Earnings Presentation – 2Q13

August 9th, 2013

RaiaDrogasil

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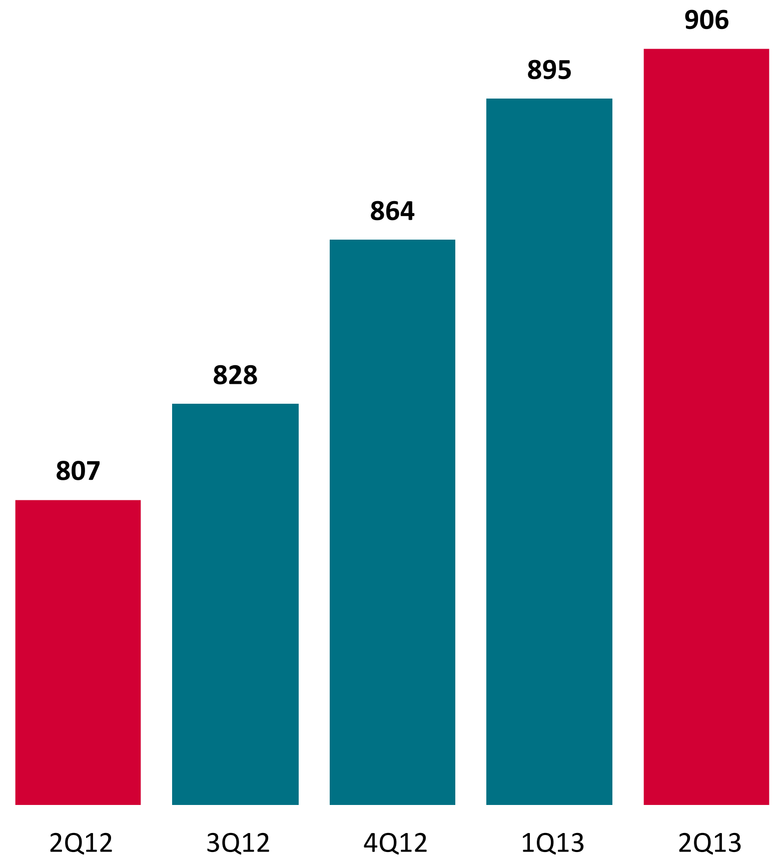
Highlights

- **Drugstores:** 906 stores in operation (25 openings and 10 closures)
- **Gross Revenues:** R$ 1.6 billion, 16.6% of growth (10.2% for same-store sales)
- **Gross Margin:** 27.0% of gross revenues, a 1.1 percentage point margin decrease
- **Adjusted EBITDA:** R$ 103.5 million, an increase of 3.2%
- **Adjusted EBITDA Margin:** 6.5%, a 0.8 percentage point decrease
- **Adjusted Net Income:** R$ 58.6 million, 3.7% of net margin

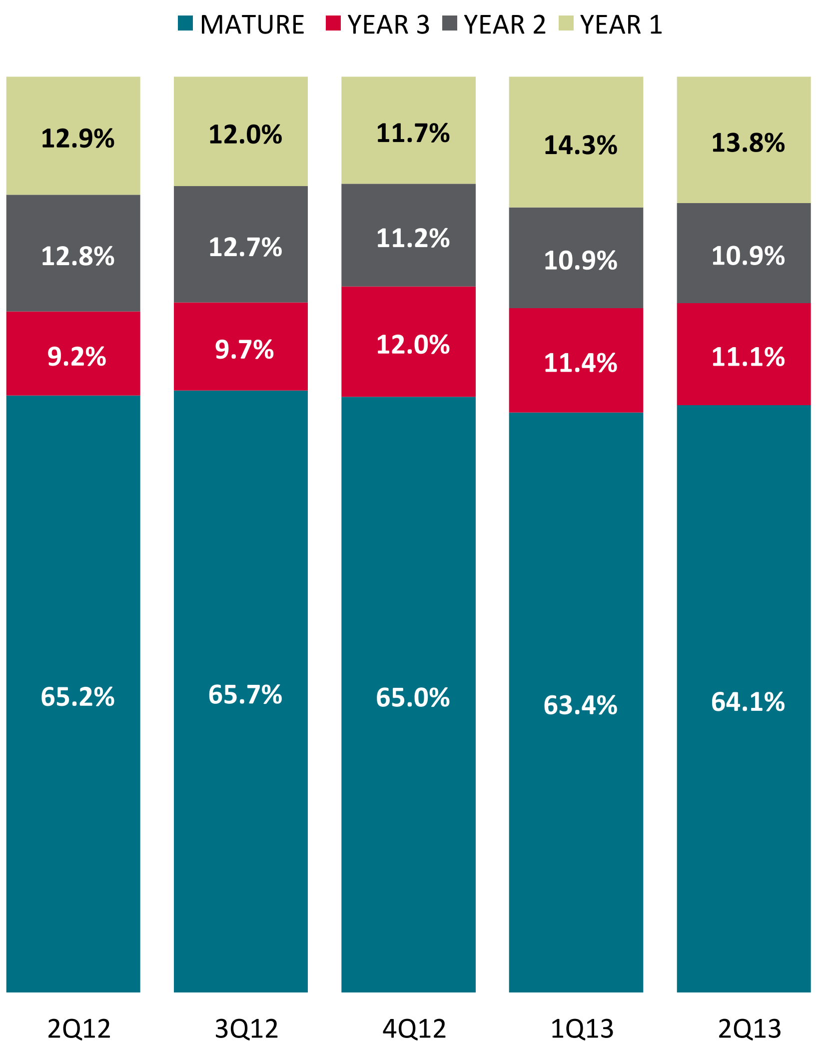
We opened 25 new stores and closed ten stores. Suspended five stores for rebranding and reopened one. A total of 35.9% of stores are still undergoing maturation

Store Count*

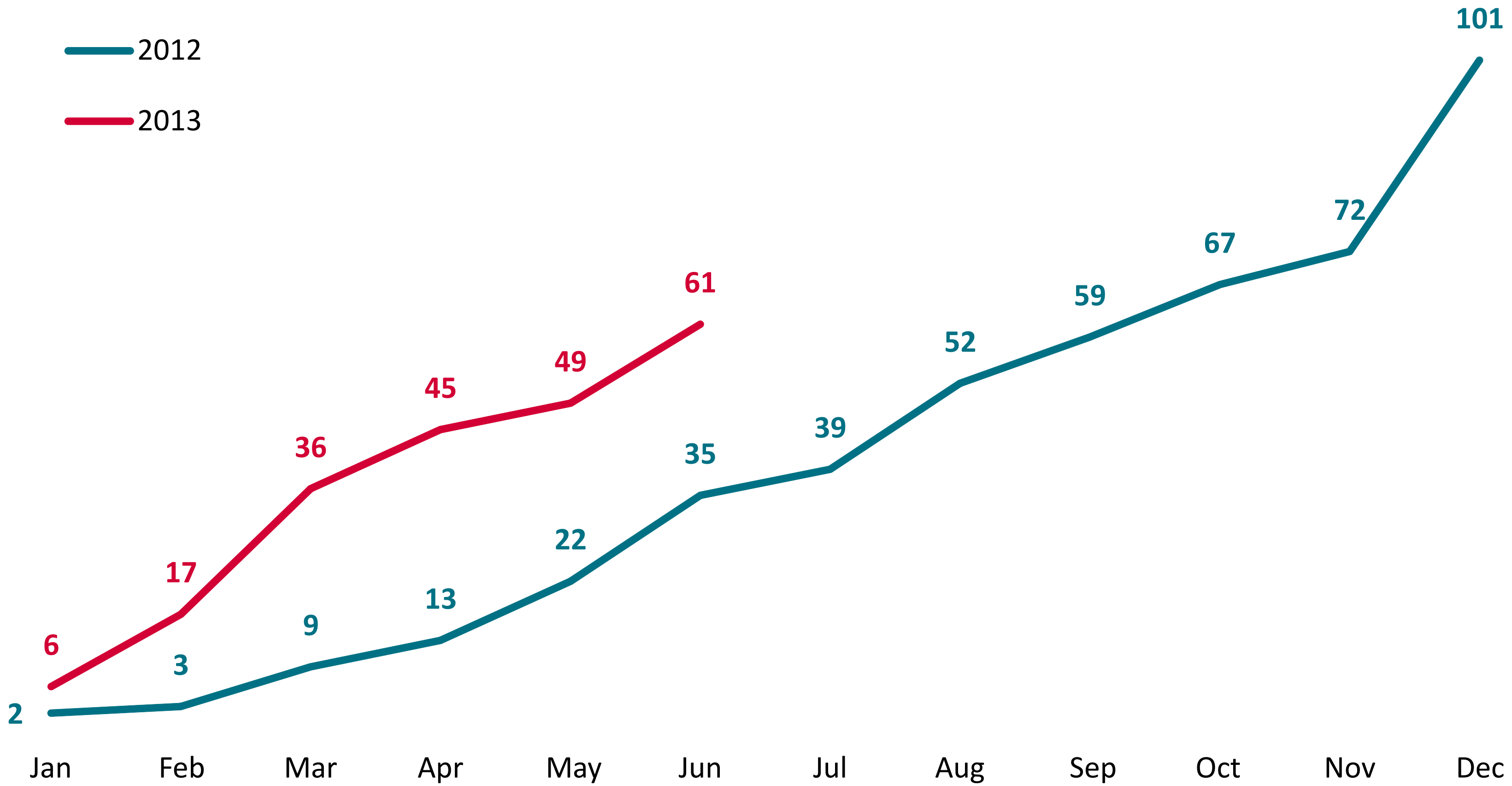


	2Q12	3Q12	4Q12	1Q13	2Q13
Opened	26	24	42	36	25
Closed	4	3	6	4	10
Suspended	0	0	0	1	5

Age Structure of Store Portfolio

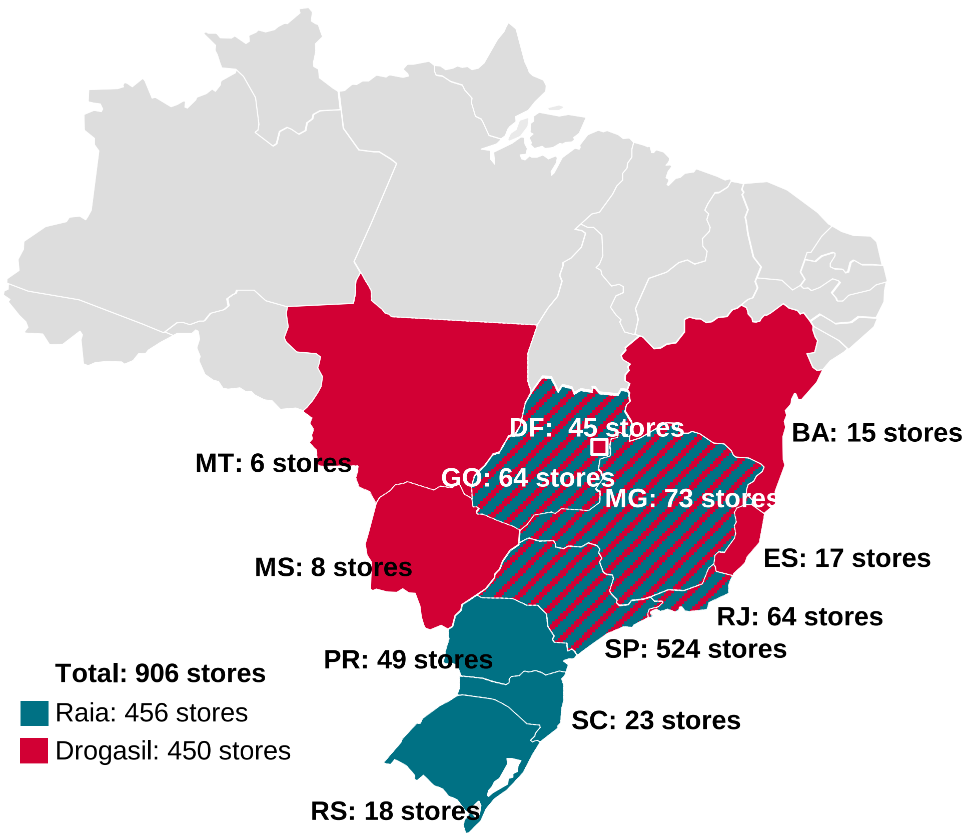


We opened a total of 127 stores in the LTM, fully on-track to fulfill our guidance of 130 new stores. Opened 61 stores in the 1H13 versus only 35 in the 1H12

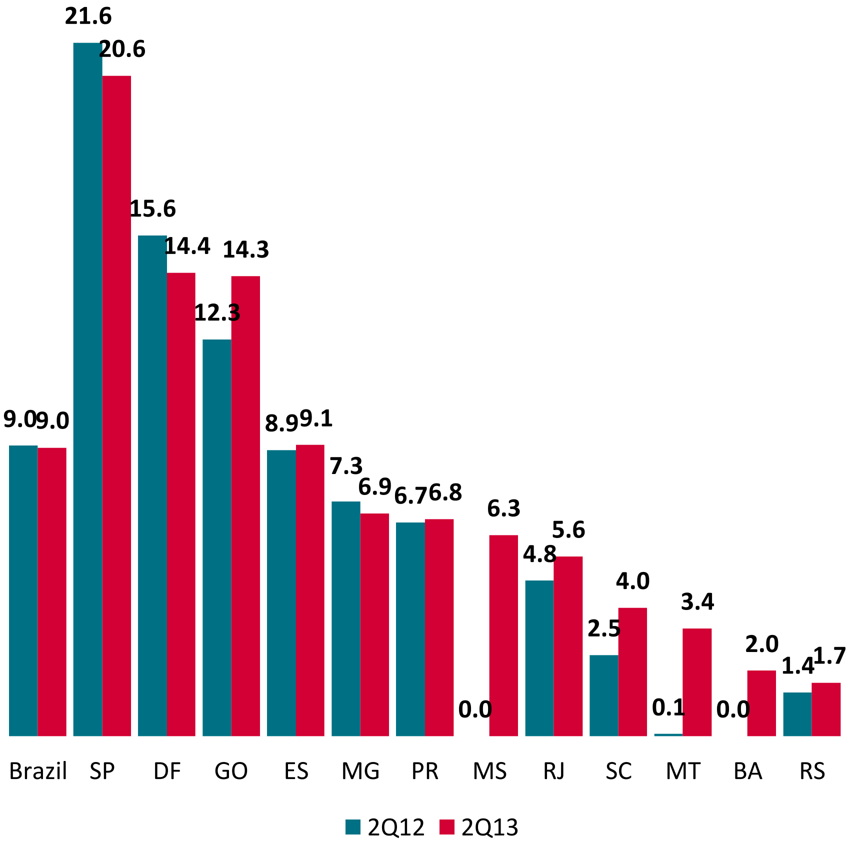


Our market share stayed flat, with GO, RJ, SC and the new markets (MS, MT and BA) as main highlights. We lost share in DF, SP and MG

Geographic Presence



Market Share (June '13)



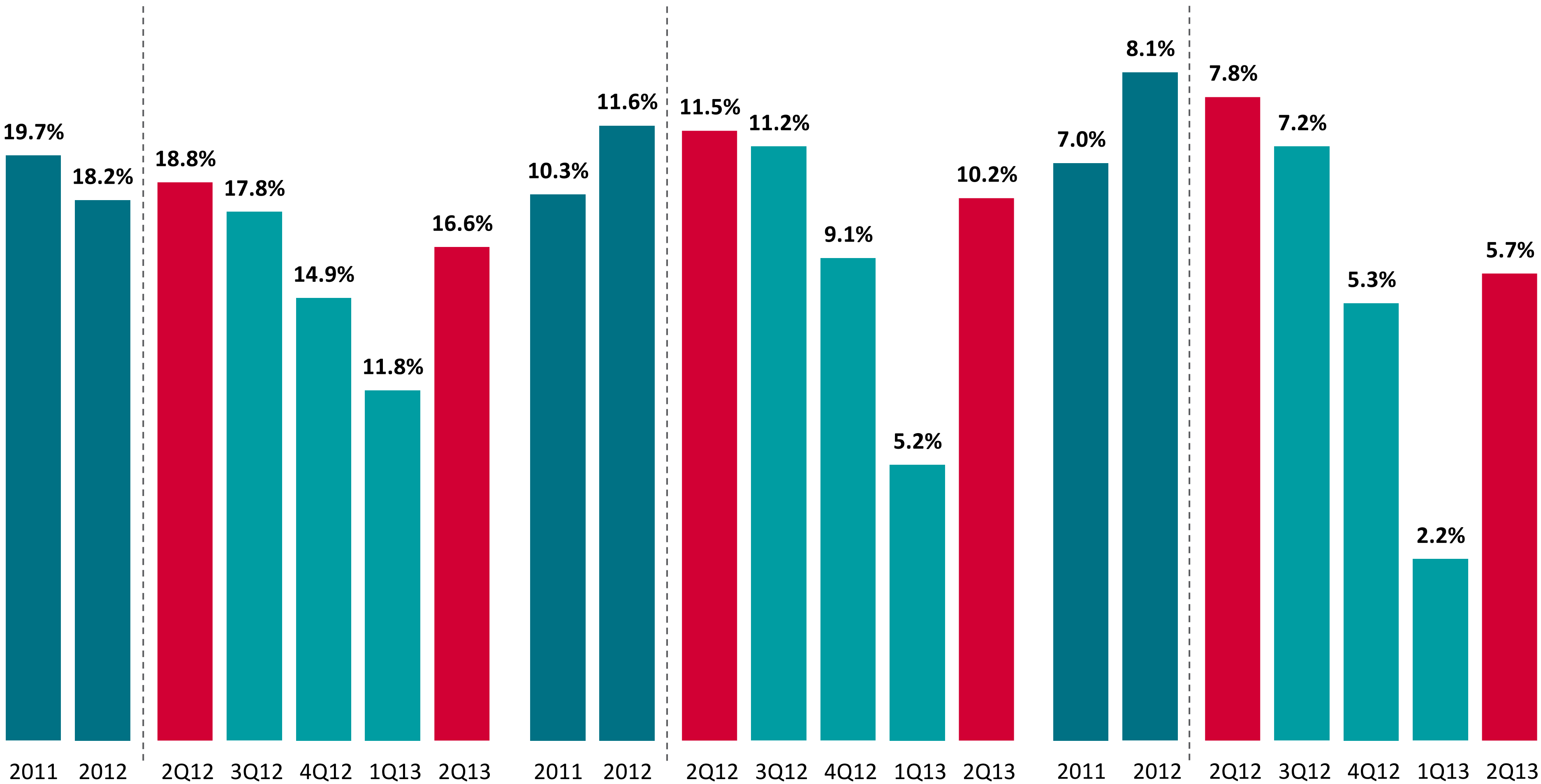
PHARMACEUTICAL MARKET DISTRIBUTION BY STATE (LAST 12 MONTHS)

Brazil	SP	DF	GO	ES	MG	PR	MS	RJ	SC	MT	BA	RS
100.0%	27.4%	2.6%	3.5%	2.0%	10.4%	6.0%	1.2%	12.7%	3.8%	1.2%	4.7%	7.2%

Source: IMS Health

Revenue growth of 16.6%, with 10.2% for same-stores and 5.7% for mature stores. Excluding closed and suspended stores, revenue growth would be 18.1%

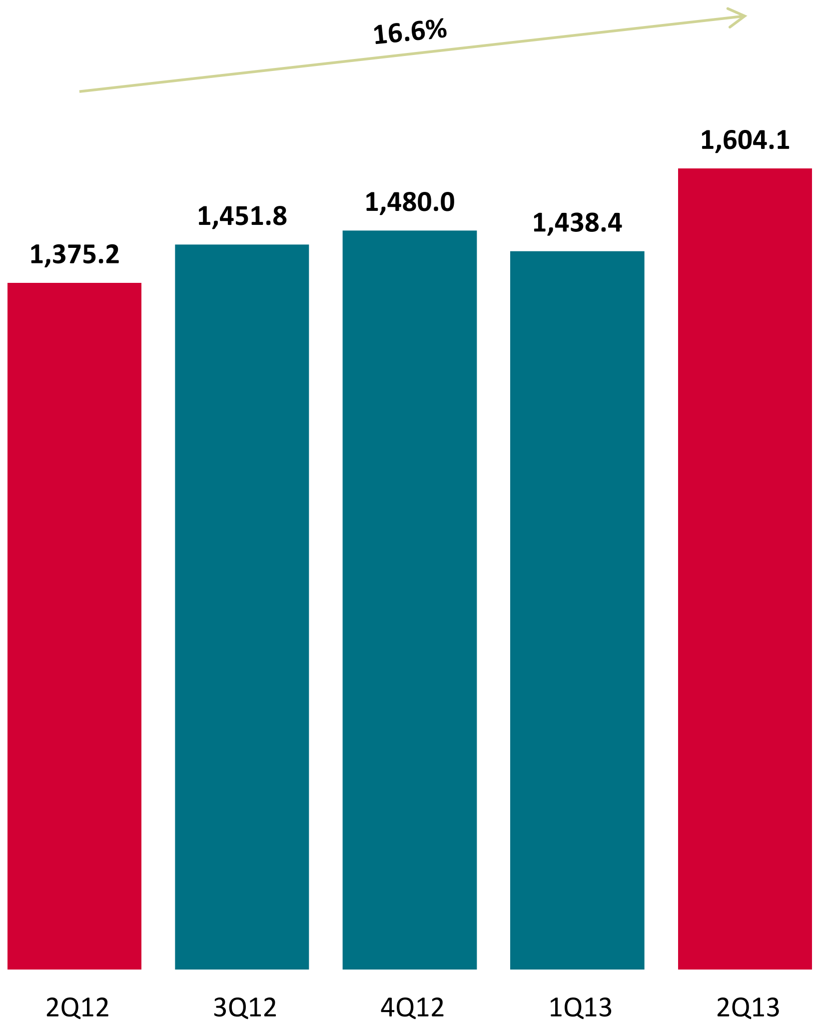
Growth – Total Sales | Growth – Same Store Sales | Growth – Mature Stores



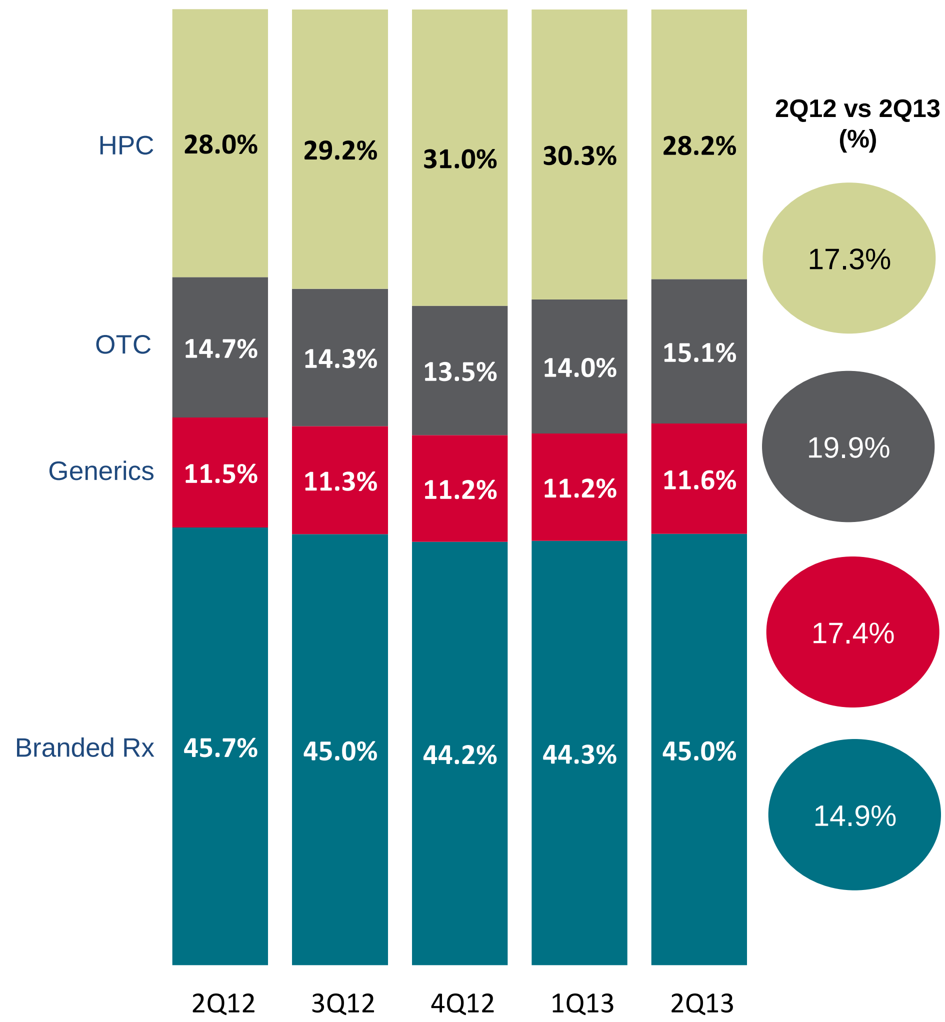
The strong flu season made OTC the highlight of the quarter. Generics and HPC have also gained share in the revenue mix

Gross Revenues

(R$ million)



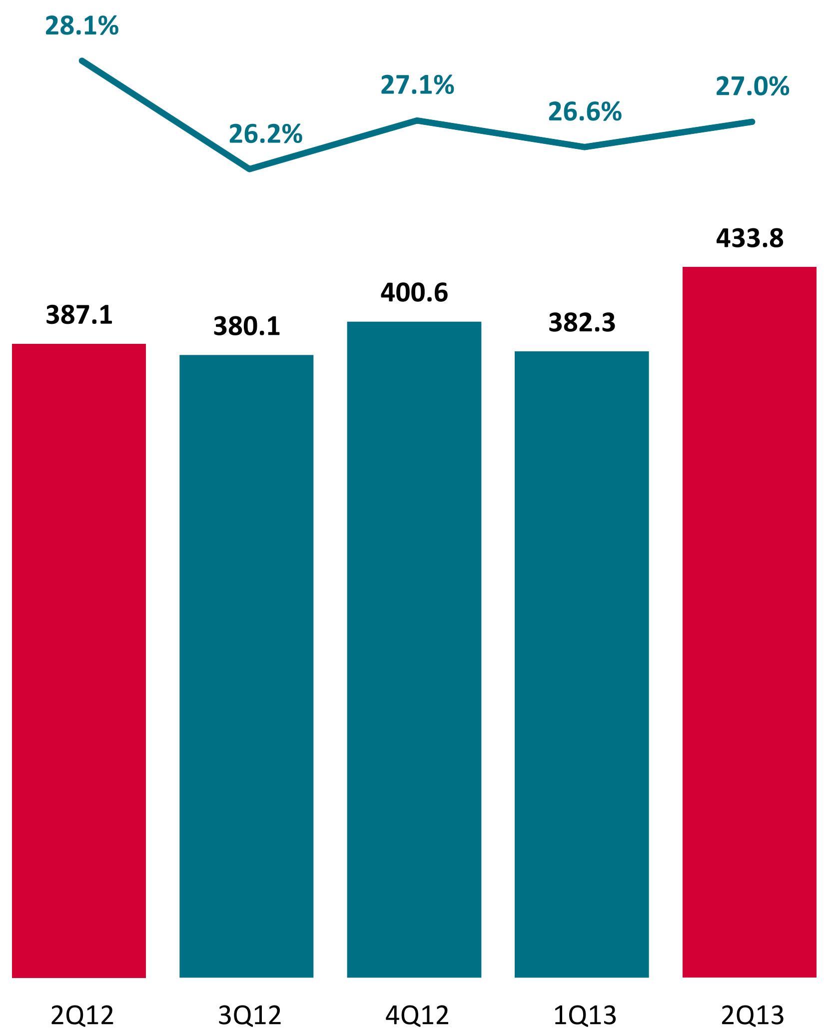
Sales Mix



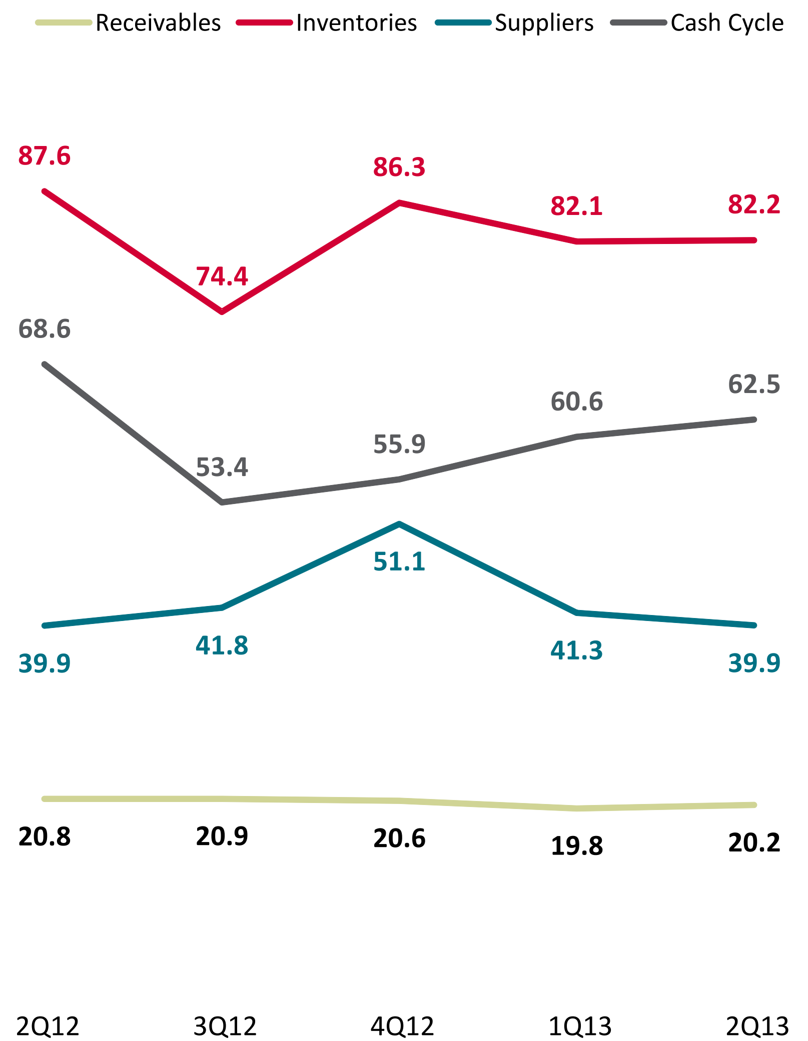
Gross margin negatively affected by a change in purchasing strategy (0.4), tax burden increase (0.4) and an inflated comp base the 1Q12 (0.3). Cash cycle dropped by 6.1 days

Gross Margin

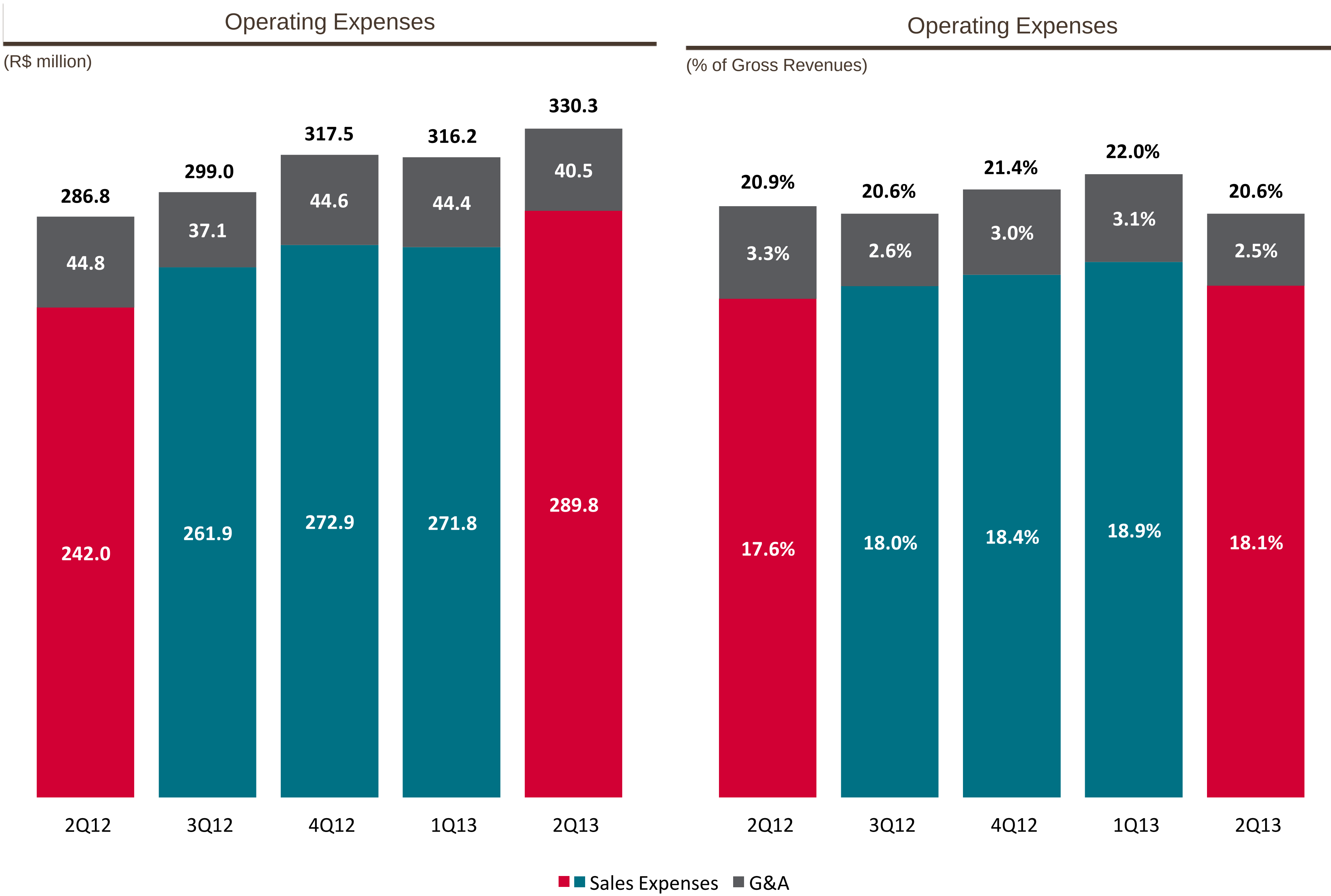
(R$ million, % of Gross Revenues)



Cash Cycle



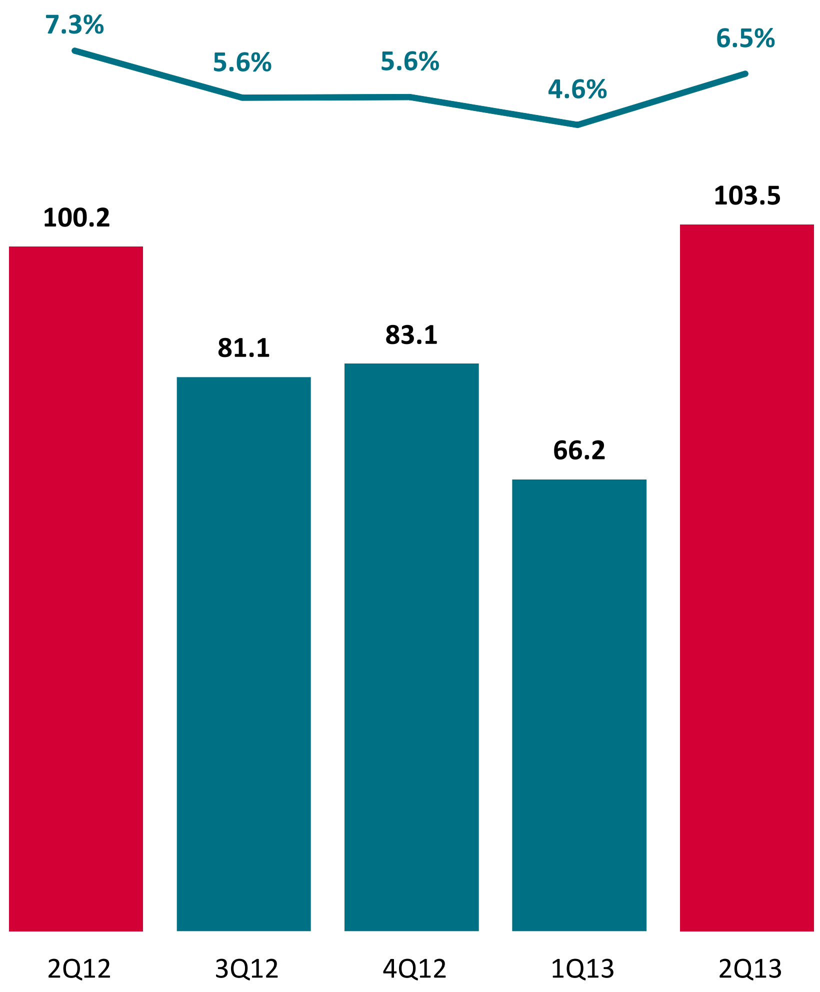
Sales expenses increased (0.5) due to rental (0.2), new DC (0.1) and store openings (0.2). G&A decreased by 0.7 pp mainly due to compensation and social charges



Gross margin decrease (-1.1) led to a lower EBITDA margin, partially offset by expenses dilution (0.3)

Adjusted EBITDA

(R$ million, % of Gross Revenues)



845* stores operating since 4Q12:
(performance in the 2Q13)

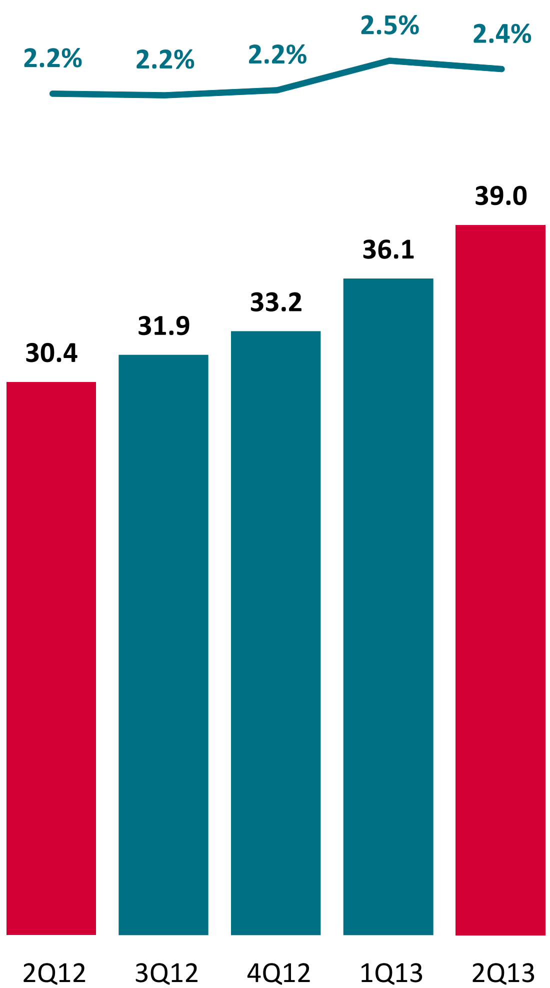
- R$ 1.6 billion of Gross Revenues
- R$ 114.5 million of EBITDA
- EBITDA margin of 7.4%

* 864 stores at year-end, less 19 stores closed or suspended

Increases in depreciation and financial expenses were offset by the tax shield from goodwill amortization...

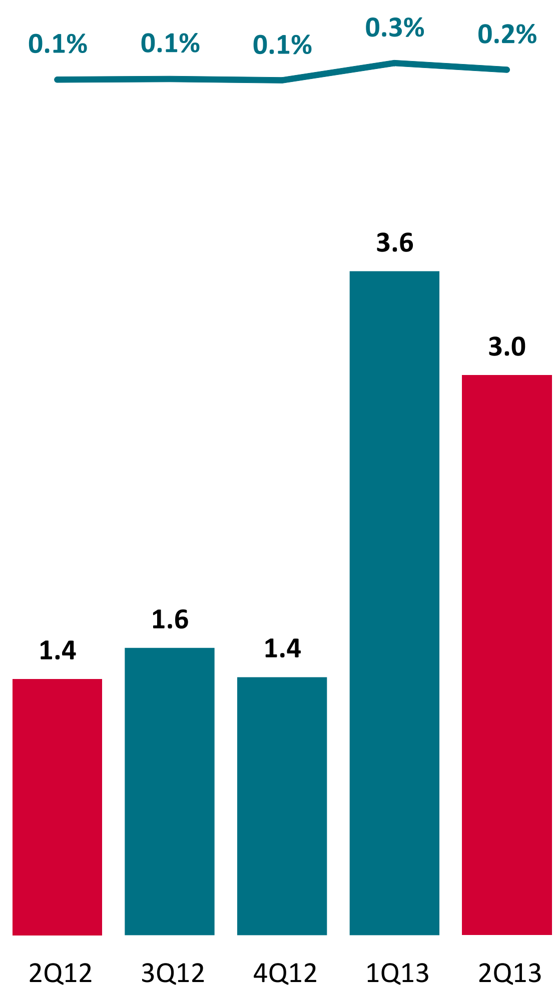
Depreciation

(R$ million, % of Gross Revenues)



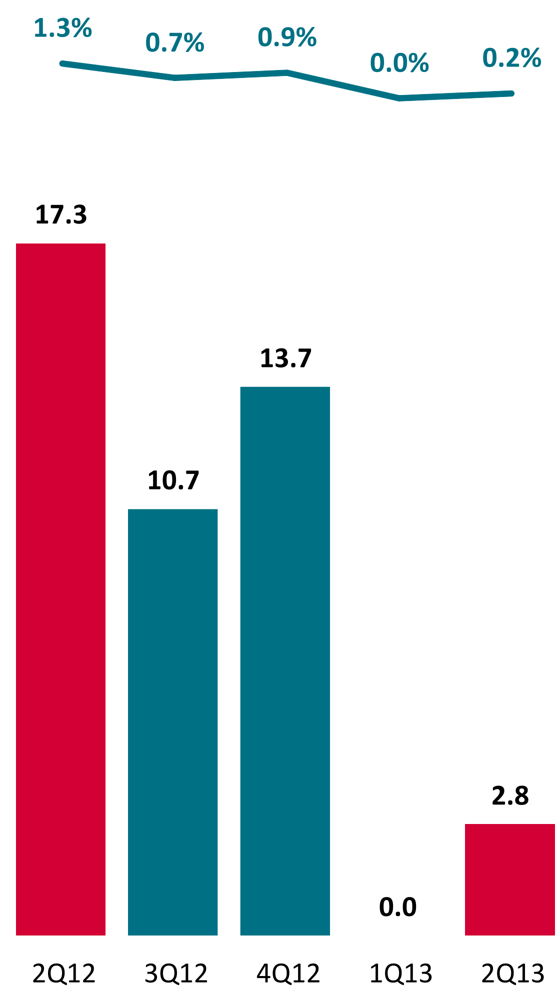
Net Financial Expenses

(R$ million, % of Gross Revenues)

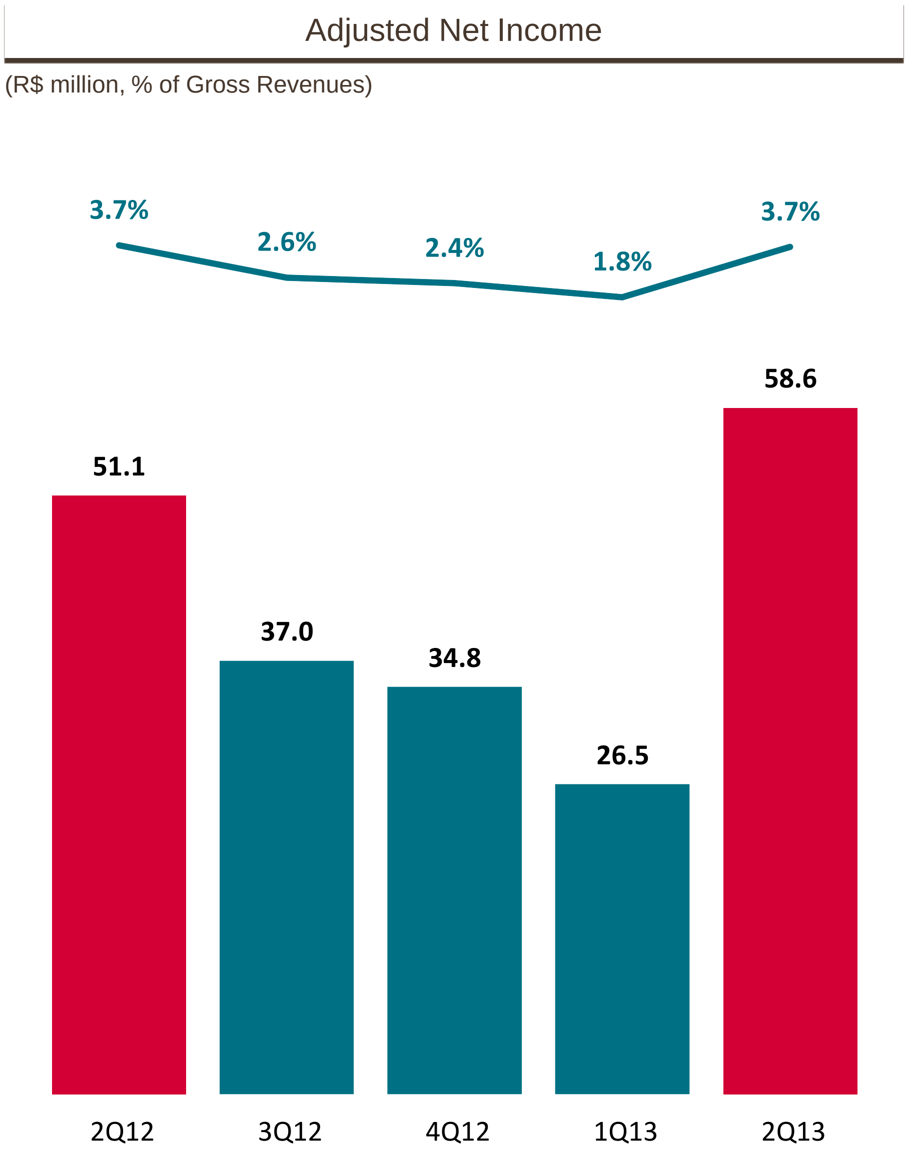


Taxes Accrued

(R$ million, % of Gross Revenues)



… which led to a constant net margin of 3.7%



Non-recurring expenses amounted to R$ 8.1 million in the quarter and generated R$ 2.7 million in tax shield. Farmacia Popular decreased from R$ 5.5MM to R$ 3.7MM

Adjustments *(R$ million)*	**Gross Profit**	**SG&A**	**EBITDA**	**D&A and Income Tax**	**Net Income**
Integration Expenses					
Consulting		(1.9)	(1.9)	0.7	(1.3)
Legal and Accounting		(0.8)	(0.8)	0.3	(0.6)
Farmácia Popular Program		(3.7)	(3.7)	1.3	(2.5)
Store Closures		(1.6)	(1.6)	0.5	(1.0)
Total	**0.0**	**(8.1)**	**(8.1)**	**2.7**	**(5.3)**

We generated R$ 99.6 million in operations, invested R$ 71.0 million in working capital and R$ 59.9 million in CAPEX, which led to a cash consumption of R$ 31.4 million

Cash Flow	**2Q13**	**2Q12**
(R$ million)		
Adjusted EBT	**61.4**	**68.5**
(-) Non-Recurring Expenses	(8.1)	(2.7)
(-) Income Tax	(1.0)	(3.5)
(+) Depreciation	39.0	30.4
(-) Other Adjustments	8.3	2.6
Resources from Operations	**99.6**	**95.2**
Cash Cycle*	(96.5)	(112.8)
ICMS Recovery	11.7	-
Others	13.7	28.2
Cash Flow Before Investments	**28.5**	**10.6**
Investments	**(59.9)**	**(49.8)**
Total Cash Flow	**(31.4)**	**(39.2)**

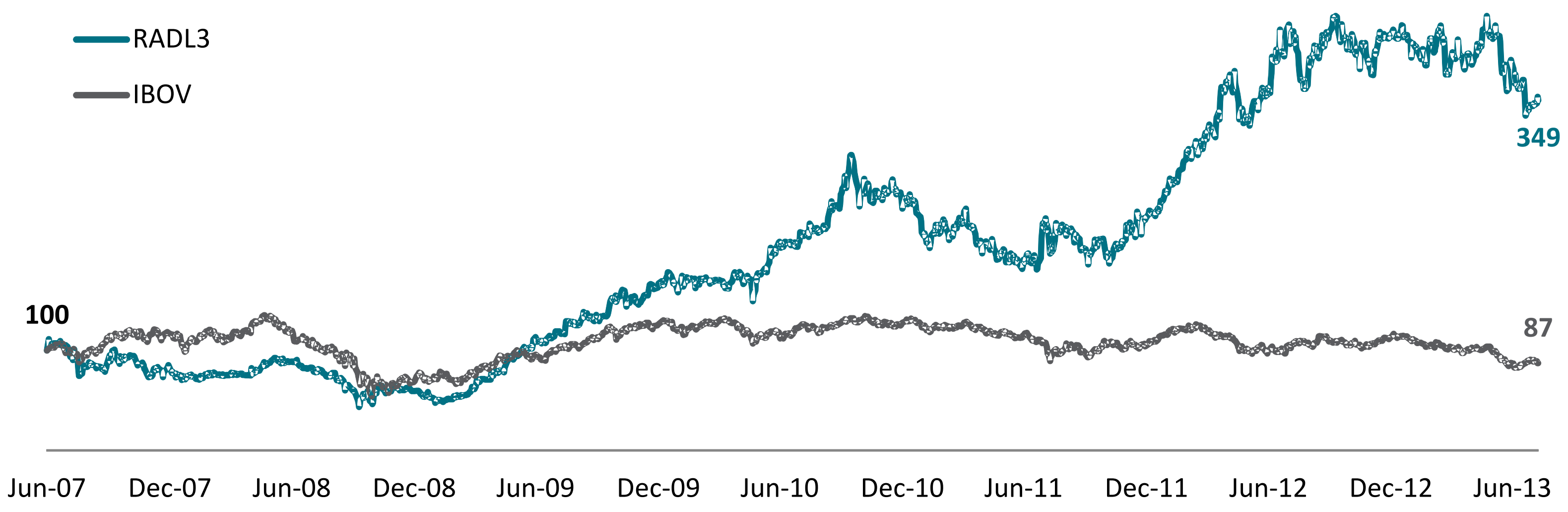
* Cash cycle includes variation in accounts receivables, inventories and suppliers

** Does not include financing cash flow

Stock (-15.3%) performed better than the Ibovespa (-22.2%) in 2013. Since the IPO of Drogasil we generated an average annual return of 20.6% and 26.6% since Raia's IPO

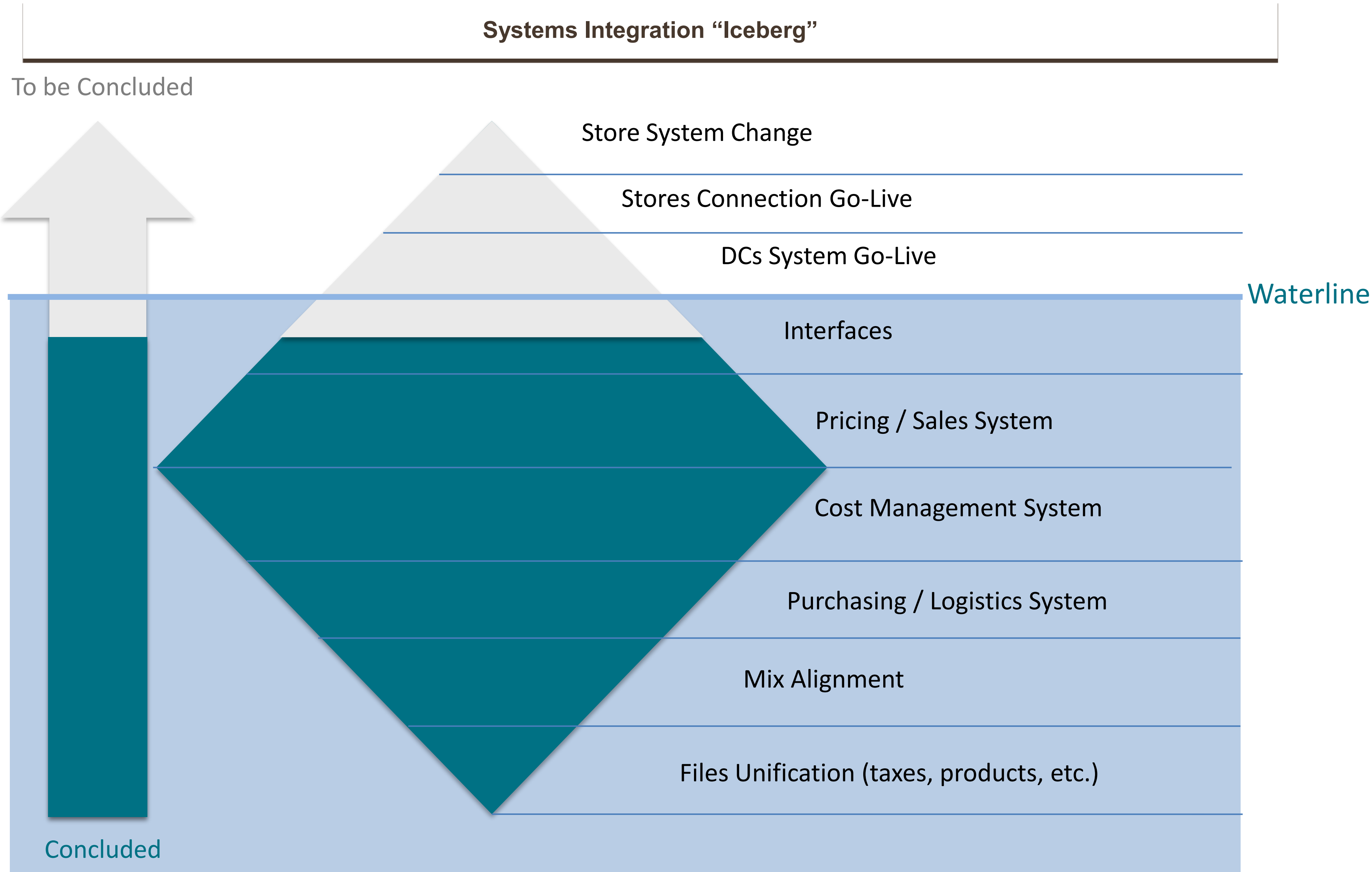
Share Evolution

(Base 100)



Number of Shares (thousand)	330,386
Stock Quote - August 7th (R$)	19.55
Market Cap (R$ billion)	6.5
Average Trading Volume 2Q13 (R$ million)	22.7

Systems integration is progressing. First Drogasil store will be connected to the new system goes live on September 1st, while first DC and its served stores will go in the 4Q13



Ongoing Initiatives

- **Store development**
  - 71 stores opened to date
  - Store pipeline fully delivered – contracts already signed for 130 stores
  - Building up the buffer for early 2014 – 21 contracts already signed

- **Challenges for the Second Semester**
  - Similar revenue scenario of the 2Q13
  - Reduction in social charges expired in May – ongoing negotiations
  - Increased marketing support (new regions and specific markets)

- **Management Focus (Second Semester and 2014)**
  - Strong focus on execution improvement
  - Tighter expense management
  - Gross margin recovery and cash cycle improvement
  - Finish the Integration