RaiaDrogasil

Earnings Presentation – 2014

February 27th, 2015

Disclaimer

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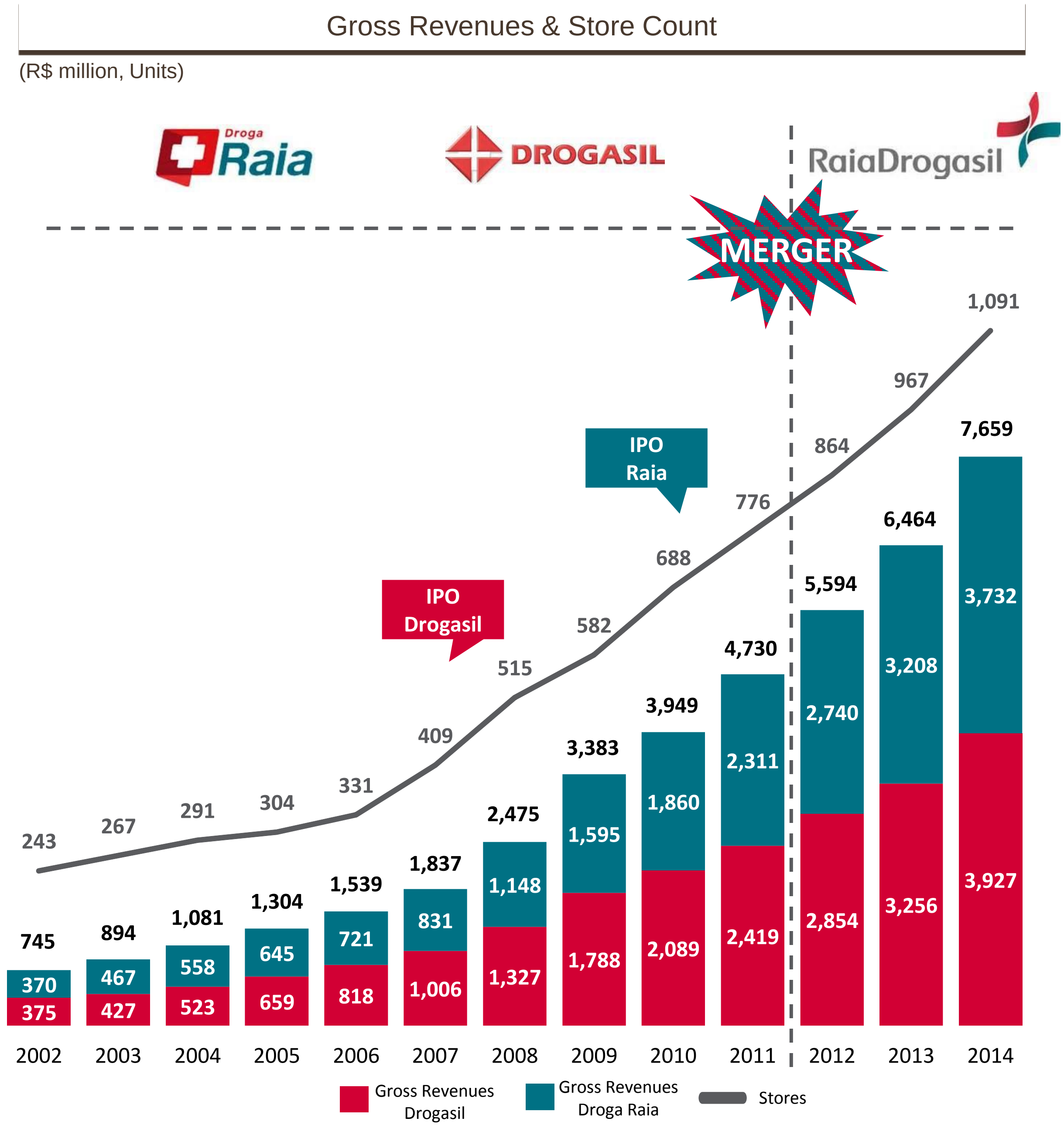
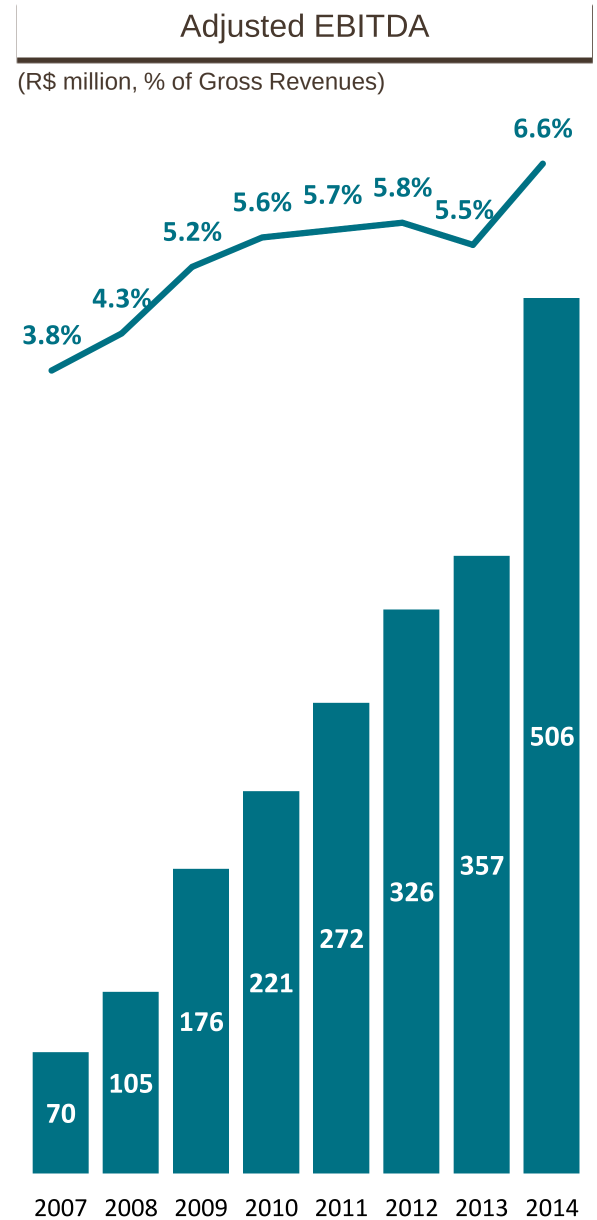
Although the Company believes that the expectations and assumptions reflected in the forward-looking statements are reasonable based on information currently available to the Company’s management, the Company cannot guarantee future results or events. The Company expressly disclaims a duty to update any of the forward looking-statements.

Highlights

- **Drugstores:** 1,091 stores in operation (131 openings and 11 closures in 2014)
- **Gross Revenues:** R$ 7.7 billion, 18.5% of growth (11.4% for same-store sales)
- **Gross Margin:** 27.6% of gross revenues, a 0.8 percentage point margin increase
- **Adjusted EBITDA:** R$ 506.2 million, an EBITDA margin of 6.6% and an increase of 41.8%
- **Adjusted Net Income:** R$ 270.4 million, a net margin of 3.5% and an increase of 53.8%
- **Cash Flow:** R$ 55.1 million positive free cash flow, R$ 2.9 million total cash flow
- **Roic:** 15.0%, an increase of 4.7%

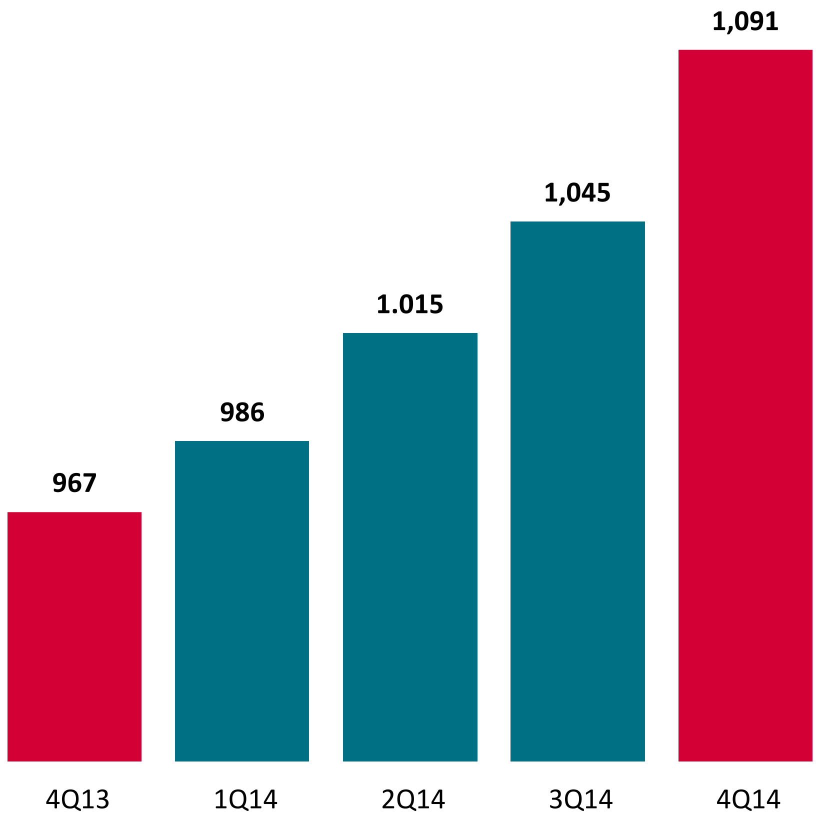
Another Year of Strong Growth with Value Creation.





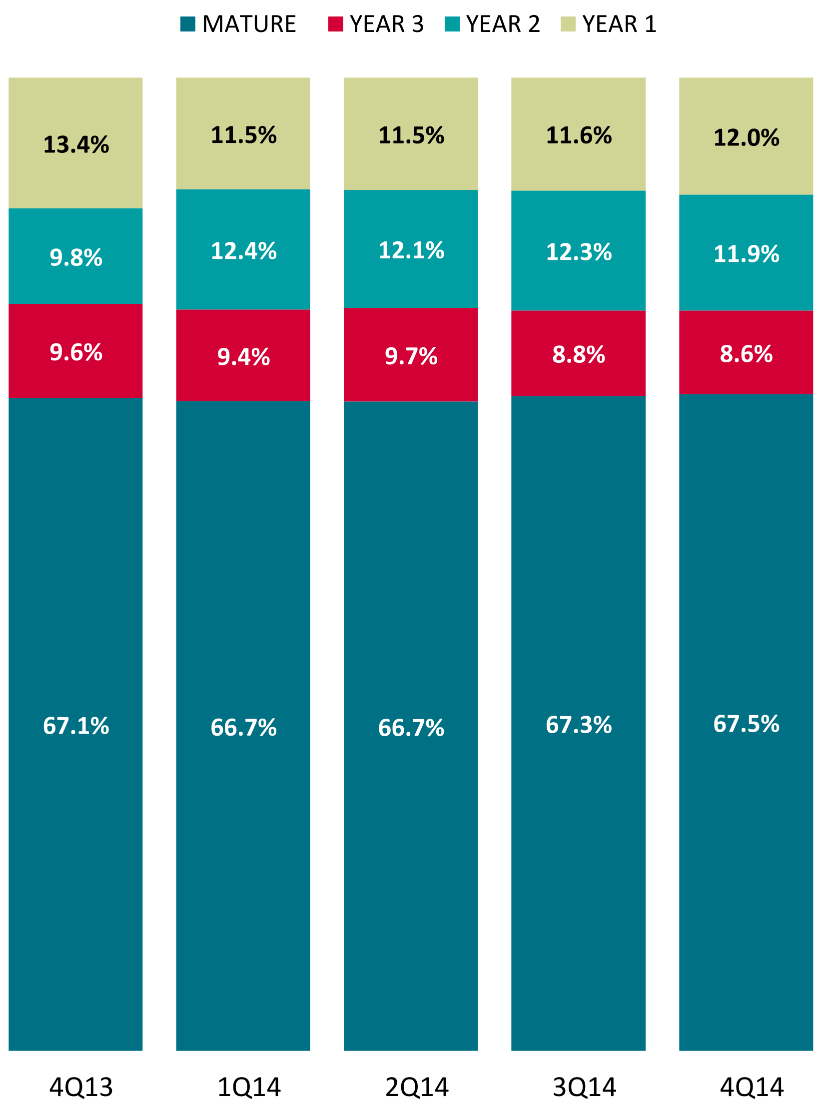
We opened in 2014 a total of 131 stores, closed 11 and reopened 4 stores. In the 4Q14, we opened 51 stores and closed 5. At the end of the period, 32.5% of our stores were still maturing.

Store Count*



	4Q13	1Q14	2Q14	3Q14	4Q14
Opened	41	18	29	33	51
Closed	(4)	(1)	(2)	(3)	(5)
Reopenings/(Suspentions)	(1)	2	2	0	0

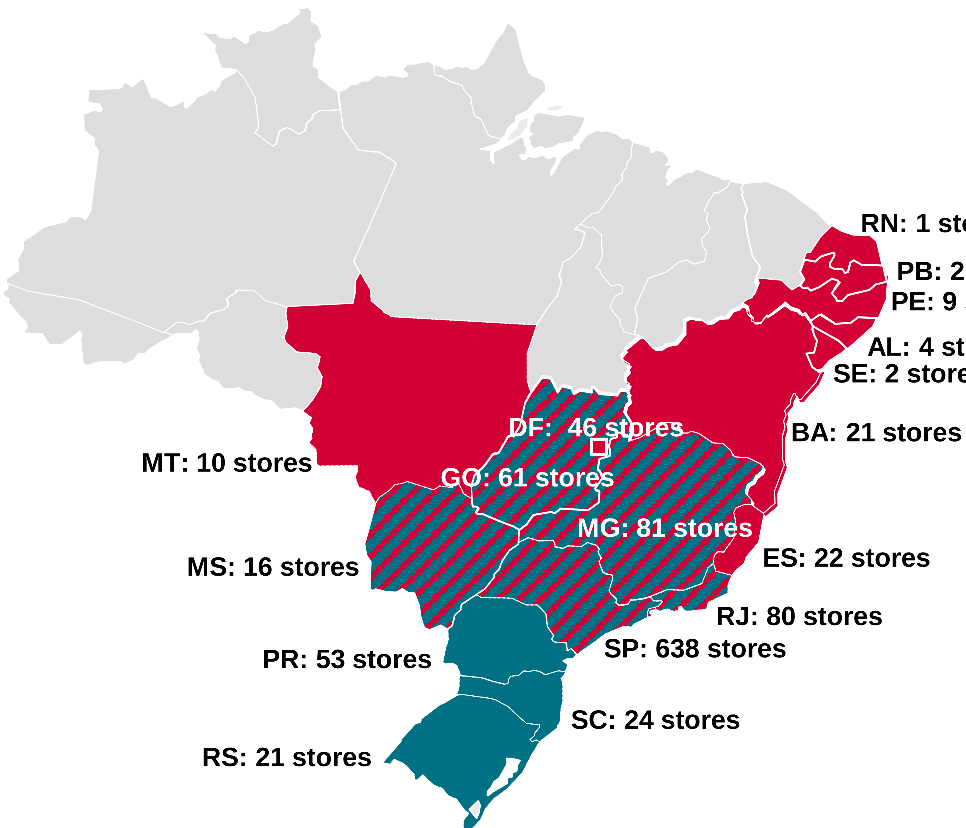
Age Structure of Store Portfolio



* Does not include suspended stores. which have been temporarily closed to be rebranded.

We entered into 5 new states in the NE, reaching a total of 17 states that represent 89% of the Brazilian pharmaceutical market. We gained market share in all regions where we operate.

Geographic Presence

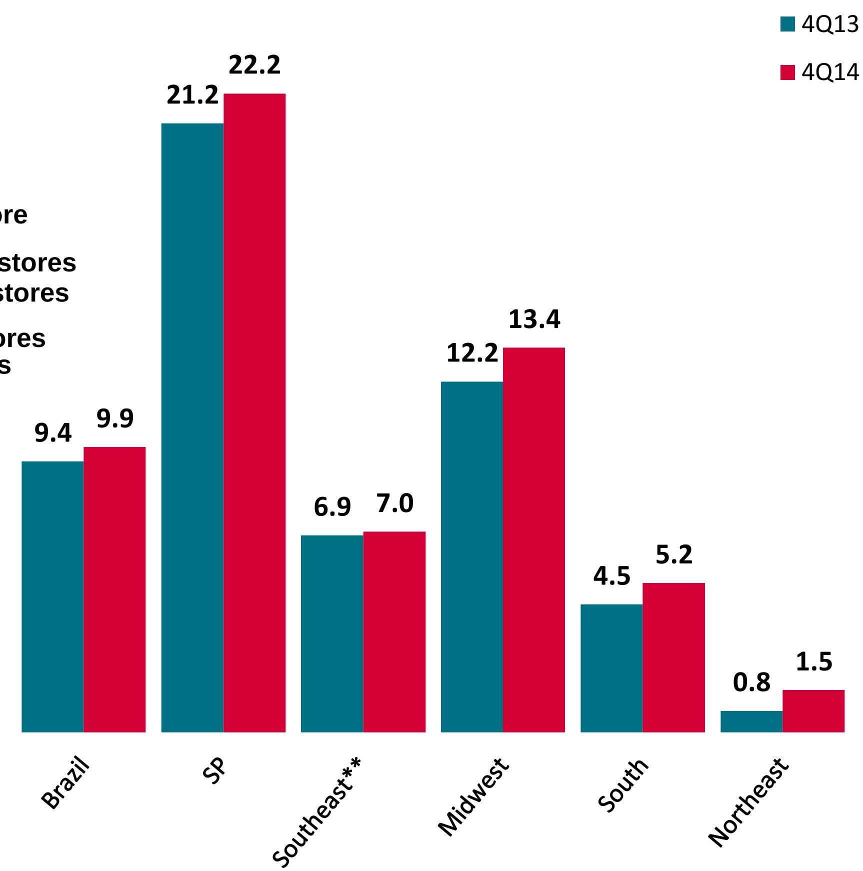


Total: 1,091 stores

Raia: 520 stores

Drogasil*: 571 stores

Market Share (December ‘ 14)***



PHARMACEUTICAL MARKET DISTRIBUTION BY REGION (DECEMBER '14)

Brazil	SP	Southeast**	Midwest	South	Northeast
100.0%	26.7%	23.9%	8.6%	16.5%	19.3%

Source: IMS Health

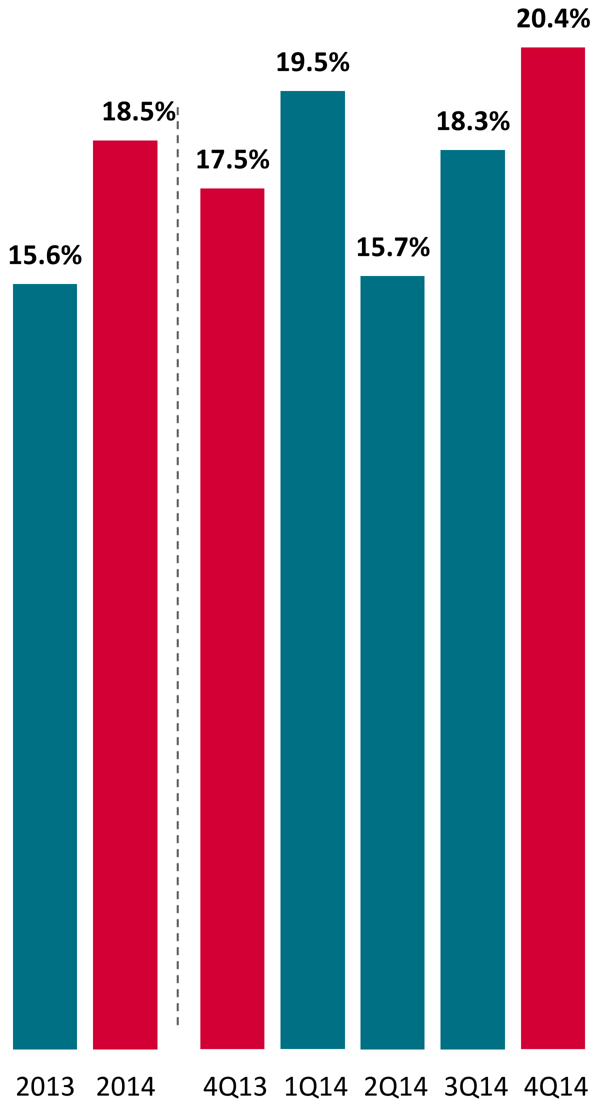
* Includes Farmasil stores

** Excludes São Paulo

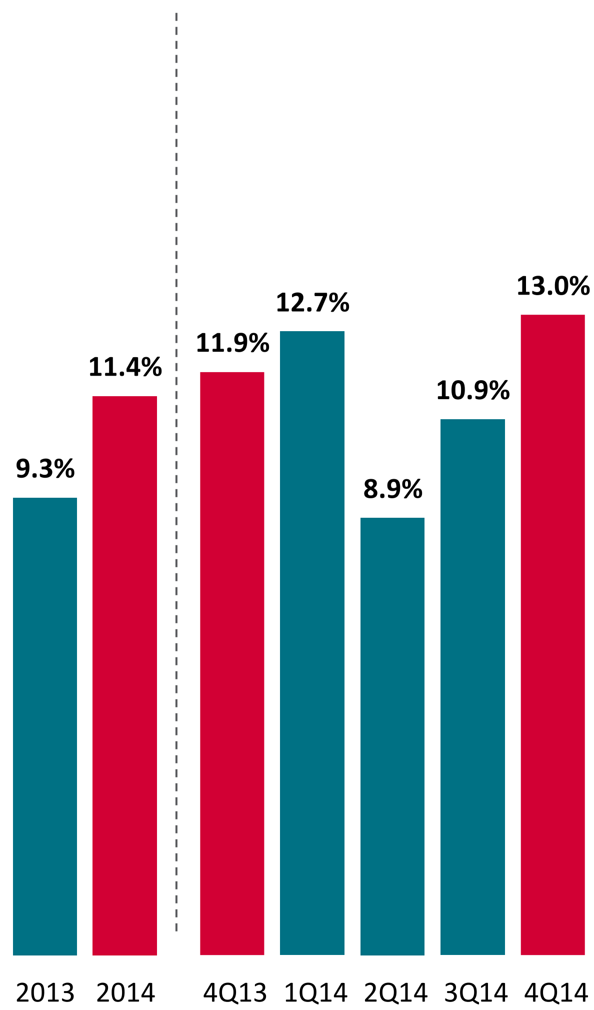
*** Comparable Market Share, excluding new informants added to the panel during the last twelve months. Our national market share including the full panel was of 9.7%

Our revenues grew by 18.5% in 2014, with 6.5% for mature stores. In the 4Q14, revenues increased by 20.4% with 8.2% for mature stores, including a calendar effect of +1,0%.

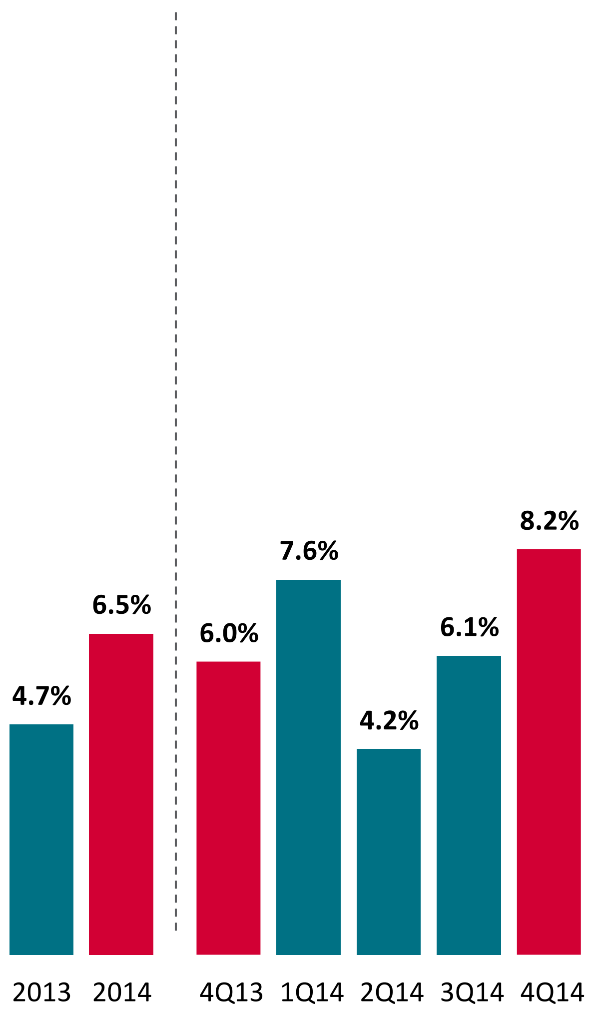
Growth – Total Sales



Growth – Same Store Sales



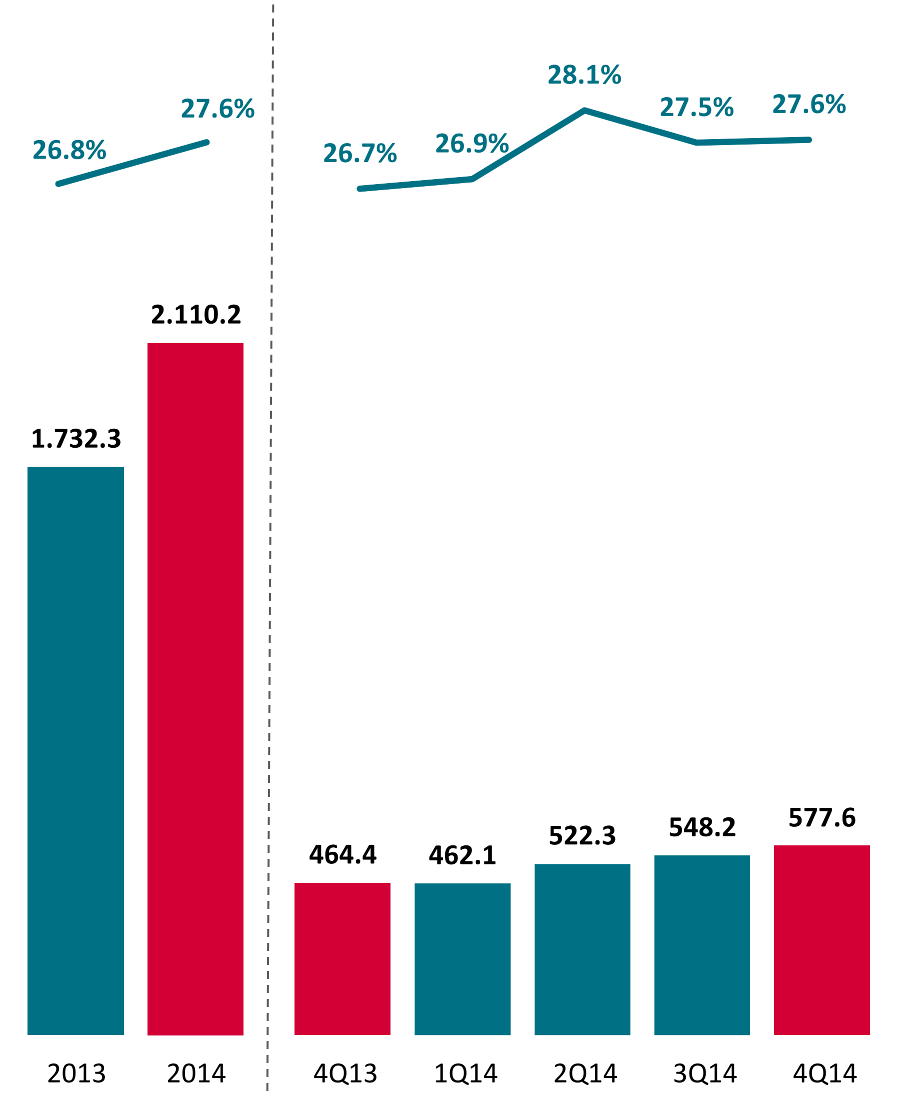
Growth – Mature Stores



Gross margin increased by 0.8 percentage point in 2014 and by 0.9 percentage point in the 4Q14, with +0.4 percentage point from change in tax regime. Cash cycle reduction of 4.3 days.

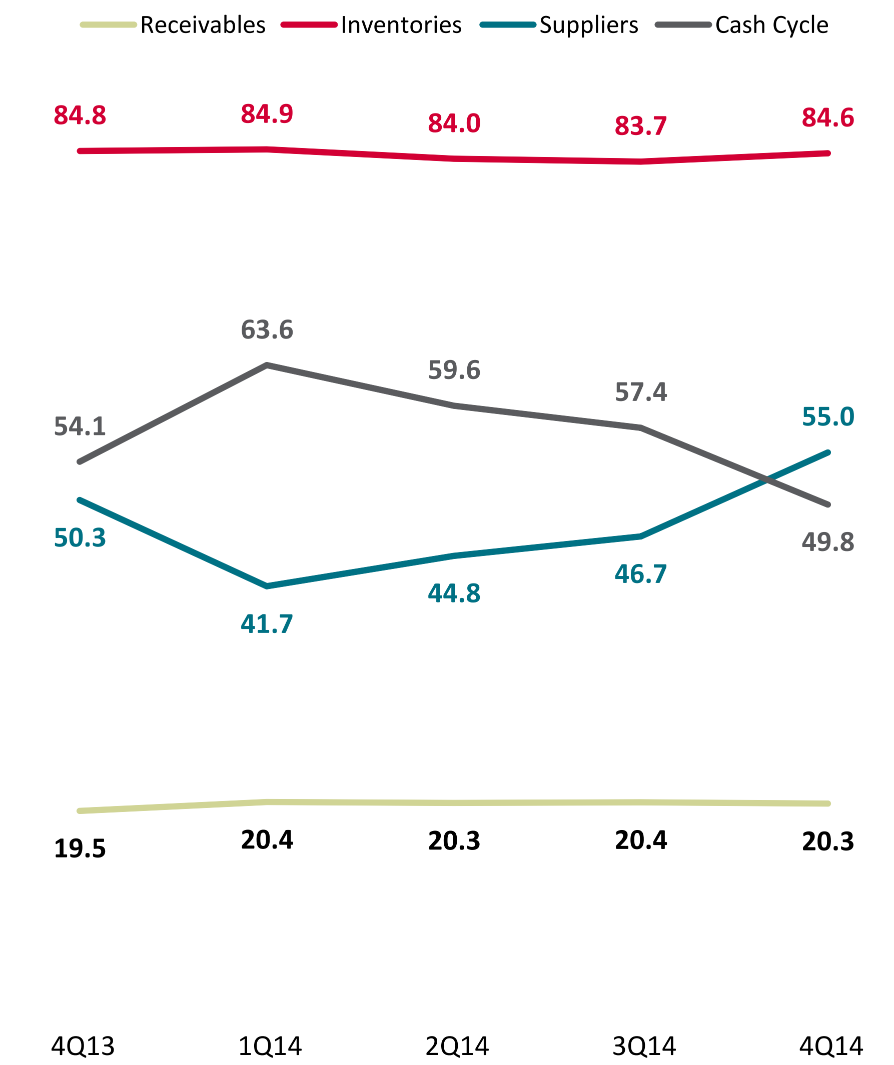
Gross Margin

(R$ million, % of Gross Revenues)

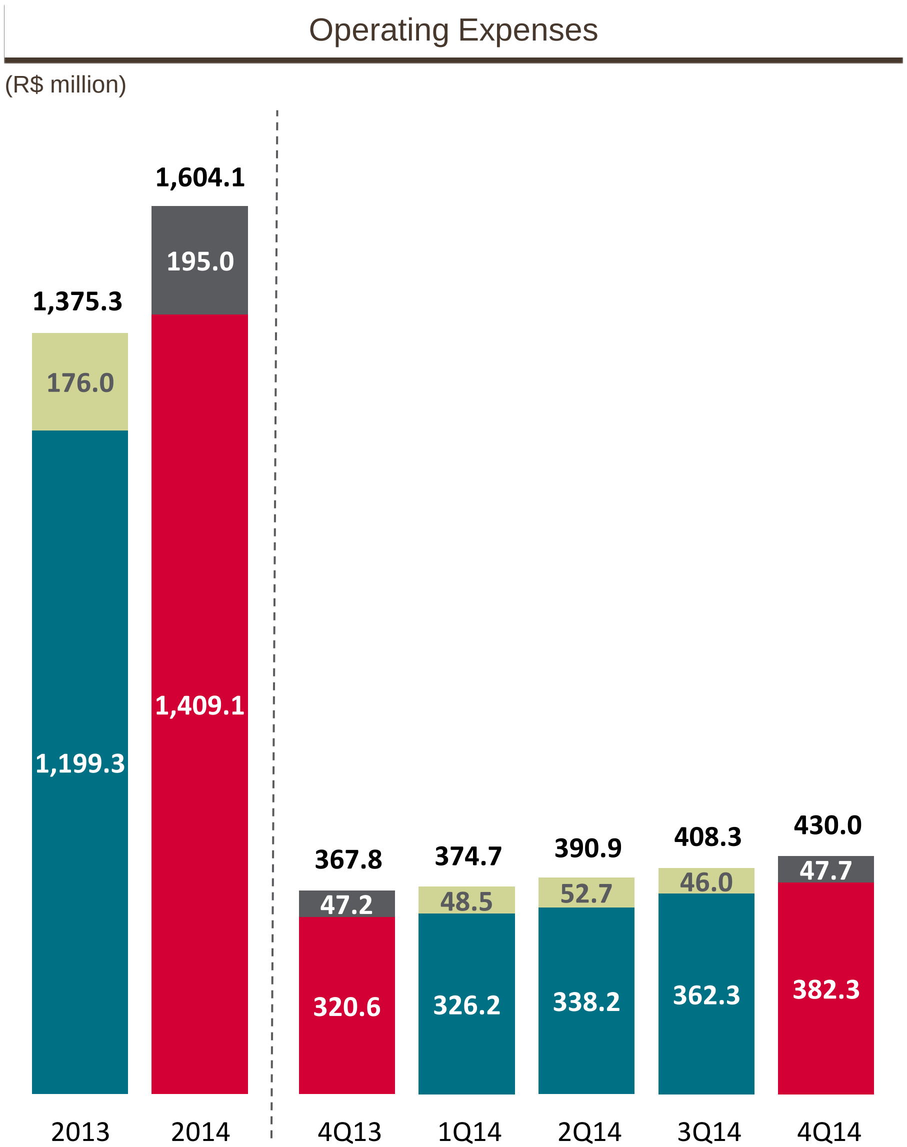


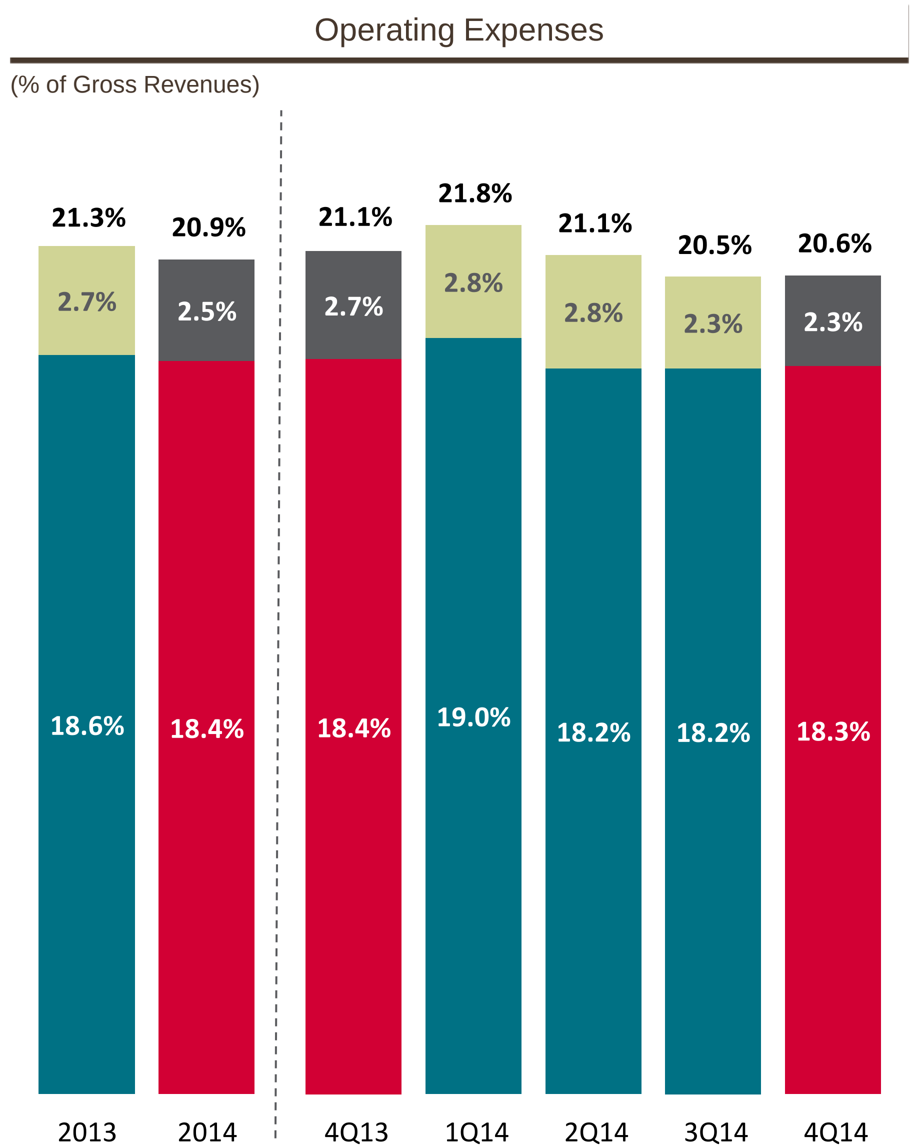
Cash Cycle

(COGS Days, Gross Revenues Days)



Dilution in SG&A of 0.4 percentage point in 2014 and 0.5 percentage point in the 4Q14. Transitory gain of 0.3 percentage point from variable compensation allowance in the quarter.



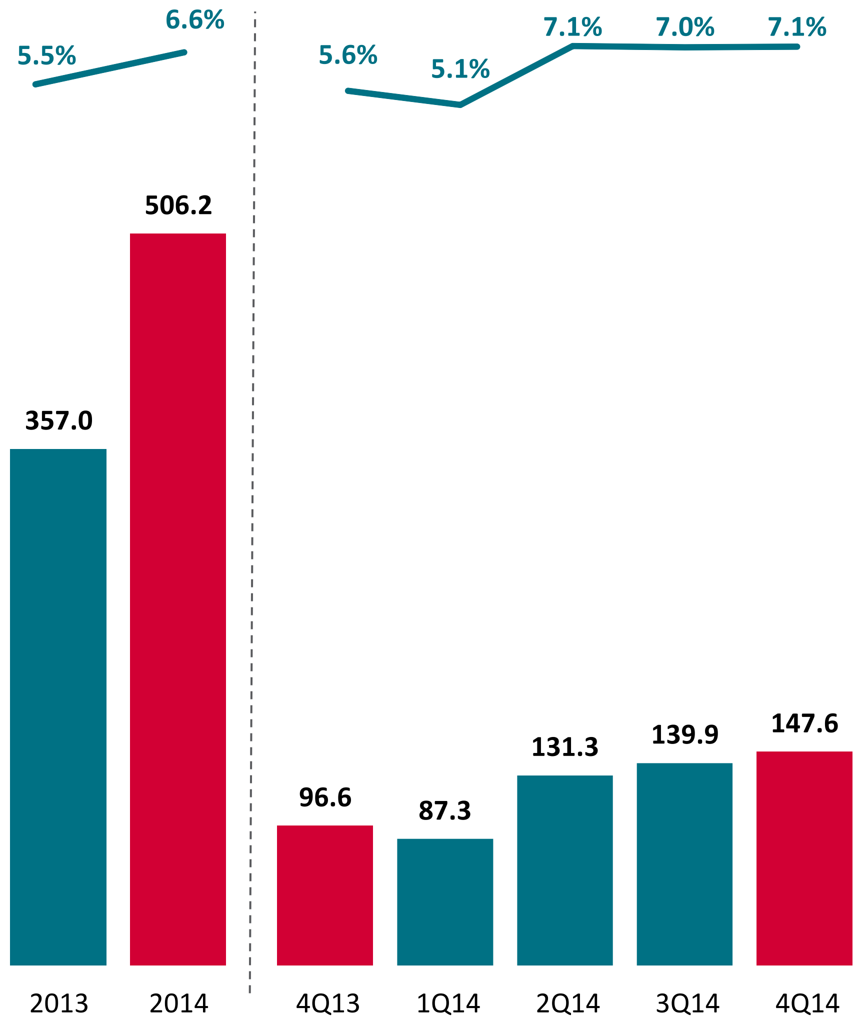


Sales Expenses   Corporate Expenses

We reached na EBITDA of R$ 506.2MM in the year, with a margin of 6.6%. In the 4Q14, EBITDA represented 7.1% of revenues. New stores penalized EBITDA by R$ 26.1 MM in 2014.

Adjusted EBITDA

(R$ million, % of Gross Revenues)



960* stores operating since 4Q13:
(performance in the 4Q14)

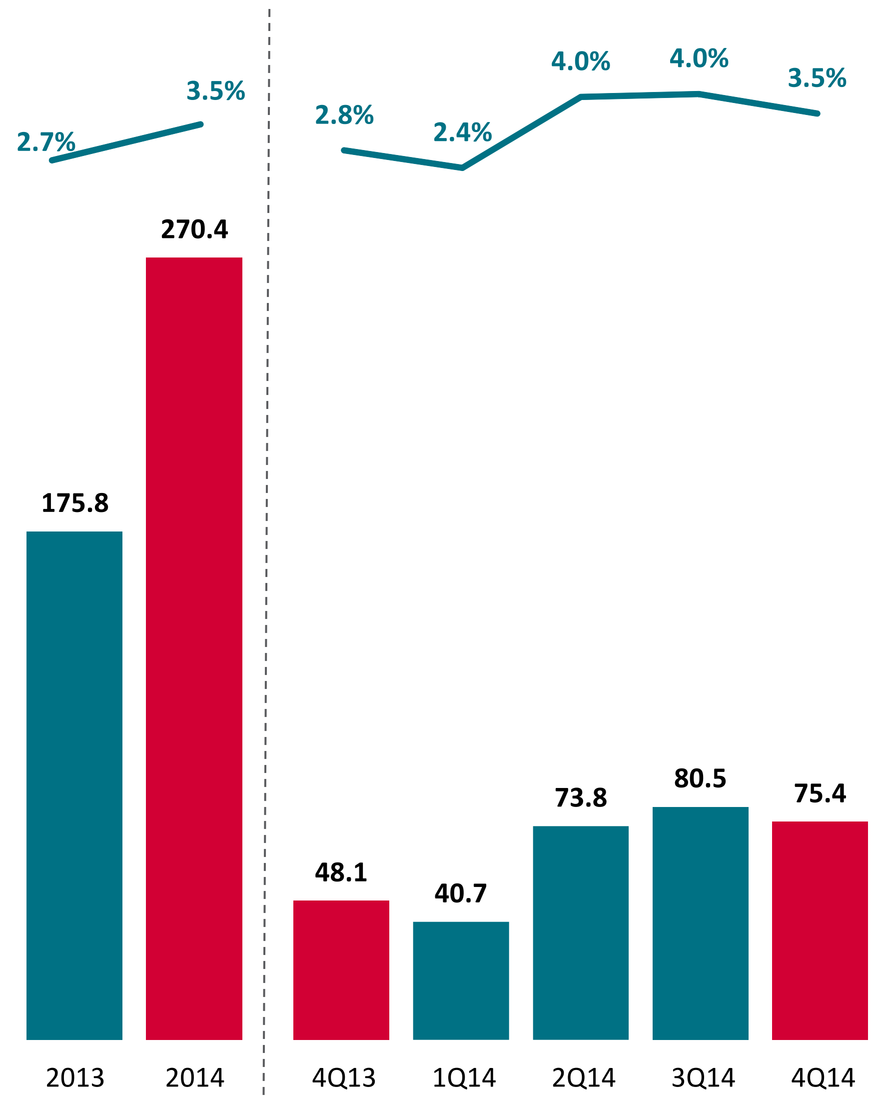
- R$ 2.0 billion of Gross Revenues
- R$ 152.8 million of EBITDA
- EBITDA margin of 7.7%

* 967 stores at year-end, less 11 stores closed plus four net reopenings

We reached an adjusted net income of R$ 270.4 MM with 3.5% net margin, a 0.8 percentage point expansion. The EBITDA growth was mitigated by a 0.3 percentage point increase in income taxes.

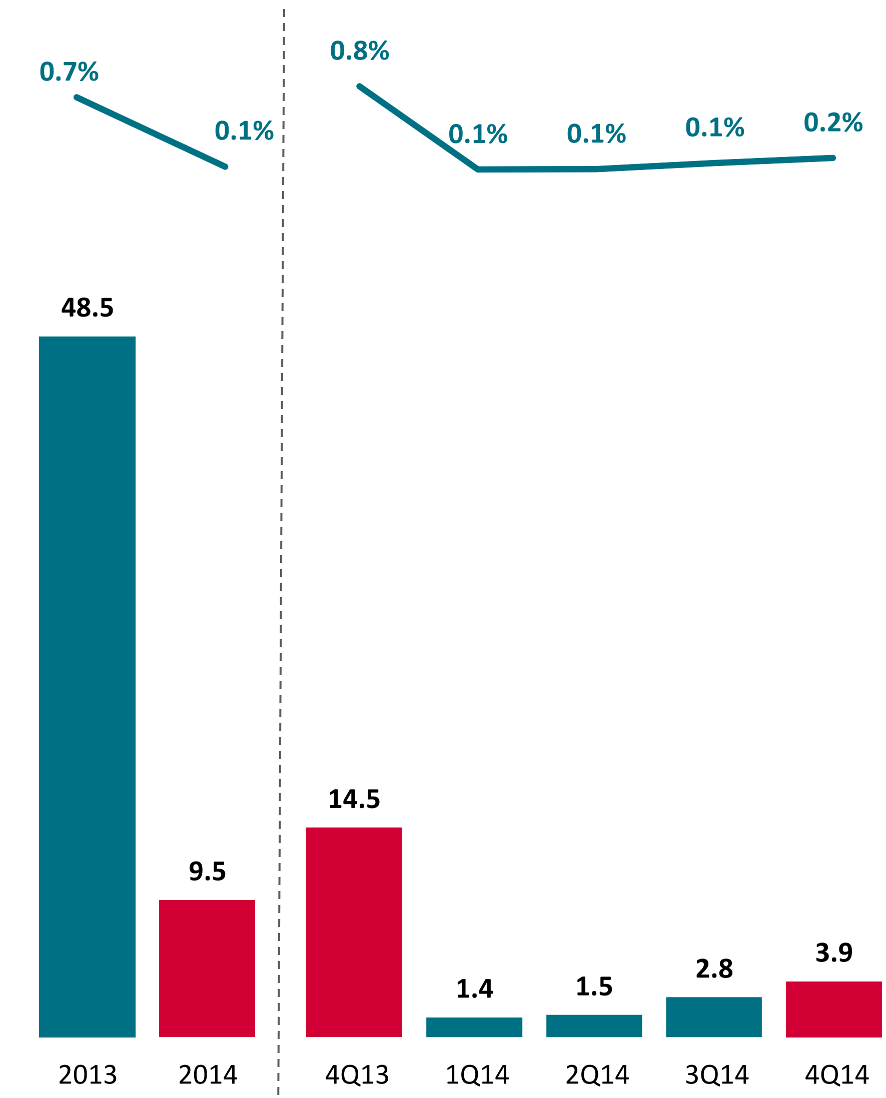
Adjusted Net Income

(R$ million, % of Gross Revenues)



Non-Recurring Expenses

(R$ million, % of Gross Revenues)



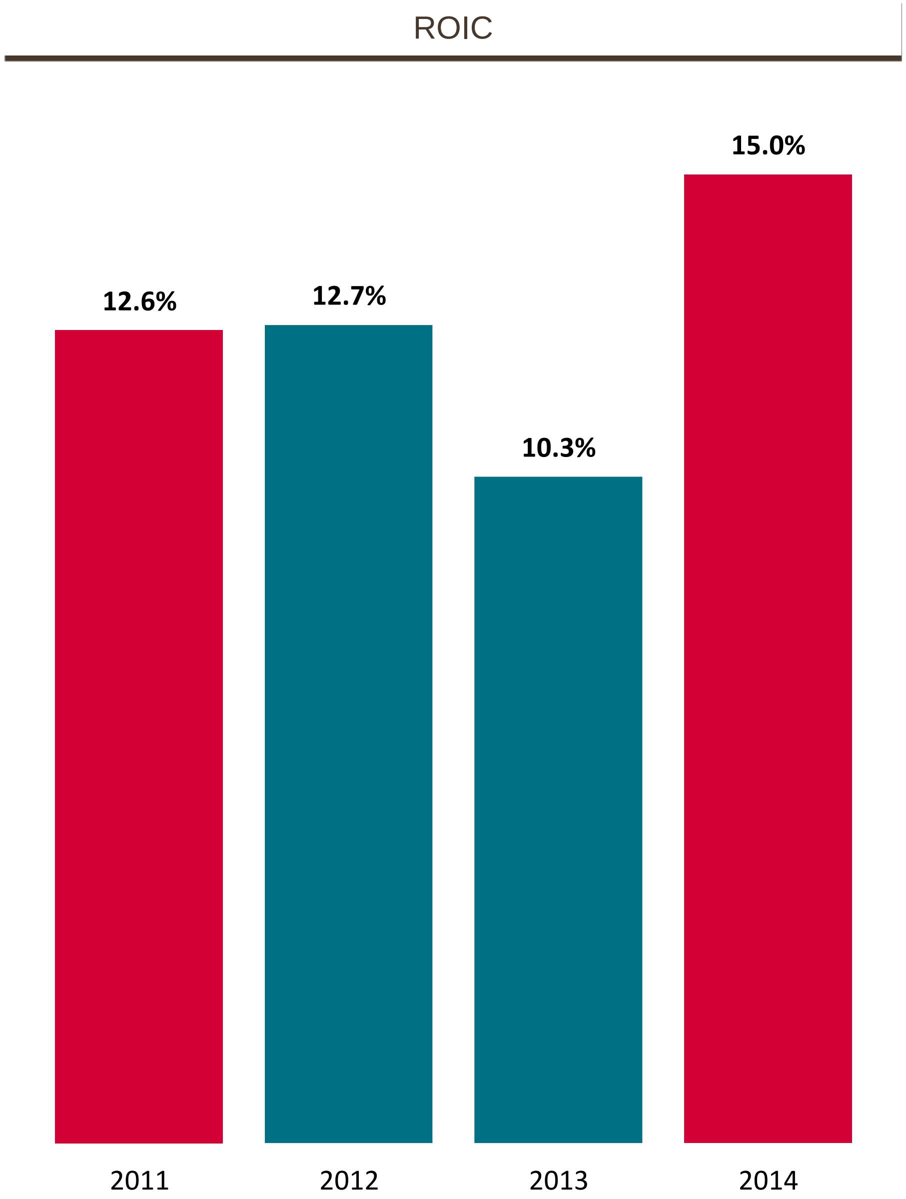
Positive Free Cash Flow (R$ 55.1 MM) and Total Cash Flow (R$ 2,9 MM) generation for the second consecutive year. Operating Cash Flow of R$ 326.1 MM funded CAPEX of R$ 271.0 MM.

Cash Flow *(R$ million)*	**4Q14**	**4Q13**	**2014**	**2013**
Adjusted EBIT	**96.0**	**54.2**	**318.6**	**198.3**
Non-Recurring Expenses	(3.9)	(14.5)	(9.5)	(48.5)
Income Tax (34%)	(31.3)	(13.5)	(105.1)	(50.9)
Taxshield from Goodwill Amortization	10.7	2.6	42.8	22.3
Depreciation	51.6	42.4	187.6	158.7
Others	11.2	17.7	9.0	30.0
Resources from Operations	**134.3**	**89.0**	**443.4**	**309.9**
Cash Cycle*	80.4	14.2	(112.1)	(107.2)
Other Assets (Liabilities)	(35.1)	31.9	(5.2)	84.7
Operating Cash Flow	**179.6**	**135.1**	**326.1**	**287.4**
Investments	**(83.6)**	**(61.5)**	**(271.0)**	**(236.8)**
Free Cash Flow	**96.0**	**73.6**	**55.1**	**50.6**
Interest on Equity	(24.5)	(16.4)	(41.5)	(29.3)
Income Tax Paid over Interest on Equity	(6.5)	(2.7)	(10.6)	(5.3)
Net Financial Expenses	(1.2)	(1.1)	(6.9)	(10.4)
Share Buyback	-	-	(20.9)	-
Income Tax (Tax benefit over financial expenses and interest on equity)	8.4	5.1	27.7	16.8
Total Cash Flow	**72.2**	**58.5**	**2.9**	**22.3**

* Cash cycle includes variation in accounts receivables, inventories and suppliers

** Does not include financing cash flow

ROIC increase of 4.7 percentage point versus previous year, reflecting a higher margin and increased capital efficiency.

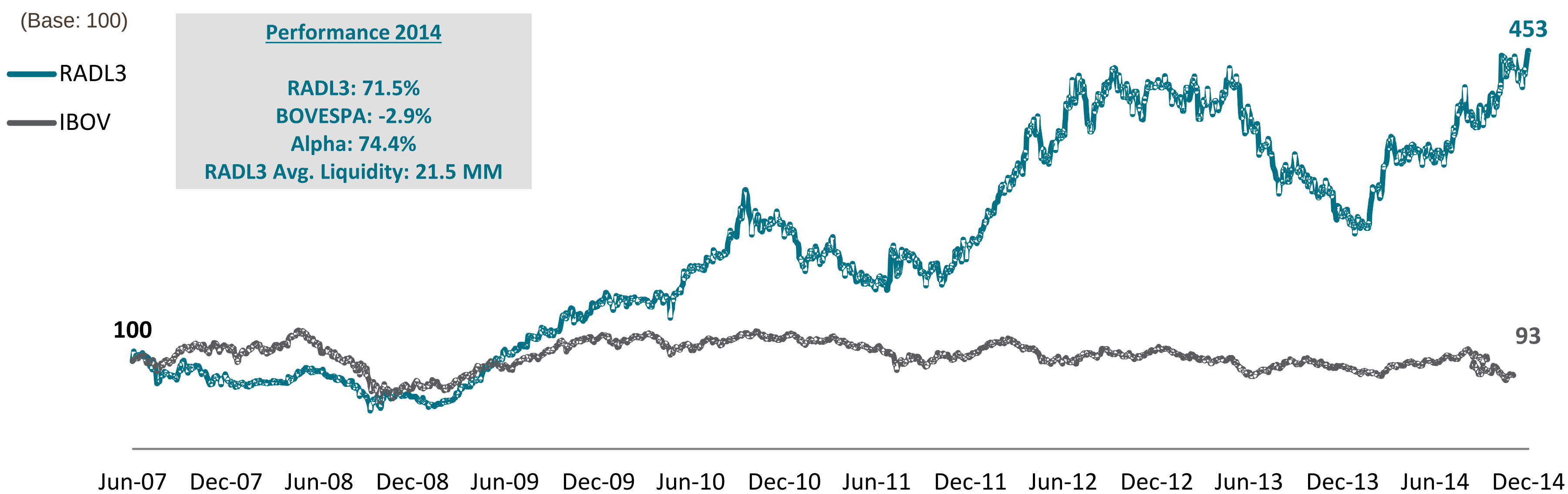


Since the creation fo Raia Drogasil, we increased store count by 40.6%, Gross Revenues by R$ 61.9%, EBITDA by 86.0% and Net Income by 78.8%, with ROIC expansion of 2.4 percentage point

Operational Highlights	**2011**	**2014**	**Var. %**
Store Count	776	1,091	40.6%
Employees	17,244	23,675	37.3%
Geographic Presence	9 states 78% of the Brazilian Market	17 states 89% of the Brazilian Market	+8 states +11% of the Brazilian Market
Sales Area (sqm)	109,095	155,232	42.3%
Financial Highlights (R$ million)			
Gross Revenues	4,730	7,659	61.9%
Gross Profit (% of Gross Revenues)	1,212 25.6%	2,110 27.6%	+74.1% +1.9%
EBITDA (% of Gross Revenues)	272 5.8%	506 6.6%	86.0% +0.9%
Net Income (% of Gross Revenues)	151 3.2%	270 3.5%	78.8% +0.3%
ROIC	12.6%	15.0%	+2.4%
Market Cap (billion)*	4.3	8.4	95.5%

We generated a Total Shareholder Return of 72,4% with average annual returns of 23.0% for Drogasil IPO investors and of 24.9 for the Raia IPO investors.

Share Appreciation



2014 Interest on Capital Booked: R$ 74.6 Million
Complement: R$ 29 Million (in 2015)

Net Amount Paid in 2014: R$ 41.5 Million
Yield: 0.5%

2015 IOC* Distribution – Higher of:

- 30% of Net Income
- Maximum Legal limit

* Interes on own capital

What We Promised X What We Accomplished

- **Sustainable Growth with Financial Discipline**
  - Opening of 131 New Stores
  - Revenue Growth of 18.5%
  - Mature Store Growth of 6.5%
  - ROIC Increase from 10.3% to 15.0%
- **Productivity Gains**
  - Concluded the Integration of our Corporate Systems
  - Unified the Logistics Structure
  - Improved Operating Metrics (Net Promoter Score, Stock-outs, 2H14 Employee Turnover)
  - Improved Financial Metrics (Dilution of Sales & Corporate Expenses, Cash Cycle Reduction)
- **Omnichannel**
  - Launched the Drogasil.com e-commerce website
  - Implemented a new e-commerce ERP
  - Established a new National Channel for Telesales
- **Incentive Alignment**
  - Approved a Restricted Shares Incentive Program Submitted to the General Assembly
  - Strengthened the Management Model by Extending the Performance Targets to the Middle Management Level

Challenges for 2015 and Onwards

- **Implement New Strategic Plan**
  - Grow Organically
  - Develop New Formats
  - Enhance Category Management and Shopping Experience
  - Involve, Analyze and Potentialize Customers

- **Attract, Develop, Engage & Retain People**
  - Strengthen HR Processes and Management (ongoing)
  - Create a New Unified Culture: **Opportunity + Sense of Purpose**
  - Foundations: **Meritocracy + Diffusion of Firm and Real Values & Beliefs**

- **Increase Shareholder Returns**
  - **Financial Discipline:** IRR-Based Decision-Making, Regular Assessment of Investment Decisions
  - **Financial Flexibility:** Strong Balance Sheet, Positive Free Cash Flow Generation
  - **Reinvestment:** Financing Value-Creating Strategies
  - **Return to Shareholders:** Progressively Increasing ROIC and Distributions
  - **Discipline + Flexibility + Reinvestment + Return = Enhancing Total Return to Shareholder in the Long Term**

IR Calendar

- **2015 Earnings (after market)**
  - **1Q:** April 29th, 2015
  - **2Q:** July 30th, 2015
  - **3Q:** October 29th, 2015
  - **4Q:** February 18th, 2016

- **Raia Drogasil Day**
  - Date: December 4th
  - Time and venue to be determined

- **Next Conferences**
  - March 3rd and 4th: **VIII Annual Bank of America Merrill Lynch Brazil Conference**, Merrill Lynch (São Paulo)
  - March 17th: **Retail CEO Day**, Deutsche Bank (São Paulo)
  - April 2nd: **UBS IX Consumer Round Table**, UBS (São Paulo)
  - May 11th and 12th: **13th Santander London Conference**, Santander (London)
  - May 13th and 14th: **10th Annual LatAm CEO Conference**, Itaú (New York)