

(A free translation of the original in Portuguese)

Raia Drogasil S.A.
Quarterly Information (ITR) at
March 31, 2017
and report on review of
quarterly information

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

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Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Company information/capital composition

Number of shares (units)	Current quarter 3/31/2017
Paid-up share capital	
Common shares	330,386,000
Preferred shares	0
Total	330,386,000
Treasury shares	
Common shares	674,154
Preferred shares	0
Total	674,154

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Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Company information/dividends

Event	Date approved	Description	Initial date of payment	Type of share	Class of share	Amount per share (Reais/share)
Board of Directors' Meeting	3/21/2017	Interest on capital	12/1/2017	Common		0.15468

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Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Parent company financial information/balance sheet - assets

(R\$ thousand)

Code	Description	Current quarter 3/31/2017	Prior year 12/31/2016
1	Total assets	5,624,426	5,572,454
1.01	Current assets	3,349,064	3,350,002
1.01.01	Cash and cash equivalents	181,468	273,095
1.01.03	Trade receivables	877,547	834,552
1.01.03.01	Customers	716,310	713,841
1.01.03.01.01	Checks receivable	2,129	2,241
1.01.03.01.02	Credit and debit cards	644,617	648,987
1.01.03.01.03	PBM – Medicine Benefit Program	50,126	41,975
1.01.03.01.04	Agreements with companies	23,668	23,226
1.01.03.01.05	Bank slips/ Online transfer	19	24
1.01.03.01.06	(-) Provision for impairment of trade receivables	-4,249	-2,612
1.01.03.02	Other receivables	161,237	120,711
1.01.03.02.01	Advances to employees	8,330	7,392
1.01.03.02.02	Returns to suppliers	3,152	7,692
1.01.03.02.03	Commercial agreements	109,778	74,154
1.01.03.02.04	Loan receivable	22,731	16,099
1.01.03.02.05	Other	17,246	15,374
1.01.04	Inventory	2,166,269	2,118,428
1.01.04.01	Goods for resale	2,175,587	2,126,550
1.01.04.02	Materials	1,933	2,043
1.01.04.03	(-) Allowance for losses on goods	-11,251	-10,165
1.01.06	Taxes recoverable	95,399	111,513
1.01.06.01	Current taxes recoverable	95,399	111,513
1.01.06.01.01	Taxes on profit	0	11,950
1.01.06.01.02	Other taxes recoverable	95,399	99,563
1.01.07	Prepaid expenses	28,381	12,414
1.02	Non-current assets	2,275,362	2,222,452
1.02.01	Long term receivables	55,146	50,858
1.02.01.03	Trade receivables	334	334
1.02.01.03.02	Other receivables	334	334
1.02.01.07	Prepaid expenses	5,435	4,553
1.02.01.09	Other non-current assets	49,377	45,971
1.02.01.09.04	Judicial deposits	25,075	23,007
1.02.01.09.05	Taxes recoverable	23,741	22,403
1.02.01.09.06	Court-ordered debt bonds	561	561
1.02.02	Investments	29,602	29,424
1.02.02.01	Equity interests	29,602	29,424
1.02.02.01.02	Interests in subsidiaries	29,602	29,424
1.02.03	Property and equipment	1,047,935	1,004,891
1.02.04	Intangible assets	1,142,679	1,137,279

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Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Parent company financial information/balance sheet - liabilities and equity

(R\$ thousand)

Code	Description	Current quarter 3/31/2017	Prior year 12/31/2016
2	Total liabilities and equity	5,624,426	5,572,454
2.01	Current liabilities	2,151,921	2,127,912
2.01.01	Social security and labor obligations	190,125	196,600
2.01.01.01	Social security obligations	40,809	37,814
2.01.01.02	Labor obligations	149,316	158,786
2.01.02	Trade payables	1,420,592	1,564,787
2.01.02.01	Domestic suppliers	1,420,592	1,564,787
2.01.03	Tax obligations	124,161	95,088
2.01.03.01	Federal tax obligations	68,278	47,749
2.01.03.01.02	Other federal tax obligations	68,278	47,749
2.01.03.02	State tax obligations	50,403	44,062
2.01.03.03	Municipal tax obligations	5,480	3,277
2.01.04	Borrowing	160,677	131,804
2.01.04.01	Borrowing	160,677	131,804
2.01.04.01.01	In local currency	160,677	131,804
2.01.05	Other obligations	230,345	118,228
2.01.05.02	Other	230,345	118,228
2.01.05.02.01	Dividends and interest on capital	130,782	25,546
2.01.05.02.04	Rentals	57,943	56,290
2.01.05.02.06	Other payables	41,620	36,392
2.01.06	Provision	26,021	21,405
2.01.06.01	Provision for tax, social security, labor and civil contingencies	5,689	93
2.01.06.01.01	Tax provision	93	93
2.01.06.01.05	Provision for legal claims	5,596	0
2.01.06.02	Other provisions	20,332	21,312
2.01.06.02.06	Provisions for sundry obligations	20,332	21,312
2.02	Non-current liabilities	568,421	534,755
2.02.01	Borrowing	305,479	281,387
2.02.01.01	Borrowing	305,479	281,387
2.02.01.01.01	In local currency	305,479	281,387
2.02.02	Other obligations	59,501	60,959
2.02.02.01	Payables to related parties	47,537	45,228
2.02.02.01.02	Payables to subsidiaries	47,537	45,228
2.02.02.02	Other	11,964	15,731
2.02.02.02.03	Tax Recovery Program (REFIS)	11,964	15,731
2.02.03	Deferred taxes	196,067	189,818
2.02.03.01	Deferred income tax and social contribution	196,067	189,818
2.02.04	Provision	7,374	2,591
2.02.04.01	Provision for tax, social security, labor and civil contingencies	7,374	2,591
2.02.04.01.05	Provision for legal claims	7,374	2,591
2.03	Equity	2,904,084	2,909,787
2.03.01	Paid-up share capital	1,808,639	1,808,639
2.03.02	Capital reserves	141,318	138,553
2.03.03	Revaluation reserves	12,337	12,383
2.03.04	Revenue reserves	919,117	980,442
2.03.04.01	Legal reserve	64,839	64,839
2.03.04.02	Statutory reserve	854,278	854,279
2.03.04.08	Proposed additional dividends	0	61,324
2.03.05	Retained earnings (accumulated deficit)	52,903	0
2.03.06	Carrying value adjustments	-30,230	-30,230

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Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Parent company financial information/statement of income

(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 3/31/2017	Accumulated - prior year 1/1/2016 to 3/31/2016
3.01	Net sales revenue	2,948,298	2,449,324
3.01.01	Gross sales revenue	3,094,321	2,570,198
3.01.02	Taxes on sales	-110,569	-92,492
3.01.03	Rebates	-35,454	-28,382
3.02	Cost of sales and/or services	-2,039,509	-1,701,165
3.03	Gross profit	908,789	748,159
3.04	Operating income/expenses	-746,154	-619,262
3.04.01	Selling expenses	-591,131	-496,468
3.04.02	General and administrative expenses	-153,041	-122,953
3.04.02.01	Administrative expenses	-76,035	-60,608
3.04.02.02	Depreciation and amortization	-77,006	-62,345
3.04.05	Other operating expenses	-2,160	0
3.04.05.01	Extraordinary expenses	-2,160	0
3.04.06	Equity in the results of investees	178	159
3.05	Profit before finance results and taxes	162,635	128,897
3.06	Finance results	-28,298	-16,448
3.06.01	Finance income	27,181	24,796
3.06.02	Finance costs	-55,479	-41,244
3.07	Profit before income tax and social contribution	134,337	112,449
3.08	Income tax and social contribution	-30,481	-22,448
3.08.01	Current	-24,207	-13,008
3.08.02	Deferred	-6,274	-9,440
3.09	Profit (loss) from continuing operations	103,856	90,001
3.11	Profit/loss for the period	103,856	90,001
3.99	Earnings per share - (Reais/share)		
3.99.01	Basic earnings per share - R\$		
3.99.01.01	Common shares	0.31463	0.27304
3.99.02	Diluted earnings per share - R\$		
3.99.02.01	Common shares	0.31463	0.27304

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Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Parent company financial information/statement of comprehensive income
(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 3/31/2017	Accumulated - prior year 1/1/2016 to 3/31/2016
4.01	Profit for the period	103,856	90,001
4.03	Comprehensive income for the period	103,856	90,001

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Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Parent company financial information/statement of cash flow - indirect method

(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 3/31/2017	Accumulated - prior year 1/1/2016 to 3/31/2016
6.01	Net cash provided by operating activities	4,010	-61,389
6.01.01	Cash from operations	242,374	184,443
6.01.01.01	Profit before income tax and social contribution	134,337	112,449
6.01.01.02	Depreciation and amortization	77,006	62,345
6.01.01.03	Share-based compensation plan, net	2,765	1,920
6.01.01.04	Interest on additional stock option	2,310	1,467
6.01.01.05	Result on disposal of property and equipment and intangible assets	429	163
6.01.01.06	Provision (Reversal) for legal claims	10,534	185
6.01.01.07	(Reversal) provision for inventory losses	1,086	-3,596
6.01.01.08	Provision for impairment of trade receivables	1,460	589
6.01.01.09	(Reversal) provision for store closures	-91	0
6.01.01.10	Interest expenses	12,716	9,080
6.01.01.11	Equity in results of investees	-178	-159
6.01.02	Changes in assets and liabilities	-216,433	-226,066
6.01.02.01	Trade receivables and other receivables	-37,806	-39,281
6.01.02.02	Inventory	-48,927	-104,210
6.01.02.03	Other current assets	146	-29,306
6.01.02.04	Long term receivables	-4,289	-5,120
6.01.02.05	Trade payables	-135,344	-69,245
6.01.02.06	Salaries and social charges	-6,475	-1,082
6.01.02.07	Taxes and contributions	14,285	16,533
6.01.02.08	Other liabilities	324	4,551
6.01.02.09	Rentals payable	1,653	1,094
6.01.03	Other	-21,931	-19,766
6.01.03.01	Interest paid	-5,466	-4,998
6.01.03.02	Income tax and social contribution paid	-16,465	-14,768
6.02	Net cash used in investing activities	-141,285	-98,810
6.02.01	Purchases of property and equipment and intangible assets	-135,146	-98,810
6.02.02	Proceeds from sale of property and equipment	494	0
6.02.03	Loans granted to subsidiaries	-6,633	0
6.03	Net cash used in financing activities	45,648	-3,605
6.03.01	Borrowing	72,097	22,267
6.03.02	Repayments of borrowing	-26,382	-25,866
6.03.03	Interest on capital and dividends paid	-67	-6
6.05	Increase (decrease) in cash and cash equivalents	-91,627	-163,804
6.05.01	Cash and cash equivalents at the beginning of the period	273,095	264,549
6.05.02	Cash and cash equivalents at the end of the period	181,468	100,745

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Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Parent company financial information/statement of changes in equity - 1/1/2017 to 3/31/2017

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity
5.01	Opening balance	1,808,639	138,553	992,825	0	-30,230	2,909,787
5.03	Adjusted opening balance	1,808,639	138,553	992,825	0	-30,230	2,909,787
5.04	Equity transactions with owners	0	2,765	-61,324	-51,000	0	-109,559
5.04.07	Interest on capital	0	0	0	-51,000	0	-51,000
5.04.08	Interest on capital of 2017 approved at the AGM of March 29, 2017	0	0	-61,324	0	0	-61,324
5.04.09	Restricted share plan – Vesting period	0	2,765	0	0	0	2,765
5.04.10	Restricted share plan –Delivery	0	-4,863	0	0	0	-4,863
5.04.11	Goodwill on sale of shares	0	1,382	0	0	0	1,382
5.04.12	Treasury shares – Delivery	0	3,481	0	0	0	3,481
5.05	Total comprehensive income	0	0	0	103,856	0	103,856
5.05.01	Profit for the period	0	0	0	103,856	0	103,856
5.06	Internal changes in equity	0	0	-47	47	0	0
5.06.02	Realization of revaluation reserve	0	0	-70	70	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	23	-23	0	0
5.07	Closing balance	1,808,639	141,318	931,454	52,903	-30,230	2,904,084

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Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Parent company financial information/statement of changes in equity - 1/1/2016 to 3/31/2016

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity
5.01	Opening balance	1,808,639	128,767	726,633	0	-30,230	2,633,809
5.03	Adjusted opening balance	1,808,639	128,767	726,633	0	-30,230	2,633,809
5.04	Equity transactions with owners	0	4,494	-48,243	-47,700	0	-91,449
5.04.07	Interest on capital	0	0	0	-47,700	0	-47,700
5.04.08	Interest on capital of 2015 approved at the AGM of March 31,2016	0	0	-48,243	0	0	-48,243
5.04.09	Restricted share plan – Vesting period	0	3,582	0	0	0	3,582
5.04.10	Restricted share plan – Delivery	0	-890	0	0	0	-890
5.04.11	Restricted shares – Acquisition of 4Bio	0	1,802	0	0	0	1,802
5.05	Total comprehensive income	0	0	0	90,001	0	90,001
5.05.01	Profit for the period	0	0	0	90,001	0	90,001
5.06	Internal changes in equity	0	0	-46	46	0	0
5.06.02	Realization of revaluation reserve	0	0	-70	70	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	24	-24	0	0
5.07	Closing balance	1,808,639	133,261	678,344	42,347	-30,230	2,632,361

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Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Parent company financial information/statement of value added

(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 3/31/2017	Accumulated - prior year 1/1/2016 to 3/31/2016
7.01	Revenue	3,057,840	2,541,226
7.01.01	Sales of products and services	3,058,867	2,541,815
7.01.02	Other income	433	0
7.01.04	Provision for/reversal of impairment of trade receivables	-1,460	-589
7.02	Inputs acquired from third parties	-2,018,652	-1,673,744
7.02.01	Cost of sales and services	-1,846,051	-1,530,941
7.02.02	Materials, energy, outsourced services and other	-171,831	-142,640
7.02.03	Impairment/recovery of assets	-770	-163
7.03	Gross value added	1,039,188	867,482
7.04	Retentions	-77,006	-62,345
7.04.01	Depreciation, amortization and depletion	-77,006	-62,345
7.05	Net value added generated by the entity	962,182	805,137
7.06	Value added received through transfer	27,359	24,955
7.06.01	Equity in the results of investees	178	159
7.06.02	Finance income	27,181	24,796
7.07	Total value added to distribute	989,541	830,092
7.08	Distribution of value added	989,541	830,092
7.08.01	Personnel	315,418	270,798
7.08.01.01	Direct remuneration	253,431	215,938
7.08.01.02	Benefits	43,705	39,585
7.08.01.03	Unemployment compensation fund	18,282	15,275
7.08.02	Taxes and contributions	402,396	340,243
7.08.02.01	Federal	111,087	90,950
7.08.02.02	State	285,891	245,591
7.08.02.03	Municipal	5,418	3,702
7.08.03	Providers of capital	167,871	129,050
7.08.03.01	Interest	55,100	41,105
7.08.03.02	Rentals	112,771	87,945
7.08.04	Stockholders and the Company	103,856	90,001
7.08.04.01	Interest on capital	51,000	47,700
7.08.04.03	Profits reinvested/loss for the period	52,856	42,301

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Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Consolidated financial information/balance sheet - assets

(R\$ thousand)

Code	Description	Current quarter 3/31/2017	Prior year 12/31/2016
1	Total assets	5,731,590	5,659,303
1.01	Current assets	3,447,419	3,427,783
1.01.01	Cash and cash equivalents	181,601	276,632
1.01.03	Trade receivables	920,630	877,353
1.01.03.01	Customers	781,331	772,241
1.01.03.01.01	Checks receivable	68,103	61,386
1.01.03.01.02	Credit and debit cards	643,888	648,386
1.01.03.01.03	PBM – Medicine Benefit Program	50,126	41,975
1.01.03.01.04	Agreements with companies	23,668	23,226
1.01.03.01.05	Bank slip/ Online transfer	19	24
1.01.03.01.06	(-) Provision for impairment of receivables	-4,473	-2,756
1.01.03.02	Other receivables	139,299	105,112
1.01.03.02.01	Advances to employees	8,338	7,491
1.01.03.02.02	Returns to suppliers	3,152	7,692
1.01.03.02.03	Commercial agreements	110,555	74,532
1.01.03.02.04	Other	17,254	15,397
1.01.04	Inventory	2,221,116	2,149,468
1.01.04.01	Goods for resale	2,230,434	2,157,590
1.01.04.02	Materials	1,933	2,043
1.01.04.03	(-) Provision for losses on goods	-11,251	-10,165
1.01.06	Taxes recoverable	95,620	111,772
1.01.06.01	Current taxes recoverable	95,620	111,772
1.01.06.01.01	Taxes on profit	0	12,049
1.01.06.01.02	Other taxes recoverable	95,620	99,723
1.01.07	Prepaid expenses	28,452	12,558
1.02	Non-current assets	2,284,171	2,231,520
1.02.01	Long term receivables	55,146	50,858
1.02.01.03	Trade receivables	334	334
1.02.01.03.02	Other receivables	334	334
1.02.01.07	Prepaid expenses	5,435	4,553
1.02.01.09	Other non-current assets	49,377	45,971
1.02.01.09.04	Judicial deposits	25,075	23,007
1.02.01.09.05	Taxes recoverable	23,741	22,403
1.02.01.09.06	Court-ordered debt bonds	561	561
1.02.03	Property and equipment	1,049,967	1,006,606
1.02.04	Intangible assets	1,179,058	1,174,056

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Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Consolidated financial information/balance sheet - liabilities and equity

(R\$ thousand)

Code	Description	Current quarter 3/31/2017	Prior year 12/31/2016
2	Total liabilities and equity	5,731,590	5,659,303
2.01	Current liabilities	2,229,284	2,184,684
2.01.01	Social security and labor obligations	193,325	199,378
2.01.01.01	Social security obligations	41,375	38,377
2.01.01.02	Labor obligations	151,950	161,001
2.01.02	Trade payables	1,483,477	1,615,587
2.01.02.01	Domestic suppliers	1,483,477	1,615,587
2.01.03	Tax obligations	127,157	96,731
2.01.03.01	Federal tax obligations	69,103	48,175
2.01.03.01.01	Income tax and social contribution payable	546	81
2.01.03.01.02	Other federal tax obligations	68,557	48,094
2.01.03.02	State tax obligations	52,573	45,278
2.01.03.03	Municipal tax obligations	5,481	3,278
2.01.04	Borrowing	167,929	132,581
2.01.04.01	Borrowing	167,929	132,581
2.01.04.01.01	In local currency	167,929	132,581
2.01.05	Other obligations	230,941	118,904
2.01.05.02	Other	230,941	118,904
2.01.05.02.01	Dividends and interest on capital	131,170	25,934
2.01.05.02.04	Rentals	57,943	56,297
2.01.05.02.05	Other payables	41,828	36,673
2.01.06	Provision	26,455	21,503
2.01.06.01	Provision for tax, social security, labor and civil contingencies	5,689	93
2.01.06.01.01	Tax provision	93	93
2.01.06.01.05	Provision for legal claims	5,596	0
2.01.06.02	Other provisions	20,766	21,410
2.01.06.02.06	Provisions for sundry obligations	20,766	21,410
2.02	Non-current liabilities	571,908	538,664
2.02.01	Borrowing	305,479	281,387
2.02.01.01	Borrowing	305,479	281,387
2.02.01.01.01	In local currency	305,479	281,387
2.02.02	Other obligations	59,986	61,499
2.02.02.01	Payables to related parties	47,537	45,228
2.02.02.01.04	Payables to other related parties	47,537	45,228
2.02.02.02	Other	12,449	16,271
2.02.02.02.03	Tax Recovery Program (REFIS)	12,449	16,271
2.02.03	Deferred taxes	199,069	193,187
2.02.03.01	Deferred income tax and social contribution	199,069	193,187
2.02.04	Provision	7,374	2,591
2.02.04.01	Provision for tax, social security, labor and civil contingencies	7,374	2,591
2.02.04.01.05	Provision for legal claims	7,374	2,591
2.03	Consolidated equity	2,930,398	2,935,955
2.03.01	Paid-up share capital	1,808,639	1,808,639
2.03.02	Capital reserves	141,318	138,553
2.03.03	Revaluation reserves	12,337	12,383
2.03.04	Revenue reserves	919,117	980,442
2.03.04.01	Legal reserve	64,839	64,839
2.03.04.02	Statutory reserve	854,278	854,279
2.03.04.08	Proposed additional dividends	0	61,324
2.03.05	Retained earnings (accumulated deficit)	52,903	0
2.03.06	Carrying value adjustments	-30,230	-30,230
2.03.09	Noncontrolling interests	26,314	26,168

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Consolidated financial information/statement of income

(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 3/31/2017	Accumulated - prior year 1/1/2016 to 3/31/2016
3.01	Net sales revenue	3,057,110	2,515,427
3.01.01	Gross sales revenue	3,212,406	2,641,079
3.01.02	Taxes on sales	-116,634	-95,350
3.01.03	Rebates	-38,662	-30,302
3.02	Cost of sales and/or services	-2,135,486	-1,758,487
3.03	Gross profit	921,624	756,940
3.04	Operating income/expenses	-757,288	-627,031
3.04.01	Selling expenses	-599,142	-501,633
3.04.02	General and administrative expenses	-155,986	-125,398
3.04.02.01	Administrative expenses	-78,464	-62,468
3.04.02.02	Depreciation and amortization	-77,522	-62,930
3.04.05	Other operating expenses	-2,160	0
3.04.05.01	Extraordinary expenses	-2,160	0
3.05	Profit before finance results and taxes	164,336	129,909
3.06	Finance results	-29,490	-17,189
3.06.01	Finance income	28,219	25,705
3.06.02	Finance costs	-57,709	-42,894
3.07	Profit before income tax and social contribution	134,846	112,720
3.08	Income tax and social contribution	-30,844	-22,589
3.08.01	Current	-24,939	-13,475
3.08.02	Deferred	-5,905	-9,114
3.09	Profit (loss) from continuing operations	104,002	90,131
3.11	Consolidated profit/loss for the period	104,002	90,131
3.11.01	Attributable to owners of the Company	103,856	90,001
3.11.02	Attributable to noncontrolling interests	146	130
3.99	Earnings per share - (Reais/share)		

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Consolidated financial information/statement of comprehensive income

(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 3/31/2017	Accumulated - prior year 1/1/2016 to 3/31/2016
4.01	Consolidated profit for the period	104,002	90,131
4.03	Consolidated comprehensive income for the period	104,002	90,131
4.03.01	Attributable to owners of the Company	103,856	90,001
4.03.02	Attributable to noncontrolling interests	146	130

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Consolidated financial information/statement of cash flow - indirect method

(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 3/31/2017	Accumulated - prior year 1/1/2016 to 3/31/2016
6.01	Net cash provided by operating activities	-12,255	-53,743
6.01.01	Cash from operations	243,994	185,687
6.01.01.01	Profit before income tax and social contribution	134,846	112,720
6.01.01.02	Depreciation and amortization	77,522	62,930
6.01.01.03	Share-based compensation plan	2,768	1,920
6.01.01.04	Interest on additional stock option	2,310	1,467
6.01.01.05	Result on disposal of property and equipment and intangible assets	429	163
6.01.01.06	Provision for legal claims	10,534	153
6.01.01.07	(Reversal) provision for inventory losses	1,086	-3,596
6.01.01.08	Provision for impairment of trade receivables	1,540	651
6.01.01.09	(Reversal) provision for store closures	-91	0
6.01.01.10	Interest expenses	13,050	9,279
6.01.02	Changes in assets and liabilities	-233,749	-219,289
6.01.02.01	Trade receivables and other receivables	-44,802	-40,899
6.01.02.02	Inventory	-72,734	-121,728
6.01.02.03	Other current assets	257	-29,477
6.01.02.04	Long term receivables	-4,289	-5,120
6.01.02.05	Trade payables	-123,259	-43,959
6.01.02.06	Salaries and social charges	-6,054	-811
6.01.02.07	Taxes and contributions	14,956	17,167
6.01.02.08	Other liabilities	530	4,444
6.01.02.09	Rentals payable	1,646	1,094
6.01.03	Other	-22,500	-20,141
6.01.03.01	Interest paid	-5,984	-5,373
6.01.03.02	Income tax and social contribution paid	-16,516	-14,768
6.02	Net cash used in investing activities	-135,084	-98,929
6.02.01	Purchases of property and equipment and intangible assets	-135,578	-98,929
6.02.02	Proceeds from sale of property and equipment	494	0
6.03	Net cash used in financing activities	52,308	-6,609
6.03.01	Borrowing	85,849	37,320
6.03.02	Repayments of borrowing	-33,474	-43,923
6.03.03	Interest on capital and dividends paid	-67	-6
6.05	Increase (decrease) in cash and cash equivalents	-95,031	-159,281
6.05.01	Cash and cash equivalents at the beginning of the period	276,632	266,051
6.05.02	Cash and cash equivalents at the end of the period	181,601	106,770

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Consolidated financial information/statement of changes in equity - 1/1/2017 to 3/31/2017

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening balance	1,808,639	138,553	992,825	0	-30,230	2,909,787	26,168	2,935,955
5.03	Adjusted opening balance	1,808,639	138,553	992,825	0	-30,230	2,909,787	26,168	2,935,955
5.04	Equity transactions with owners	0	2,765	-61,324	-51,000	0	-109,559	0	-109,559
5.04.07	Interest on capital	0	0	0	-51,000	0	-51,000	0	-51,000
5.04.08	Interest on capital of 2017 approved at the AGM of March 29, 2017	0	0	-61,324	0	0	-61,324	0	-61,324
5.04.09	Restricted share plan - Vesting period	0	2,765	0	0	0	2,765	0	2,765
5.04.10	Restricted share plan - Delivery	0	-4,863	0	0	0	-4,863	0	-4,863
5.04.11	Goodwill on sale of shares	0	1,382	0	0	0	1,382	0	1,382
5.04.12	Treasury shares - Delivery	0	3,481	0	0	0	3,481	0	3,481
5.05	Total comprehensive income	0	0	0	103,856	0	103,856	146	104,002
5.05.01	Profit for the period	0	0	0	103,856	0	103,856	146	104,002
5.06	Internal changes in equity	0	0	-47	47	0	0	0	0
5.06.02	Realization of revaluation reserve	0	0	-70	70	0	0	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	23	-23	0	0	0	0
5.07	Closing balance	1,808,639	141,318	931,454	52,903	-30,230	2,904,084	26,314	2,930,398

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Consolidated financial information/statement of changes in equity - 1/1/2016 to 3/31/2016

(R\$ thousand)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings/accumulated deficit	Other comprehensive income	Equity	Noncontrolling interests	Consolidated equity
5.01	Opening balance	1,808,639	128,767	726,633	0	-30,230	2,633,809	22,989	2,656,798
5.03	Adjusted opening balance	1,808,639	128,767	726,633	0	-30,230	2,633,809	22,989	2,656,798
5.04	Equity transactions with owners	0	4,494	-48,243	-47,700	0	-91,449	0	-91,449
5.04.07	Interest on capital	0	0	0	-47,700	0	-47,700	0	-47,700
5.04.08	Interest on capital of 2015 approved at the AGM of March 31, 2016	0	0	-48,243	0	0	-48,243	0	-48,243
5.04.09	Restricted share plan - Vesting period	0	3,582	0	0	0	3,582	0	3,582
5.04.10	Restricted share plan - Delivery	0	-890	0	0	0	-890	0	-890
5.04.11	Restricted shares – Acquisition of 4Bio	0	1,802	0	0	0	1,802	0	1,802
5.05	Total comprehensive income	0	0	0	90,001	0	90,001	130	90,131
5.05.01	Profit for the period	0	0	0	90,001	0	90,001	130	90,131
5.06	Internal changes in equity	0	0	-46	46	0	0	0	0
5.06.02	Realization of revaluation reserve	0	0	-70	70	0	0	0	0
5.06.03	Taxes on realization of revaluation reserve	0	0	24	-24	0	0	0	0
5.07	Closing balance	1,808,639	133,261	678,344	42,347	-30,230	2,632,361	23,119	2,655,480

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Consolidated financial information/statement of value added

(R\$ thousand)

Code	Description	Accumulated - current year 1/1/2017 to 3/31/2017	Accumulated - prior year 1/1/2016 to 3/31/2016
7.01	Revenue	3,172,638	2,610,125
7.01.01	Sales of products and services	3,173,745	2,610,776
7.01.02	Other income	433	0
7.01.04	Provision for/reversal of impairment of trade receivables	-1,540	-651
7.02	Inputs acquired from third parties	-2,119,261	-1,734,339
7.02.01	Cost of sales and services	-1,942,029	-1,588,263
7.02.02	Materials, energy, outsourced services and other	-176,462	-145,913
7.02.03	Impairment/recovery of assets	-770	-163
7.03	Gross value added	1,053,377	875,786
7.04	Retentions	-77,522	-62,930
7.04.01	Depreciation, amortization and depletion	-77,522	-62,930
7.05	Net value added generated by the entity	975,855	812,856
7.06	Value added received through transfer	28,219	25,641
7.06.02	Finance income	28,219	25,641
7.07	Total value added to distribute	1,004,074	838,497
7.08	Distribution of value added	1,004,074	838,497
7.08.01	Personnel	320,134	273,797
7.08.01.01	Direct remuneration	256,332	217,771
7.08.01.02	Benefits	45,353	40,640
7.08.01.03	Unemployment compensation fund	18,449	15,386
7.08.02	Taxes and contributions	409,618	343,833
7.08.02.01	Federal	112,216	91,668
7.08.02.02	State	291,966	248,453
7.08.02.03	Municipal	5,436	3,712
7.08.03	Providers of capital	170,320	130,736
7.08.03.01	Interest	57,166	42,500
7.08.03.02	Rentals	113,154	88,236
7.08.04	Stockholders and the Company	104,002	90,131
7.08.04.01	Interest on capital	51,000	47,700
7.08.04.03	Profits reinvested/loss for the period	52,856	42,301
7.08.04.04	Noncontrolling interests in retained earnings	146	130

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

1Q17 EARNINGS RELEASE

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

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

HIGHLIGHTS:

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

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

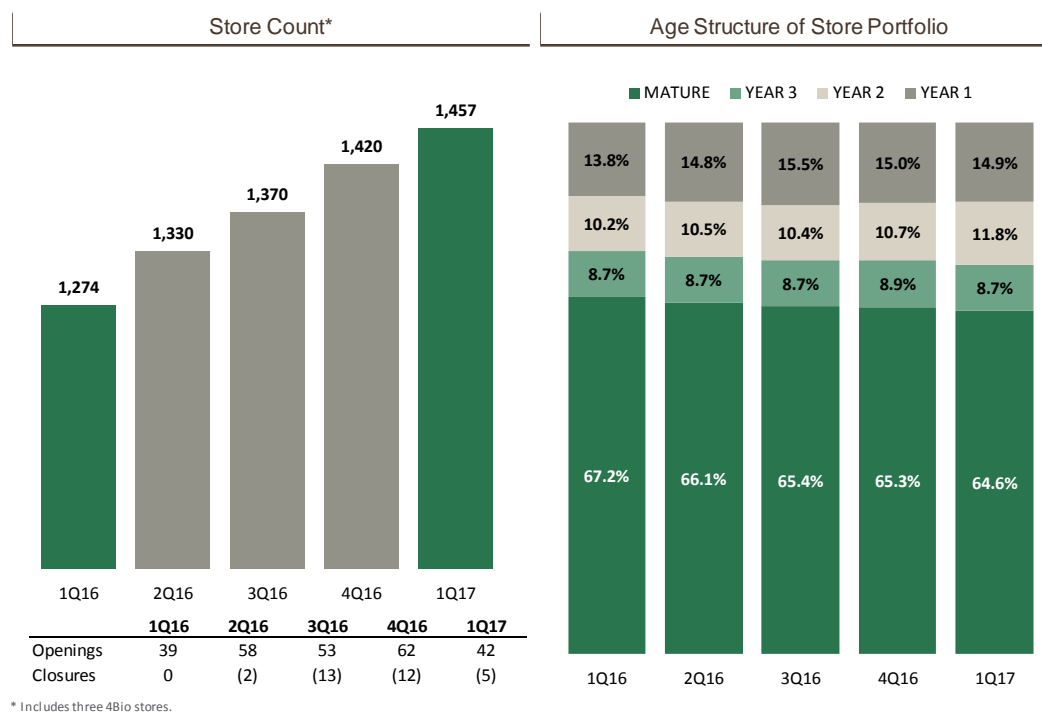
(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

STORE DEVELOPMENT



We opened 42 new stores in the 1Q17, ending the quarter with a total of 1,457 stores in operation, including three 4Bio stores. Considering the last twelve months, we have opened a total of 215 new stores, a record both for RD and for the Brazilian drugstore market.

At the end of the period, 35.4% 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 5 store closures in the quarter, all due to location changes of fully matured stores, with positive return expectation associated to them. We reiterate our guidance of 200 gross openings in 2017.

Our average comparable national market share reached 12.6% in the quarter (including 4Bio), a 2.2 percentage point increase when compared to 1Q16. Our market share figures were adjusted by IMS Health in order to exclude new informants so as to preserve historical comparability. Considering the addition of new informants to the panel which took place over the last twelve months, our national market share totaled 11.4%.

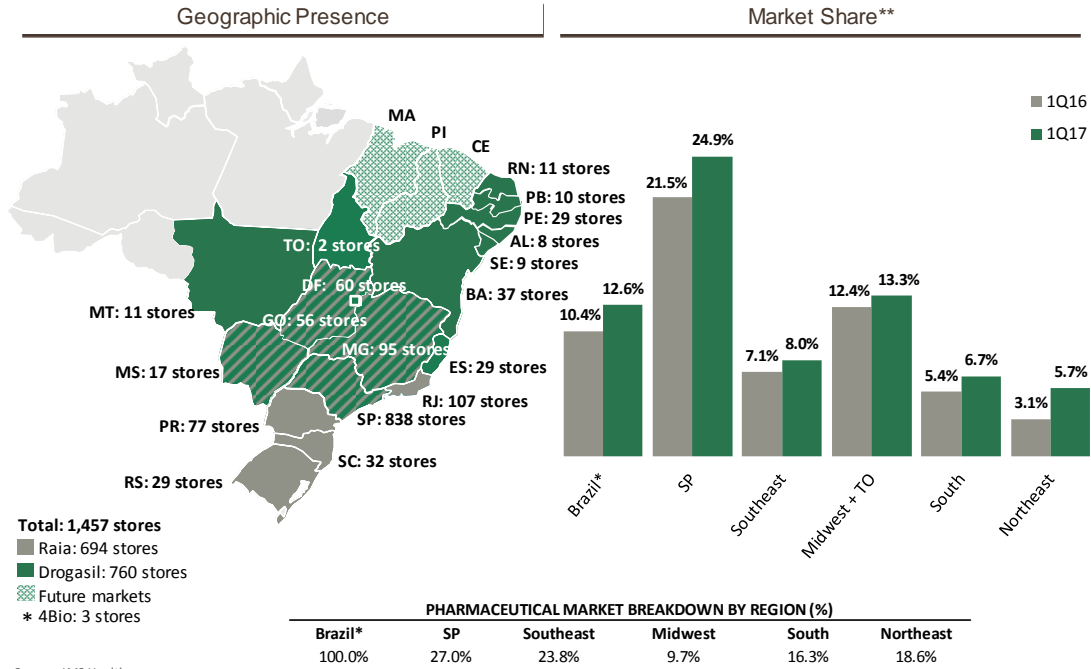
We increased our market share in every region where we operate. São Paulo was our main highlight, where we recorded a market share of 24.9%, a 3.4 percentage point increase driven by our organic expansion. In the remaining states of the Southeast, we increased our share by 0.9 percentage point. We also recorded an outstanding performance in the Northeast, where we reached a market share of 5.7%, a 2.6 percentage point increase, driven by strong growth in all states we operate in the region. Finally, we increased our share in the South by 1.3 percentage point and recorded a 0.9 percentage point gain in the Midwest region.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

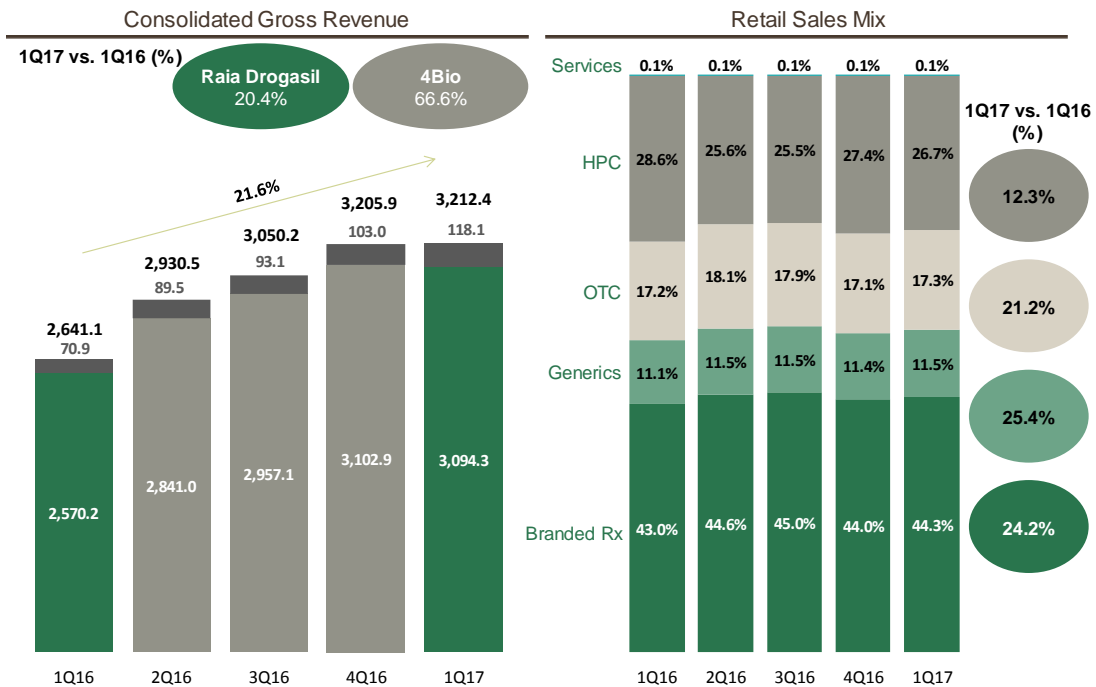


Source: IMS Health

* Includes 4Bio only for Brazil total.

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

GROSS REVENUES



(A free translation of the original in Portuguese)

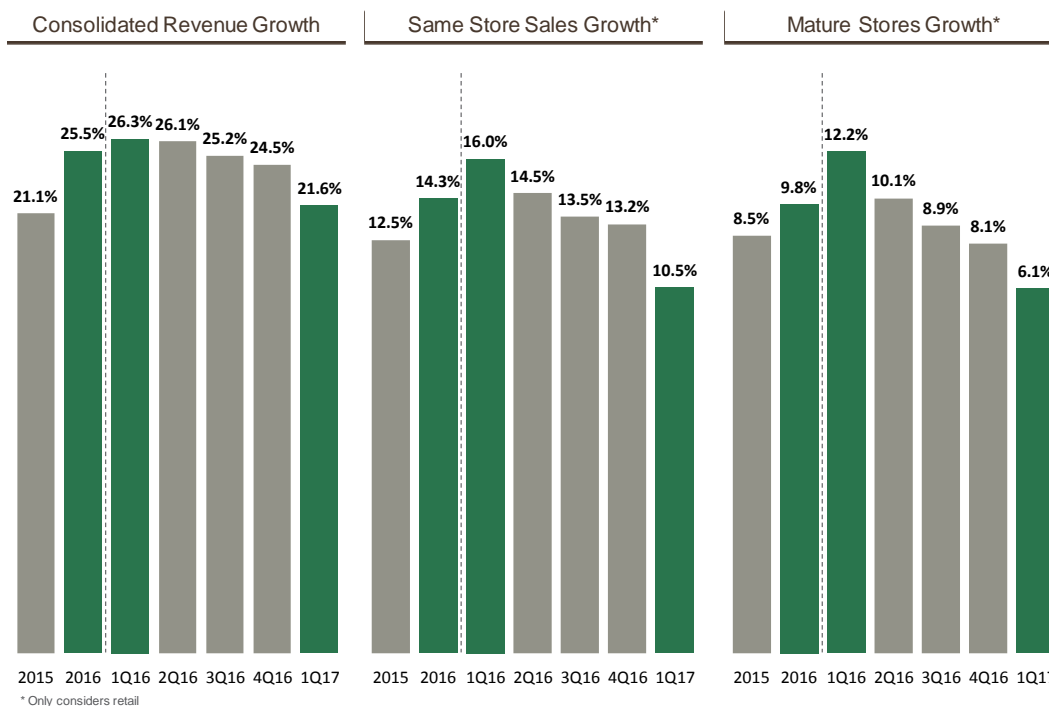
Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

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

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



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

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

GROSS PROFIT

Our gross margin reached 28.7% in the quarter, in line with the 1Q16.

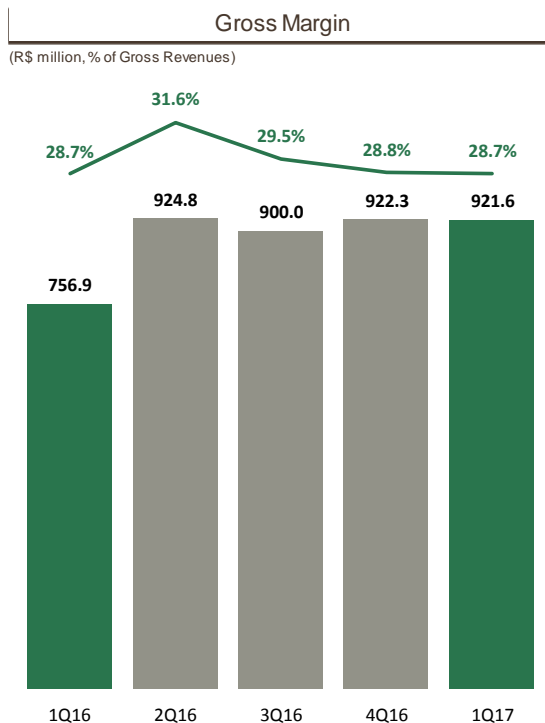
We recorded a positive effect of 0.2 percentage point arising from Net Present Value (NPV) adjustment and another 0.1 percentage point gain from improvements in commercial terms. Those gains were fully offset by 4Bio's negative margin mix effect, since Specialty Drugs have a lower gross margin than Retail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

(A free translation of the original in Portuguese)

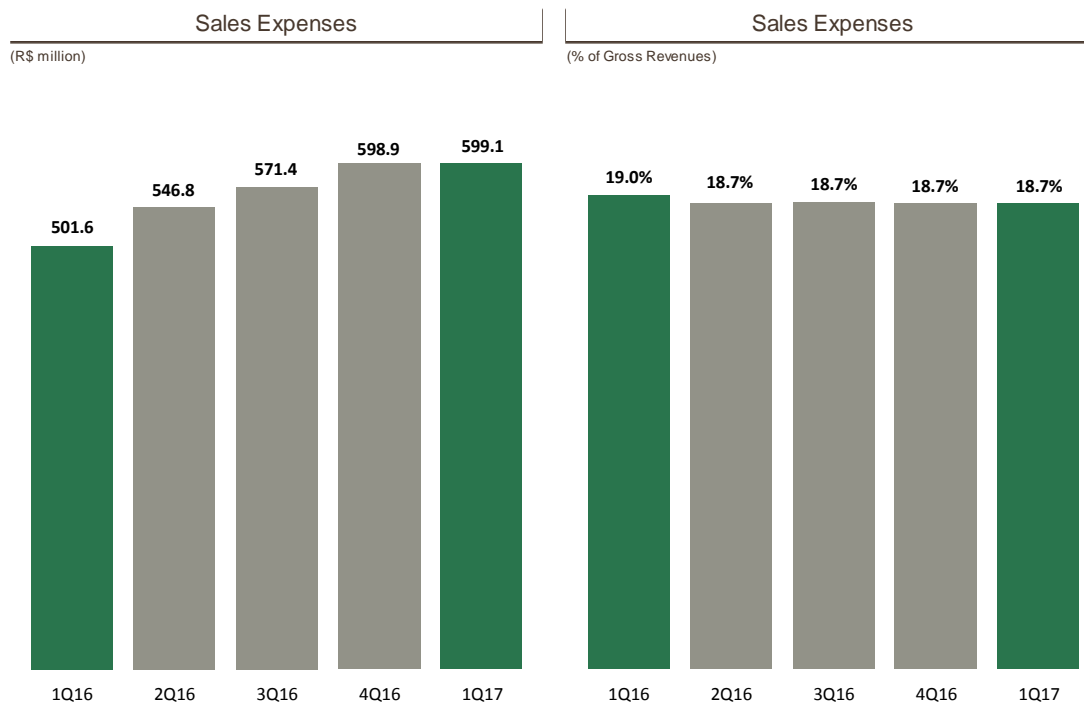
Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated



SALES EXPENSES



(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Comments on company performance

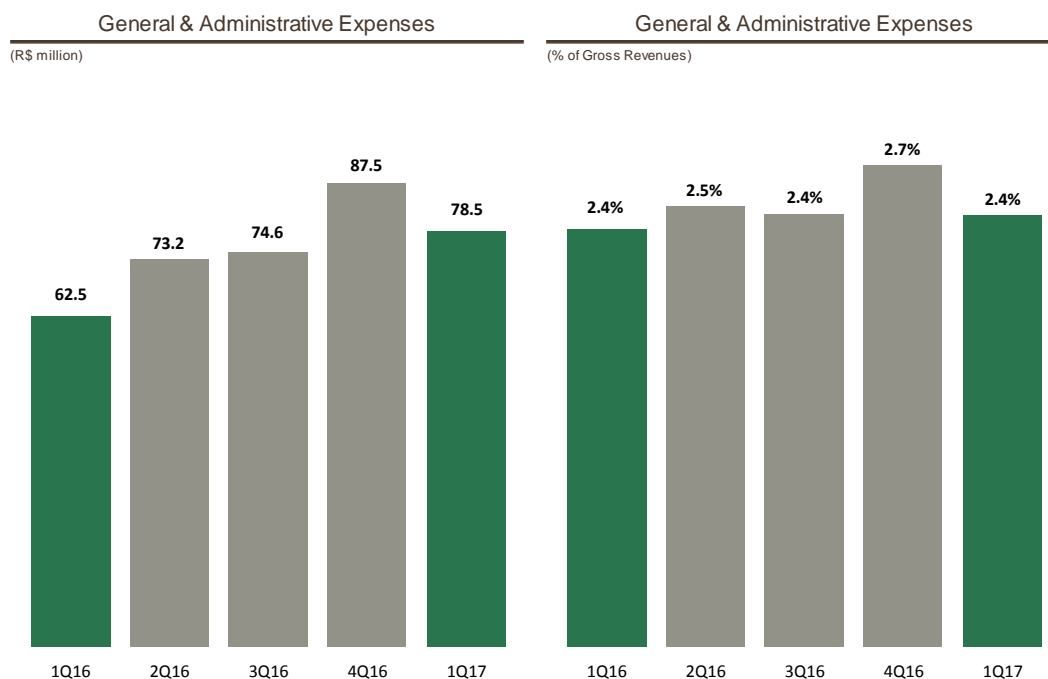
All amounts in thousands of reais unless otherwise stated

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

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

GENERAL & ADMINISTRATIVE EXPENSES

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



EBITDA

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

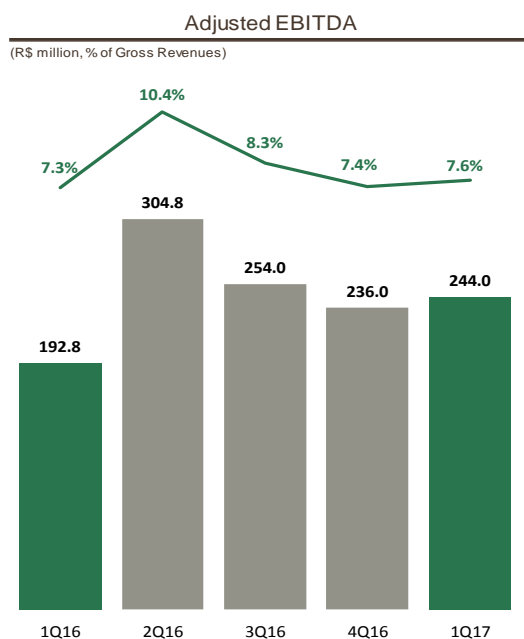
New stores opened in the quarter, as well as those that were in the opening process, reduced the EBITDA by R\$ 11.7 million in the 1Q17. Therefore, considering only the 1,415 stores in operation since the end of 2016 and the full absorption of logistics as well as of general and administrative expenses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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated



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

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

NON-RECURRING EXPENSES

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

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

We had R\$ 12.1 million in labor contingencies due to a change in loss estimates related to pre-existing claims following recent trends. We also incurred in R\$ 3.2 million related to retirement compensation granted to a former C-Level executive.

Finally, we eliminated a recognition timing delay related to specific trade allowances, resulting in a one-time gain of R\$ 13.1 million, which would have been booked with a one-month delay. This was possible due to improved controls by the Company.

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

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

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

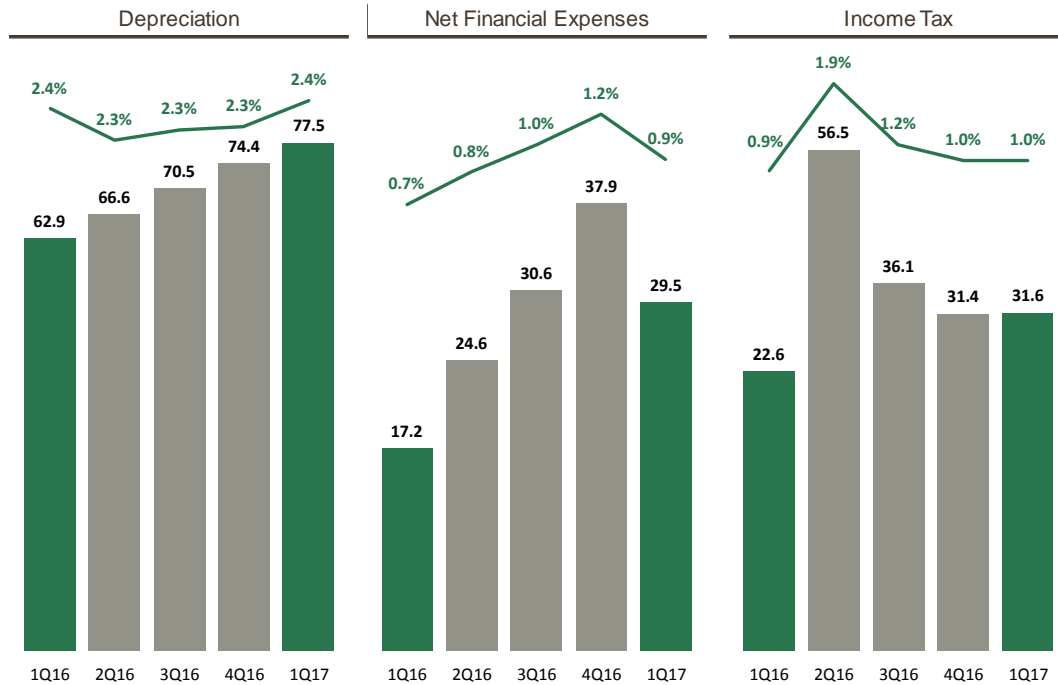
(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

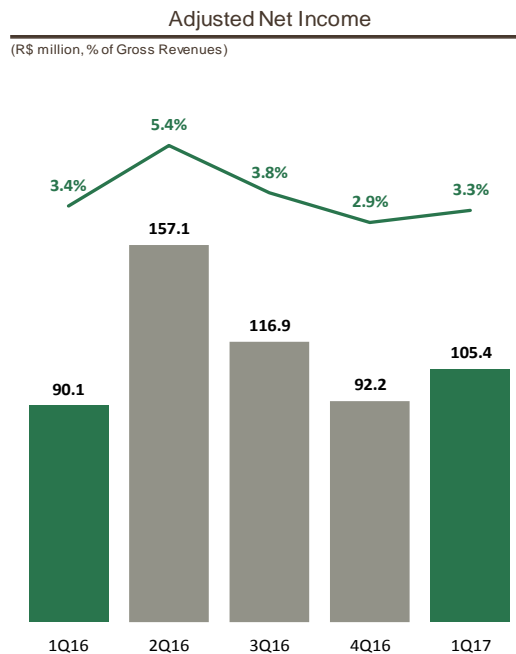
Comments on company performance

All amounts in thousands of reais unless otherwise stated

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



NET INCOME



(A free translation of the original in Portuguese)

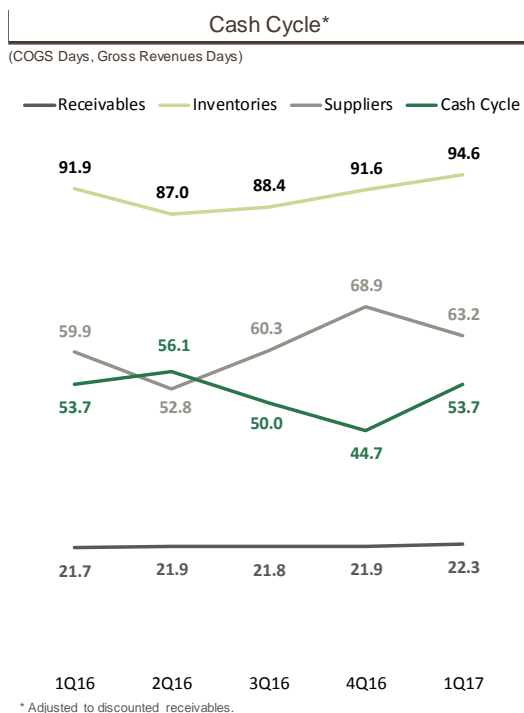
Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

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

CASH CYCLE



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

CASH FLOW

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

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

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

Net financial expenses totaled R\$ 10.9 million in the quarter, excluding NPV adjustments. These were more than fully offset by the R\$ 21.1 million tax shield related to the net financial expenses and to the interest on equity accrued in the period, which shall be paid in the following quarters.

We accrued R\$ 51.0 million in interest on equity in the 1Q17, reflecting a payout of 49.0%, through the full utilization of the legal interest on equity limit.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

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

*Includes adjustments to discounted receivables.

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

***Excludes NPV adjustments.

INDEBTEDNESS

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

This net debt includes R\$ 47.5 million in liability related to the exercise of the put option granted and/or call option obtained for the acquisition of the remaining 45% minority stake of 4Bio. This liability reflects the estimated valuation of 4Bio as of December 2016, assuming the pre-agreed multiple, the average forecasted annual EBITDA for 2018, 2019 and 2020 and the forecasted net debt for 2020 as stipulated in the acquisition contracts. This estimate will be revisited annually to reflect changes in the economic outlook of 4Bio. Further, we added back R\$ 5.9 million in receivables discounted in the quarter.

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

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

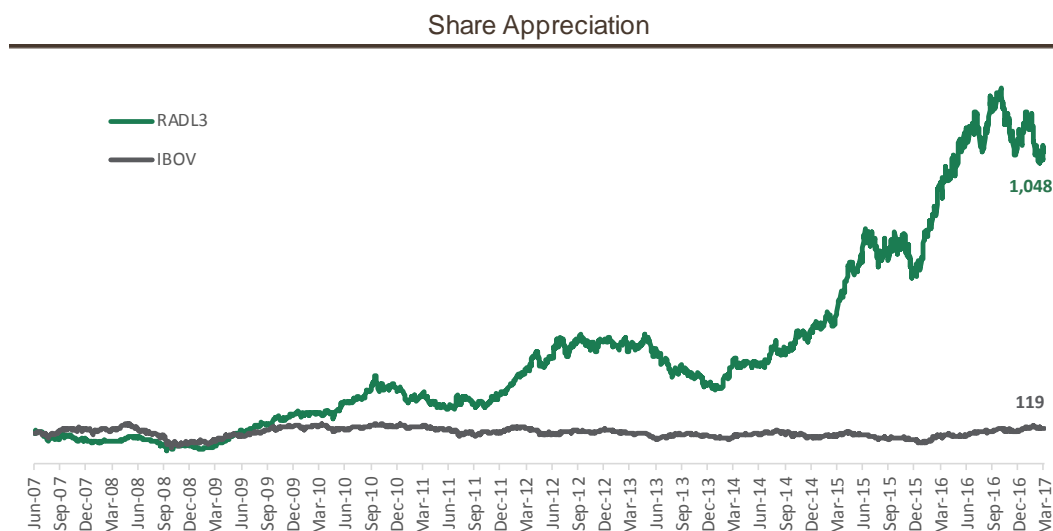
Until 2016, our financing needs were serviced almost exclusively by BNDES. Starting in 2017, BNDES has implemented changes in its lending policy that are resulting in increased marginal interest rates, which has urged us to change our financing strategy.

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

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

TOTAL SHAREHOLDER RETURN

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



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

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

NEW CORPORATE NAME

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

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

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

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

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

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

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Comments on company performance

All amounts in thousands of reais unless otherwise stated

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

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

1. Operations

Raia Drogasil S.A.(the "Company") is a publicly-held company listed on the Novo Mercado ("New Market") listing segment of the BM&FBOVESPA S.A. - São Paulo Stock Exchange, with its headquarters in the capital of the state of São Paulo.

Raia Drogasil S.A. and its subsidiary (together "Consolidated" or "Group") are mainly engaged in the retail sale of medicines, perfumery, personal care and beauty products, cosmetics and dermocosmetics and specialty medicines.

The Group performs its sales through 1,457 stores (1,420 stores – Dec-2016), distributed in 18 Brazilian states, as follows:

	Consolidated
	Mar-2017
São Paulo	838
Rio de Janeiro	107
Minas Gerais	95
Paraná	77
Distrito Federal	60
Goiás	56
Bahia	37
Santa Catarina	32
Rio Grande do Sul	29
Pernambuco	29
Espírito Santo	29
Mato Grosso do Sul	17
Mato Grosso	11
Rio Grande do Norte	11
Paraíba	10
Sergipe	9
Alagoas	8
Tocantins	2
	<hr/>
	1,457

Raia Drogasil's stores are supplied by 8 distribution centers located in six States: São Paulo, Rio de Janeiro, Minas Gerais, Paraná, Goiás and Pernambuco.

The subsidiary 4Bio markets its products through telesales and delivery is made directly to the customer's location or through its three call centers in the states of São Paulo and Tocantins.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

2. Presentation of quarterly information

The quarterly information was approved by the Executive Board on April 27, 2017.

The parent company and consolidated quarterly information is presented in thousands of Brazilian Reals (R\$), which is the Group's functional and presentation currency.

The Company's parent company and consolidated quarterly information for the periods ended March 31, 2017 and 2016 has been prepared in accordance with technical pronouncement CPC 21 (R1) – "Interim Financial Reporting", the requirements in Official Letter/CVM/SNC/SEP 003/2011 of April 28, 2011, and the International Financial Reporting Standards (IFRS) – IAS 34.

The financial statements for the year ended December 31, 2016 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the Brazilian Securities Commission (CVM) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The consolidated quarterly information includes the Company's quarterly information and the quarterly information of its subsidiary 4Bio. The consolidated quarterly information has been prepared in accordance with consolidation practices and applicable legal provisions. Therefore, the consolidated statements of income, comprehensive income, cash flows and value added include three months of operations of the Company and its Subsidiary.

The accounting practices adopted by the Company were applied uniformly and consistently with those adopted by the subsidiary. Where applicable, all transactions, balances, income and expenses between the subsidiary and the Company are eliminated in the consolidated quarterly information.

The quarterly information includes accounting estimates and require management to exercise its judgment in the process of applying the Company's accounting policies regarding provision for inventory losses, provision for the impairment of trade receivables, appreciation of financial instruments, the amortization and depreciation periods for property and equipment and intangible assets, estimate of impairment of intangible assets with indefinite useful life, provision for legal claims, fair value measurement of financial liabilities, determination of provision for taxes, recognition of revenues from commercial agreements, among others. The estimates and judgments are disclosed in Note 4(w) to the financial statements for the year ended December 31, 2016.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies. The IFRS do not require the presentation of this statement. Therefore, under the IFRS, such statement is presented as supplementary information, notwithstanding the set of the financial statements. See Note 5 below, the improvement of the information in the statement of value added for the quarter ended March 31, 2016 that resulted in the reclassification of the corresponding amounts.

The Group adopted all standards, revised standards and interpretations issued by the CPC that were effective as at March 31, 2017.

3. New standards, amendments to and interpretations of existing standards

a) New and revised accounting standards

New or revised standards issued but not yet effective, i.e., that will become effective for annual periods beginning on or after January 1st, 2018:

- (i) IFRS 9 - Financial Instruments (effective from January 1st, 2018): this standard's aim is to replace IAS 39. The main changes include: (i) all financial assets should be initially recognized at fair value; (ii) the standard divides all financial assets into two classifications: those measured at amortized cost and those measured at fair value; (iii) the concept of embedded derivatives is eliminated; and (iv) smoothing of the requirements for adoption of hedge accounting. Management assessed the new standard and, considering its current transactions, did not identify changes that could have material effects on the Company's financial statements.
- (ii) IFRS 15 - Revenue from Contracts with Customers (effective from January 1st, 2018): the main objective of IFRS 15 is to provide clear principles for revenue recognition and the preparation of financial statements. Management assessed this new standard and, in its opinion, it will not have material effects on its financial statements, considering the nature of its retail sale transactions and considering that the transfer of risks and rewards of goods and services occurs on their delivery directly to the end consumer at points of sale and, therefore, there is no complexity in the definition of performance obligations and transfer of control.
- (iii) IFRS 16 - Leases (effective from January 1st, 2019): the new standard requires lessees to recognize the liability of future payments and the right of use of the leased assets for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. Management is evaluating the effects of the adoption of this standard mainly in respect of lease of properties from third parties. This standard requires a careful evaluation and appropriate controls for the definition of contracts that qualify as lease. Given the complexity of the application of the standard, and until it is applied, the conclusions may be changed.
- (iv) Amendments to IFRS 2 – Share-Based Payments (effective from January 1st, 2018): The amendment clarifies the basis of measurement for cash-settled share-based payments and the accounting for modifications that change a cash-settled share based payment to an equity-settled share based payment. It also introduces an exception to the principles of IFRS 2, which will require a grant to be treated as fully equity settled where the employer is required to retain an amount for the employee's tax obligation associated to a share-based payment and pay the amount to the tax authorities. Management is evaluating the effects of these changes for new grants as from their effective date.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. Significant accounting practices

The accounting practices adopted for preparing this ITR are consistent with those disclosed in Note 4 to the financial statements for the year ended December 31, 2016.

5. Reclassification of the statement of value-added for the three-month period ended March 31, 2016

The Company has sought to improve continuously its internal controls over financial reporting. Among the actions taken are the review of the tools used in the determination and classification of the wealth created by the Company and the form how such wealth was distributed for purposes of preparing the statement of value added.

This work identified the need to reclassify the effects of the expenses incurred on fees paid to card administrators and valuables transportation services, which in essence represent formation of wealth such as inputs acquired from third parties, and to reclassify the PIS and COFINS amounts credited on purchases of goods and those paid as ICMS withheld under the substitute taxpayer regime, which in essence represent distribution of wealth, such as taxes, fees and contributions.

In this context, the Company's management decided to perform the reclassifications for the period ended March 31, 2016, as shown below.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

Statement of value added	Parent Company		
	1st Quarter - 2016 Originally presented	Reclassification	1st Quarter - 2016 Reclassified
Inputs acquired from third parties	(1,733,855)	60,111	(1,673,744)
Cost of sales and services	(1,625,090)	94,149	(1,530,941)
Materials, enrgy, outsourced services and other	(108,602)	(34,038)	(142,640)
Net value added generated by the entity	745,026	60,111	805,137
Distribution of value added	769,981	60,111	830,092
Taxes and contributions	246,094	94,149	340,243
Federal	110,675	(19,725)	90,950
State	131,717	113,874	245,591
Providers of capital	163,088	(34,038)	129,050
Interest	75,143	(34,038)	41,105

Statement of value added	Consolidated		
	1st Quarter - 2016 Originally presented	Reclassification	1st Quarter - 2016 Reclassified
Inputs acquired from third parties	(1,794,116)	59,777	(1,734,339)
Cost of sales and services	(1,682,412)	94,149	(1,588,263)
Materials, enrgy, outsourced services and other	(111,541)	(34,372)	(145,913)
Net value added generated by the entity	753,079	59,777	812,856
Value added received through transfer	25,705	(64)	25,641
Finance income	25,705	(64)	25,641
Distribution of value added	778,784	59,713	838,497
Personnel	273,763	34	273,797
Direct remuneration	217,728	43	217,771
Taxes and contributions	249,782	94,051	343,833
Federal	111,491	(19,823)	91,668
State	134,579	113,874	248,453
Providers of capital	165,108	(34,372)	130,736
Interest	76,872	(34,372)	42,500

These reclassifications did not result in changes in any other accounting information in the Company's financial statements for the three-month period ended March 31, 2016.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

6. Cash and cash equivalents

	Parent Company		Consolidated	
	Mar-2017	Dec-2016	Mar-2017	Dec-2016
Cash and banks	42,062	67,518	42,155	68,062
Automatic investment fund	1,508	2,936	1,508	2,936
Debentures held under repurchase agreements	137,898	202,641	137,938	205,634
	<u>181,468</u>	<u>273,095</u>	<u>181,601</u>	<u>276,632</u>

Investments in investment funds and debentures held under repurchase agreements have high liquidity and are restated based on the variations of the CDI rate, and reflect the realizable value, without risk of change in value or loss of income.

For repurchase debentures, the financial institutions which negotiated these securities guarantee credit risk and immediate liquidity without loss of income. The financial investments are concentrated substantially at Caixa Econômica Federal and Itaú Unibanco.

7. Trade receivables

	Parent Company		Consolidated	
	Mar-2017	Dec-2016	Mar-2017	Dec-2016
Trade receivables	720,559	716,453	785,804	774,997
(-) Provision for impairment of trade receivables	(4,249)	(2,612)	(4,473)	(2,756)
	<u>716,310</u>	<u>713,841</u>	<u>781,331</u>	<u>772,241</u>

The ageing of trade receivables is as follows:

	Parent Company		Consolidated	
	Mar-2017	Dec-2016	Mar-2017	Dec-2016
Not yet due	689,301	684,445	750,395	738,319
Overdue				
Between 1 and 30 days	23,011	20,284	25,519	24,008
Between 31 and 60 days	1,717	7,510	3,086	7,956
Between 61 and 90 days	1,356	1,704	1,630	2,204
Between 91 and 180 days	5,174	2,508	5,174	2,508
Between 181 and 360 days		2		2
Provision for impairment of trade receivables	(4,249)	(2,612)	(4,473)	(2,756)
	<u>716,310</u>	<u>713,841</u>	<u>781,331</u>	<u>772,241</u>

Days sales outstanding are approximately 40 days, which is considered part of the normal conditions inherent in the Company's operations.

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The changes in the Company's provision for the impairment of trade receivables are as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Mar-2017</u>	<u>Dec-2016</u>	<u>Mar-2017</u>	<u>Dec-2016</u>
Opening balance	(2,612)	(6,893)	(2,757)	(6,910)
Additions	(3,756)	(10,168)	(4,352)	(11,278)
Reversals	2,119	14,449	2,636	15,432
Closing balance	<u>(4,249)</u>	<u>(2,612)</u>	<u>(4,473)</u>	<u>(2,756)</u>

Trade receivables are classified as receivables and are therefore measured as described in Note 4d-i-3 to the financial statements for the year ended December 31, 2016.

8. Inventories

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Mar-2017</u>	<u>Dec-2016</u>	<u>Mar-2017</u>	<u>Dec-2016</u>
Goods for resale	2,130,864	2,100,621	2,185,711	2,131,661
Goods held by third parties	44,723	25,929	44,723	25,929
Materials	1,933	2,043	1,933	2,043
Provision for inventory losses	<u>(11,251)</u>	<u>(10,165)</u>	<u>(11,251)</u>	<u>(10,165)</u>
Total inventory	<u>2,166,269</u>	<u>2,118,428</u>	<u>2,221,116</u>	<u>2,149,468</u>

Changes in the provision for goods losses are as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Mar-2017</u>	<u>Dec-2016</u>	<u>Mar-2017</u>	<u>Dec-2016</u>
Opening balance	(10,165)	(24,312)	(10,165)	(24,312)
Additions	(1,818)	(6,015)	(1,818)	(6,015)
Write-offs	732	20,162	732	20,162
Closing balance	<u>(11,251)</u>	<u>(10,165)</u>	<u>(11,251)</u>	<u>(10,165)</u>

For the period ended March 31, 2017, cost of goods sold recognized in the statement of income was R\$ 2,039,509 (R\$ 1,701,165 – 1st quarter/2016) for the parent company and R\$ 2,135,486 (R\$ 1,758,487 – 1st quarter/2016) for the consolidated accounts, including the amount of the write-offs of goods inventories recognized as losses for the year amounting to R\$ 18,069 (R\$ 13,908 – 1st quarter/2016) for the parent company and R\$ 18,162 (R\$ 13,909 – 1st quarter/2016) for the consolidated accounts.

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The effect of the recognition, reversal or write-off of the provision for inventory losses is included in cost of sales in the statement of income.

9. Taxes recoverable

	Parent Company		Consolidated	
	Mar-2017	Dec-2016	Mar-2017	Dec-2016
Taxes on profit				
Withholding Income Tax (IRRF)	1,273	537	1,273	537
Corporate Income Tax (IRPJ)	3,266	9,587	3,266	9,650
Social Contribution on Net Profit (CSLL)	1,128	1,826	1,128	1,862
	<u>5,667</u>	<u>11,950</u>	<u>5,667</u>	<u>12,049</u>
Other taxes				
Value Added Tax on Sales and Services (ICMS) – credit balance	81,595	75,261	81,816	75,362
ICMS – Refund of ICMS withheld in advance (CAT Ruling 17/99)	224	14,027	224	14,027
ICMS on acquisitions of fixed assets	31,654	29,871	31,654	29,871
Social Integration Program (PIS)				10
Social Contribution on Revenue (COFINS)		2,807		2,856
Social Investment Fund - 1982 - securities issued to cover court-ordered debts	561	561	561	561
	<u>114,034</u>	<u>122,527</u>	<u>114,255</u>	<u>122,687</u>
	<u>119,701</u>	<u>134,477</u>	<u>119,922</u>	<u>134,736</u>
Current assets	<u>(95,399)</u>	<u>(111,513)</u>	<u>(95,620)</u>	<u>(111,772)</u>
Non-current assets	<u>24,302</u>	<u>22,964</u>	<u>24,302</u>	<u>22,964</u>

The ICMS credits amounting to R\$ 81,595 and R\$ 224 (R\$ 75,261 and R\$ 14,027 Dec-2016) for the parent company are the result of applying different ICMS rates and of refunds of ICMS-ST (the substitute taxpayer regime) on goods receiving and shipping operations carried out by the Company's distribution centers in the states of São Paulo, Paraná and Pernambuco, in order to supply its branches located in other Brazilian states. The respective credits have been progressively consumed in the last months, mainly due to goods that are not under the substitute taxpayer regime.

The Group analyzed the use of ICMS credits and concluded that the tax credit balances will be used within 12 months.

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10. Investments

(a) Business combinations

In 2015, the Company acquired a 55% equity interest in 4Bio Medicamentos S.A. ("4Bio") and obtained its control on October 1, 2015.

The business combination took place through the acquisition of 55% of the equity interest in 4Bio, for which the Company paid a total amount of R\$ 24,010, distributed as follows: (i) capital increase of R\$ 13,000 through the issue of 4Bio shares, and (ii) acquisition of shares of the founding stockholder for the amount of R\$ 11,010, of which 50% was paid in local currency and 50% through a transfer of the Company's shares currently held in treasury to be made after the completion and verification of all conditions precedent set forth in the Agreement.

With the fulfillment of the contractual conditions related to changes to the 2015 EBITDA, the Company recognized, as at March 31, 2016, the adjustment of the purchase price of R\$ 2,040, which was recognized as consideration for the acquisition of 4Bio, against goodwill, of which R\$ 238 was paid in local currency and 1,802 by transferring of the Company's shares, initially held in treasury, which, together with the initial R\$ 5,050 transferred on December 30, 2016 by delivering 185,446 shares, totals R\$ 7,307.

The Agreement also establishes the granting of call and put options for all the remaining shares held by the founding stockholder after January 2021, and the exercise price will be calculated based on the average of the adjusted EBITDA of 4Bio for the years ending December 31, 2018, 2019 and 2020 the fair value of which at December 31, 2017 corresponds to R\$ 47,537 (R\$ 45,228 - Dec-2016).

Financial liabilities arising from the purchase option were recognized separately from the consideration transferred, through the adoption of the access method, in which the non-controlling interest is already recognized, since the non-controlling stockholder is exposed to risks and has access to the returns associated with their participation, against "carrying value adjustments" in equity.

The fair value of the additional stock option of R\$ 47,537 (R\$ 45,228 - Dec-2016) is classified as Level 3 in the fair value hierarchy. The main fair value measurements have as reference: (i) a discount rate of 22.04% in Dec-2016 (19.89% - Dec-2015), (ii) an average growth rate of EBITDA of 27.4% in Dec-2016, considering the average of the EBITDAs projected for 2018 to 2020 and the multiple provided for in contract.

The goodwill of R\$ 25,563 arising from the acquisition represents the future economic benefits expected from the business combination.

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(b) Changes in investments

At March 31, 2017, the Company's investment balance is as follows:

<u>Company name</u>	<u>Main activity</u>	<u>Interest (%)</u>	<u>3/31/2017</u>
4Bio Medicamentos S.A.	Retail of special medicines	55%	29,602

Changes in the investment balance in the subsidiary, presented in the parent company quarterly information, are as follows:

	<u>Parent Company 3/31/2017</u>
At December 31, 2016	29,424
Equity in the results of investees	<u>178</u>
At March 31, 2017	<u>29,602</u>

For the purposes of calculating the equity of 4Bio Medicamentos S.A., the Company has adjusted the assets, liabilities and related changes in the statement of income of 4Bio based on the allocation of purchase price at the acquisition date. The table below shows the effects on the profit for the period of 4Bio for the purposes of determining the equity at March 31, 2017:

	<u>Parent Company 3/31/2017</u>
Result of 4Bio (for the three-month period ended 3/31/2017)	321
Amortization of surplus arising from the business combination	<u>(143)</u>
Adjusted profit of 4Bio	<u>178</u>

Adjusted equity	<u>3/31/2017</u>	<u>12/31/2016</u>
Investment at book value (55%)	13,309	12,988
Allocation of the purchase price (surplus of assets)	5,846	6,063
Deferred income tax liability on allocation adjustments	(1,987)	(2,061)
Share of dividends proposed	<u>(473)</u>	<u>(473)</u>
	<u>16,695</u>	<u>16,517</u>
Goodwill based on expected future profitability	<u>12,907</u>	<u>12,907</u>
	<u>29,602</u>	<u>29,424</u>

(c) Subsidiary's dividend

In conformity with Art. 202 of Law 6,404/76 and the Company's bylaws, a mandatory minimum dividend of 10% of the adjusted profit for the year was calculated and recorded.

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11. Property and equipamento and intangible assets

a) Property and equipment

Changes in the parent company's property and equipment are as follows:

	Land	Buildings	Furniture, fittings and facilities	Machinery and equipment	Vehicles	Leasehold improvements	Store renovation and modernization	Total
Cost								
At December 31, 2016	27,440	41,917	501,042	300,919	23,224	766,487	3,863	1,664,892
Additions			28,453	11,204	29	65,558		105,244
Disposals and write-offs			(1,221)	(346)	(1,123)	(16,257)		(18,947)
Provision for store closures			1,370	1,332		(1,656)		1,046
At March 31, 2017	<u>27,440</u>	<u>41,917</u>	<u>529,644</u>	<u>313,109</u>	<u>22,130</u>	<u>814,132</u>	<u>3,863</u>	<u>1,752,235</u>
Accumulated depreciation								
Average annual depreciation rates (%)		2,5 – 2,7	7,4 – 10	7,1 – 15,8	20,0 – 23,7	17,0 – 21,6	20,0	
At December 31, 2016		(19,872)	(173,655)	(128,644)	(14,378)	(320,186)	(3,266)	(660,001)
Additions		(278)	(11,874)	(10,149)	(797)	(38,284)	(177)	(61,559)
Disposals and write-offs			680	328	1.062	15.940		18.010
Provision for store closures			(550)	(501)		301		(750)
At March 31, 2017		<u>(20,150)</u>	<u>(185,399)</u>	<u>(138,966)</u>	<u>(14,113)</u>	<u>(342,229)</u>	<u>(3,443)</u>	<u>(704,300)</u>
Net balance								
At December 31, 2016	<u>27,440</u>	<u>22,045</u>	<u>327,387</u>	<u>172,275</u>	<u>8,846</u>	<u>446,301</u>	<u>597</u>	<u>1,004,891</u>
At March 31, 2017	<u>27,440</u>	<u>21,767</u>	<u>344,245</u>	<u>174,143</u>	<u>8,017</u>	<u>471,903</u>	<u>420</u>	<u>1,047,935</u>

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Changes in the consolidated property and equipment are as follows:

	<u>Land</u>	<u>Buldings</u>	<u>Furniture, fittings and facilities</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Leasehold improvements</u>	<u>Store renovation and modernization</u>	<u>Total</u>
Cost								
At December 31, 2016	27.440	41.917	501.929	301.725	23.511	767.229	3.863	1.667.614
Additions			28.524	11.312	29	65.798		105.663
Disposals and write-offs			(1.221)	(346)	(1.123)	(16.257)		(18.947)
Provision for store closures			1.370	1.332		(1.656)		1.046
At March 31, 2017	<u>27.440</u>	<u>41.917</u>	<u>530.602</u>	<u>314.023</u>	<u>22.417</u>	<u>815.114</u>	<u>3.863</u>	<u>1.755.376</u>
Accumulated depreciation								
Average annual depreciation rates (%)		2,5 – 2,7	7,4 – 10	7,1 – 15,8	20 – 23,7	17 – 21,6	20	
At December 31, 2016		(19.872)	(173.916)	(128.970)	(14.596)	(320.388)	(3.266)	(661.008)
Additions		(278)	(11.897)	(10.180)	(802)	(38.327)	(177)	(61.661)
Disposals and write-offs			680	328	1.062	15.940		18.010
Provision for store closures			(550)	(501)		301		(750)
At March 31, 2017		<u>(20.150)</u>	<u>(185.683)</u>	<u>(139.323)</u>	<u>(14.336)</u>	<u>(342.474)</u>	<u>(3.443)</u>	<u>(705.409)</u>
Net balance								
At December 31, 2016	<u>27.440</u>	<u>22.045</u>	<u>328.013</u>	<u>172.755</u>	<u>8.915</u>	<u>446.841</u>	<u>597</u>	<u>1.006.606</u>
At March 31, 2017	<u>27.440</u>	<u>21.767</u>	<u>344.919</u>	<u>174.700</u>	<u>8.081</u>	<u>472.640</u>	<u>420</u>	<u>1.049.967</u>

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b) Intangible assets

Changes in the Company's intangible assets are as follows:

	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Trademarks	Customer portfolio	Other intangible assets	Total
Cost								
At December 31, 2016	245.813	80.305	22.275	780.084	151.700	41.700	6.129	1.328.006
Additions	10.989	9.901					161	21.051
Disposals and write-offs	(14.232)	(46)					(80)	(14.358)
Provision for store closures	(425)	(1)						(426)
At March 31, 2017	<u>242.145</u>	<u>90.159</u>	<u>22.275</u>	<u>780.084</u>	<u>151.700</u>	<u>41.700</u>	<u>6.210</u>	<u>1.334.273</u>
Accumulated amortization								
Average annual amortization rates (%)	17,0 – 23,4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	6,7 - 25	20	
At December 31, 2016	(120.982)	(30.181)	(2.387)			(37.177)		(190.727)
Additions	(10.979)	(4.353)				(115)		(15.447)
Disposals and write-offs	14.232	127						14.359
Provision for store closures	221							221
At March 31, 2017	<u>(117.508)</u>	<u>(34.407)</u>	<u>(2.387)</u>			<u>(37.292)</u>		<u>(191.594)</u>
Net balance								
At December 31, 2016	<u>124.831</u>	<u>50.124</u>	<u>19.888</u>	<u>780.084</u>	<u>151.700</u>	<u>4.523</u>	<u>6.129</u>	<u>1.137.279</u>
At March 31, 2017	<u>124.637</u>	<u>55.752</u>	<u>19.888</u>	<u>780.084</u>	<u>151.700</u>	<u>4.408</u>	<u>6.210</u>	<u>1.142.679</u>

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Changes in the consolidated intangible assets are as follows:

	Points of sale	Software license and systems implementation	Goodwill on business acquisition (Vison Ltda)	Goodwill on business acquisition (Raia S.A.)	Goodwill on company acquisition (4BIO)	Raia S.A. brands	4BIO brands	Raia S.A. customer's portfolio	4BIO customer relationship	4BIO distribution channel	Other intangible assets	Total
Cost												
At December 31, 2016	245.813	80.720	22.275	780.084	25.563	151.700	5.069	41.700	7.928	535	6.197	1.367.584
Additions	10.989	9.916									161	21.066
Disposals and write-offs	(14.233)	(46)									(80)	(14.359)
Provision for store closures	(425)	(1)										(426)
At March 31, 2017	<u>242.144</u>	<u>90.589</u>	<u>22.275</u>	<u>780.084</u>	<u>25.563</u>	<u>151.700</u>	<u>5.069</u>	<u>41.700</u>	<u>7.928</u>	<u>535</u>	<u>6.278</u>	<u>1.373.865</u>
Accumulated amortization												
Average annual amortization rates (%)	17 – 23,4	20	Indefinite useful life	Indefinite useful life	Indefinite useful life	Indefinite useful life	20	6,7 - 25	7	0,3	20	
At December 31, 2016	(120.982)	(30.404)	(2.387)				(1.267)	(37.177)	(708)	(535)	(68)	(193.528)
Additions	(10.979)	(4.371)					(253)	(115)	(142)			(15.860)
Disposals and write-offs	14.232	127										14.359
Provision for store closures	221											221
At March 31, 2017	<u>(117.508)</u>	<u>(34.648)</u>	<u>(2.387)</u>				<u>(1.520)</u>	<u>(37.292)</u>	<u>(850)</u>	<u>(535)</u>	<u>(68)</u>	<u>(194.808)</u>
Net balance												
At December 31, 2016	<u>124.831</u>	<u>50.316</u>	<u>19.888</u>	<u>780.084</u>	<u>25.563</u>	<u>151.700</u>	<u>3.802</u>	<u>4.523</u>	<u>7.220</u>		<u>6.129</u>	<u>1.174.056</u>
At March 31, 2017	<u>124.636</u>	<u>55.941</u>	<u>19.888</u>	<u>780.084</u>	<u>25.563</u>	<u>151.700</u>	<u>3.549</u>	<u>4.408</u>	<u>7.078</u>		<u>6.210</u>	<u>1.179.057</u>

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c) Goodwill on acquisition of Drogeria Vison Ltda.

Goodwill of R\$ 19,888 relates to the acquisition of Drogeria Vison Ltda. on February 13, 2008, which was merged into the Company from June 30, 2008.

The goodwill is based on the expected future profitability, as assessed by an independent expert, and was amortized from April to December 2008. As provided for in CPC Guidance (OCPC) 02, beginning in 2009, goodwill is no longer amortized, but is tested annually for impairment.

d) Goodwill on acquisition of Raia S.A.

The Company recorded goodwill of R\$ 780,084 arising from the business combination with Raia S.A., which occurred on November 10, 2011, based on the expected future profitability and arising from the difference between the assets assigned and received, with an expected return in five-and-a half years.

e) Goodwill on acquisition of 4Bio Medicamentos S.A.

The Company recorded goodwill of R\$ 25,563 arising from the business combination with 4Bio Medicamentos S.A., which occurred on October 1st, 2015, whose amount was supplemented by the final adjustment of the price at March 31, 2016 of R\$2,040, which is based upon expected future profitability arising from the difference between the amounts of assets assigned and received.

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12. Borrowing

Borrowing for acquisition of:	Average annual long term interest rate	Parent Company		Consolidated	
		Mar-2017	Dec-2016	Mar-2017	Dec-2016
BNDES – Sub-loan					
Businesses	TJLP + 2.60% (+ 2.75% - Dec/2016) p.a.	177,677	163,895	177,677	163,895
Businesses	SELIC + 2.48% (+ 2.50% - Dec/2016) p.a	151,175	128,350	151,175	128,350
Machinery, equipment and vehicles	Fixed rate + 3.15% (3.10% - Dec/2016) p.a.	3,554	4,658	3,554	4,658
Machinery, equipment and vehicles	TJLP + 2.02% (+ 2.02% - Dec/2016) p.a.	17,303	12,456	17,303	12,456
Machinery, equipment and vehicles	PSI + 8.63% (+8.62% - Dec/2016) p.a.	7,472	8,087	7,472	8,087
Machinery, equipment and vehicles	Selic + 2.42%	80		80	
Working capital	SELIC + 2.65% (+ 2.70% - Dec/2016) p.a	105,260	92,135	105,260	92,135
Other		3,635	3,610	3,635	3,610
Borrowing					
Other				7,252	777
		466,156	413,191	473,408	413,968
Current liabilities		(160,677)	(131,804)	(167,929)	(132,581)
Non-current liabilities		305,479	281,387	305,479	281,387

Borrowing from the BNDES is used for the expansion of stores, acquisition of machinery/equipment, vehicles and also to finance the Company's working capital.

The subloans Social Project, Development of Own Brand and Acquisition of National *Software* are grouped in the line of other. Part of the Company's borrowing from BNDES has been taken out in the form of sub-loans, totaling R\$ 466,156 (R\$ 413,191 - Dec/2016), subject to the following restrictive covenants:

- (i) Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) margin (EBITDA/Net operating revenue): equal to or higher than 3.6% and
- (ii) Total net debt/Total assets: equal to or lower than 20%.

Covenants are measured annually and, at March 31, 2017 and December 31, 2016, the Company was in compliance with these covenants.

If these requirements were not met, the Company would have to provide BNDES with bank guarantees to ensure the performance of its obligations under the agreement.

The Group is not a party to any agreements containing non-financial *covenants*.

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Non-current amounts mature as follow:

	Parent company and consolidated
	Mar-2017
2018	101,104
2019	107,457
2020	65,928
2021 and thereafter	<u>30,990</u>
	<u><u>305,479</u></u>

13. Provision for contingencies and judicial deposits

The Company and its subsidiary are subject to legal claims (tax, civil and labor) arising in the normal course of business. Management, supported by the opinion of its legal advisors and, where applicable, by specific opinions issued by experts, assesses the probable final outcomes of ongoing litigation and determines whether or not setting up provision for contingencies is necessary.

At March 31, 2017 and December 31, 2016, the Group had the following provision and corresponding judicial deposits relating to legal proceedings:

	Parent Company		Consolidated	
	Mar-2017	Dec-2016	Mar-2017	Dec-2016
Labor and social security	27,097	16,449	27,097	16,449
Tax	502	655	502	655
Civil	467	426	467	426
	<u>28,066</u>	<u>17,530</u>	<u>28,066</u>	<u>17,530</u>
(-)Corresponding judicial deposits	<u>(15,096)</u>	<u>(14,939)</u>	<u>(15,096)</u>	<u>(14,939)</u>
Total	<u>12,970</u>	<u>2,591</u>	<u>12,970</u>	<u>2,591</u>
Current liabilities	(5,596)		(5,596)	
Non-current liabilities	7,374	2,591	7,374	2,591

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Changes in the provision are as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Mar-2017</u>	<u>Dec-2016</u>	<u>Mar-2017</u>	<u>Dec-2016</u>
Opening balance	2,591	6,666	2,591	6,698
Additions	1,439	12,773	1,439	12,773
Write-offs	(6,225)	(10,656)	(6,225)	(10,688)
Favorable outcome	(75)	(1,177)	(75)	(1,177)
Unfavorable outcome	3,633	5,013	3,633	5,013
Change in criterion	(422)	(263)	(422)	(263)
Revaluation of amounts	11,587	(1,528)	11,587	(1,528)
Monetary restatement	599	2,536	599	2,536
Defense and appeal related deposits	(157)	(10,773)	(157)	(10,773)
Closing balance	<u>12,970</u>	<u>2,591</u>	<u>12,970</u>	<u>2,591</u>

The provision for legal claims took into consideration the best estimate of the amounts involved, for the cases in which the likelihood of loss is estimated as probable by external and internal legal advisors, and a portion of these proceedings is guaranteed by pledged assets (Note 21).

In the first quarter of 2017, there was a revaluation of the contingencies in the amount of R\$ 12,066 related to labor claims with likelihood of loss classified as probable.

Possible losses

At March 31, 2017 and December 31, 2016, the Group was party to legal proceedings of a tax, civil and labor nature, the likelihood of loss in which is estimated as possible by management and its legal advisors, amounting to R\$ 95,381 (R\$ 88,642 Dec-2016) for the parent company and R\$ 95,381 (R\$ 88,642 – Dec-2016) for the consolidated accounts.

Judicial deposits

At March 31, 2017 and December 31, 2016, the Group had the following judicial deposit amounts, for which no corresponding provision had been set up:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>Mar-2017</u>	<u>Mar-2016</u>	<u>Mar-2017</u>	<u>Mar-2016</u>
Labor and social security	10,723	10,584	10,723	10,584
Tax	10,685	8,969	10,685	8,969
Civil	3,667	3,454	3,667	3,454
Total	<u>25,075</u>	<u>23,007</u>	<u>25,075</u>	<u>23,007</u>

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Labor contingencies

Labor claims in general relate to lawsuits filed by former employees questioning the payment of unpaid overtime and severance pay. The Group is also involved in proceedings assumed upon the acquisition of Raia. S.A., which were filed by former employees of service providers claiming to have employment relationships directly with the Group, or in which the Group received a joint enforcement order for the payment of the labor rights claimed. There are also proceedings filed by professional unions for the payment of union dues, under the dispute regarding the legitimacy of the territorial base.

Tax contingencies

These represent administrative fines, tax rate differences on interstate transfers and tax collection proceedings.

Civil contingencies

The Group is a defendant in lawsuits regarding usual and unique matters arising in the course of its business, most of which seek indemnification for property damage and pain and suffering from consumption relations.

14. Income tax and social contribution

(a) Income tax and social contribution paid

Effective income tax and social contribution for the quarters are as follow:

	Parent Company		Consolidated	
	1 st Quart - 2017	1st Quart - 2016	1 st Quart - 2017	1st Quart- 2016
Profit before income tax and social contribution	134,337	112,449	134,846	112,720
Interest on capital	(51,000)	(47,700)	(51,000)	(47,700)
Taxable profit	83,337	64,749	83,846	65,020
Combined tax rate (25% for income tax and 9% for social contribution)	34	34	34	34
Theoretical tax expense	(28,335)	(22,015)	(28,508)	(22,107)
Permanent additions	(2,673)	(749)	(2,808)	(744)
Equity in the results of investees	61	54		
Reduction of taxes due to incentives	435	234	435	234
Other	31	28	37	28
Effective income tax and social contribution expense	(30,481)	(22,448)	(30,844)	(22,589)
Effective tax rate	22.7%	20.0%	22.9%	20.0%

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(b) Deferred income tax and social contribution

Deferred income tax and social contribution assets amounting to R\$ 64,876 at March 31, 2017 (R\$ 61,087 – Dec-2016) for the parent company and R\$65,487 at March 31, 2017 (R\$ 61,464 – Dec/2016) in the consolidated accounts arose from temporarily non-deductible expenses that may be carried forward indefinitely, with estimated realization as disclosed in item (c) below.

Deferred income tax and social contribution liabilities amounting to R\$ 260,943 at March 31, 2017 (R\$ 250,905 – Dec-2016) for the parent company and R\$ 264,556 at March 31, 2017 (254,651 - Dec-2016) in the consolidated accounts relate to tax charges on the remaining balances of: (i) the revaluation reserve; and (ii) goodwill on future profitability.

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Deferred income tax and social contribution for the quarters refer to:

	Balance sheet				Statement of income			
	Parent Company		Consolidated		Parent Company		Consolidated	
	Mar-2017	Dec-2016	Mar-2017	Dec-2016	1st Quart-2017	1st Quart-2016	1st Quart-2017	1st Quart-2016
Revaluation at fair value of land and buildings	(7,138)	(7,162)	(7,138)	(7,162)				
Amortization of the goodwill on future profitability	(194,430)	(183,737)	(194,430)	(183,737)	(10,693)	(10,725)	(10,693)	(10,725)
Non-deductible intangible assets - merger of Raia S.A.	(59,375)	(60,006)	(59,375)	(60,006)	631	632	631	632
Non-deductible intangible assets - acquisition of 4Bio			(3,613)	(3,746)			134	180
Goodwill on profitability of Drogeria Vison Ltda.	365	365	365	365				
Adjustment to present value	(34)	911	145	1,027	(945)	(1,097)	(883)	(1,027)
Adjustment to fair value	5,884		5,884		5,884		5,884	
Provision for inventory obsolescence	29,027	27,500	29,027	27,500	1,527	2,657	1,527	2,657
Provision for sundry obligations	5,962	6,144	6,158	6,205	(182)	2,654	(45)	2,675
Provision for employee profit sharing	4,601	11,111	4,761	11,262	(6,509)	(5,570)	(6,500)	(5,525)
Provision for contingencies	9,543	5,960	9,543	5,960	3,582	64	3,582	53
Provision for impairment of trade receivables	2,182	1,810	2,258	1,859	372	1,841	399	1,862
Provision for commercial leases (renewal action)	2,016	1,806	2,016	1,806	209	31	209	31
Provision for customer loyalty programs	2,540	2,553	2,540	2,553	(12)	(552)	(12)	(552)
Provision for store closures	980	1,011	980	1,011	(31)		(31)	
Provision for stock option plan	785	1,227	785	1,227	(442)	815	(442)	815
Provision for internal campaigns	560	162	560	162	398	353	398	353
Sundry provision	465	527	465	527	(63)	(543)	(63)	(543)
Deferred income tax and social contribution expense (benefit)					(6,274)	(9,440)	(5,905)	(9,114)
Deferred tax assets (liabilities), net	(196,067)	(189,818)	(199,069)	(193,187)				
Reflected in the balance sheet as follows:								
Deferred tax liabilities	(196,067)	(189,818)	(199,069)	(193,187)				
Deferred tax assets (liabilities), net	(196,067)	(189,818)	(199,069)	(193,187)				
Reconciliation of deferred tax assets (liabilities), net	Mar-2017	Dec-2016	Mar-2017	Dec-2016				
At the beginning of the year	(189,818)	(161,826)	(189,441)	(161,652)				
Taxable revenue recognized in the income statement	(6,273)	(28,087)	(9,652)	(31,630)				
Realization of deferred tax recognized in equity	24	95	24	95				
Balance at the end of the year	(196,067)	(189,818)	(199,069)	(193,187)				

(c) Estimated recovery of income tax and social contribution credits

The projections of future taxable profits are based on estimates relating to the Group's performance, the behavior of the market in which the Group operates and certain economic aspects, among other factors. Actual amounts may differ from these estimates. According to projections, the tax credit amounting to R\$64,876 in the parent company and R\$ 65,487 in the consolidated accounts will be substantially realized by the end of December 2017.

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15. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential common diluted shares. At March 31, 2017 and 2016, the Group's share did not have any dilutive effect, and the profits of basic and diluted shares were equal.

The following table presents profit and stock information used for calculating basic and diluted earnings per share:

	Parent Company	
	1st Quart- 2017	1st Quart- 2016
Basic		
Profit for the period	103,856	90,001
Weighted average number of common shares	330,089	329,629
Basic earnings per share - R\$	0.31463	0.27304
Diluted		
Profit for the period	103,856	90,001
Weighted average number of common shares	330,089	329,629
Weighted average number of common shares adjusted for dilution effect	330,089	329,629
Diluted earnings per share - R\$	0.31463	0.27304

16. Equity

(a) Share capital

At March 31, 2017, the fully paid-up capital amounted to R\$ 1,808,639 (R\$ 1,808,639 – Dec-2016), represented by 330,386,000 common registered book-entry shares with no par value, of which 206,362,071 (205,570,433 common shares - Dec-2016) shares were outstanding.

Pursuant to the Company's bylaws, it is authorized to increase its capital up to the limit of 400,000,000 common shares, subject to the approval of the Board of Directors.

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At March 31, 2017, the Company's ownership interest was as follows:

	Number of shares		Interest (%)	
	Mar-2017	Dec- 2016	Mar-2017	Dec-2016
Controlling stockholders	123,349,775	123,958,183	37.34	37.52
Shares outstanding	206,362,071	205,570,433	62.46	62.22
Treasury shares	674,154	857,384	0.20	0.26
	<u>330,386,000</u>	<u>330,386,000</u>	<u>100.00</u>	<u>100.00</u>

The ownership interest of the controlling stockholders is represented by the families Pipponzi, Pires Oliveira Dias and Galvão and by the Holding Pragma.

The change in the number of shares outstanding was as follows:

	Shares outstanding
At December 31, 2016	205,570,433
(Purchase)/sale of restricted shares, net	791,638
At March 31, 2017	<u>206,362,071</u>

At March 31, 2017, the Company's common shares were quoted at R\$ 58.67 (closing quote) (R\$ 61.19 at December 31, 2016).

(b) Treasury shares

On April 24, 2014, the Board of Directors authorized the Company to repurchase, over a period of 365 days, its own registered common shares with no par value to be held in treasury and subsequently sold. The changes of the treasury shares in the quarter ended March 31, 2017 are summarized below:

	Parent Company	
	Number of shares	Amount shares
At December 31, 2016	857,384	16,289
Shares delivered to executives according to the grant schedule	(136,391)	(2,591)
Shares delivered in advance to executives relating to their employment termination	(46,839)	(890)
At March 31, 2017	<u>674,154</u>	<u>12,808</u>

At March 31, 2017, the market value of the treasury shares, having as reference the quotation of R\$ 58.67 per share at that date, corresponds to R\$ 39,553.

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(c) Restricted share plan

Since March 2014, the Company offers its officers the Long-Term Incentive Program with Restricted Shares (the "Restricted Share Plan"), which aims to offer an opportunity to receive variable remuneration provided that the officer remains for a predetermined period in the Company.

As stated in the Restricted Share Plan, a portion of their annual variable remuneration (profit-sharing), will be paid to the officer in cash and the remaining balance shall be paid only in Company shares ("incentive stock").

If the officer decides to use a portion of the total amount of the variable remuneration paid in cash to buy Company shares ("own shares") on the stock exchange, the Company will offer the officer an equal number of shares purchased on the stock exchange.

At its discretion, the Company may grant to this officer more Company shares, using as reference the number of own shares acquired by the officer on the stock exchange.

The shares offered to the officer through the Restricted Share Plan may not be sold, assigned or transferred to third parties for a period of four years from the date of the grant, provided that, every year, from the second, third and fourth anniversary of the grant date, the officers will acquire the right to receive a third of their restricted stock.

The changes of the restricted shares are summarized below:

	Mar-2017		Dec-2016	
	Shares	Amount	Shares	Amount
Opening balance	375,212	11,123	193,640	4,225
Granted shares for the period / year	56,329	2,765	238,742	7,984
Value of the shares at the delivery date	(183,230)	(3,481)	(57,170)	(1,086)
Closing balance	<u>248,311</u>	<u>10,407</u>	<u>375,212</u>	<u>11,123</u>

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17. Net sales revenue

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>1st Quart-2017</u>	<u>1st Quart-2016</u>	<u>1st Quart-2017</u>	<u>1st Quart-2016</u>
Gross sales revenue				
Sales revenue	3,091,021	2,566,866	3,209,072	2,637,708
Service revenue	3,300	3,332	3,334	3,371
	<u>3,094,321</u>	<u>2,570,198</u>	<u>3,212,406</u>	<u>2,641,079</u>
Taxes on sales	(110,569)	(92,492)	(116,634)	(95,350)
Returns, rebates and other	(35,454)	(28,382)	(38,662)	(30,302)
Net sales revenue	<u>2,948,298</u>	<u>2,449,324</u>	<u>3,057,110</u>	<u>2,515,427</u>

Taxes on sales primarily comprise ICMS at rates predominantly between 17% and 18%, for goods not subject to the tax substitute (ST) regime, service tax at 5%, and PIS (1.65%) and COFINS (7.60%) for goods not subject to the one-time taxation regime (Law 10,147/00).

18. Information on the nature of expenses recognized in the statement of income

The Group presented its statement of income using a classification based on the function of expenses. Information on the nature of these expenses is recorded in the statement of income as follows: Information on the nature of these expenses is recorded in the statement of income as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>1st Quart-2017</u>	<u>1st Quart-2016</u>	<u>1st Quart-2017</u>	<u>1st Quart-2016</u>
Cost of sales	(2,039,509)	(1,701,165)	(2,135,487)	(1,758,487)
Personnel expenses	(375,551)	(321,186)	(380,864)	(324,582)
Service provider expenses	(38,272)	(28,180)	(38,460)	(28,395)
Depreciation and amortization (i)	(77,006)	(62,345)	(77,521)	(62,930)
Other (ii)	(253,343)	(207,710)	(258,282)	(211,124)
	<u>(2,783,681)</u>	<u>(2,320,586)</u>	<u>(2,890,614)</u>	<u>(2,385,518)</u>
Classified in the statement of income as:				
	<u>1st Quart-2017</u>	<u>1st Quart-2016</u>	<u>1st Quart-2017</u>	<u>1st Quart-2016</u>
Cost of sales	(2,039,509)	(1,701,165)	(2,135,487)	(1,758,487)
Selling expenses	(659,180)	(551,097)	(667,230)	(556,279)
General and administrative expenses	(84,992)	(68,324)	(87,897)	(70,752)
	<u>(2,783,681)</u>	<u>(2,320,586)</u>	<u>(2,890,614)</u>	<u>(2,385,518)</u>

(i) Depreciation and amortization totaled R\$ 77,006 in the first quarter of 2017 (R\$ 62,345 – 1st Quart-2016), of which R\$ 68,049 (R\$ 54,627 – 1st Quart-2016) correspond to the sales area, and R\$8,958 (R\$ 7,718 – 1st Quart-2016) to the administrative area.

(ii) These refer mostly to property rental expenses, credit and debit card management charges, transportation expenses, the maintenance of assets, utilities bills, consumables and condominium fees.

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19. Other operating expenses

Other operating expenses totaled R\$ 2,160 in the first quarter of 2017 for the parent company. This amount comprises non-recurring expenses and revenues, related to: (i) revaluation of provision for labor contingencies amounting to R\$ 12,066 (ii) bonuses and expenses incurred on the granting of restricted shares due to the termination of Statutory Director in the amount of R\$ 3,207 and (iii) net recognition of commercial agreements of prior years amounting to R\$ (13,113).

20. Finance income and costs

(a) Finance income

	Parent Company		Consolidated	
	1st Quart- 2017	1st Quart- 2016	1st Quart- 2017	1st Quart- 2016
Discounts obtained	155	256	193	306
Short-term investment yields	5,672	7,040	5,672	7,040
Interest on intercompany loans	633	64		
Monetary gains	665	317	671	334
Other finance income	1	1	20	7
Taxes thereon (PIS/COFINS)	(327)	(357)	(327)	(357)
Present Value Adjustment (PVA) - finance income	20,382	17,475	21,990	18,311
Total finance income	27,181	24,796	28,219	25,641

(b) Finance costs

	Parent Company		Consolidated	
	1st Quart- 2017	1st Quart- 2016	1st Quart- 2017	1st Quart- 2016
Discounts granted to customers		(245)	(10)	(261)
Interest, charges and bank fees	(121)	(283)	(399)	(327)
Charges on borrowings	(12,716)	(9,080)	(13,049)	(9,489)
Monetary losses	(1,229)	(513)	(1,408)	(705)
Interest on additional stock option	(2,309)	(1,467)	(2,309)	(1,467)
PVA - finance costs	(39,104)	(29,656)	(40,534)	(30,581)
Total finance costs	(55,479)	(41,244)	(57,709)	(42,830)
Finance results	(28,298)	(16,448)	(29,490)	(17,189)

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21. Guarantees for lawsuits

The following items of property and equipment were given as security for tax, social security and labor proceedings:

	Parent Company		Consolidated	
	Mar-2017	Dec-2016	Mar-2017	Dec-2016
Furniture and facilities	31	32	31	32
Machinery and equipment	85	85	85	85
	<u>116</u>	<u>117</u>	<u>116</u>	<u>117</u>

22. Lease agreement commitments

The Company and its subsidiary have lease agreements with terms ranging from one to 20 years. Annual lease expenses vary depending on the number of agreements entered into or terminated. Total monthly expenses on these lease agreements (including rental, condominium fees and real estate tax amounted to R\$ 39,778 (R\$ 38,710 – Dec-2016) for the parent company and R\$ 39,896 (R\$ 38,810 - Dec-2016) for the consolidated accounts.

At March 31, 2017 and December 31, 2016, the future minimum payments referring to leases of stores (under cancelable lease agreements) were as follows:

	Parent Company		Consolidated	
	Mar-2017	Dec-2016	Mar-2017	Dec-2016
From one to 12 months	404,012	385,361	404,738	386,110
From 13 to 60 months	1,024,009	971,035	1,025,510	972,702
Over 60 months	304,017	291,003	304,017	291,003
	<u>1,732,038</u>	<u>1,647,399</u>	<u>1,734,265</u>	<u>1,649,815</u>

23. Financial instruments and risk management policy

Financial instruments by category

	Parent Company		Consolidated	
	Mar-2017	Dec-2016	Mar-2017	Dec-2016
Assets as per balance sheet				
<u>Loans and receivables</u>				
Cash and cash equivalents (Note 6)	181,468	273,095	181,601	276,632
Trade receivables (Note 7)	716,310	713,841	781,331	772,241
Other receivables	161,237	120,711	139,299	105,112
Judicial deposits (Note 13)	25,075	23,007	25,075	23,007
	<u>1,084,090</u>	<u>1,130,654</u>	<u>1,127,306</u>	<u>1,176,992</u>
Total assets	<u>1,084,090</u>	<u>1,130,654</u>	<u>1,127,306</u>	<u>1,176,992</u>

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Liabilities as per balance sheet

Liabilities at fair value through profit or loss

Additional stock option (Note 10)	47,537	45,228	47,537	45,228
	<u>47,537</u>	<u>45,228</u>	<u>47,537</u>	<u>45,228</u>
<u>Other financial liabilities</u>				
Trade payables	1,420,592	1,564,787	1,483,477	1,615,587
Borrowings (Note 12)	466,156	413,191	473,408	413,968
Other payables	179,489	175,046	180,616	175,972
	<u>2,066,237</u>	<u>2,153,024</u>	<u>2,137,501</u>	<u>2,205,527</u>
Total liabilities	<u>2,113,774</u>	<u>2,198,252</u>	<u>2,185,038</u>	<u>2,250,755</u>

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's risk management program focuses on the unpredictability of financial and operational markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Board provides principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of non-derivative financial instruments, and investment of surplus liquidity.

(a) Market risk

Foreign exchange risk

All of the asset and liability operations of the Group are denominated in Brazilian reais; therefore, the Company is not exposed to foreign exchange risk.

Most of the BNDES transactions are entered into based on the TJLP + interest and on the SELIC rate. Short-term investments are entered into based on the CDI variations, which does not result in higher interest rate risk since these variations are not significant. Management understands that there is a low risk of significant changes in profit or loss or in cash flows.

(b) Credit risk

Credit risk arises from financial assets, i.e. cash and cash equivalents, short-term investments and trade receivables.

Cash and cash equivalents and short-term investments are maintained with sound financial institutions.

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The risk ratings of the cash equivalents are in accordance with the main risk rating agencies, according to the table below:

	Parent Company		Consolidated	
	Mar-2017	Dec-2016	Mar-2017	Dec-2016
Rating – National Scale				
brAA	14,398	38,036	14,438	41,030
BrA+	125,008	167,541	125,008	167,541
Total – National Scale	139,406	205,577	139,446	208,571

The granting of credit on sales of goods follows a policy that aims at minimizing defaults. For the period ended March 31, 2017, credit sales represented 51% (50% - Dec-2016) and 52% (51% - Dec-2016) for the consolidated accounts of which 91% (91% - Dec-2016) and 86% (86% - Dec-2016) in the consolidated accounts related to credit card sales which, in the opinion of the Group and based on the history of losses, posed an extremely low risk. The remaining 9% (9% - Dec-2016) and 14% (14% - Dec-2016) for the consolidated accounts are credits from PBMs, special plans with companies and post-dated checks and bills for payment that pose a low risk, due to customer selectivity and the adoption of individual limits.

(c) Liquidity risk

The Group's management continuously monitors forecasts of the Company's liquidity requirements, in order to ensure that it has sufficient cash to meet operational needs. The Group invests its surplus cash in financial assets with appropriate maturities to provide the liquidity necessary to honor its obligations.

(d) Sensitivity analysis

The table below presents a sensitivity analysis of financial instruments that are exposed to losses.

The most probable scenario (scenario I), according to the assessment made by management, is based on a three-month horizon. Two further scenarios are presented, pursuant to CVM Instruction 475/08, in order to show a 25% and 50% deterioration in the risk variables considered (scenarios II and III).

Operation	Risk	Parent Company		
		Scenario I (probable)	Scenario II	Scenario III
Short term investments - CDI	0.5% increase	697	871	1,046
Revenue		697	871	1,046
REFIS (SELIC)	0.5% increase	6	7	9
Expense		6	7	9

(A free translation of the original in Portuguese)

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Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

		Consolidated		
Operation	Risk	Scenario I (probable)	Scenario II	Scenario III
Short term investments - CDI	0.5% increase	697	871	1,046
Revenue		697	871	1,046
REFIS (SELIC)	0.5% increase	6	7	9
Expense		6	7	9

The risk of variations in the TJLP on BNDES operations which could result in material losses for the Group is not considered as probable by management.

(e) Capital management

The Group's objective relating to capital management is to maintain the Group's investment capacity, thus allowing it to grow its business and provide proper returns for stockholders.

The Group has adopted a policy of not leveraging its capital structure with borrowing, except for long-term credit facilities from BNDES (FINEM) at interest rates that are commensurate with the Group's profit levels.

Accordingly, the gearing ratio is calculated by dividing net debt by equity. Net debt is calculated as total borrowing less total cash and cash equivalents, as shown below: Net debt is calculated as total borrowing less total cash and cash equivalents, as shown below:

	Parent Company		Consolidated	
	Mar-2017	Dec-2016	Mar-2017	Dec-2016
Short - and long-term borrowings	466,156	413,191	473,408	413,968
(-)Cash and cash equivalents	(181,468)	(273,095)	(181,601)	(276,632)
Net debt	<u>284,688</u>	<u>140,096</u>	<u>291,807</u>	<u>137,336</u>
Equity attributable to the stockholders of the parent company	2,904,084	2,909,787	2,904,084	2,909,787
Non-controlling interest			26,314	26,168
Total equity	<u>2,904,084</u>	<u>2,909,787</u>	<u>2,930,398</u>	<u>2,935,955</u>
Gearing ratio	<u>9.80</u>	<u>4.81</u>	<u>9.96</u>	<u>4.68</u>

(f) Fair value estimation

The carrying values of financial investments in the balance sheet approximate their fair values since the remuneration rates are based on the CDI variation. The carrying values of trade receivables and payables are measured at amortized cost and are recorded at their original amount, less the provision for impairment and adjustment to present value, when applicable. The carrying values is assumed to approximate their fair values, taking into consideration the realization of these balances, and settlement terms not exceeding 60 days.

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Borrowings are classified as financial liabilities not measured at fair value and are carried at amortized cost and according to contractual conditions. The fair values of the borrowings approximate their carrying values since they refer to financial instruments with rate that approximate market rates.

For disclosure purposes, the fair value of financial liabilities is estimated by discounting future contractual cash flow at the interest rates available in the market that are available to the Group for similar financial instruments. The effective interest rates at the balance sheet dates are usual market rates and their fair value does not significantly differ from the balances in the accounting records.

At March 31, 2017, the Group had no material assets and liabilities measured at fair value at Level 1 and Level 2 in the fair value hierarchy. The following table presents the changes in Level 3 instruments for the period ended March 31, 2017:

	Parent company and consolidated Additional stock option
Opening balance	
Acquisition of 4Bio (Note 10)	45,228
Expenses recognized in the statement of income:	2,310
Closing balance	47,538
Total expenses for the quarter recognized in the statement of income	2,310
Changes in unrealized expenses for the quarter included in the statement of income	2,310

24. Derivative financial instruments

The Group does not have any operations involving derivative financial instruments.

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All amounts in thousands of reais unless otherwise stated

25. Transactions with related parties

(a) Transactions with related parties consist of transactions with the Company's stockholders and persons connected to them:

	Relationship	Parent Company		Consolidated		Parent Company		Consolidated	
		Current assets				Revenues			
		Mar-2017	Dec-2016	Mar-2017	Dec-2016	1st Quart-2017	1st Quart-2016	1st Quart-2017	1st Quart-2016
Receivables									
Special plans (i)									
Regimar Comercial S.A.	Stockholder/Family	15	15	15	15	26	17	26	17
Heliomar S.A.	Stockholder/Board Member	2	1	2	1	5	3	5	3
Rodrigo Wright Pipponzi (Editora Mol Ltda.)	Stockholder/Family		1		1	1	1	1	1
		17	17	17	17	32	21	32	21
Other receivables									
Commercial agreements									
Natura Cosméticos S.A. (iv)	Stockholder / Related party	4	22	4	22	83	26	83	26
Loan receivable									
4Bio Medicamentos S.A. (v)	Subsidiary	22,258	15,624			633	64		
		22,262	15,646	4	22	716	90	83	26
		22,279	15,663	21	39	748	111	115	47

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All amounts in thousands of reais unless otherwise stated

	Relationship	Parent Company		Consolidated		Parent Company		Consolidated	
		Current liabilities				Expense			
		Mar-2017	Dec-2016	Mar-2017	Dec-2016	1st Quart-2017	1st Quart-2016	1st Quart-2017	1st Quart-2016
Payables									
Rentals (ii)									
Heliomar S.A.	Stockholder/Board Member	20	19	20	19	54	50	54	50
Antonio Carlos Pipponzi	Stockholder/Board Member	7	7	7	7	22	20	22	20
Rosalia Pipponzi Raia	Stockholder/Board Member	7	7	7	7	22	20	22	20
Estate of Franco Maria David Pietro Pipponzi	Stockholder/Board Member	7	7	7	7	22	20	22	20
		<u>41</u>	<u>40</u>	<u>41</u>	<u>40</u>	<u>120</u>	<u>110</u>	<u>120</u>	<u>110</u>
Service providers									
Zurcher, Ribeiro Filho, Pires Oliveira Dias e Freire Advogados (ii)	Stockholder/Family	16	12	16	12	1,784	1,574	1,784	1,574
Rodrigo Wright Pipponzi (Editora Mol Ltda.) (iii)	Stockholder/Family	537	790	537	790	2,136	1,642	2,136	1,642
		<u>553</u>	<u>802</u>	<u>553</u>	<u>802</u>	<u>3,920</u>	<u>3,216</u>	<u>3,920</u>	<u>3,216</u>
Suppliers									
Natura Cosméticos S.A. (iv)	Stockholder / Related party	761	1,433	761	1,433	1,098	1,502	1,098	1,502
		<u>761</u>	<u>1,433</u>	<u>761</u>	<u>1,433</u>	<u>1,098</u>	<u>1,502</u>	<u>1,098</u>	<u>1,502</u>
		<u>1,355</u>	<u>2,275</u>	<u>1,355</u>	<u>2,275</u>	<u>5,138</u>	<u>4,828</u>	<u>5,138</u>	<u>4,828</u>

(A free translation of the original in Portuguese)

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All amounts in thousands of reais unless otherwise stated

- (i) Sales carried out through special plans. These transactions have been entered into under commercial conditions equivalent to those adopted with other companies.
- (ii) Store rental and rendering of legal advisory services. These transactions are carried out under normal market conditions.
- (iii) These balances and transactions refer to service agreements for the development, creation and production of marketing materials for the institutional sales area, and the design of the Company's internal monthly magazine. The agreements are valid for an indefinite period of time and may be terminated by either party at any time without cost or penalties.
- (iv) On September 1st, 2015, Raia Drogasil S.A. and Natura Cosméticos S.A. entered into a purchase and sale agreement and other covenants to permit the sale of products of line "SOU" in 29 stores of the Raia and Drogasil in Campinas and region. Some members of the control block of Natura Cosméticos S.A. indirectly hold equity interests in Raia Drogasil S.A.

The parties decided to expand the project scope for sale in the entire State of São Paulo as from February 20, 2016 and for the entire national territory as from July 1st, 2016, by signing an Amendment to the agreement.

Raia Drogasil will receive five percent (5%) of the products sold, considering the amount indicated on the sale invoice of Natura Cosméticos S.A. to Raia Drogasil, and it is not possible to define a total value for the contract.

- (v) On February 23, March 18, April 8, 2016, and February 13, 2017, Raia Drogasil S.A. (Lender) and 4Bio Medicamentos S.A. (Borrower) signed a loan agreement of R\$ 3,000, R\$ 6,000, R\$ 5,000 and R\$ 6,000, respectively. The amount borrowed will be adjusted for inflation at an interest rate of 101.5% of the CDI, which will be paid in a single installment on 7/31/2017 and 02/28/2018. Moreover, we inform that there are no additional transactions other than the amounts presented above and that the category of the related parties corresponds to the entity's key management personnel.

(b) Key management compensation

Key management includes the Officers, Directors and members of the Supervisory Board. The compensation paid or payable for services rendered is as follows:

	Parent Company		Consolidated	
	1st Quart- 2017	1st Quart- 2016	1st Quart- 2017	1st Quart- 2016
Fees and social charges	3,583	3,481	4,014	3,873
Bonuses and social charges	8,532	4,206	8,710	4,206
Fringe benefits	91	40	91	40
	<u>12,206</u>	<u>7,727</u>	<u>12,815</u>	<u>8,119</u>

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Notes to the Quarterly Information

All amounts in thousands of reais unless otherwise stated

26. Insurance coverage

The Group has adopted a policy of taking out insurance coverage at amounts deemed sufficient to cover any losses on assets or civil liability attributed to it taking into consideration the nature of its activities and the guidance of its insurance consultants.

The Group had the following insurance coverage at March 31, 2017:

	Parent Company		Consolidated	
	Mar-2017	Dec-2016	Mar-2017	Dec-2016
Inventory loss risks	155,821	145,248	176,356	161,304
Permanent assets	227,238	193,964	233,058	199,062
Loss of profits	237,873	171,500	262,052	195,679
Civil liability risks	33,602	27,150	34,500	27,150
	<u>654,534</u>	<u>537,862</u>	<u>705,966</u>	<u>583,195</u>

27. Non-cash transactions

At March 31, 2017, the main transactions that did not involve the Group's cash were:

- (i) the restatement of the financial liability arising from the additional stock option of 4Bio (Note 10);
- (ii) part of the remuneration of key management personnel (Note 25); and
- (iii) the installment purchase of property and equipment items in the amount of R\$ 11,326 (R\$ 20,177 – Dec-2016).

28. Events after the reporting period

On April 19, 2017, the Company carried out the 1st issue of simple, non-convertible unsecured debentures, in a single series, with no real guarantee, for public distribution with restricted efforts (CVM476), amounting to R\$ 300,000, with payment term of five years, thus maturing on April 19, 2022. The remuneration will be 104.75% of the CDI. The funds will be used to improve the working capital.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Comment on the Behavior of Business Projections

In this section, in accordance with CVM Instruction No. 480/09, we compare the projections of store openings for 2016 and 2017, which we disclosed to the market through a Material Fact on July 28, 2016, with the data on the store openings every quarter, through the end of the current quarter.

YEAR	PRIOR PROJECTION	CURRENT PROJECTION	ACTUAL¹
2016	165 store openings	200 store openings	212 store openings
2017	195 store openings	200 store openings	42 store openings

¹ For 2017, YTD 3/31/2017.

On July 28, 2016, we revised our prior projection of 165 store openings in 2016 and 195 store openings in 2017 to 200 store openings for both 2016 and 2017, as properly announced to the market. The Company ended 2016 with 212 store openings and reiterates the projection of 200 openings for 2017.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Reports and Statements / Report on Special Review – Without Exceptions

Report on review of quarterly information

To the Board of Directors and Stockholders
Raia Drogasil S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Raia Drogasil S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2017, comprising the balance sheet at that date and the statements of income, comprehensive income, changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21 - "Interim Financial Reporting", of the Brazilian Accounting Pronouncements Committee (CPC) and International Accounting Standard (IAS) 34 - "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and ISRE 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Reports and Statements / Report on Special Review – Without Exceptions

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the quarter ended March 31, 2017. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo, April 27, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Renato Barbosa Postal
Contador CRC 1SP187382/O-0

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Opinions and Representations / Opinion of Supervisory Board or Equivalent Body

To the Board of Directors and Stockholders of Raia Drogasil S.A.

The Company's Supervisory Board, in exercising its duties and legal responsibilities, has examined the Quarterly Information (ITR) for the quarter ended March 31, 2017 and, based on the examinations performed and on clarifications provided by management, and also considering the favorable Report on Special Review without exceptions, issued by the independent auditor PricewaterhouseCoopers Auditores Independentes, the Supervisory Board members concluded that the documents above are fairly presented, in all material respects.

São Paulo, April 27, 2017.

Gilberto Lério
Supervisory Board Member

Fernando Carvalho Braga
Supervisory Board Member

Mário Antonio Luiz Corrêa
Supervisory Board Member

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIÁ DROGASIL S.A.

Opinions and Representations / Officers' Representation on Financial Statements

RAIA DROGASIL S.A.

In accordance with article 25, paragraph 1st, items V and VI, of CVM Instruction 480/09, the Company's officers represent that they have reviewed, discussed and agree with the Quarterly Information (ITR) for the quarter ended March 31, 2017.

São Paulo, April 27, 2017.

Marcilio D'Amico Pousada
Chief Executive Officer

Fernando Kozel Varela
Officer

Antonio Carlos Coelho
Officer

Renato Cepollina Raduan
Officer

Eugênio De Zagottis
Officer

Maria Susana de Souza
Officer

Marcello De Zagottis
Officer

Antonio Carlos Marques de Oliveira
Accountant in charge CRC-1SP215445/O-0

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 3/31/2017 - RAIA DROGASIL S.A.

Opinions and Representations / Officers' Representation on Independent Auditor's Report

RAIA DROGASIL S.A.

In accordance with article 25, paragraph 1st, items V and VI, of CVM Instruction 480/09, the Company's officers represent that they have reviewed, discussed and agree with the Quarterly Information (ITR) for the quarter ended March 31, 2017.

São Paulo, April 27, 2017.

Marcilio D'Amico Pousada
Chief Executive Officer

Fernando Kozel Varela
Officer

Antonio Carlos Coelho
Officer

Renato Cepollina Raduan
Officer

Eugênio De Zagottis
Officer

Maria Susana de Souza
Officer

Marcello De Zagottis
Officer

Antonio Carlos Marques de Oliveira
Accountant in charge CRC-1SP215445/O-0