People, Health and Well-being

RaiaDrogasil S.A.

EARNINGS PRESENTATION:

2017

Taking Close Care of People´s Health and Well-Being during all Times of their Lives

DISCLAIMER

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CONSOLIDATED HIGHLIGHTS:

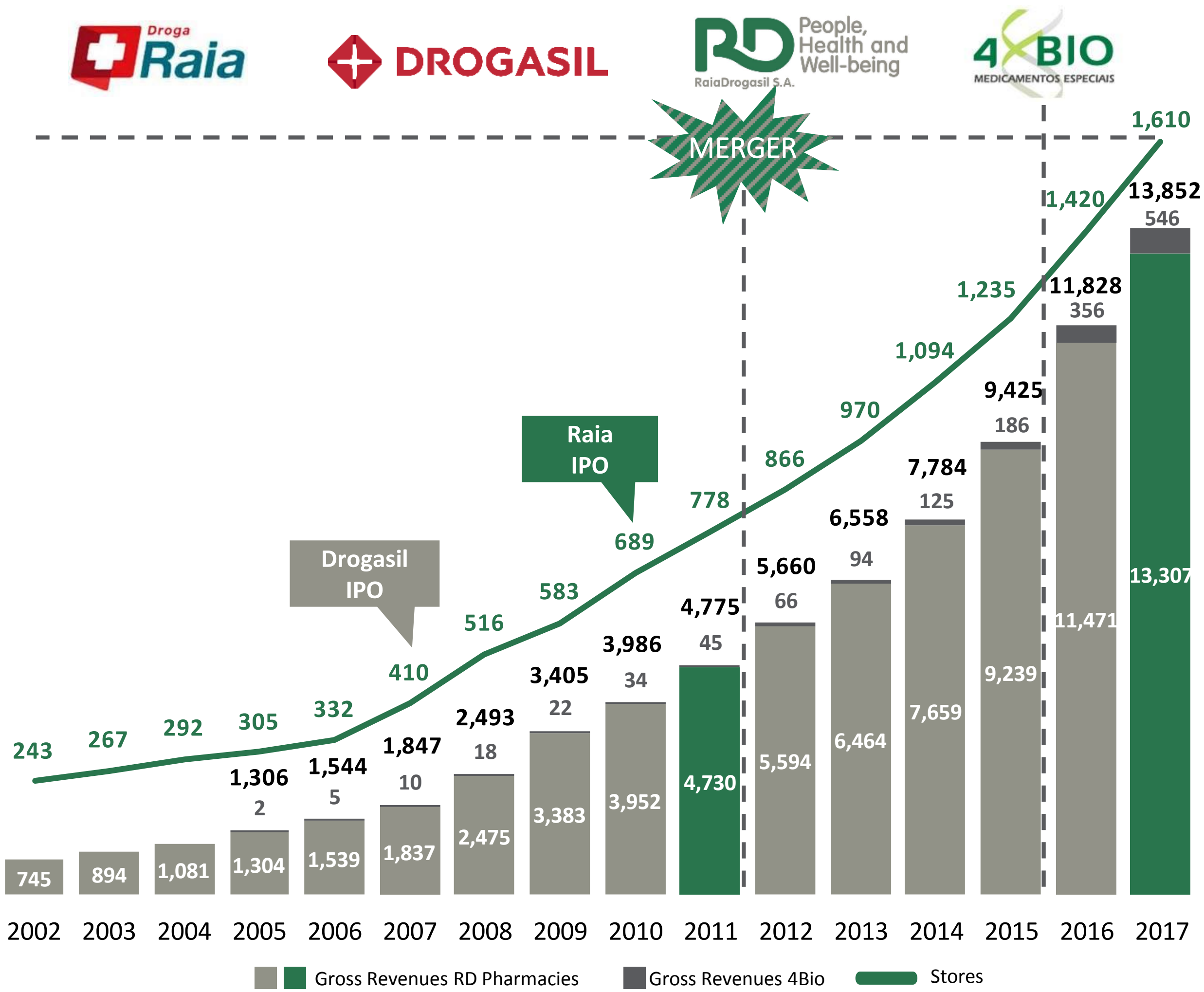
- **Drugstores:** 1,610 stores in operation (210 openings and 20 closures)
- **Gross Revenue:** R$ 13.9 billion, a 17.1% growth (7.2% retail same-store sales growth)
- **Gross Margin:** 28.8% of gross revenues, a 0.8 percentage point decrease
- **EBITDA:** R$ 1,130.3 million, 8.2% margin and a decrease of 0.2 percentage point
- **Net Income:** R$ 512.5 million, 3.7% of net margin, an increase of 12.3%
- **Cash Flow:** R$ 49.7 million negative free cash flow, R$ 211.0 million of total cash consumption

LEADING THE CONSOLIDATION OF THE DRUGSTORE INDUSTRY IN BRAZIL

2017 was another year of solid growth with value creation.

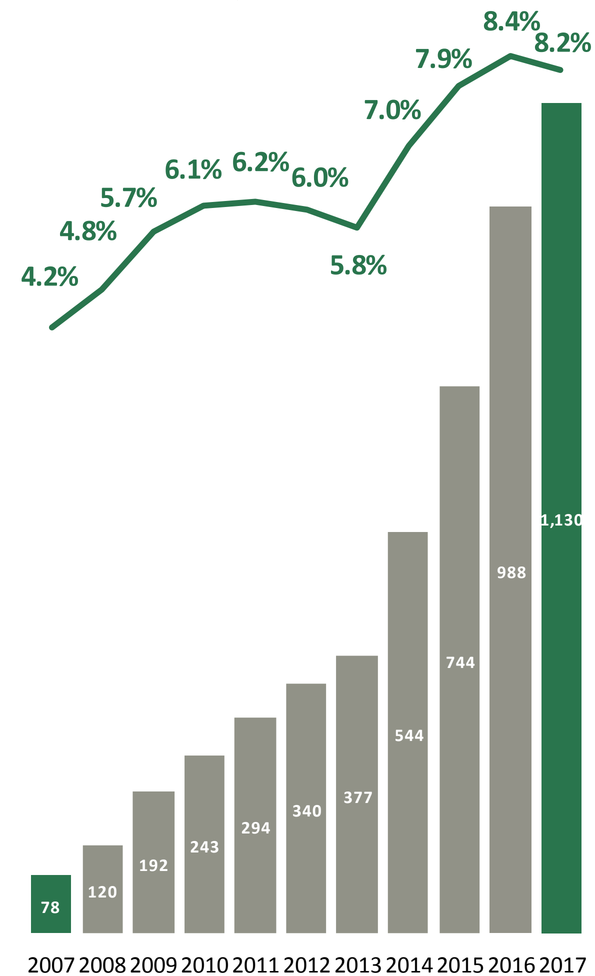
Combined Gross Revenues & Store Count

R$ million, Stores



Combined EBITDA

R$ million, % of Gross Revenues

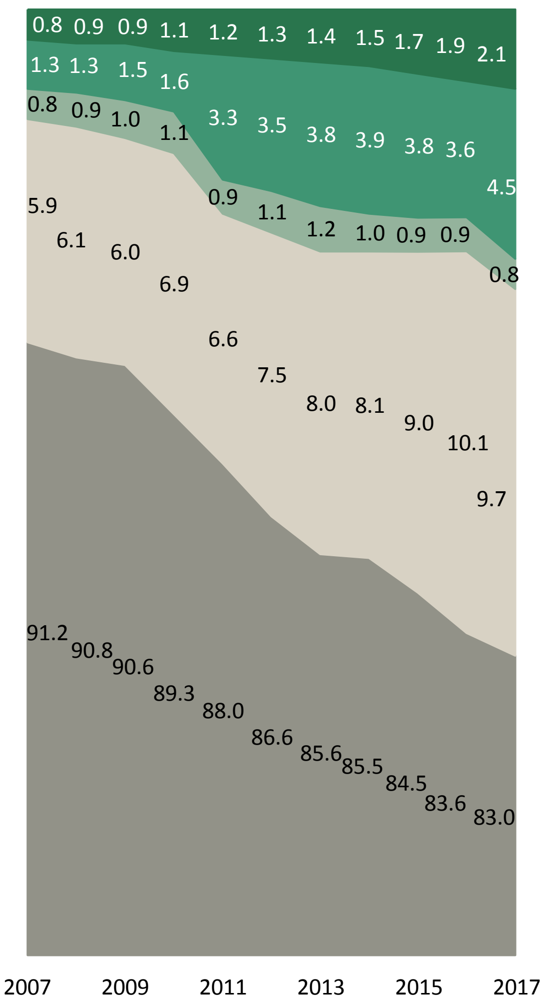


Pro-Forma

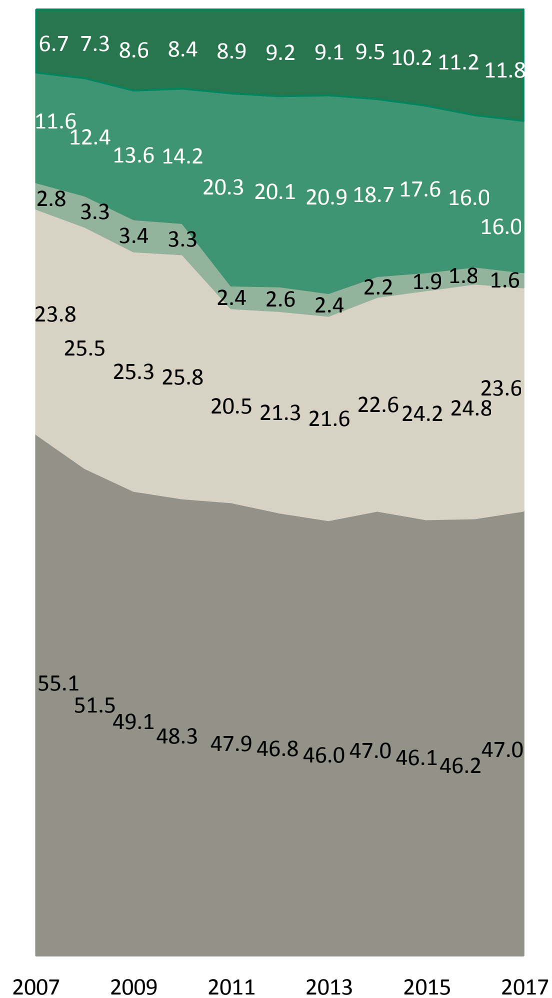
LEADING THE CONSOLIDATION OF THE DRUGSTORE INDUSTRY IN BRAZIL

We gained further market share and efficiency when compared to the rest of the market.

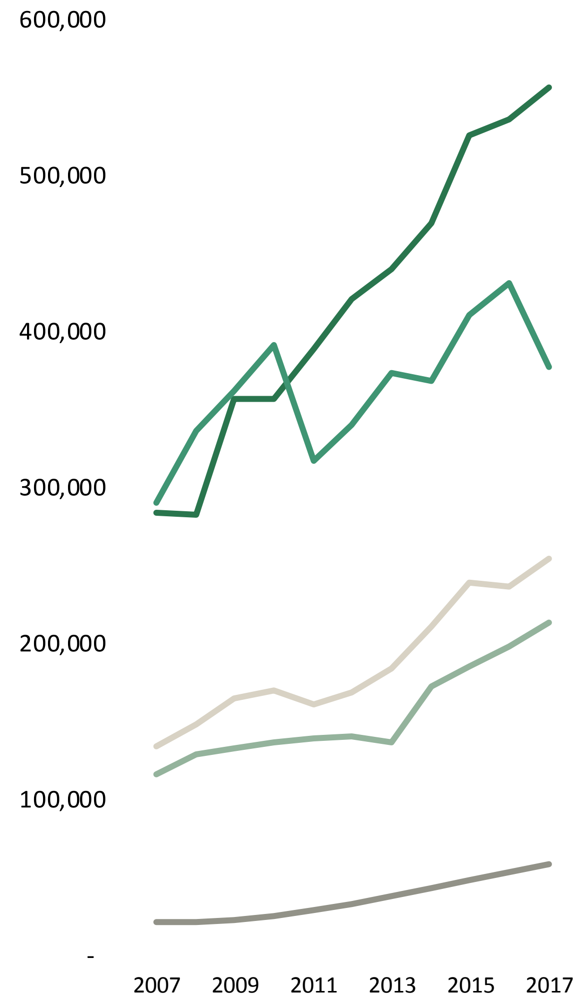
% of Stores



% of Pharma Revenues



Pharma Revenues per Store (R$/Month)



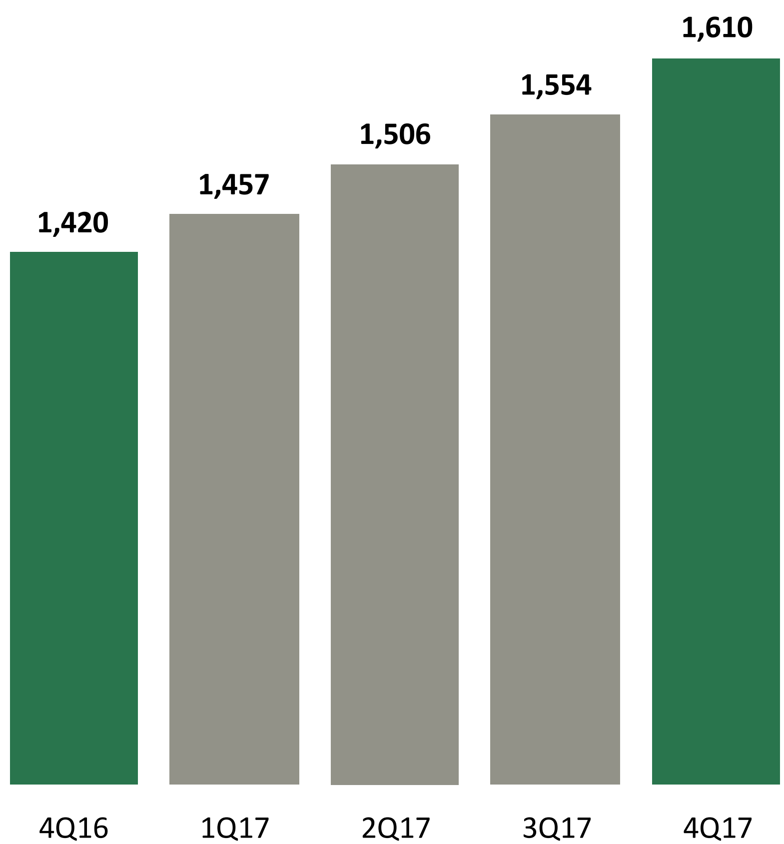
Source: IMS Health and Abrafarma.

RD | ABRAFARMA #2 TO #5 | SUPERMARKETS | OTHER CHAINS | INDEPENDENTS

STORE DEVELOPMENT

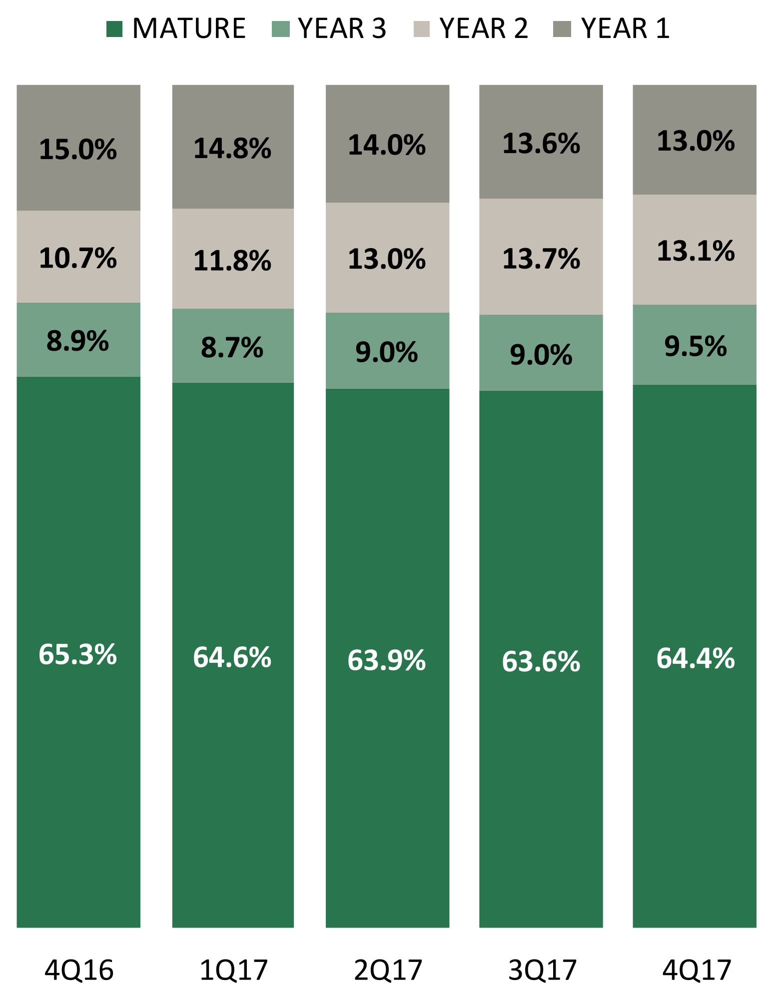
In 2017, we opened 210 new stores and closed 20. In the 4Q17, we opened 60 and closed 4. At the end of the period, 35.6% of our stores were still maturing.

Store Count*



	4Q16	1Q17	2Q17	3Q17	4Q17
Openings	62	42	54	54	60
Closures	(12)	(5)	(5)	(6)	(4)

Age Structure of Store Portfolio

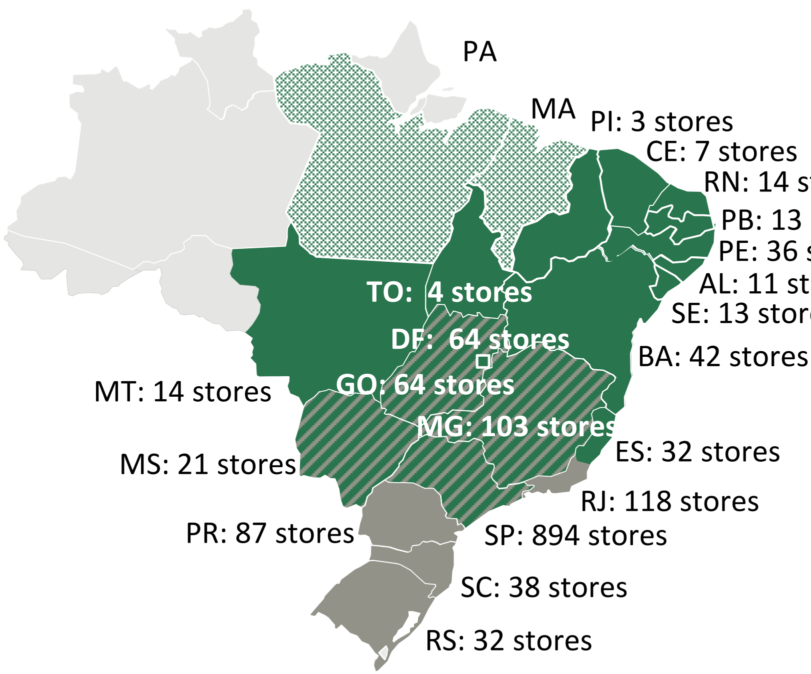


* Includes three 4Bio stores.

WE HAVE GAINED OR MAINTAINED MARKET SHARE IN ALL FIVE REGIONS

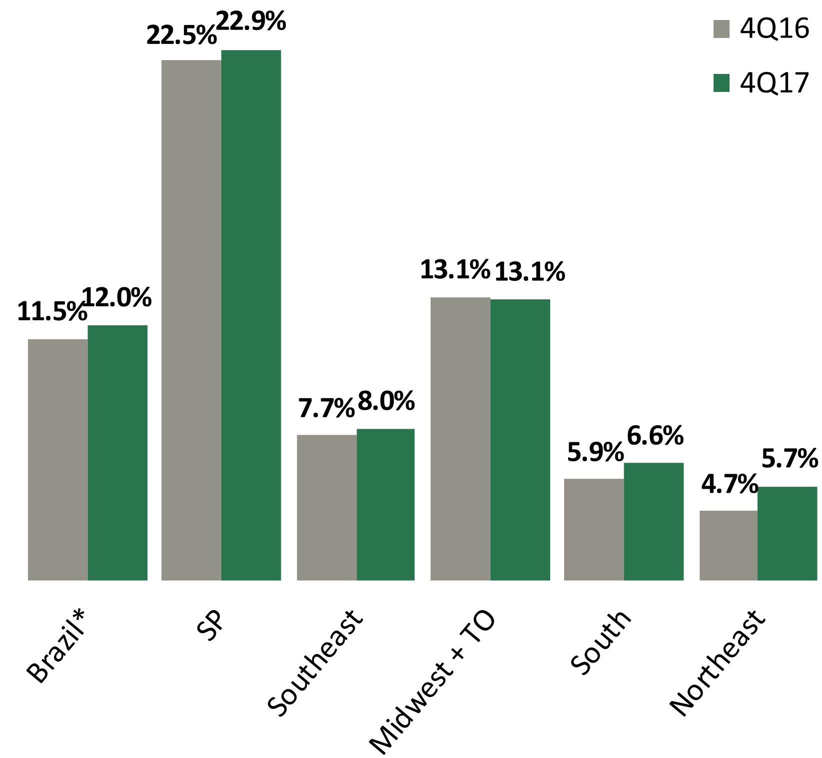
We reached 12.0% of national market share, an increase of 0.5 p.p. We entered Ceará and Piaui (NE) in 2017 and will advance into Pará and Maranhão.

Geographic Presence



Total: 1,610 stores
- Raia: 748 stores
- Drogasil: 835 stores
- Future markets
- ∗ Farmasil: 24 stores
- ∗ 4Bio: 3 stores

Market Share



PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

Brazil*	SP	Southeast	Midwest + TO	South	Northeast
100.0%	26.6%	24.4%	9.8%	16.2%	18.6%

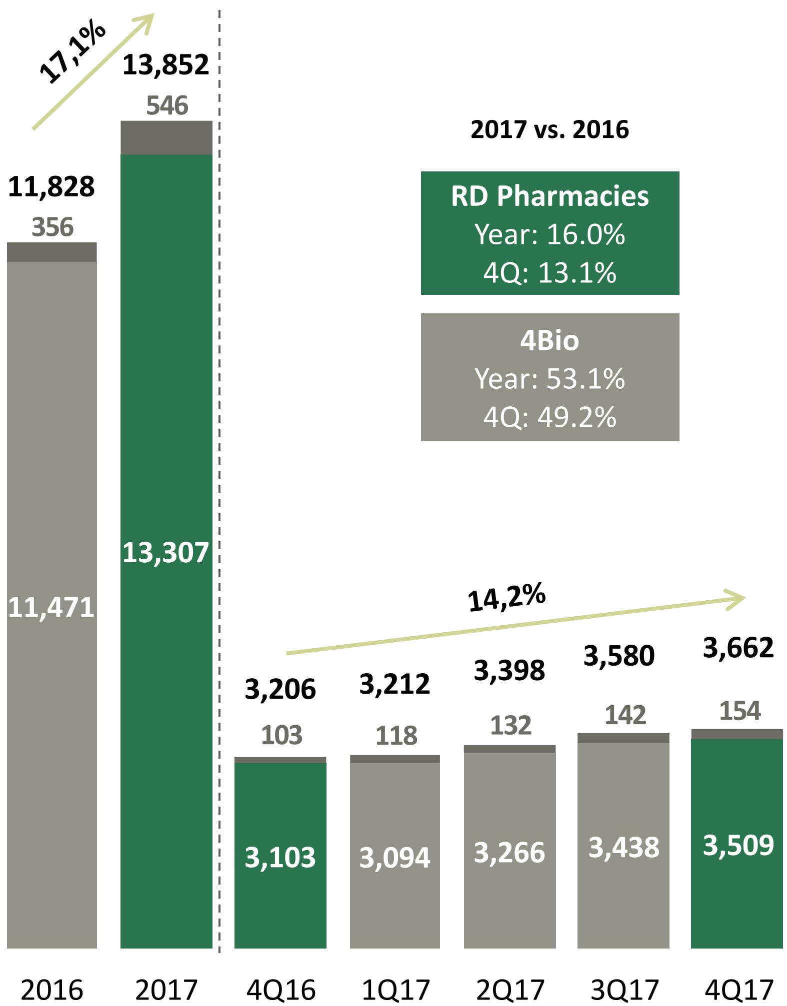
Source: IMS Health

* Includes 4Bio only for Brazil total.

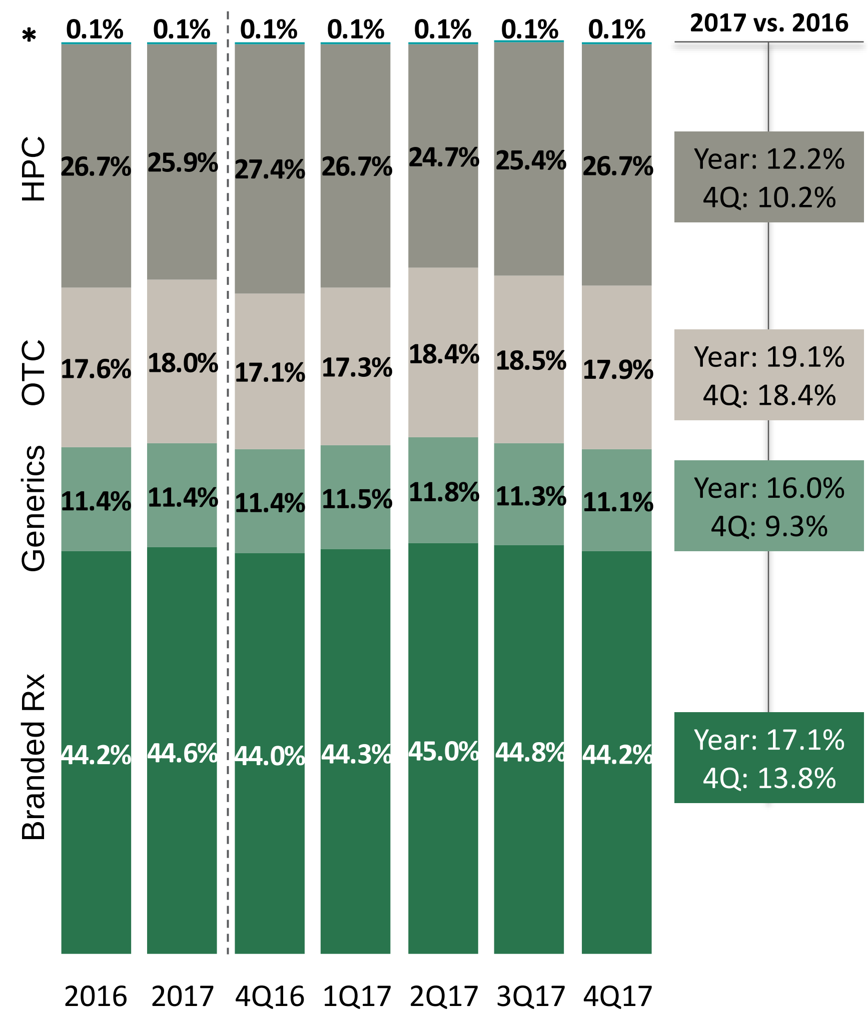
RETAIL OPERATIONS GREW 16.0% AND 4BIO 53.1%

OTC was the highlight both for 2017 (0.4 p.p. increase in the sales mix) and for the quarter (0.8 p.p. increase I the sales mix), driven by a colder and rainy summer which penalized HPC (0.7 p.p. loss in the quarter).

Consolidated Gross Revenue



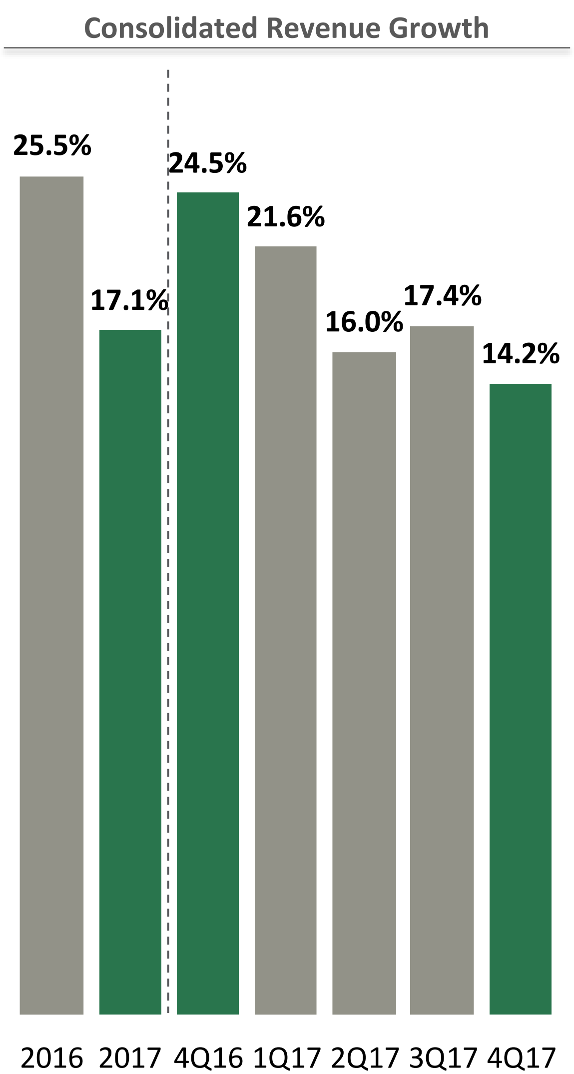
Retail Sales Mix

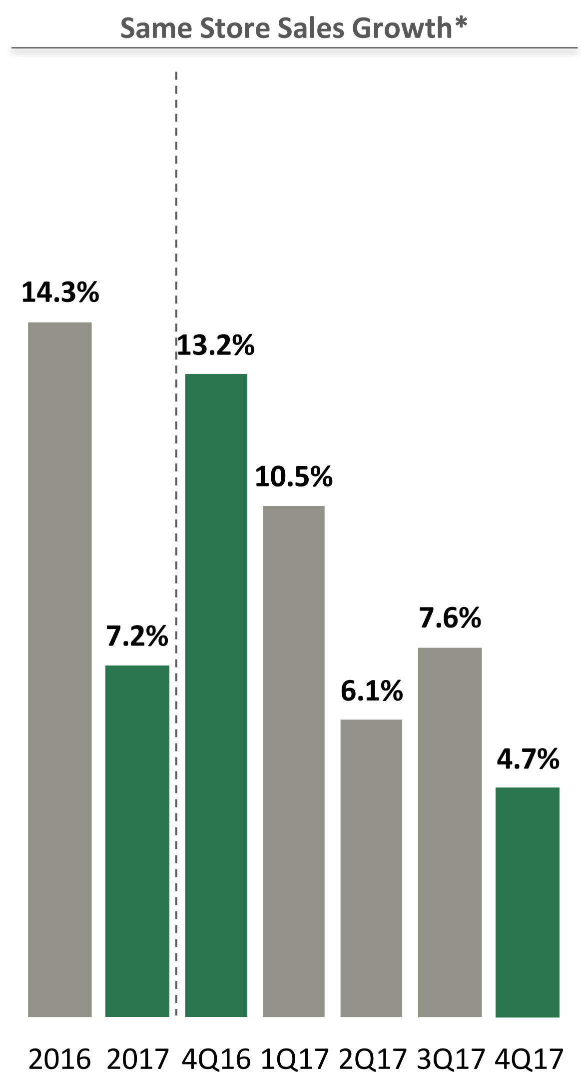


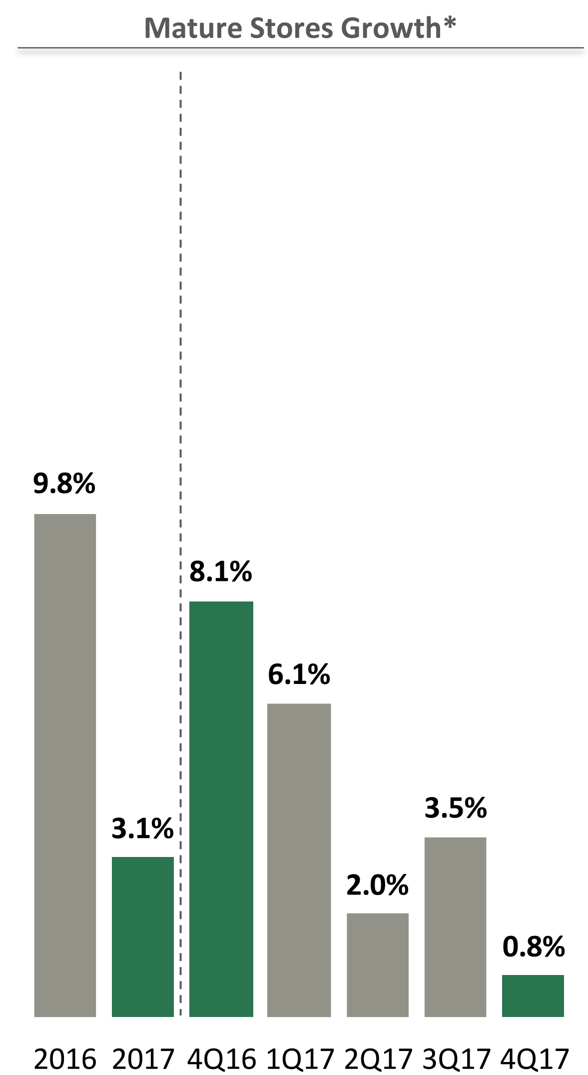
* Services

REVENUE GROWTH OF 17.1%, WITH 3.1% FOR MATURE STORES

In the 4Q17, revenues increased by 14.2% with 0.8% for mature stores, driven by a negative calendar effect of 0.8%



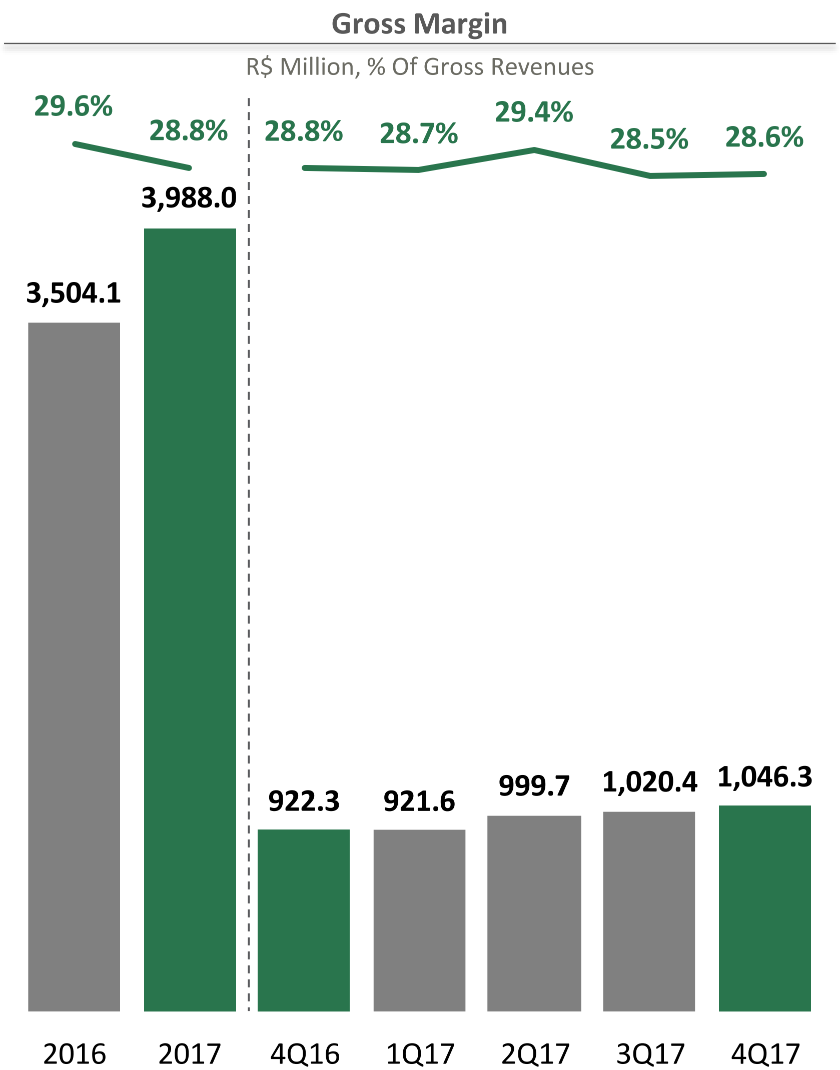


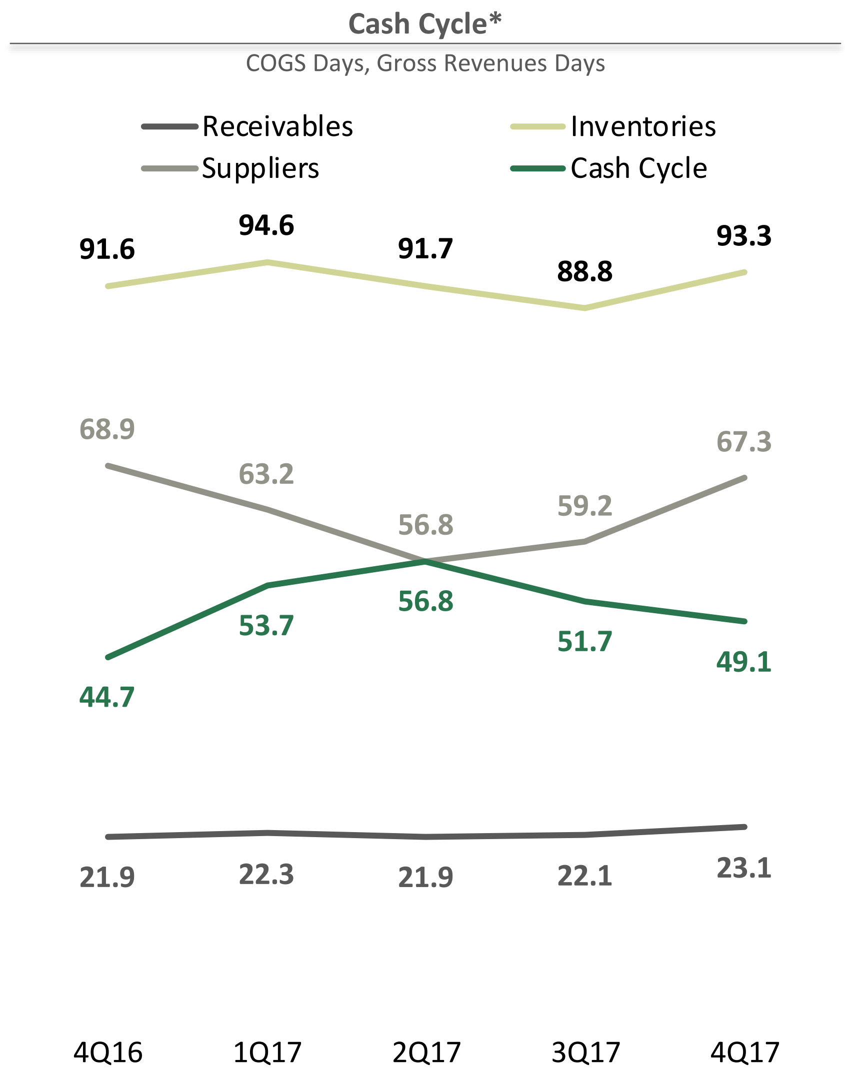


* RD Pharmacies only

GROSS MARGIN DECREASED 0.8 P.P. DRIVEN BY LOWER INFLATIONARY GAINS

Gross margin pressure of 0.2 p.p. in the quarter due to 4Bio (0.3 p.p.) and to the NPV adjustment (0.2 p.p.), while mitigated by other gains. Cash cycle pressure driven mostly by calendar factors.

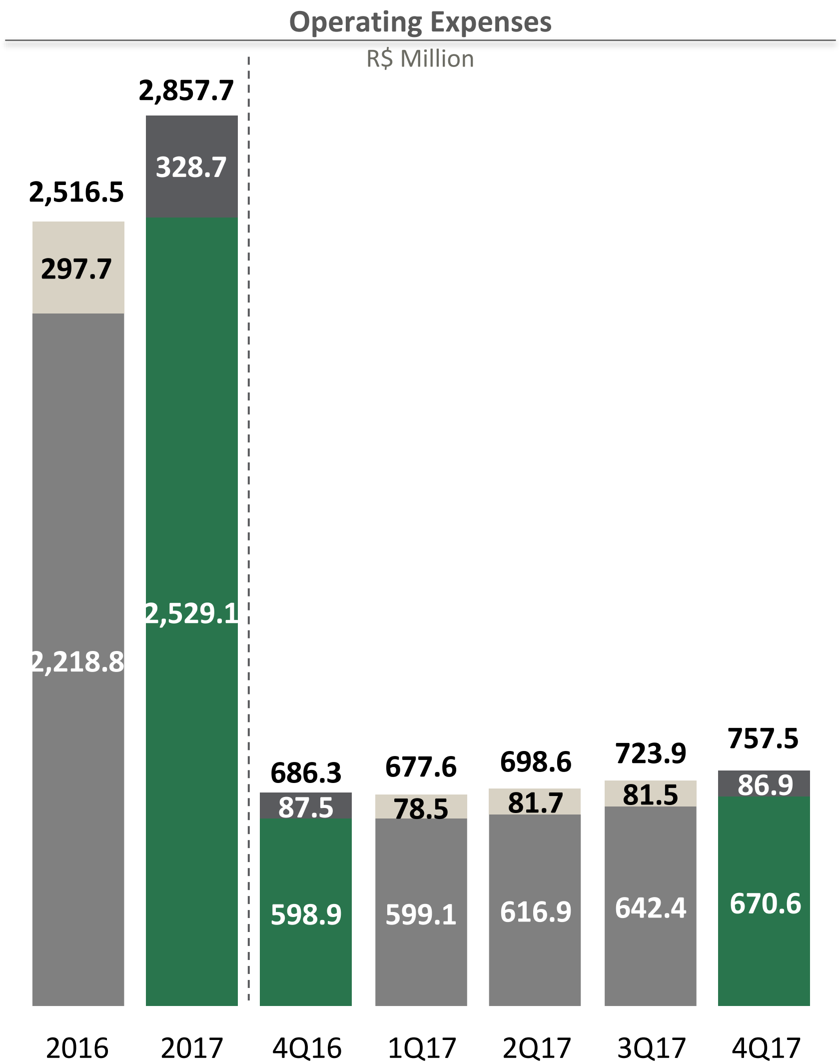


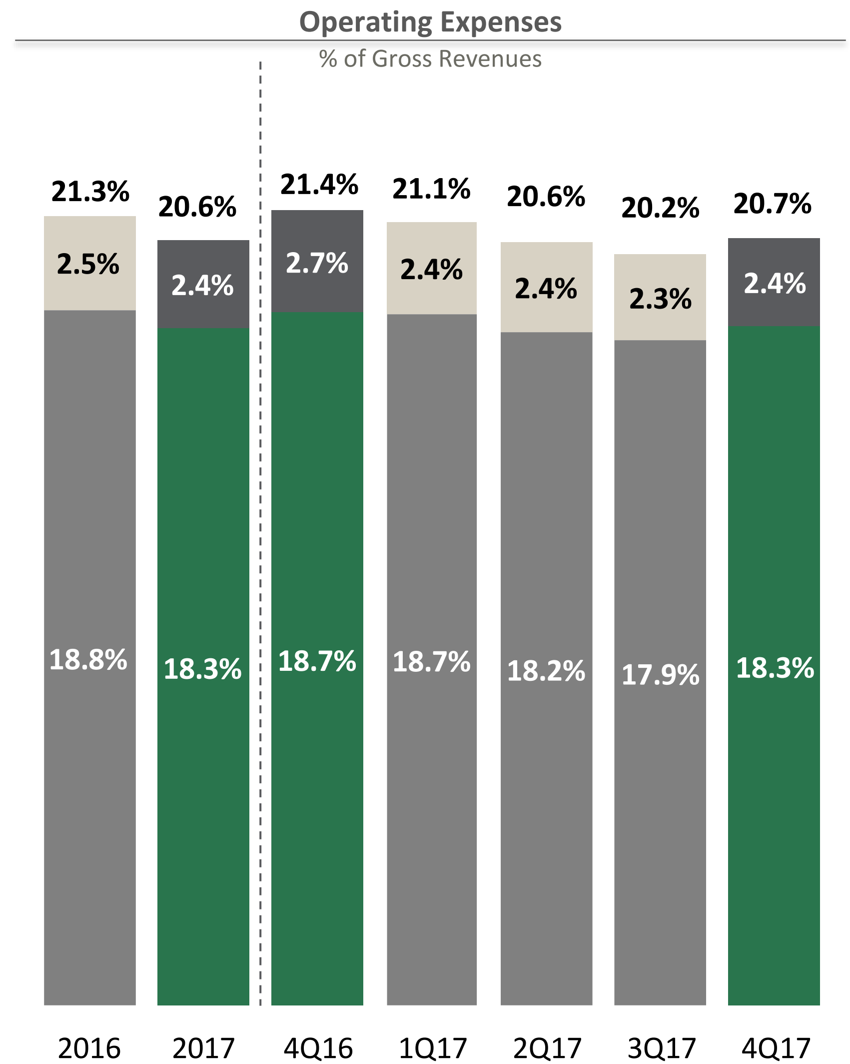


* Adjusted to discounted receivables.

SG&A EXPENSES DILUTED BY 0.6 P.P. (0.7 P.P IN THE QUARTER)

Personnel expenses were diluted by 0.2 p.p. Marketing, logistics, pre-operating expenses, 4Bio, G&A and other expenses diluted by 0.1 p.p. each. Gains were partially reduced by a 0.2 p.p. pressure in Rentals.





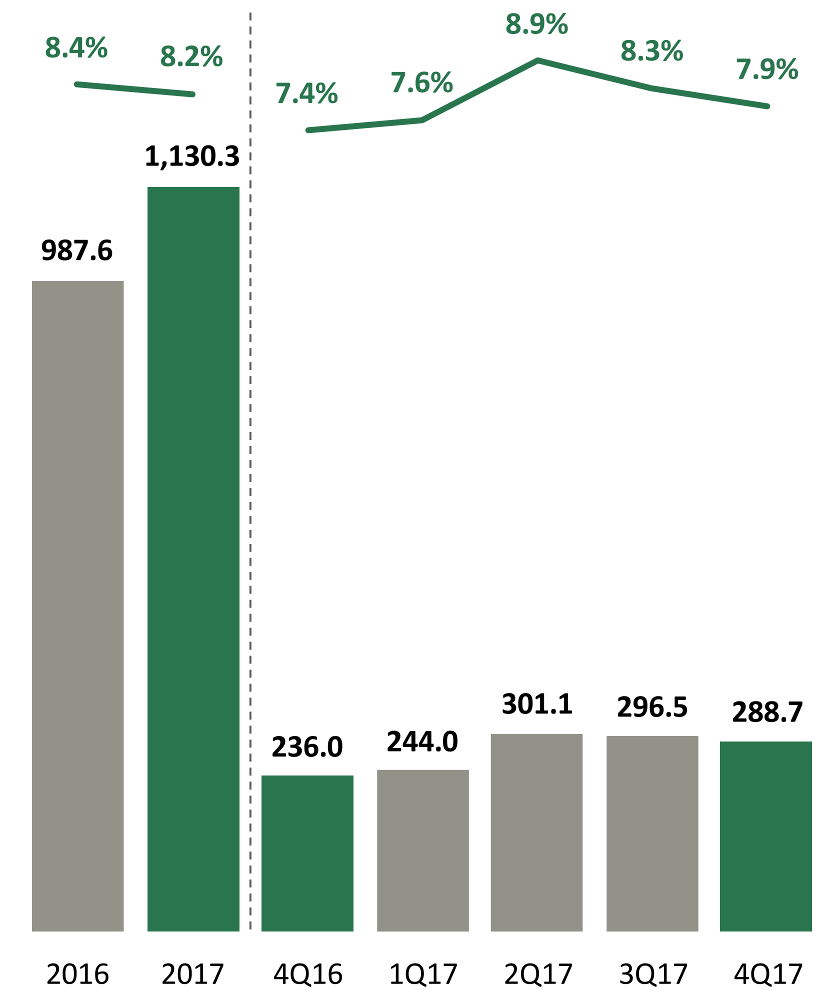
Sales Expenses General & Administrative Expenses

EBITDA TOTALED R$ 1,130.3 MM, WITH 0.2 P.P. PRESSURE (0.5 GAIN IN THE 4Q17)

Gross margin pressure of 0.8 p.p., partially offset by 0.6 p.p. expense dilution. Excluding NPV adjustments and 4Bio, retail EBITDA margin expanded 0.1 p.p. in 2017

Adjusted EBITDA

R$ Million, % Of Gross Revenues



1,400* stores operating since 2016:
(performance in 2017)

- R$ 13.3 billion of Gross Revenues
- R$ 1,147.3 million of EBITDA
- EBITDA margin of 8.6%

RD Pharmacies

- R$ 1,119.3 million of EBITDA
- EBITDA margin of 8.4%

4Bio

- R$ 10.9 million of EBITDA
- EBITDA margin of 2.0%

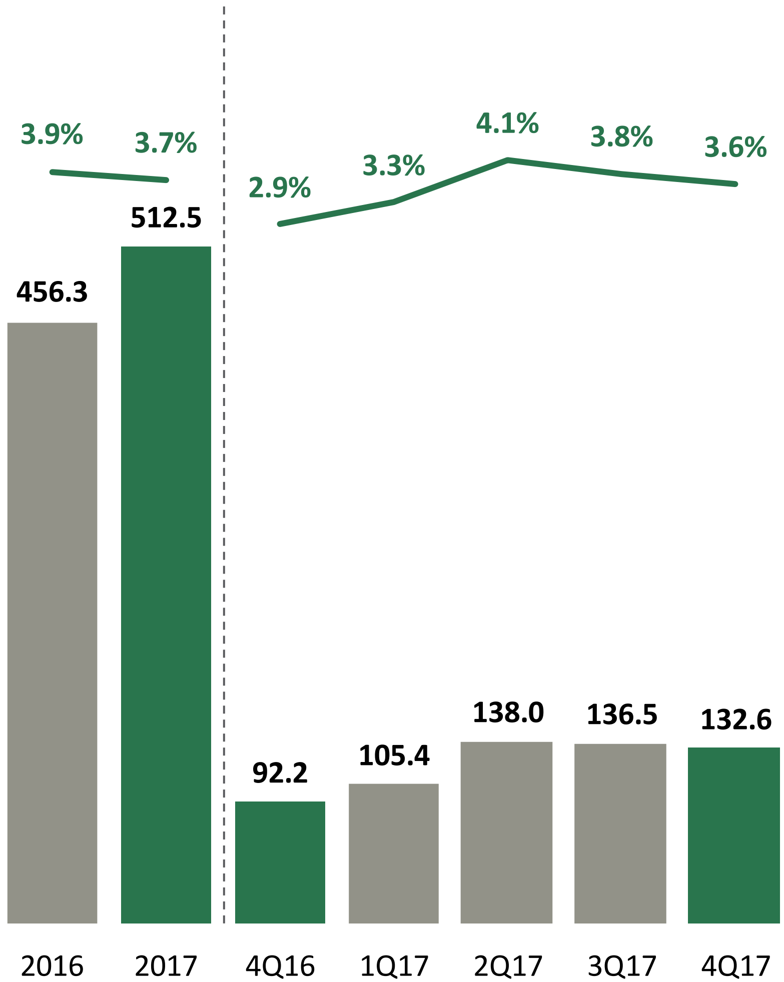
* 1420 stores by the end of the 4Q16 less 20 stores closed.

ADJUSTED NET INCOME TOTALED R$ 512.5 MILLION IN 2017

Net margin of 3,7% and an increase of 12.3% over the previous year. We recorded 0.2 MM in non-recurring net gains in 2017.

Adjusted Net Income

R$ Million, % of Gross Revenues



Non-recurring Revenues / Expenses

Non-Recurring Revenues / Expenses	1Q17	4Q17	2017
(R$ million)			
Labor contingencies: change in loss estimates	(12.1)		(12.1)
Retirement compensation: C-level Executive	(3.2)		(3.2)
Trade allowances: elimination of recognition timing delay	13.1		13.1
INSS credit from previous years		2.4	2.4
Total	**(2.2)**	**2.4**	**0.2**

FREE CASH FLOW CONSUMPTION R$ 49.7 MILLION

R$ 589.5 MM in operating cash flow nearly financed R$ 639.2 MM in investments. Total cash consumption of R$ 211.0 million.

Cash Flow	**4Q17**	**4Q16**	**2017**	**2016**
(R$ million)				
Adjusted EBIT	**196.6**	**161.6**	**792.4**	**713.2**
NPV Adjustment	(14.6)	(20.4)	(63.9)	(67.3)
Non-Recurring Expenses	2.4	(7.7)	0.2	(7.7)
Income Tax (34%)	(62.7)	(45.4)	(247.8)	(217.0)
Depreciation	92.1	74.4	337.9	274.4
Others	8.8	5.4	32.2	12.9
Resources from Operations	**222.6**	**167.9**	**851.0**	**708.6**
Cash Cycle*	28.2	34.0	(337.0)	(257.5)
Other Assets (Liabilities)**	(22.9)	(17.1)	75.5	56.1
Operating Cash Flow	**227.9**	**184.8**	**589.5**	**507.1**
Investments	**(159.5)**	**(134.7)**	**(639.2)**	**(489.1)**
Free Cash Flow	**68.4**	**50.1**	**(49.7)**	**18.1**
Interest on Equity	(85.6)	(81.9)	(170.8)	(153.3)
Income Tax Paid over Interest on Equity	(14.5)	(13.7)	(28.5)	(27.0)
Net Financial Expenses***	(4.5)	(15.2)	(46.8)	(42.1)
Income Tax (Tax benefit over financial expenses and interest on equity)	19.0	22.2	84.8	80.5
Total Cash Flow	**(17.2)**	**(38.5)**	**(211.0)**	**(123.9)**

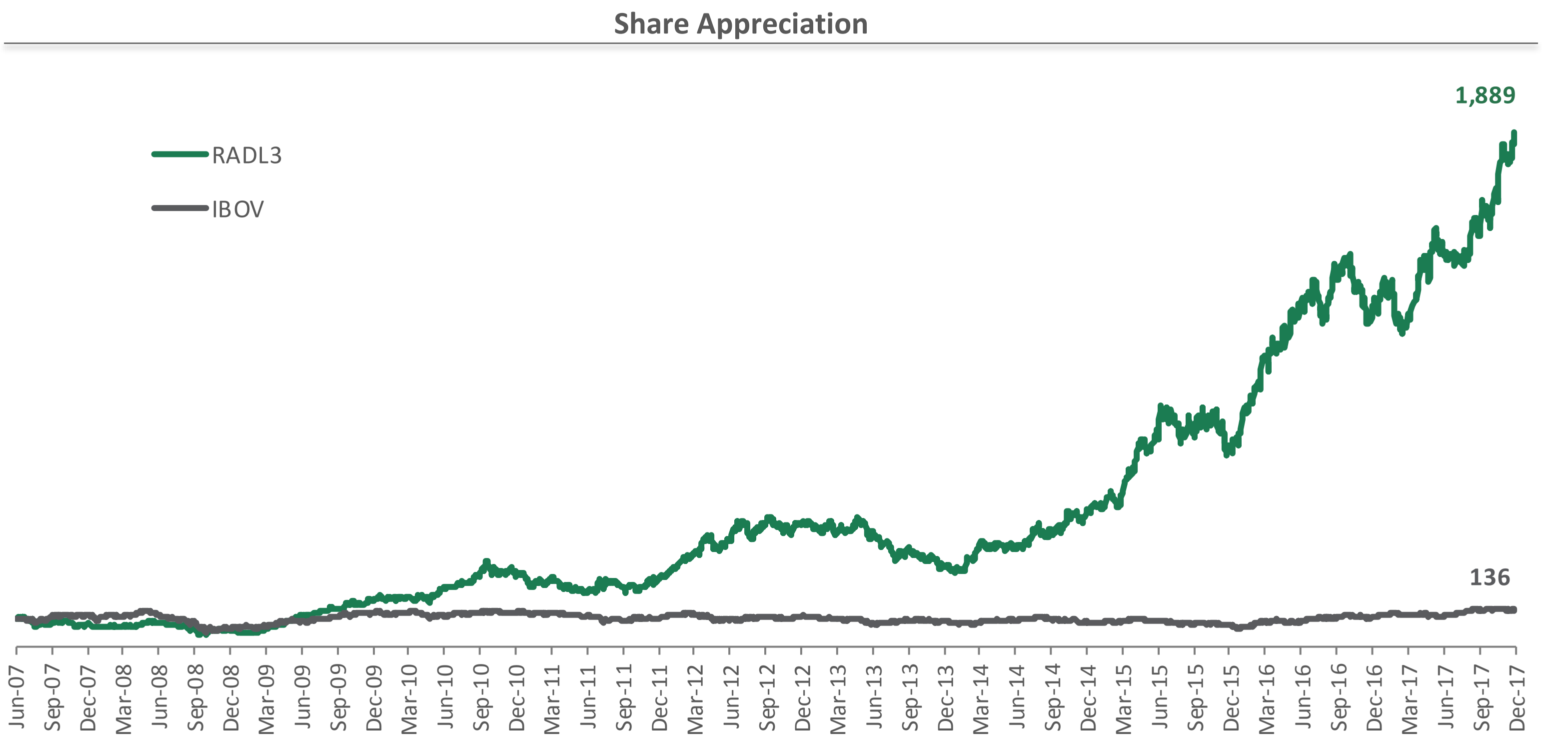
*Includes adjustments to discounted receivables.

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

***Excludes NPV adjustments.

RADL3 SHARES APPRECIATED BY 51.3% IN 2017

Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,788.9% with an average annual return of 32.6%. Considering the IPO of Raia, the average annual return was 36.4%.



Performance in 2017

RADL3: 51.3%
BOVESPA: 23.1%
Alpha: 28.2%
Average Trading Volume RADL3: R$ 93.0 MM

WE HAVE A COMMITMENT TO SUSTAINABILITY BASED ON THREE AXES AND NINE GUIDELINES ALIGNED WITH OUR PURPOSE

1 To take care of **people's health:**	2 To take care of **business' health:**	3 To take care of the **planet´s health:**
1.1 To encourage employee quality of life and to offer a work environment that promotes equality and respects differences	2.1 To encourage dialogue and generate long-term value for our stakeholders	3.1 To minimize the use of natural resources and to protect the effects of construction in our stores, DCs and office projects
1.2 To promote customer health and well-being, encouraging health habits, access to products and services and close treatment follow-up	2.2 To work with suppliers and service providers in line with our values	3.2 To reduce business-generated waste and provide for the adequate disposal thereof
1.3 To back social initiatives that support health and well-being at the communities we serve	2.3 To promote employee personal and professional development, to always prepare leaders	3.3 To reduce the socioenvironmental impact of our distribution process

WHAT WE ACCOMPLISHED IN 2017

Successfully Navigated a Challenging Year

- Achieved strong and sustainable efficiency gains that allowed us to sustain minimal margin loss when compared to an inflation-boosted 2016 (0.2 p.p.)
- Expanded the retail cash margin (excluding the NPV adjustment) by 0.1 p.p.

Achievement of Several Strategic Milestones

- Opened 210 new stores and gained significant market share while maintaining store productivity
- Introduced a new store identity for Drogasil, aligned with the brand’s positioning to enhance shopper experience
- Rolled-out a new loyalty programs for Raia and Drogasil
- Started the implementation of a new pricing platform, which will increase price discrimination across stores

Progress on Strategic Core Enablers

- Started a cultural transformation by disseminating our Identity, Values and Purpose
- Further improved the supply chain management, achieving a record low level of stock outs
- Opening of a new distribution center in Salvador

CHALLENGES AND OPPORTUNITIES FOR THE FUTURE

As we progress along the strategic path envisioned in 2014 and wrap-up on the remaining initiatives, we have started to lay our eyes on the next cycle ahead. We have already identified three core levers for value creation that shall to be further explored:

Further Accelerate our Expansion:

- We are the only drugstore chain in Brazil with brands already established in states that account for more than 90% of the Brazilian pharma market, delivering consistent revenues per mature store and high marginal returns
- Leverage this unique national expansion platform and the lack of entry barriers to lead the industry's consolidation
- Guidance of 240 new stores per year for 2018 and 2019.
- We envision many more years of accelerated expansion with similar historic productivity and returns

Deliver a Customer-Centric Digital Experience:

- Create a digital experience grounded on customer data and analytics, an omnichannel retail experience based on products and service personalization and high customer engagement across stores, apps, web-sites and social media
- Stores will remain the cornerstone of the customer experience by delivering enhanced access, service and convenience, but digital will allow us to enhance the overall experience and relieve the pain-points from the shopping experience

Leverage our Healthcare Platform

- RD Health already constitutes a powerful healthcare platform, which is already the undisputed leader in Brazil with health operators and corporations through Univers an 4Bio
- Drive that platform to the next level, integrating our offerings, accelerating account growth and member adoption

IR HIGHLIGHTS FOR 2018

2018 Earnings

- **1Q:** May 2nd, 2018
- **2Q:** July 30th, 2018
- **3Q:** October 30th, 2018

Scheduled Investor Conferences

- March 12th and 13th: **Itaú BBA 5th LatAm Consumer Event**, Itaú (London)
- April 3rd and 4th: **Brazil Investment Forum,** Bradesco (São Paulo)
- April 10th and 11th: **Latam Investor Forum in Asia**, Bradesco (Hong Kong/Singapore)
- May 16th and 17th: **12th Annual LatAm CEO Conference**, Itaú (New York)
- June 5th to 7th: **2018 CalGEMs Conference**, Bank of America Merrill Lynch (California)