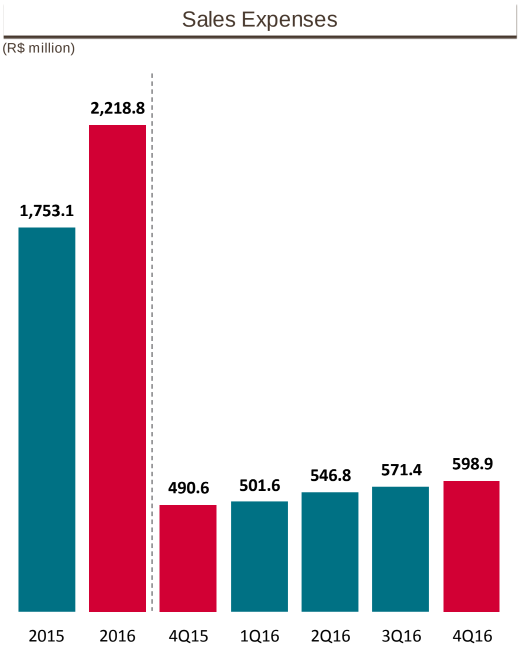
Our gross margin reached 29.6%, a 0.6 percentage point increase versus 2015. In the 4Q16, we recorded a gross margin of 28.8%, a 0.1 percentage point increase over the same period of the previous year.

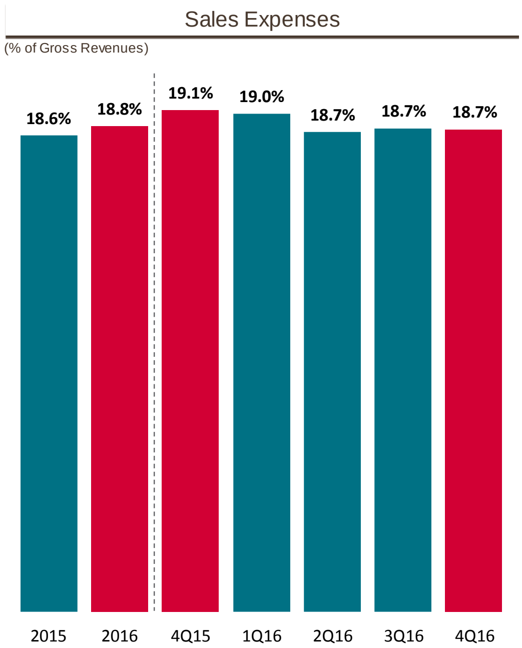
The gross margin expansion in 2016 was driven mainly by the inflationary gains in pharmaceuticals arising from the annual price cap increase, which averaged 11.8% versus the 6.0% recorded in 2015, boosting our margin by 0.5% in the year (no effect in the quarter). 4Bio´s growth had a negative margin mix effect of 0.2 percentage point both in the year and in the quarter, since Specialty Drugs have a lower gross margin than Retail.



SALES EXPENSES

In 2016, sales expenses totaled R$ 2,218.8 million, equivalent to 18.8% of gross revenues, a 0.2 percentage point increase over 2015 (0.4 percentage point dilution in the 4Q16).



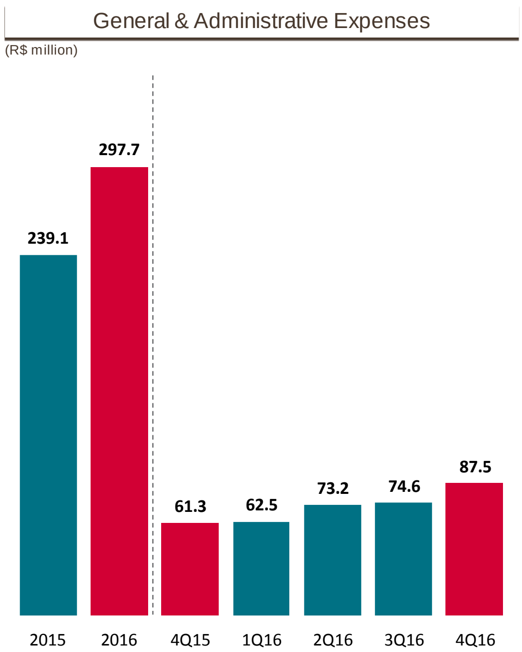


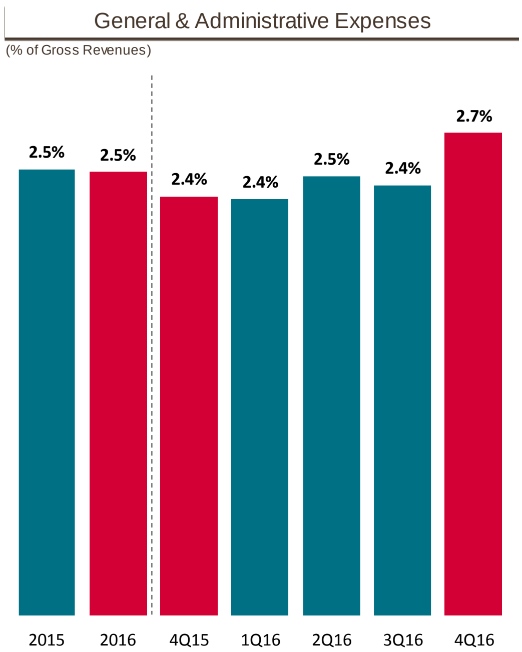
Personnel expenses, rentals, marketing and other expenses increased by 0.1 percentage point each. These increases were partially offset by a lower pressure arising from new store openings, which went down by 0.1 percentage point, and by a 0.1 percentage point dilution related to 4Bio.

Sales expenses totaled R$ 598.9 million in the quarter, 18.7% of gross revenues, a 0.4 percentage point dilution over the same period of the previous year. The more balanced expansion pace in 2016 resulted in a 0.6 percentage point gain versus 2015, when the bulk of our openings happened in the second semester. Additionally, expense dilution by 4Bio improved our results by 0.1 percentage point. These decreases were partially offset by store closures write-offs and by pressures in rental and in marketing expenses, which penalized our sales expenses by 0.1 percentage point each.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R$ 297.7 million in the year, equivalent to 2.5% of gross revenues, same level of the previous year, while we experienced a 0.3 percentage point pressure in the quarter.

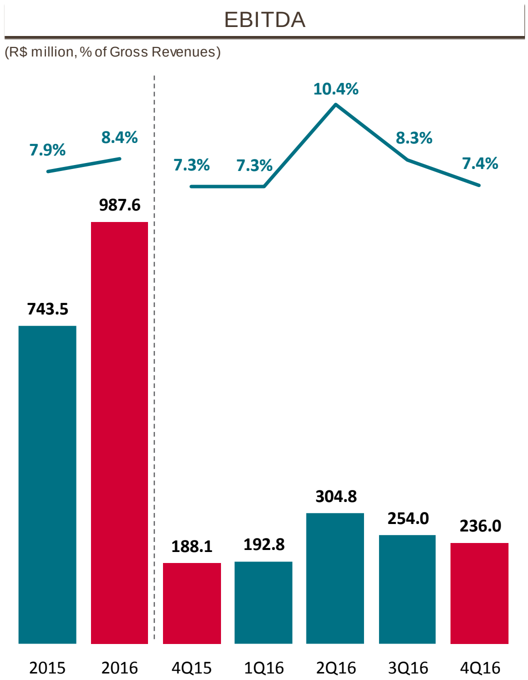




We recorded a compensation allowance increase of 0.2 percentage point in the quarter to reflect the annual appreciation of our share price over the outstanding shares granted under our restricted shares incentive program, and a labor contingency pressure of 0.1 percentage point. This pressure resulted in a 0.1 percentage point increase in the year. We believe those quarterly pressures to be transitory and expect the normalization to happen already in the 1Q17.

EBITDA

Our consolidated EBITDA reached R$ 987.6 million in 2016, an EBITDA margin of 8.4%, representing an expansion of 0.5 percentage point and an increase of 32.8% over 2015. In the 4Q16, the EBITDA totaled R$ 236.0 million, corresponding to a margin of 7.4% and to a 0.1 percentage point expansion versus the same period of 2015.



New stores opened in the year, as well as those that were already in the opening process, reduced the EBITDA by R$ 29.2 million in 2016, but for the first time ever they generated a positive quarterly contribution in the amount of R$ 3.2 million. This was only possible because we managed to open 97 stores of the 212 already in the 1H16, which have had time to generate a positive contribution margin that has more than offset the opening pressures of the 2H16.

Considering only the 1,208 stores in operation since the end of 2015 and the full absorption of logistics as well as of general and administrative expenses by such stores, our adjusted EBITDA would have totaled R$ 1,016.8 million (R$ 232.8 million in the quarter), equivalent to an EBITDA margin of 8.9% over gross revenues (7.9% in the quarter).

Raia Drogasil achieved a retail EBITDA of R$ 970.4 million (R$ 232.5 million in the quarter), an EBITDA margin of 8.5% in the year (7.5% in the quarter), an annual margin expansion of 0.5 percentage point (margin expansion of 0.1 percentage point in the quarter).

4Bio reached an EBITDA of R$ 17.3 million (R$ 3.5 million in the quarter), an EBITDA margin of 4.8% in the year (3.4% in the quarter), an annual margin expansion of 1.3 percentage point (flat in the quarter). It is important to highlight that 4Bio recorded a revenue growth of 81.4% in the quarter and of 92.1% in the year.

When comparing the EBIT, 4Bio recorded a margin of 4.8% in 2016 (3.3% in the 4Q16), versus 6.1% for Raia Drogasil (4.9% in the 4Q16). It is important to highlight that in spite of its lower margin, 4Bio has an even higher capital-efficiency than Raia Drogasil, with much lower cash cycle and Capex.

NON-RECURRING EXPENSES

We incurred in R$ 7.7 million in non-recurring expenses in the 4Q16, as shown below:

Non-Recurring Expenses	4Q16
(R$ million)	
Restructuring of the Career Program	(7.7)
Restructuring of the Store Portfolio: Santa Marta and Farmasil	(3.9)
Loyalty Program Transition Allowance	(3.8)
Net Recoveries from Previous Years	7.8
Total	**(7.7)**

We have restructured the Company's career program in order to rationalize our expenses and to reduce labor contingencies over the next years. This resulted in a non-recurring severance provision of R$ 7.7 million in order to accelerate the transition to the new structure.

As previously mentioned, we restructured our store portfolio in Goiás by closing 6 stores that had been acquired from Santa Marta in 2013, which allowed us to balance our presence in regions where we had excessive density. We have also closed 4 Farmasil stores scattered around different regions in Brazil in order to focus on expanding in São Paulo. These closings resulted in non-recurring asset write-offs of R$ 3.9 million.

We have also constituted a R$ 3.8 million non-recurring allowance to support the transition of the Droga Raia loyalty program from an earn and redeem points scheme to a new mechanic to be implemented in 2017.

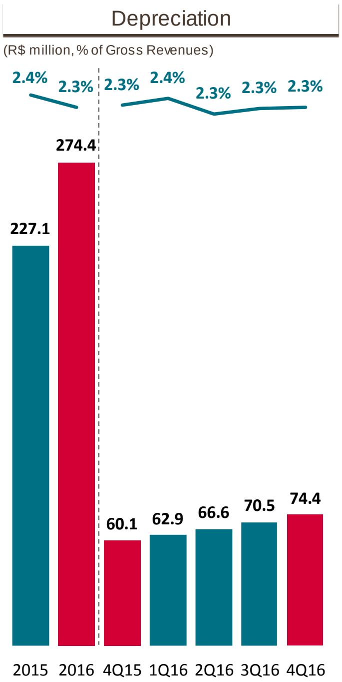
Finally, we recorded R$ 7.8 million in net non-recurring gains from tax as well as from other recoveries related to previous fiscal years.

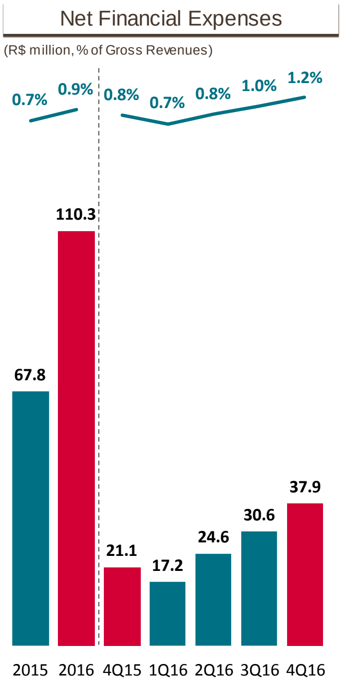
DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

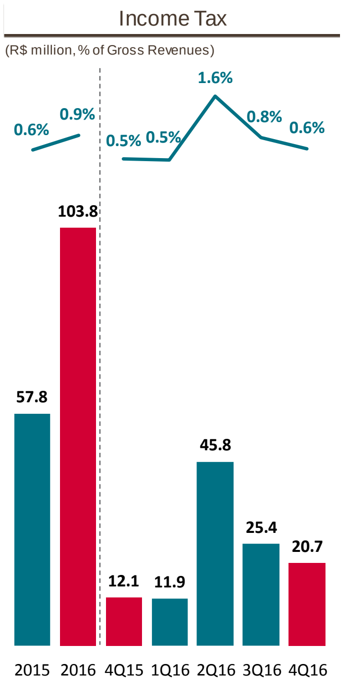
Depreciation expenses totaled R$ 274.4 million in 2016, equivalent to 2.3% of gross revenues, a 0.1 percentage point dilution when compared to the previous year. In the 4Q16, depreciation expenses amounted to R$ 74.4 million, or 2.3% of gross revenues, in line with the same period of the previous year.

Net financial expenses totaled R$ 110.3 million in 2016 (R$ 37.9 million in the quarter), representing 0.9% of gross revenues (1.2% in the quarter), a 0.2 percentage point increase in the year (0.4% in the quarter). Net Present Value Adjustment represented R$ 68.2 million (R$ 22.7 million in the quarter), accounting for 0.6% of revenues (0.7% in the quarter). In addition, we had R$ 13.6 million in financial expenses from interests accrued on the option to acquire 4Bio in 2021, versus R$ 1.4 million in 2015. This was mainly due to the better-than-expected performance of 4Bio during the year, which affected materially the expected value of the remaining 45% of the company. Excluding the NPV adjustments and the financial expenses on the option to acquire 4Bio, the interest accrued on debt amounted to R$ 28.5 million or 0.2% of revenues.

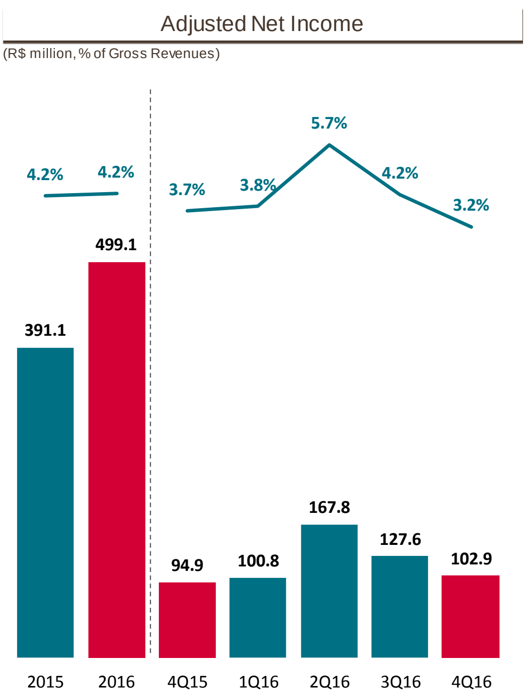
Finally, we booked R$ 103.8 million in annual taxes, equivalent to 0.9% of gross revenues, a 0.3 percentage point increase due to the increase in our profitability. In the 4Q16, we booked R$ 20.7 million in taxes, 0.6% of gross revenues, which represented an increase of 0.1 percentage point.







ADJUSTED NET INCOME

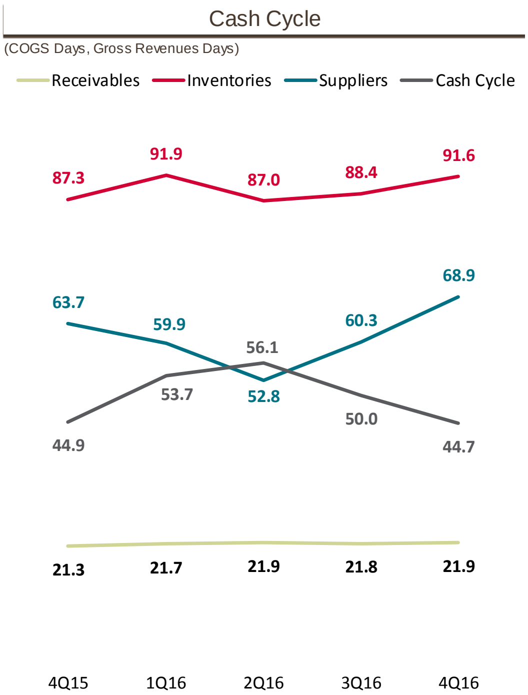


IBRX IBRA IGCT ITAG IGC ICON MLCX RADL3 NOVO MERCADO BM&FBOVESPA

Adjusted net income totaled R$ 499.1 million in 2016 (R$ 102.9 million in the quarter), a 27.6% increase over the previous year (8.5% in the 4Q16). We achieved an adjusted net margin of 4.2% (3.2% in the quarter). Excluding the benefit from the goodwill amortization and the non-recurring expenses, we recorded a reported net income of R$ 451.3 million in the year, a net margin of 3.8% (R$ 87.2 million, a net margin of 2.7% in the 4Q16).

CASH CYCLE

We achieved a cash cycle reduction of 0.2 days when compared to 2015. Inventories increased by 4.3 days, reflecting opportunistic purchases undertaken in the period, which led to an increase in our accounts payable of 5.2 days, driven by improvements in purchasing terms from suppliers related to their funding. Finally, days of receivables increased by 0.6 day versus the previous year.



CASH FLOW

We recorded a free cash flow of R$ 34.9 million in 2016, our fourth consecutive year of positive free cash flow generation. Total cash flow was a negative R$ 107.0 million. Our operating cash flow totaled R$ 524.0 million, which more than fully funded R$ 489.1 million in investments undertaken in the period. Resources from operations amounted to R$ 751.4 million, equivalent to 6.4% of our gross revenues, while we recorded a working capital consumption of R$ 227.4 million.

In the 4Q16, we generated a free cash flow of R$ 55.6 million, and a negative total cash flow of R$ 33.1 million. Our operating cash flow totaled R$ 190.2 million, which more than fully funded R$ 134.7 million in investments undertaken in the period. Resources from operations amounted to R$ 178.6 million, equivalent to 5.6% of our gross revenues, while we recorded a working capital reduction of R$ 11.6 million.

Of the R$ 489.1 million invested in the year, R$ 315.1 million corresponded to new store openings, R$ 73.3 million to the renovation of existing stores, and R$ 100.7 million to investments in infrastructure.

Net financial expenses totaled R$ 42.1 million in the year (R$ 15.2 million in the 4Q16), excluding NPV adjustments. These expenses were partially offset by the R$ 80.5 million tax shield related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid at a later date (R$ 22.2 million in the quarter).

Cash Flow *(R$ million)*	**2016**	**2015**	**4Q16**	**4Q15**
Adjusted EBIT	**713.2**	**516.5**	**161.6**	**128.0**
NPV Adjustment	(67.3)	(53.2)	(20.4)	(18.2)
Non-Recurring Expenses	(7.7)	(10.0)	(7.7)	(8.8)
Income Tax (34%)	(217.0)	(154.1)	(45.4)	(34.4)
Tax Shield from Goodwill Amortization	42.8	42.8	10.7	10.7
Depreciation	274.4	227.1	74.4	60.1
Others	12.9	(3.5)	5.4	(5.1)
Resources from Operations	**751.4**	**565.5**	**178.6**	**132.4**
Cash Cycle*	(258.4)	(92.8)	28.2	54.1
Other Assets (Liabilities)	31.0	(10.2)	(16.6)	(18.6)
Operating Cash Flow	**524.0**	**462.5**	**190.2**	**167.9**
Investments	**(489.1)**	**(388.7)**	**(134.7)**	**(144.3)**
Free Cash Flow	**34.9**	**73.8**	**55.6**	**23.5**
Interest on Equity	(153.3)	(121.3)	(81.9)	(57.3)
Income Tax Paid over Interest on Equity	(27.0)	(25.3)	(13.7)	(11.5)
Net Financial Expenses	(42.1)	(12.2)	(15.2)	(2.6)
Income Tax (Tax benefit over financial expenses and interest on equity)	80.5	65.1	22.2	15.4
Total Cash Flow	**(107.0)**	**(19.9)**	**(33.1)**	**(32.5)**

* Includes variation in accounts receivables, inventories and suppliers. Excludes NPV effects.

We accrued R$ 194.7 million in interest on equity in 2016 (R$ 50.0 million in the 4Q16) versus R$ 179.2 million in 2015 (R$ 43.0 million in the 4Q15) reflecting the increase in our equity base.

INDEBTEDNESS

At the end of the year, we recorded a net debt position of R$ 137.3 million, versus a net debt of R$ 30.3 million recorded in the same period of 2015.

Our gross debt totaled R$ 414.0 million, of which 99.8% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines and 0.2% corresponds to funding from private banks. Of our total debt, 68.0% is long-term, while 32.0% 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$ 276.6 million.

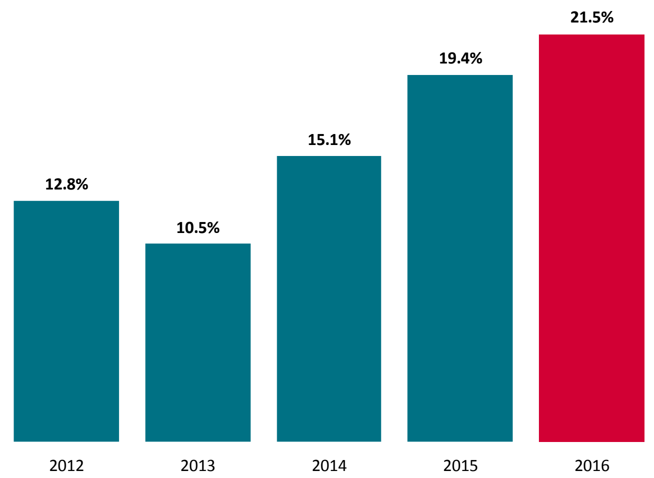
RETURN ON INVESTED CAPITAL

We recorded in 2016 a return on invested capital of 21.5%, a 2.1 percentage point increase over 2015, reflecting improvements in our profitability and in our cash conversion cycle.

Our ROIC is heavily penalized by our accelerated organic growth, since 34.7% 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 2016 or at the pre-operational stage for opening in 2017, which consumed a CAPEX of R$ 315.1 million as well as additional working capital investments, yet generated a negative EBITDA of R$ 29.5 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.

Raia Drogasil recorded a ROIC of 21.3%, an increase of 2.0 percentage points versus 2015, while 4Bio recorded a ROIC of 37.3%, an increase of 8.7 percentage points versus the previous year.

ROIC



TOTAL SHAREHOLDER RETURN

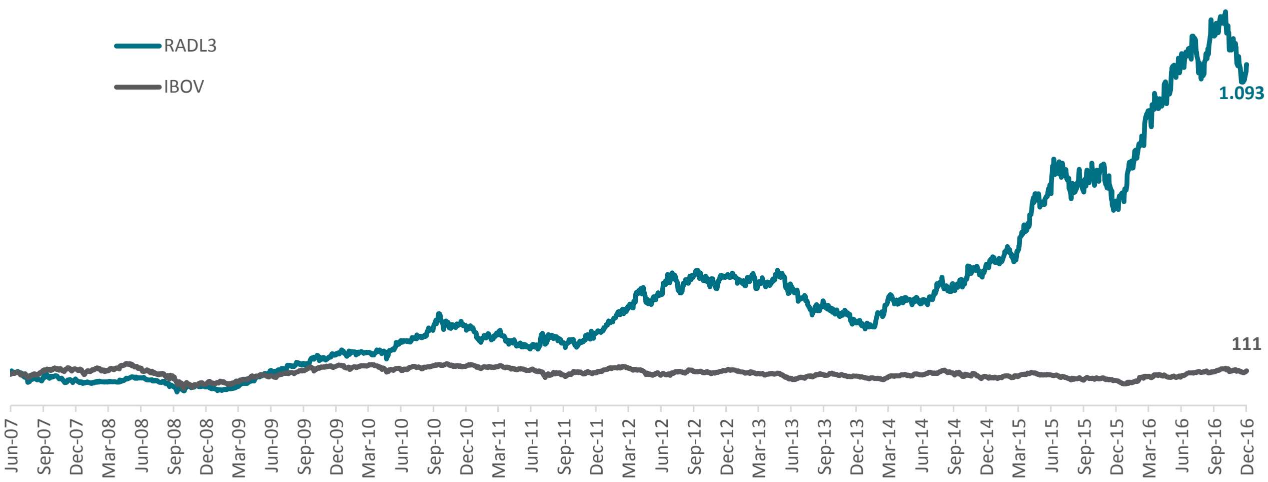
Our share price appreciated by 72.5% in 2016, 33.5 percentage points above the IBOVESPA, which increased 38.9% in the period.

Since the IPO of Drogasil, we achieved a cumulative share appreciation of 992.7% when compared to a positive return of 10.7% of the IBOVESPA over the same period. Including the payment of interest on equity, we generated an average annual total return to shareholders of 29.0%.

Considering the IPO of Raia in December of 2010, the cumulative return in the period amounted to 484.1% when compared to a decrease of 11.4% by the IBOVESPA. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 34.4%.

We recorded an average daily trading volume of R$ 70.6 million in the quarter.

Share Appreciation



RaiaDrogasil

Adjusted Income Statement	4Q15	4Q16	2015	2016
(R$ thousand)				
Gross Revenue	**2,574,215**	**3,205,873**	**9,424,777**	**11,827,567**
Taxes, Discounts and Returns	(114,277)	(148,876)	(402,822)	(571,001)
Net Revenue	**2,459,938**	**3,056,997**	**9,021,955**	**11,256,565**
Cost of Goods Sold	(1,719,854)	(2,134,653)	(6,286,213)	(7,752,422)
Gross Profit	**740,084**	**922,344**	**2,735,741**	**3,504,143**
Operational (Expenses) Revenue				
Sales	(490,616)	(598,867)	(1,753,100)	(2,218,765)
General and Administrative	(61,348)	(87,480)	(239,125)	(297,729)
Other Operational Expenses, Net				
Operational Expenses	**(551,964)**	**(686,348)**	**(1,992,225)**	**(2,516,493)**
EBITDA	**188,120**	**235,996**	**743,516**	**987,649**
Depreciation and Amortization	(60,086)	(74,397)	(227,059)	(274,434)
Operational Earnings before Financial Results	**128,034**	**161,600**	**516,458**	**713,215**
Financial Expenses	(47,855)	(69,165)	(156,892)	(219,754)
Financial Revenue	26,799	31,229	89,316	109,432
Financial Expenses/Revenue	**(21,056)**	**(37,936)**	**(67,576)**	**(110,322)**
Earnings before Income Tax and Social Charges	**106,978**	**123,663**	**448,881**	**602,893**
Income Tax and Social Charges	(12,113)	(20,729)	(57,750)	(103,783)
Net Income	**94,865**	**102,934**	**391,131**	**499,111**

RaiaDrogasil

Consolidated Income Statement *(R$ thousand)*	4Q15	4Q16	2015	2016
Gross Revenue	**2,574,215**	**3,205,873**	**9,424,777**	**11,827,567**
Taxes, Discounts and Returns	(115,961)	(148,876)	(402,822)	(571,001)
Net Revenue	**2,458,254**	**3,056,997**	**9,021,955**	**11,256,565**
Cost of Goods Sold	(1,718,350)	(2,134,653)	(6,286,214)	(7,752,422)
Gross Profit	**739,904**	**922,344**	**2,735,741**	**3,504,143**
Operational (Expenses) Revenue				
Sales	(490,616)	(598,867)	(1,753,100)	(2,218,765)
General and Administrative	(61,348)	(87,480)	(239,125)	(297,729)
Other Operational Expenses, Net	(8,818)	(7,677)	(9,978)	(7,677)
Operational Expenses	**(560,782)**	**(694,024)**	**(2,002,203)**	**(2,524,170)**
EBITDA	**179,122**	**228,319**	**733,538**	**979,973**
Depreciation and Amortization	(60,086)	(74,397)	(227,059)	(274,434)
Operational Earnings before Financial Results	**119,036**	**153,923**	**506,479**	**705,538**
Financial Expenses	(49,359)	(69,165)	(156,892)	(219,754)
Financial Revenue	28,483	31,229	89,316	109,432
Financial Expenses/Revenue	**(20,876)**	**(37,936)**	**(67,576)**	**(110,322)**
Earnings before Income Tax and Social Charges	**98,160**	**115,987**	**438,903**	**595,216**
Income Tax and Social Charges	(19,813)	(28,817)	(97,150)	(143,965)
Net Income	**78,347**	**87,169**	**341,753**	**451,252**

RaiaDrogasil

2015 Income Statement Reconciliation	Consolidated(1)	+	4Bio 9M15(2)	+	Adjustments(3)	=	Combined	+	Adjustments(4)	=	Combined Adjusted
(R$ thousand)											
Gross Revenues	**9,295,978**		**128,799**		**0**		**9,424,777**		**0**		**9,424,777**
Deductions	(398,129)		(4,693)		0		(402,822)		0		(402,822)
Net Revenues	**8,897,849**		**124,106**		**0**		**9,021,955**		**0**		**9,021,955**
Cost of Goods Sold	(6,183,289)		(104,278)		1,353		(6,286,214)		0		(6,286,214)
Gross Profit	**2,714,560**		**19,828**		**1,353**		**2,735,741**		**0**		**2,735,741**
Operational (Expenses) Revenues											
Sales	(1,742,093)		(11,007)		0		(1,753,100)		0		(1,753,100)
General and Administrative	(235,089)		(4,036)		0		(239,125)		0		(239,125)
Other Operational Expenses, Net	(8,818)										
Operational Expenses	**(1,986,000)**		**(16,203)**		**0**		**(2,002,203)**		**9,978**		**(1,992,225)**
EBITDA	**728,560**		**3,625**		**1,353**		**733,538**		**9,978**		**743,516**
Depreciation and Amortization	(227,698)		(157)		796		(227,059)		0		(227,059)
Operational Earnings before Financial Results	**500,862**		**3,468**		**2,149**		**506,479**		**9,978**		**516,457**
Financial Expenses	(153,748)		(3,144)		0		(156,892)		0		(156,892)
Financial Revenues	88,787		529		0		89,316		0		89,316
Financial Expenses/Revenues	**(64,961)**		**(2,615)**		**0**		**(67,576)**		**0**		**(67,576)**
Earnings before Income Tax and Social Charges	**435,901**		**853**		**2,149**		**438,903**		**9,978**		**448,881**
Income Tax and Social Charges	(96,116)		(303)		(731)		(97,150)		39,400		(57,750)
Net Income	**339,785**		**550**		**1,418**		**341,753**		**49,378**		**391,131**

(1) **Consolidated:** refers to the consolidated financial statements ended on December 31st, 2015, audited by our independent auditors, which considers nine months of Raia Drogasil results and three months of 4Bio consolidated results.

(2) **4Bio 9M15:** refers to nine months of 4Bio intermediate statements.

(3) **Adjustments:** refers to PPA (purchase price allocation) adjustments on COGS (R$ 1,353 thousand), Depreciation and Amortization (R$ 796 thousand) and Income Tax and Social Charges (-R$ 731 thousand).

(4) **Adjustments:** refers to non-recurring expenses with bad debtors' provision from a third party PBM, 4Bio transaction and integration and a change in PBM receivables provisioning (R$ 9,978 thousand) and to tax shield from the goodwill amortization (R$ 42,792 thousand) and from the non-recurring expenses (-R$ 3,392 thousand).

Assets	**4Q15**	**4Q16**
(R$ thousand)		
Current Assets		
Cash and Cash Equivalents	266,051	276,632
Accounts Receivable	601,831	772,241
Inventories	1,650,453	2,149,468
Taxes Receivable	59,530	111,772
Other Accounts Receivable	98,261	105,111
Following Fiscal Year Expenses	9,718	12,558
	2,685,844	3,427,782
Non-Current Assets		
Deposit in Court	18,730	23,007
Taxes Receivable	23,156	22,963
Other Credits	2,613	4,887
Investments	23,496	-
Property, Plant and Equipment	801,985	1,006,606
Intangible	1,130,613	1,174,057
	2,000,593	2,231,521
ASSETS	4,686,437	5,659,303

Liabilities and Shareholder's Equity	**4Q15**	**4Q16**
(R$ thousand)		
Current		
Suppliers	1,203,382	1,615,586
Loans and Financing	108,191	132,581
Salaries and Social Charges Payable	165,409	199,378
Taxes Payable	55,877	96,731
Dividend and Interest on Equity	24,402	25,933
Provision for Lawsuits	3,346	-
Other Accounts Payable	88,159	114,474
	1,648,766	2,184,683
Non-Current Assets		
Loans and Financing	188,196	281,387
Provision for Lawsuits	3,352	2,591
Income Tax and Social Charges deferred	161,652	193,188
Other Accounts Payable	36,107	61,499
	389,307	538,665
Shareholder's Equity		
Common Stock	1,822,407	1,808,639
Capital Reserves	128,767	138,553
Revaluation Reserve	12,569	12,383
Income Reserves	666,608	919,117
Equity Adjustments	(30,230)	(30,230)
Non Controller Interest	-	26,169
Additional Dividend Proposed	48,243	61,324
	2,648,364	2,935,955
LIABILITIES AND SHAREHOLDERS' EQUITY	4,686,437	5,659,303

RaiaDrogasil

Cash Flow	4Q15	4Q16	2015	2016
Earnings before Income Tax and Social Charges	**96,011**	**115,987**	**436,756**	**595,216**
Adjustments				
Depreciation and Amortization	60,882	74,396	227,855	274,434
Compensation plan with restricted shares, net	996	3,393	3,471	7,984
Interest over additional stock option	1,402	8,989	-	13,596
P,P&E and Intangible Assets residual value	1,719	5,830	4,728	12,189
Provisioned Lawsuits	(1,726)	2,583	(3,624)	6,667
Provisioned Inventories Loss	(9,361)	(7,362)	(12,106)	(14,147)
Allowance for Doubtful Accounts	4,813	(691)	5,444	(504)
Provisioned Store Closures	(1,559)	1,675	(1,415)	737
Interest Expenses	8,909	12,126	32,085	42,023
	162,086	**216,926**	**694,596**	**938,195**
Assets and Liabilities variation				
Accounts Receivable	(20,599)	(53,095)	(114,819)	(176,255)
Inventories	(166,205)	(197,741)	(286,022)	(484,868)
Other Short Term Assets	5,610	7,978	(25,133)	(55,081)
Long Term Assets	(3,942)	(5,685)	(11,128)	(6,360)
Suppliers	241,191	281,310	310,204	403,633
Salaries and Social Charges	(31,472)	(40,079)	22,772	33,971
Taxes Payable	(5,778)	(10,410)	(8,395)	753
Other Liabilities	(7,307)	2,744	(8,832)	15,171
Rent Payable	4,479	4,366	10,597	11,927
Cash from Operations	**178,063**	**206,314**	**583,840**	**681,086**
Interest Paid	(4,890)	(5,492)	(21,513)	(21,896)
Income Tax and Social Charges Paid	-	(10,737)	(61,672)	(103,661)
Net Cash from (invested) Operational Activities	**173,173**	**190,085**	**500,655**	**555,529**
Investment Activities Cash Flow				
Controlled Acquisition	(5,505)	-	(5,505)	-
P,P&E and Intangible Acquisitions	(139,730)	(135,355)	(385,022)	(490,169)
P,P&E Sale Payments	895	676	1,806	1,112
Net Cash from Investment Activities	**(144,340)**	**(134,679)**	**(388,721)**	**(489,057)**
Financing Activities Cash Flow				
Funding	55,928	80,478	120,791	222,468
Payments	(31,268)	(33,229)	(126,862)	(125,017)
Interest on Equity and Dividends Paid	(57,302)	(81,850)	(121,280)	(153,342)
Net Cash from Funding Activities	**(32,642)**	**(34,601)**	**(127,351)**	**(55,891)**
Cash and Cash Equivalents net increase	**(3,809)**	**20,805**	**(15,417)**	**10,581**
Cash and Cash Equivalents in the beggining of the period	**269,860**	**106,770**	**281,468**	**266,051**
Cash and Cash Equivalents in the end of the period	**266,051**	**127,575**	**266,051**	**276,632**

IBRX IBRA IGCT ITAG IGC ICON MLCX RADL3 NOVO MERCADO BM&FBOVESPA

RaiaDrogasil

2016 Results Conference Calls – February 17th, 2017

Portuguese
at 10:00 am (Brasília)

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

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: Raia Drogasil

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

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

For more information, please contact our Investor Relations department.

E-mail: ri@raiadrogasil.com.br