



São Paulo, October 26, 2017. **RD – People, Health and Well-being** (Raia Drogasil S.A. – B3: RADL3) announces today its results for the 3rd quarter of 2017 (3Q17). The quarterly information of RD was prepared in accordance to the Accounting Pronouncement 21 – Intermediate Statements as well as the standards issued by the Brazilian Securities and Exchange Commission – CVM and was reviewed by our independent auditors in accordance with Brazilian intermediate statements standards of auditing. Such information was prepared in Reais and all growth rates relate to the same period of 2016.

QUARTERLY HIGHLIGHTS:

- › **DRUGSTORES:** 1,554 stores in operation (54 openings and 6 closures)
- › **GROSS REVENUES:** R\$ 3.6 billion, 17.4% growth (7.6% retail same-store sales growth)
- › **GROSS MARGIN:** 28.5% of gross revenues, a 1.0 percentage point decrease
- › **EBITDA:** R\$ 296.5 million, 8.3% margin, in line vs. the 3Q16
- › **NET INCOME:** R\$ 136.5 million, 3.8% of net margin, an increase of 16.8%
- › **CASH FLOW:** R\$ 102.1 million free cash flow, R\$ 102.8 million of total cash generation

RADL3

R\$ 77.43/share

NUMBER OF SHARES

330.386.000

MARKET CAP

R\$ 25.582 (million)

CLOSING

October 25, 2017

IR CONTACTS:

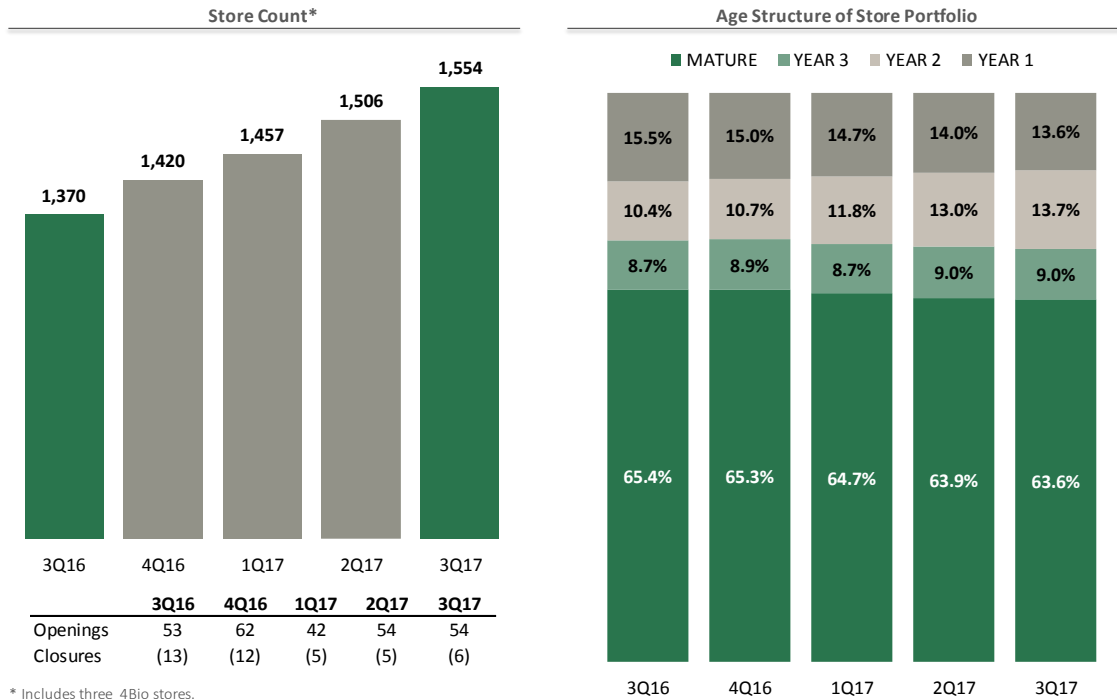
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Summary	3Q16	4Q16	1Q17	2Q17	3Q17
<i>(R\$ thousand)</i>					
# of Stores - Retail + 4Bio	1,370	1,420	1,457	1,506	1,554
Store Openings	53	62	42	54	54
Store Closures	(13)	(12)	(5)	(5)	(6)
# of Stores (average)	1,347	1,394	1,435	1,485	1,533
Headcount (EoP)	28,661	29,009	28,952	30,264	31,163
Pharmacist Count (EoP)	5,393	5,515	5,561	5,773	5,977
# of Tickets (000)	47,620	49,302	48,439	51,091	52,798
Gross Revenue	3,050,163	3,205,873	3,212,406	3,397,860	3,580,024
Gross Profit	900,034	922,344	921,624	999,721	1,020,396
% of Gross Revenues	29.5%	28.8%	28.7%	29.4%	28.5%
EBITDA	254,004	235,996	244,018	301,085	296,463
% of Gross Revenues	8.3%	7.4%	7.6%	8.9%	8.3%
Adjusted Net Income	116,884	92,236	105,427	137,970	136,493
% of Gross Revenues	3.8%	2.9%	3.3%	4.1%	3.8%
Net Income	116,884	87,169	104,002	137,970	136,493
% of Gross Revenues	3.8%	2.7%	3.2%	4.1%	3.8%
Free Cash Flow	155,333	50,097	(172,734)	(47,500)	102,134

STORE DEVELOPMENT



We opened 54 new stores in the quarter, reaching a total of 1,554 stores, including three 4Bio units. We have opened a total of 150 new stores year to date, and reiterate the gross store opening guidance of 200 new stores for 2017.

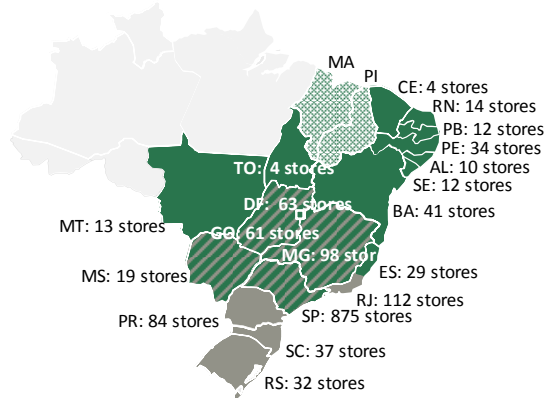
At the end of the period, 36.4% of our stores were still in the process of maturation and had not yet reached their full potential both in terms of revenue and of profitability. We ended the quarter with the highest percentage of non-mature stores recorded since the 2Q13.

We had six store closures in the quarter, four of them due to portfolio optimization of mature stores, with positive return expectations associated to them in the case of relocations, while the other two were corrections of expansion mistakes. Since the beginning of the year, we have closed a total of 16 stores.

Our average national market share reached 11.7% in the quarter (including 4Bio), a 0.6 percentage point increase when compared to the 3Q16. We have increased our market share in four of the five core regions where we operate. The Northeast was our main highlight, where we recorded a market share of 5.2%, a 1.2 percentage point increase driven by our organic expansion. We recorded a market share of 22.7% in São Paulo, a 0.4 percentage point increase, and of 7.7% in the remaining states of Southeast, a 0.3 percentage point gain. Finally, we recorded a 13.2% market share in the Midwest, a loss of 0.3 percentage point due to a very strong comp base in Brasília, since our main competitor in the region was in distress.

In July, we entered the state of Ceará by opening four stores in Fortaleza. We are now present in 19 states that account for 93% of the Brazilian pharmaceutical market. In the upcoming quarters, we will also enter the states of Maranhão and Piauí, which will extend our presence to all nine states in the Northeast (Bahia, Sergipe, Alagoas, Pernambuco, Paraíba, Rio Grande do Norte, Ceará, Maranhão and Piauí).

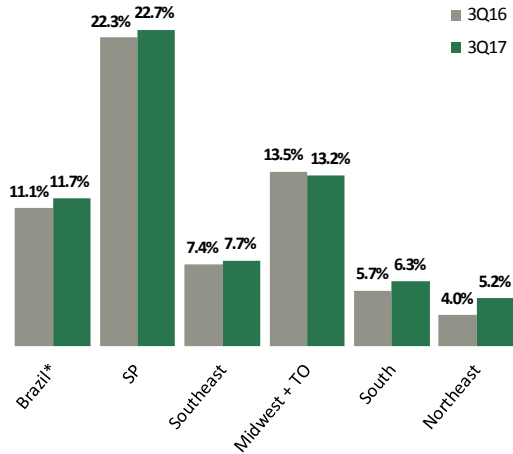
Geographic Presence



Total: 1,554 stores
 Raia: 730 stores
 Drogasil: 800 stores
 Future markets
 * Farmasil: 21 stores
 * 4Bio: 3 stores

Source: IMS Health
 * Includes 4Bio only for Brazil total.

Market Share

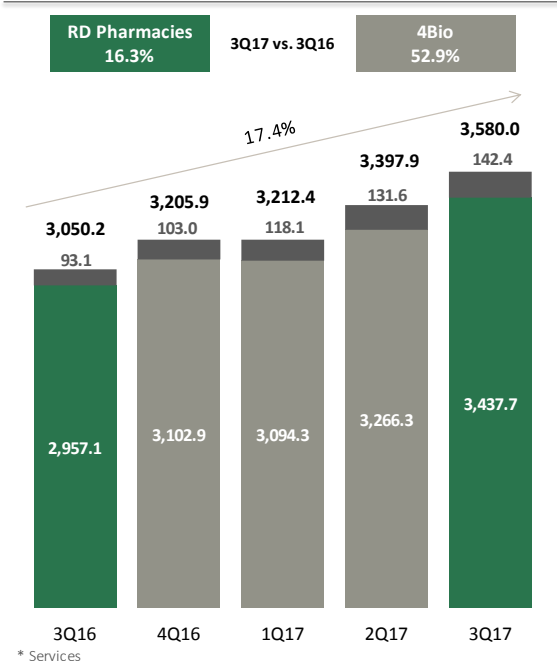


PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

Region	SP	Southeast	Midwest + TO	South	Northeast
Brazil*	26.6%	24.5%	9.6%	16.4%	18.6%

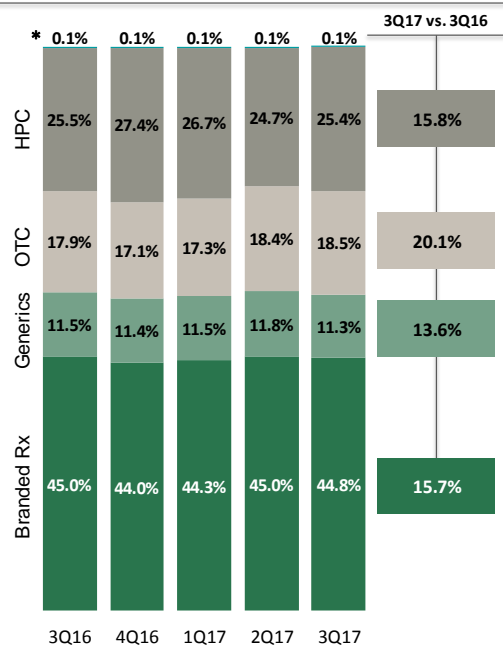
GROSS REVENUES

Consolidated Gross Revenue



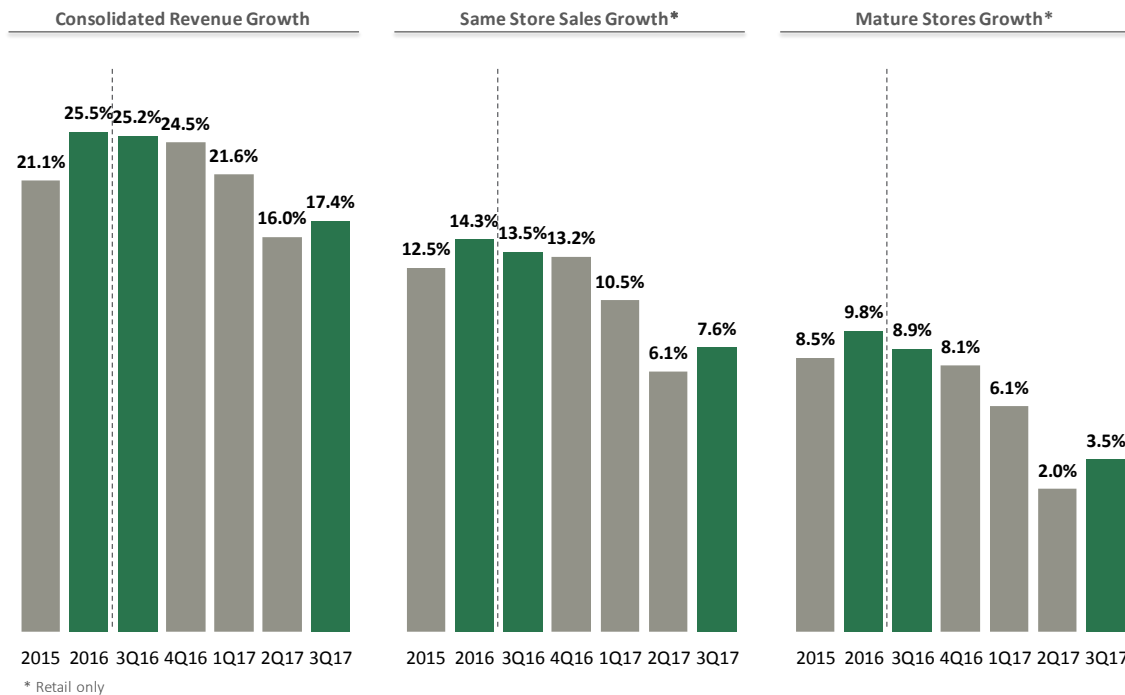
* Services

Retail Sales Mix



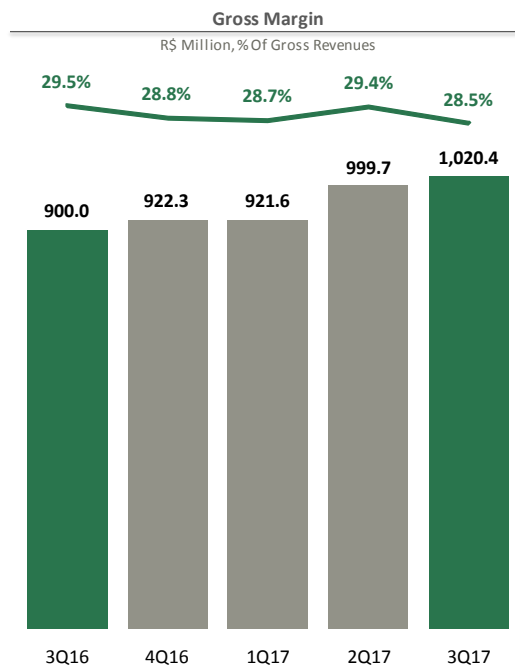
We ended the 3Q17 with gross revenues of R\$ 3,580.0 million, a 17.4% increase over the previous year. Our drugstore revenues increased by 16.3%, while 4Bio grew 52.9% in the period.

OTC was the highlight of the quarter by growing 20.1 and gaining 0.6 percentage point of participation in the sales mix, driven by a good performance in seasonal products. HPC grew 15.8%, a reduction of 0.1 percentage point in the sales mix. Branded Rx grew 15.7%, losing 0.2 percentage point of participation, while Generics grew by 13.6%, also losing 0.2 percentage point in the sales mix.



Considering our retail operations, same store sales increased by 7.6%, while our mature stores recorded 3.5% of growth. We recorded a negative calendar effect of 0.1% for the period but benefited from a lower comp base in the 3Q16 due to the Olympic Games. Finally, the Brazilian pharmaceutical market grew by 10.8% in the last twelve months ended in September 2017, according to IMS Health, a testament to the defensive nature of our Industry.

GROSS MARGIN

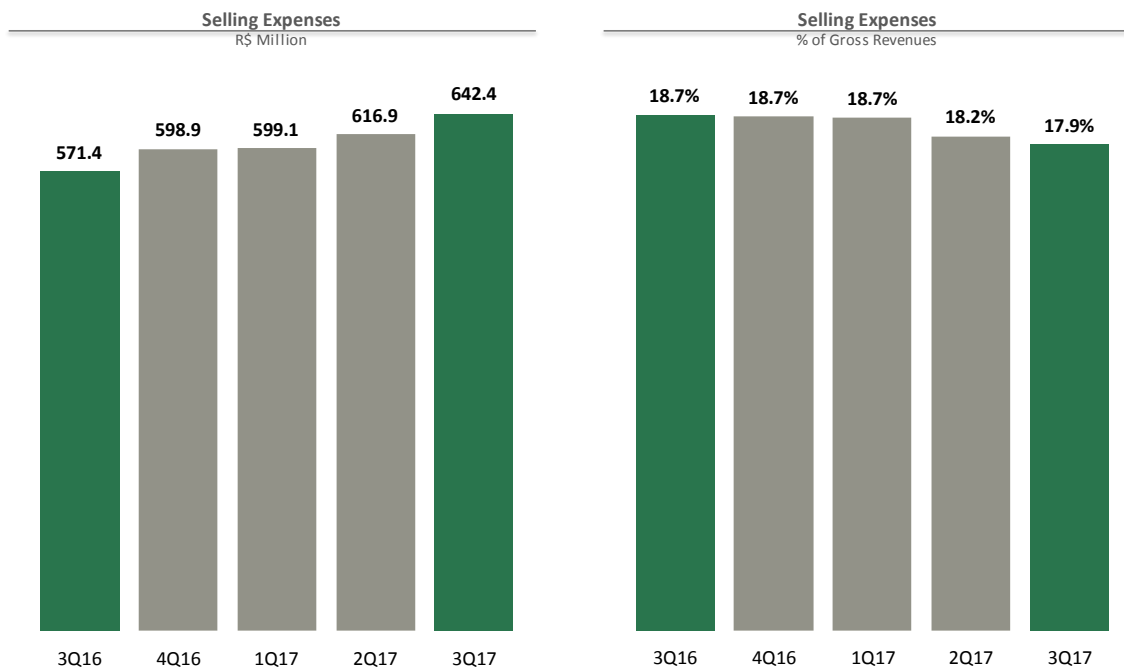


Our gross margin reached 28.5%, a 1.0 percentage point pressure versus the same period of last year. This was mainly due to the high comp base of the 3Q16, as the price cap increase of 11.8% recorded in 2016 produced a residual gain of approximately 0.7

percentage point in the quarter above the gains registered in the 3Q17. We also recorded a 0.3 percentage point margin pressure from the Net Present Value (NPV) adjustment, due to lower interest rate versus the 3Q16, and a 0.3 percentage point pressure at 4Bio, due to its negative mix effect and gross margin pressure. These pressures were mitigated by other gains that amounted to 0.3 percentage point.

SELLING EXPENSES

In the 3Q17, selling expenses totaled R\$ 642.4 million, equivalent to 17.9% of gross revenue, a 0.8 percentage point dilution over the 3Q16 and the lowest level recorded since the 2Q12.



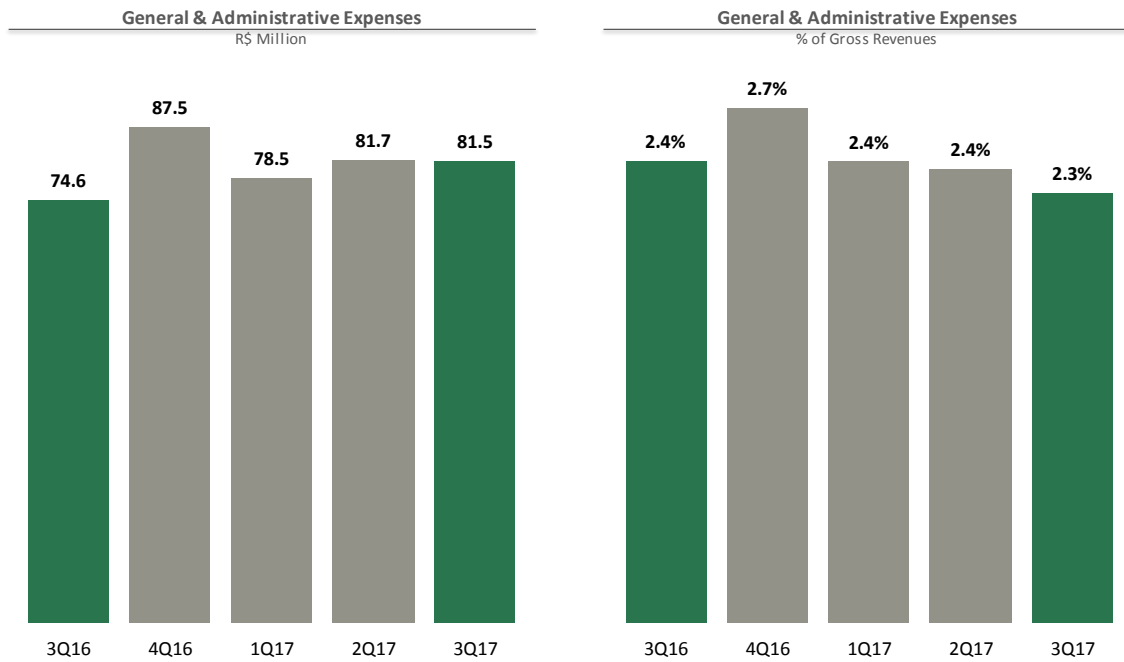
The 0.8 percentage point dilution achieved in the quarter is a result of an enhanced expense control and of a very disciplined execution carried out by the company throughout the year.

Personnel expenses were diluted by 0.5 percentage point. Additionally, marketing, 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 0.1 percentage point in rentals.

Sales expenses were diluted by 0.3 percentage point when compared to the 2Q17. Rental, electricity and asset write-offs were diluted by 0.1 percentage point each, while other key expenses like personnel, transportation and marketing remained flat.

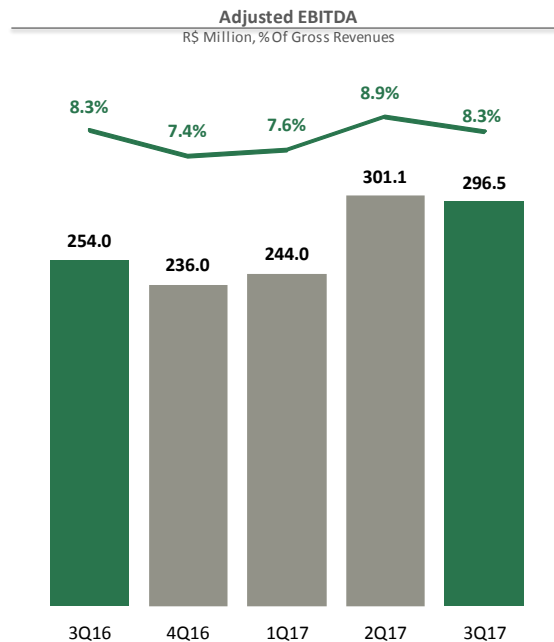
GENERAL & ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R\$ 81.5 million in the 3Q17, equivalent to 2.3% of gross revenue, a 0.1 percentage point dilution versus both the 3Q16 and the 2Q17. This expense reduction was due to a dilution of personnel expenses stemming from economies of scale.



EBITDA

Our Adjusted EBITDA reached R\$ 296.5 million in the quarter, a 16.7% increase over the 3Q16. Our EBITDA margin totaled 8.3%, in line with the same period of last year.



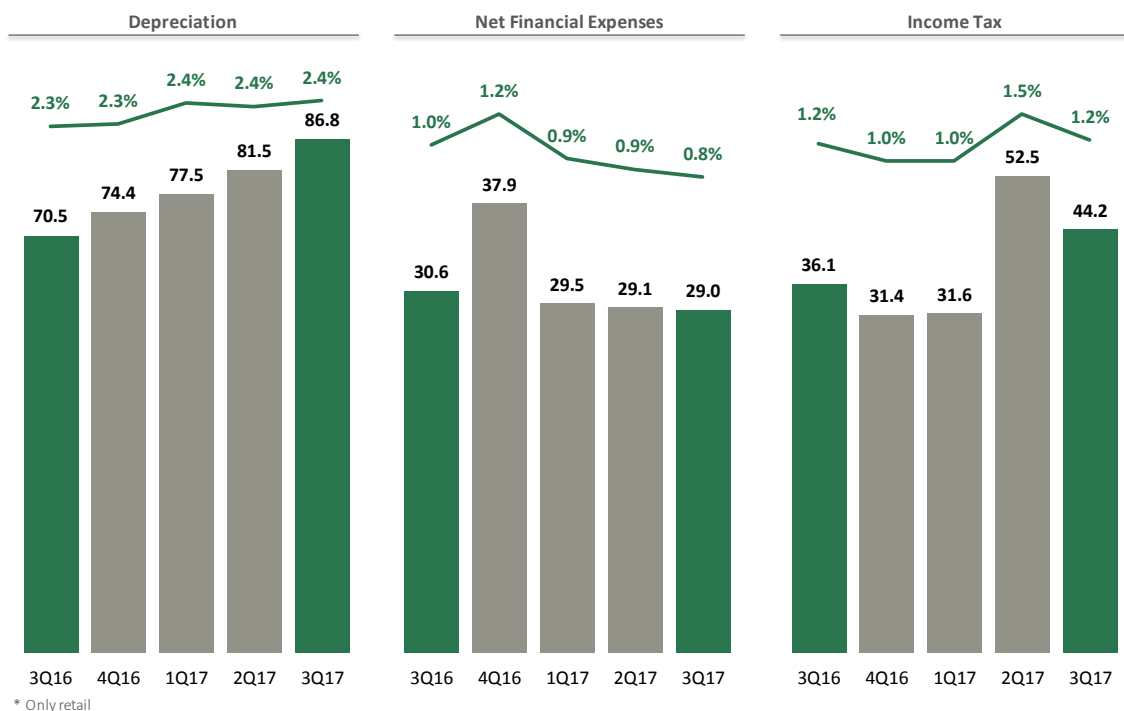
Although we faced a gross margin pressure of 1.0 percentage point, mostly due to the higher comp base of the 3Q16, we were able to fully offset it through SG&A dilution, a material efficiency gain that, in contrast to the gross margin pressure, is both structural and recurring, and which is likely to support margin expansion over the next quarters.

New stores opened in the year, as well as those that were in the opening process, reduced the EBITDA by R\$ 3.0 million in the 3Q17. Therefore, considering only the 1,404 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\$ 299.4 million, equivalent to an EBITDA margin of 8.8% over gross revenues.

Our drugstore operations reached an EBITDA of R\$ 294.0 million and a margin of 8.6% in the 3Q17, a 0.1 percentage point expansion over the same period of last year. This margin expansion came from the expense dilution recorded in the period, which were partially offset by gross margin pressures. Finally, 4Bio reached an EBITDA of R\$ 2.5 million and margin of 1.8%, a 3.0 percentage point margin pressure due to structural gross margin pressures.

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES



Depreciation expenses amounted to R\$ 86.8 million in the quarter, equivalent to 2.4% of gross revenues, a 0.1 percentage point increase over 3Q16.

Financial expenses represented 0.8% of gross revenues, a 0.2 percentage point decrease over the 3Q16. Of the R\$ 29.0 million recorded in the quarter, R\$ 14.3 million refers to the NPV Adjustment while R\$ 2.6 million refers to the interest on the option to acquire 4Bio in 2021.

The interest effectively accrued on financial debt amounted to R\$ 12.1 million, equivalent to 0.3% of revenues in the 3Q17, in line with the 3Q16.

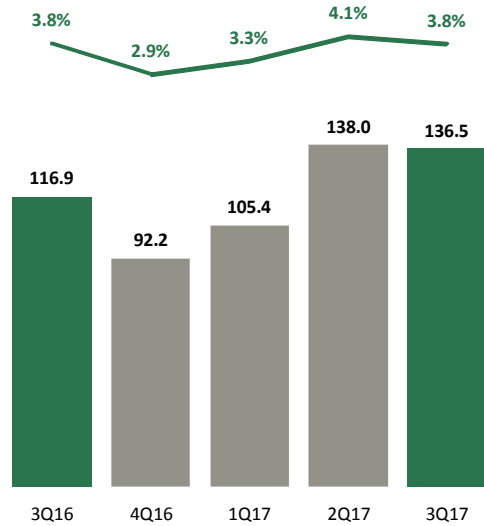
Finally, we booked R\$ 44.2 million in income taxes, equivalent to 1.2% of gross revenues.

NET INCOME

Net income totaled R\$ 136.5 million in the quarter, a 16.8% increase over the same period of the previous year. We achieved a net margin of 3.8%, in line with the 3Q16.

Adjusted Net Income

R\$ Million, % of Gross Revenues

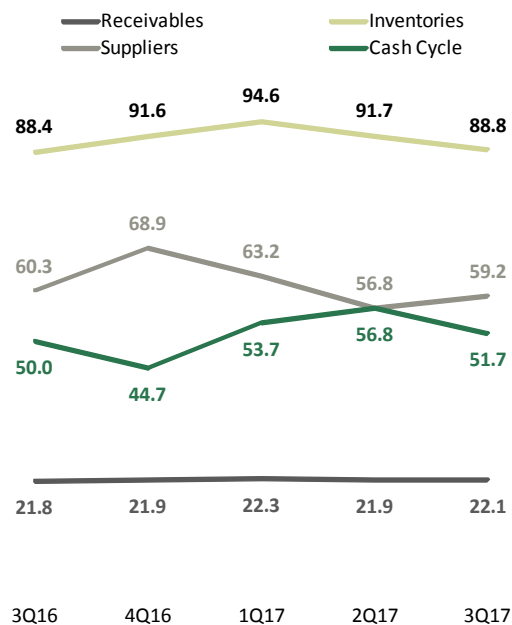


CASH CYCLE

Our cash cycle was 1.7 day higher when compared to the same period of the previous year. Inventories increased by 0.4 day and accounts payable decreased 1.1 day. Lastly, receivables increased 0.3 day.

Cash Cycle*

COGS Days, Gross Revenues Days



* Adjusted by discounted receivables.

CASH FLOW

In the 3Q17, we generated a free cash flow of R\$ 102.1 million, and a total cash flow of R\$ 102.8 million.

Cash Flow (R\$ million)	3Q17	3Q16	YTD '17	YTD '16
Adjusted EBIT	209.7	183.5	595.8	551.6
NPV Adjustment	(17.0)	(24.8)	(49.3)	(46.9)
Non-Recurring Expenses	-	-	(2.2)	-
Income Tax (34%)	(65.5)	(54.0)	(185.1)	(171.6)
Depreciation	86.8	70.5	245.8	200.0
Others	3.2	2.3	23.4	10.8
Resources from Operations	217.1	177.5	628.4	543.9
Cash Cycle*	30.7	80.5	(365.2)	(291.5)
Other Assets (Liabilities)**	45.7	40.9	98.4	73.2
Operating Cash Flow	293.6	299.0	361.6	325.6
Investments	(191.4)	(143.7)	(479.7)	(354.4)
Free Cash Flow	102.1	155.3	(118.1)	(28.8)
Interest on Equity	(0.0)	(0.0)	(85.2)	(71.5)
Income Tax Paid over Interest on Equity	(6.9)	(6.6)	(14.0)	(13.3)
Net Financial Expenses***	(14.7)	(9.4)	(42.3)	(26.9)
Income Tax (Tax benefit over financial expenses and interest on equity)	22.3	19.9	65.7	58.3
Total Cash Flow	102.8	159.2	(193.9)	(82.1)

*Includes adjustments to discounted receivables.

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

***Excludes NPV adjustments.

Resources from operations amounted to R\$ 217.1 million, equivalent to 6.1% of gross revenues, while we recorded a working capital reduction of R\$ 76.5 million amounting to a positive operating cash flow of R\$ 293.6 million.

Of the R\$ 191.4 million invested in the quarter, R\$ 84.4 million corresponded to new store openings, R\$ 36.0 million to the renovation or expansion of existing stores, R\$ 38.8 million to investments in infrastructure, and another R\$ 32.2 million to the acquisition of an aircraft, which will support both our expansion and store operations with enhanced flexibility and security.

Net financial expenses totaled R\$ 14.7 million in the quarter, excluding the NPV adjustments. These were more than fully offset by the R\$ 22.3 million tax shield related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid in the following quarters.

We accrued R\$ 51.0 million in interest on equity in the 3Q17, reflecting a payout of 37.4%, through the full usage of the legal interest on equity limit.

INDEBTEDNESS

At the end of the quarter, we recorded an adjusted net debt position of R\$ 376.4 million, versus R\$ 144.0 million recorded in the same period of 2016. The Adjusted Net Debt to EBITDA totaled 0.3x, 0.1x higher than the same period of last year.

This net debt includes R\$ 52.5 million in liability related to the exercise of the put option granted and/or call option obtained for the acquisition of the remaining 45% minority stake of 4Bio. This liability reflects the estimated valuation of 4Bio as of December 2016, assuming the pre-agreed multiple, the average forecasted annual EBITDA for 2018, 2019 and 2020 and the forecasted net debt for 2020 as stipulated in the acquisition contracts. This estimate will be revisited annually to reflect changes in the economic outlook of 4Bio. Further, we had no discounted receivables recorded in the quarter.

Net Debt	3Q16	3Q17
<i>(R\$ million)</i>		
Short-term Debt	117.8	231.8
Long-term Debt	242.3	486.7
Total Gross Debt	360.1	718.5
(-) Cash and Equivalents	255.8	394.6
Net Debt	104.3	323.9
Discounted Receivables	3.5	-
Put/Call option to acquire 4Bio (estimated)	36.2	52.5
Adjusted Net Debt	144.0	376.4
Adjusted Net Debt / EBITDA	0.2x	0.3x

Our gross debt totaled R\$ 718.5 million, of which 56.5% corresponds to BNDES (Brazilian Economic and Social Development Bank) lines, and 43.5% correspond to the debentures issued on April 2017. Of our total debt, 67.7% is long-term, while 32.3% 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\$ 394.6 million.

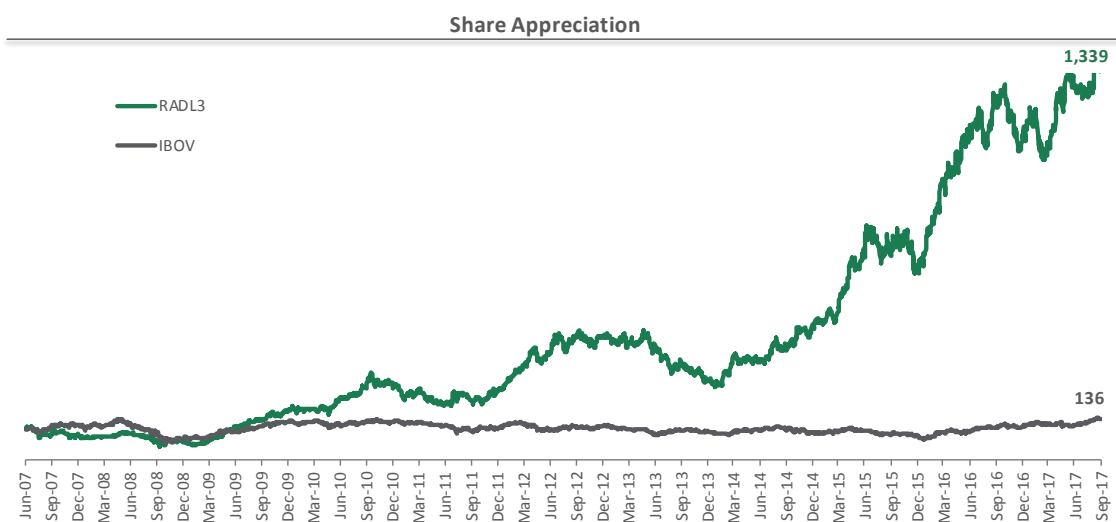
In October 25, 2017, the Company has received BNDES' consent to prepay a loan hired in October 27, 2014. The amount of the debt is approximately R\$ 64 million, which should be paid off in the next few days. This decision is in line with the Company's strategy of reducing its debt financing cost, considering the downward trends in interest rates.

TOTAL SHAREHOLDER RETURN

Our share price appreciated by 7.2% in the 3Q17, while the Ibovespa gained 18.1% in the same period.

Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,239.3% versus a return of only 36.6% for the Ibovespa. Including the payment of interest on equity, we generated an average annual total return to shareholders of 29.2%. Considering the IPO of Raia in December of 2010, the cumulative return amounted to 615.9% versus an increase of only 9.3% of the Ibovespa. Considering the payment of interest on equity, this resulted in an average annual total return to shareholders of 34.1%.

We recorded an average daily trading volume of R\$ 64.3 million in the quarter.



Consolidated Income Statement <i>(R\$ thousand)</i>	<u>3Q16</u>	<u>3Q17</u>
Gross Revenue	3,050,163	3,580,024
Taxes, Discounts and Returns	(149,233)	(163,184)
Net Revenue	2,900,930	3,416,840
Cost of Goods Sold	(2,000,896)	(2,396,444)
Gross Profit	900,034	1,020,396
Operational (Expenses) Revenue		
Sales	(571,423)	(642,400)
General and Administrative	(74,608)	(81,533)
Operational Expenses	(646,030)	(723,933)
EBITDA	254,004	296,463
Depreciation and Amortization	(70,499)	(86,760)
Operational Earnings before Financial Results	183,505	209,703
Financial Expenses	(59,842)	(57,199)
Financial Revenue	29,281	28,231
Financial Expenses/Revenue	(30,561)	(28,968)
Earnings before Income Tax and Social Charges	152,944	180,735
Income Tax and Social Charges	(36,061)	(44,242)
Net Income	116,884	136,493

Assets (R\$ thousand)	<u>3Q16</u>	<u>3Q17</u>
Current Assets		
Cash and Cash Equivalents	255,827	394,563
Accounts Receivable	728,661	869,801
Inventories	1,944,365	2,338,694
Taxes Receivable	115,348	83,703
Other Accounts Receivable	94,905	135,386
Following Fiscal Year Expenses	16,961	21,725
	<u>3,156,068</u>	<u>3,843,871</u>
Non-Current Assets		
Deposit in Court	20,281	27,947
Taxes Receivable	20,856	33,162
Other Credits	4,035	4,973
Property, Plant and Equipment	950,190	1,212,884
Intangible	1,168,422	1,186,998
	<u>2,163,783</u>	<u>2,465,964</u>
ASSETS	<u>5,319,851</u>	<u>6,309,835</u>

Liabilities and Shareholder's Equity <i>(R\$ thousand)</i>	3Q16	3Q17
Current		
Suppliers	1,325,004	1,558,783
Loans and Financing	117,787	231,775
Salaries and Social Charges Payable	239,457	251,623
Taxes Payable	89,000	121,243
Dividend and Interest on Equity	125,707	131,373
Provision for Lawsuits	1,396	4,042
Other Accounts Payable	112,768	117,837
	<u>2,011,119</u>	<u>2,416,676</u>
Non-Current Assets		
Loans and Financing	242,297	486,715
Provision for Lawsuits	2,722	7,395
Income Tax and Social Charges deferred	186,336	217,650
Other Accounts Payable	38,961	69,349
	<u>470,315</u>	<u>781,109</u>
Shareholder's Equity		
Common Stock	1,808,639	1,808,639
Capital Reserves	139,192	148,039
Revaluation Reserve	12,430	12,244
Income Reserves	665,820	919,117
Accrued Income	216,621	226,619
Equity Adjustments	(30,230)	(30,230)
Non Controller Interest	25,945	27,623
	<u>2,838,417</u>	<u>3,112,050</u>
LIABILITIES AND SHAREHOLDERS' EQUITY	<u>5,319,851</u>	<u>6,309,835</u>

Cash Flow	3Q16	3Q17
<i>(R\$ thousand)</i>		
Earnings before Income Tax and Social Charges	152,944	180,735
Adjustments		
Depreciation and Amortization	70,499	86,760
Compensation plan with restricted shares, net	2,969	3,317
Interest over additional stock option	1,605	2,550
P,P&E and Intangible Assets residual value	5,577	1,970
Provisioned Lawsuits	1,344	(1,157)
Provisioned Inventories Loss	(1,198)	(92)
Provision for Doubtful Accounts	(665)	924
Provisioned Store Closures	(5,756)	(1,787)
Interest Expenses	11,394	18,515
Debenture Emission Costs Amortization	0	63
	238,713	291,798
Assets and Liabilities variation		
Clients and Other Accounts Receivable	(2,611)	(48,713)
Inventories	(166,088)	(84,042)
Other Short Term Assets	(26,782)	8,157
Long Term Assets	7,008	(4,094)
Suppliers	250,814	163,485
Salaries and Social Charges	29,841	26,735
Taxes Payable	20,854	4,927
Other Liabilities	(2,288)	(6,628)
Rent Payable	3,081	3,027
Cash from Operations	352,542	354,652
Interest Paid	(6,102)	(5,537)
Income Tax and Social Charges Paid	(35,108)	(39,248)
Net Cash from (invested) Operational Activities	311,332	309,867
Investment Activities Cash Flow		
P,P&E and Intangible Acquisitions	(143,653)	(191,469)
P,P&E Sale Payments	0	37
Net Cash from Investment Activities	(143,653)	(191,432)
Financing Activities Cash Flow		
Funding	61,325	0
Payments	(29,670)	(48,218)
Interest on Equity and Dividends Paid	(3)	(17)
Net Cash from Funding Activities	31,652	(48,235)
Cash and Cash Equivalents net increase	199,331	70,200
Cash and Cash Equivalents in the beginning of the period	56,496	324,363
Cash and Cash Equivalents in the end of the period	255,827	394,563

3Q17 Results Conference Calls – October 27, 2017

Portuguese

at 10:00 am (Brasília)

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

Conference ID: RD

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

English

at 12:00 pm (Brasília)

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

Conference ID: RD

Replay (available for 7 days):
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