RaiaDrogasil

Earnings Presentation – 1Q14

May 9th, 2014

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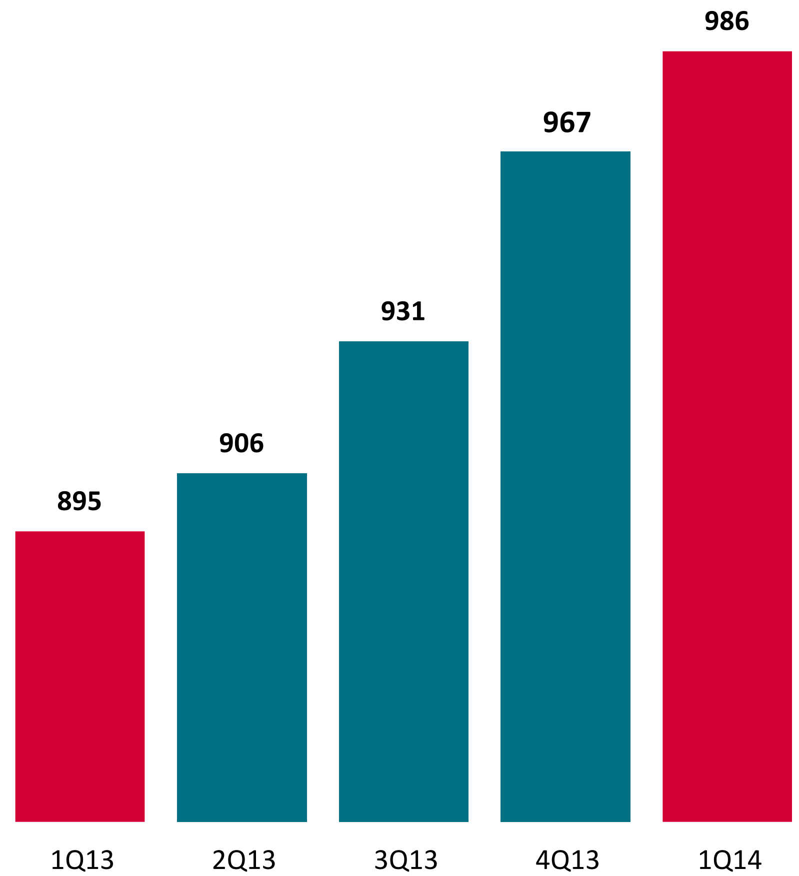
Highlights

- **Drugstores:** 986 stores in operation (18 openings and one closure)
- **Gross Revenues:** R$ 1.7 billion, 19.5% of growth (12.7% for same-store sales)
- **Gross Margin:** 26.9% of gross revenues, a 0.3 percentage point margin increase
- **Adjusted EBITDA:** R$ 87.3 million, an increase of 31.9%, an EBITDA margin of 5.1%
- **Adjusted Net Income:** R$ 40.7 million, an increase of 53.7%, equivalent to 2.4% of net margin
- **Cash Flow:** R$ 119 million negative free cash flow, R$ 117.8 million of total cash consumption

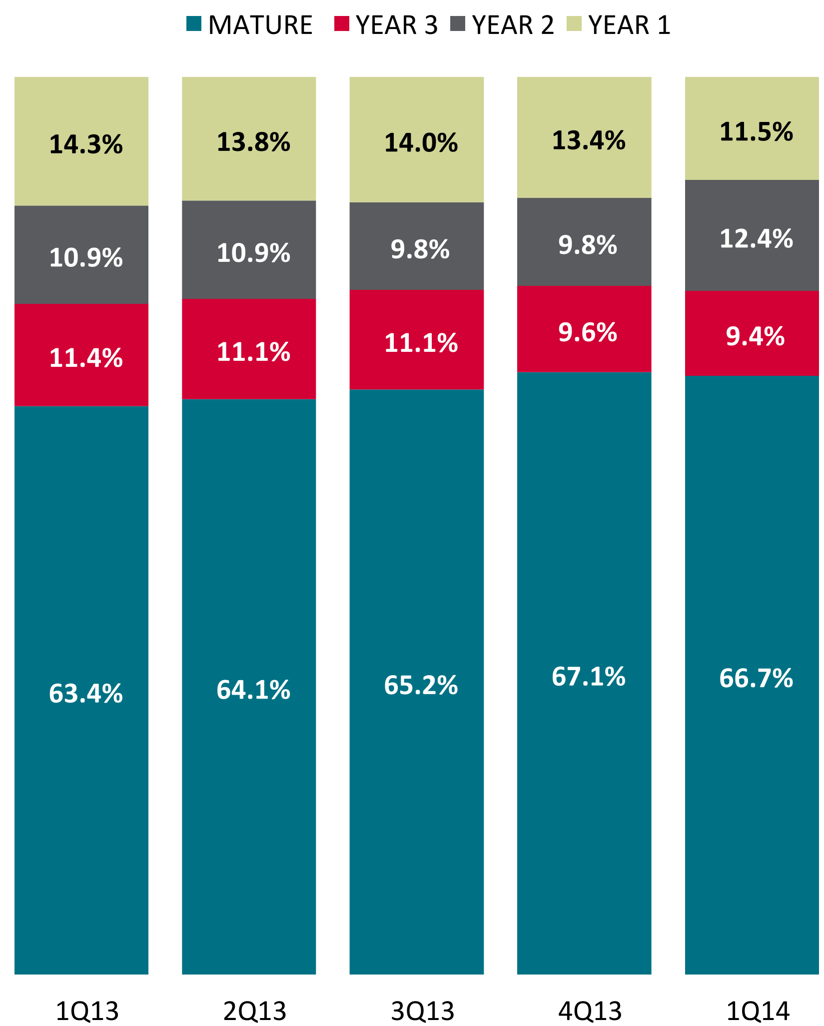
We opened 18 stores, closed 1 and reopened 2 stores that were suspended for rebranding. 33.3% of stores are still undergoing maturation.

Store Count*



	1Q13	2Q13	3Q13	4Q13	1Q14
Opened	36	25	29	41	18
Closed	(4)	(10)	(6)	(4)	(1)
Reopened/(Suspended)	(1)	(4)	2	(1)	2

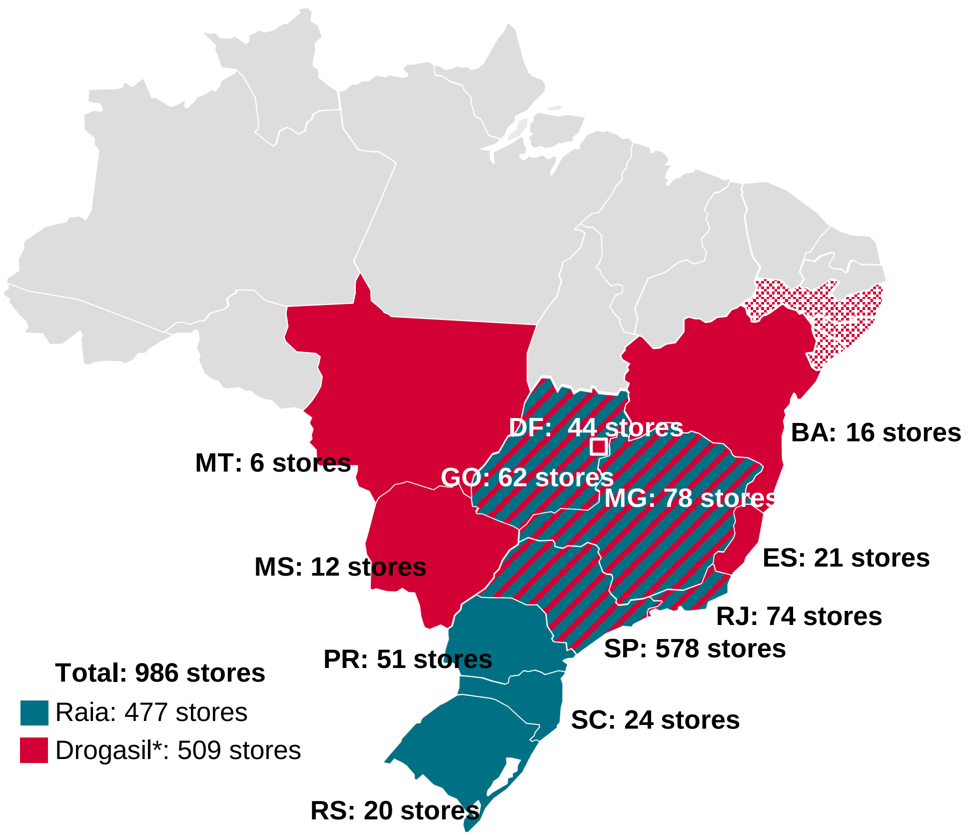
Age Structure of Store Portfolio



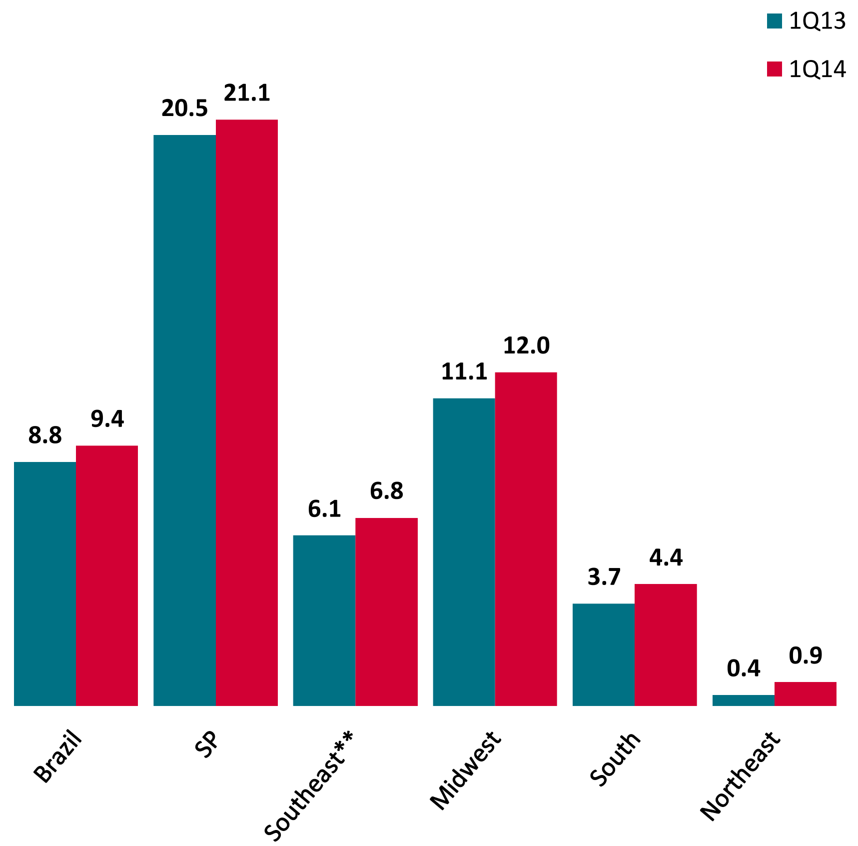
* Does not include suspended stores, which have been temporarily closed to be rebranded.

Comparable market share increased by 0.6 percentage point, with increases in all our markets. Entering PE on May 13 and then SE and AL in the coming months.

Geographic Presence



Market Share (March '14)***



PHARMACEUTICAL MARKET DISTRIBUTION BY REGION (MARCH '14)

Brazil	SP	Southeast**	Midwest	South	Northeast
100.0%	27.3%	23.7%	8.9%	17.1%	17.9%

Source: IMS Health

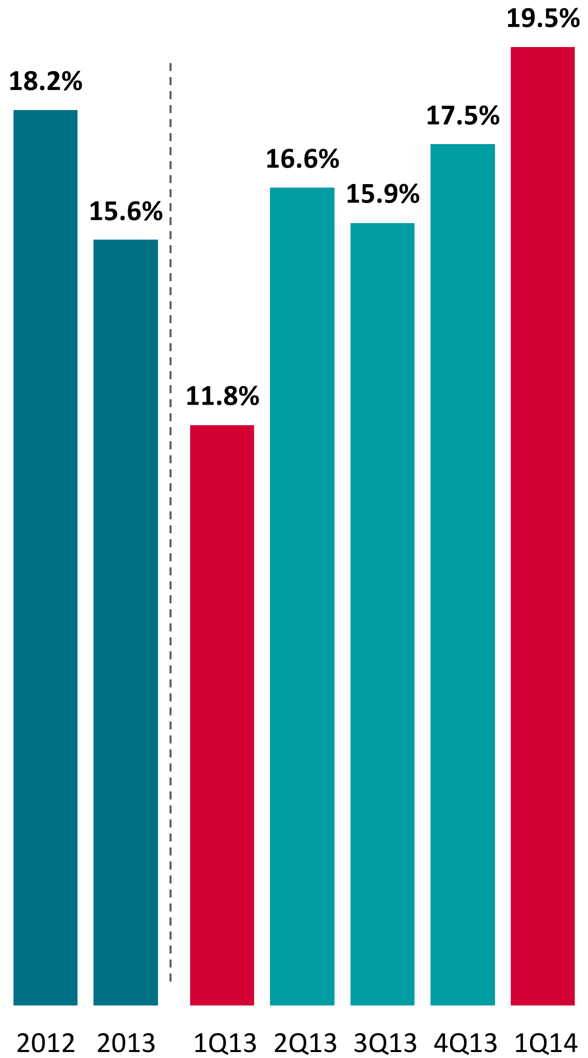
* Includes Farmasil stores

** Excludes São Paulo

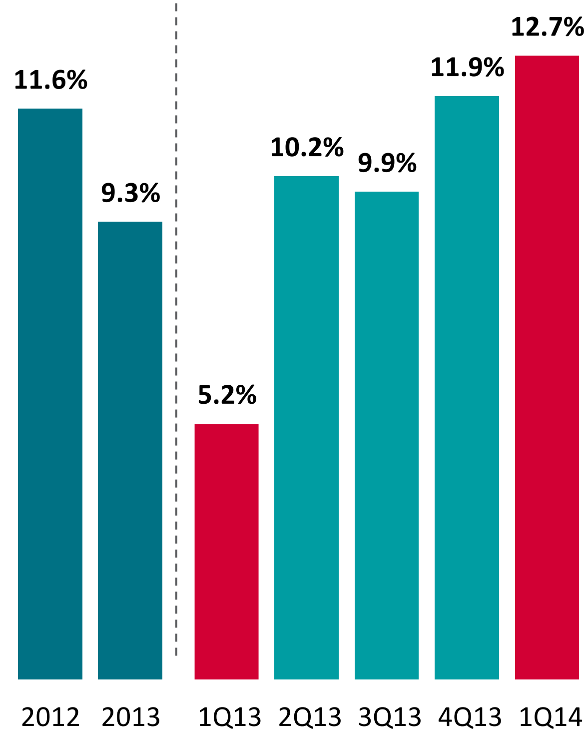
*** Comparable Market Share, excluding new informants added to the panel during the last twelve months. Our national market share including the full panel was of 9.1%

Gross revenues increased by 19.5%, with 12.7% for same stores and 7.6% for mature stores (positive calendar effect of 0.4%). Leveraged the weak comp base of the 1Q13.

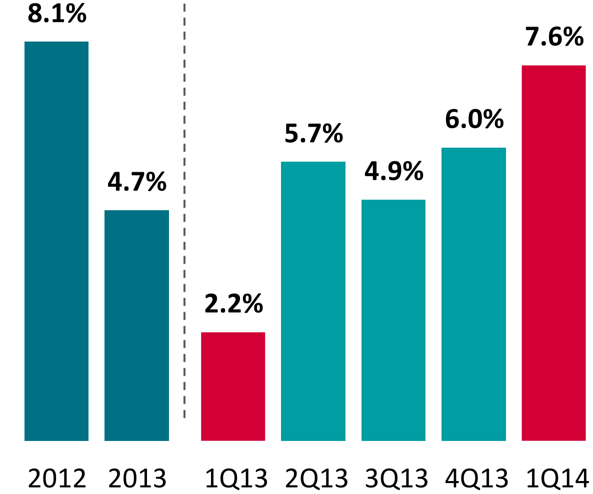
Growth – Total Sales



Growth – Same Store Sales



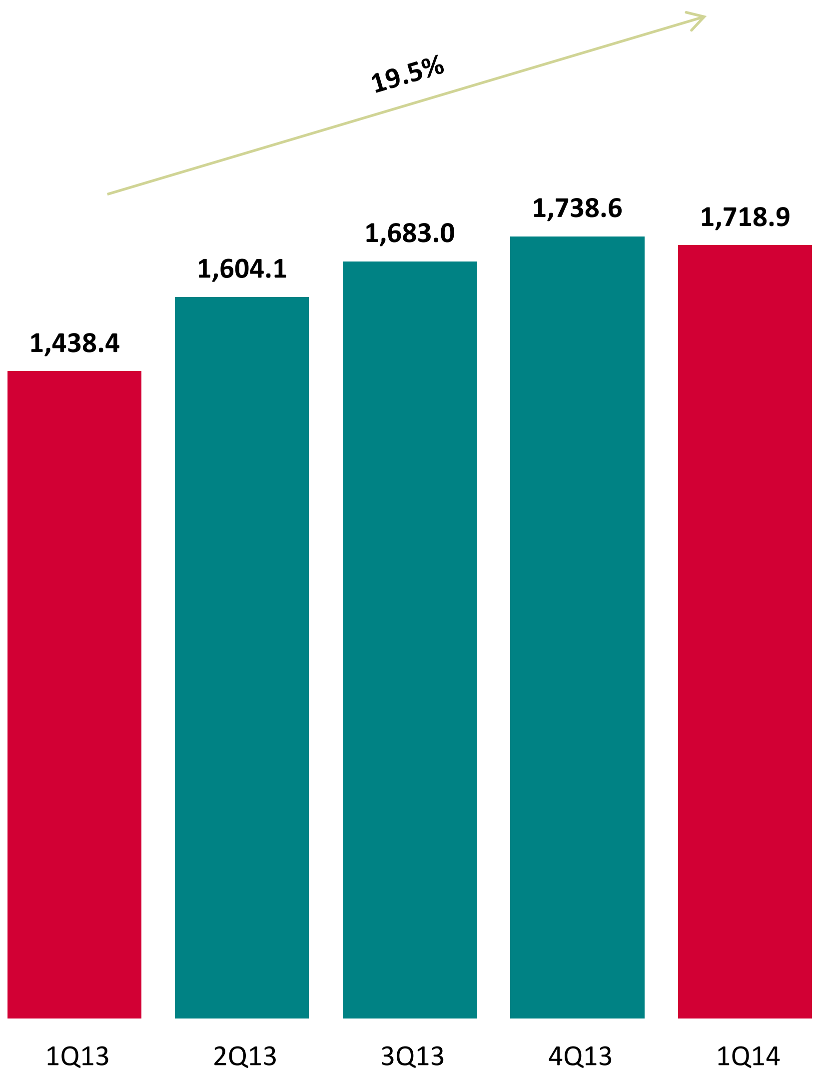
Growth – Mature Stores



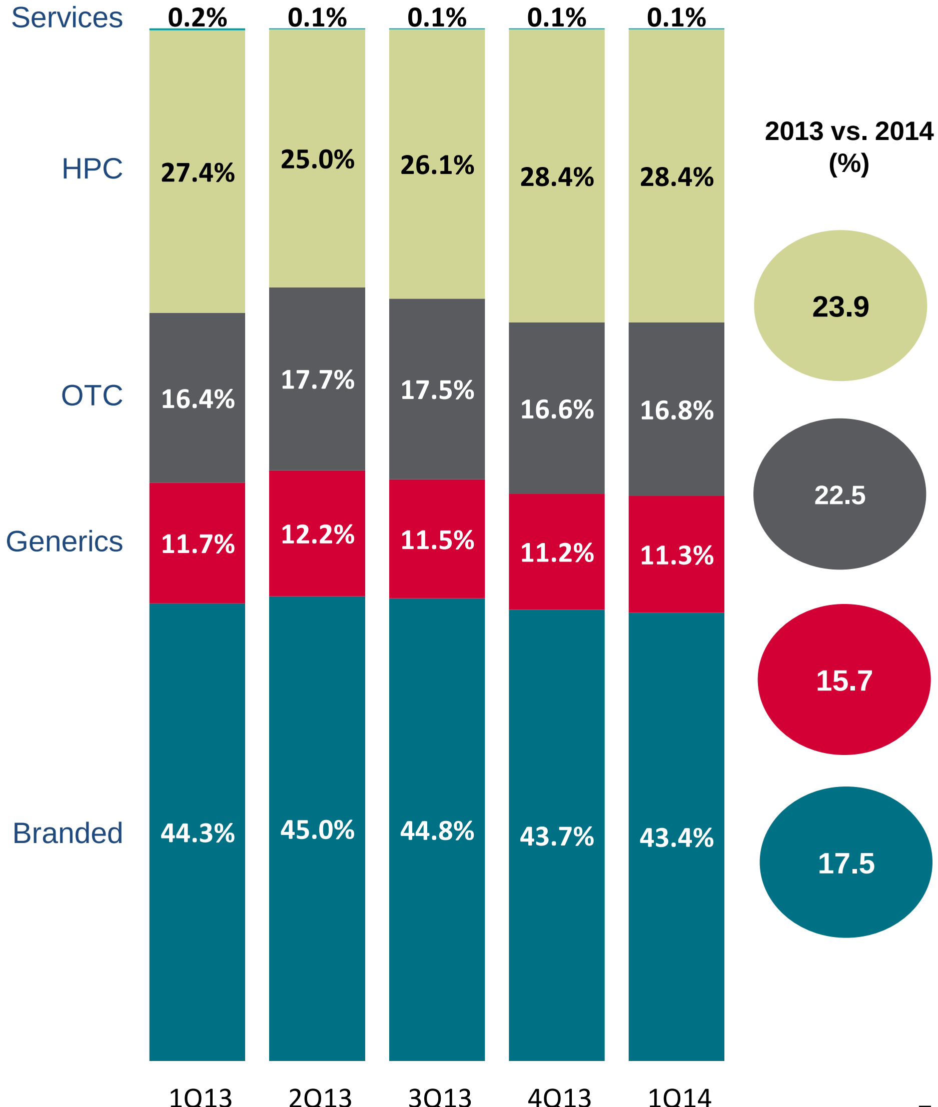
HPC was the highlight of the quarter by growing 23.9% leveraged by favorable weather. Generics lost 0.4 p.p. over 1Q13 and stayed in line with previous quarters.

Gross Revenues

(R$ million)



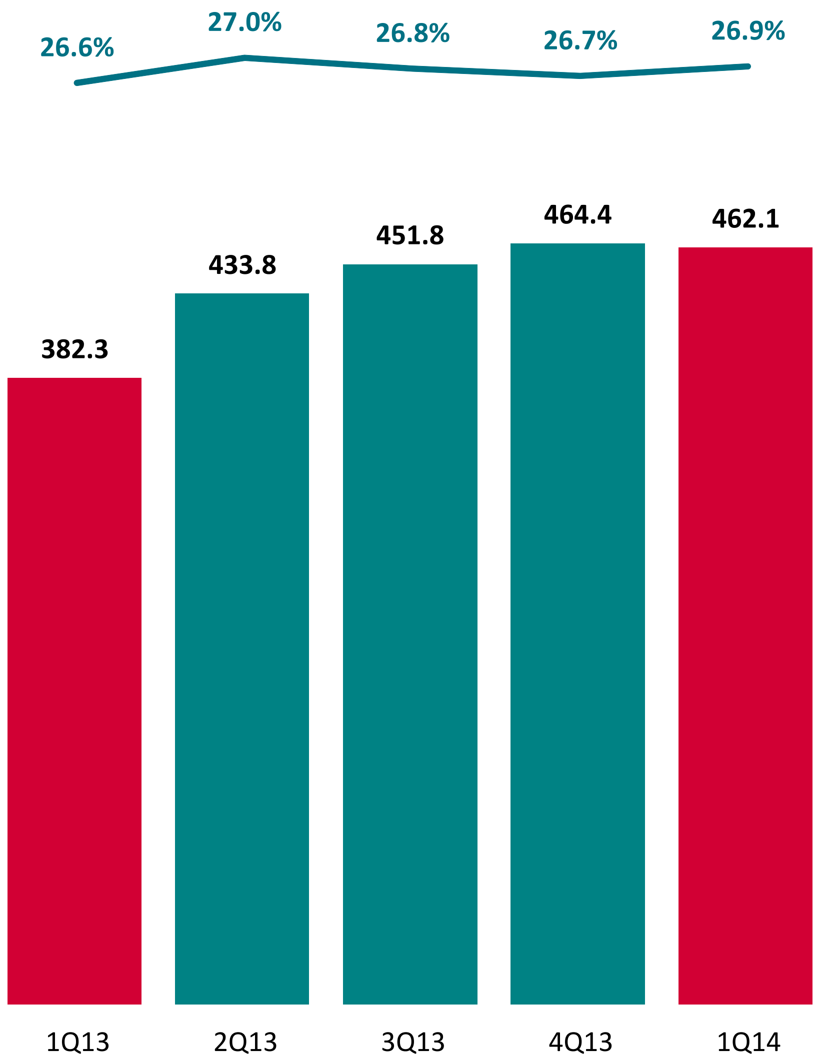
Sales Mix



Gross margins increased by 0.3% due to change in tax regime. Cash cycle increased by 3 days (3.6 days reduction excluding tax change and discounted receivables in 1Q13).

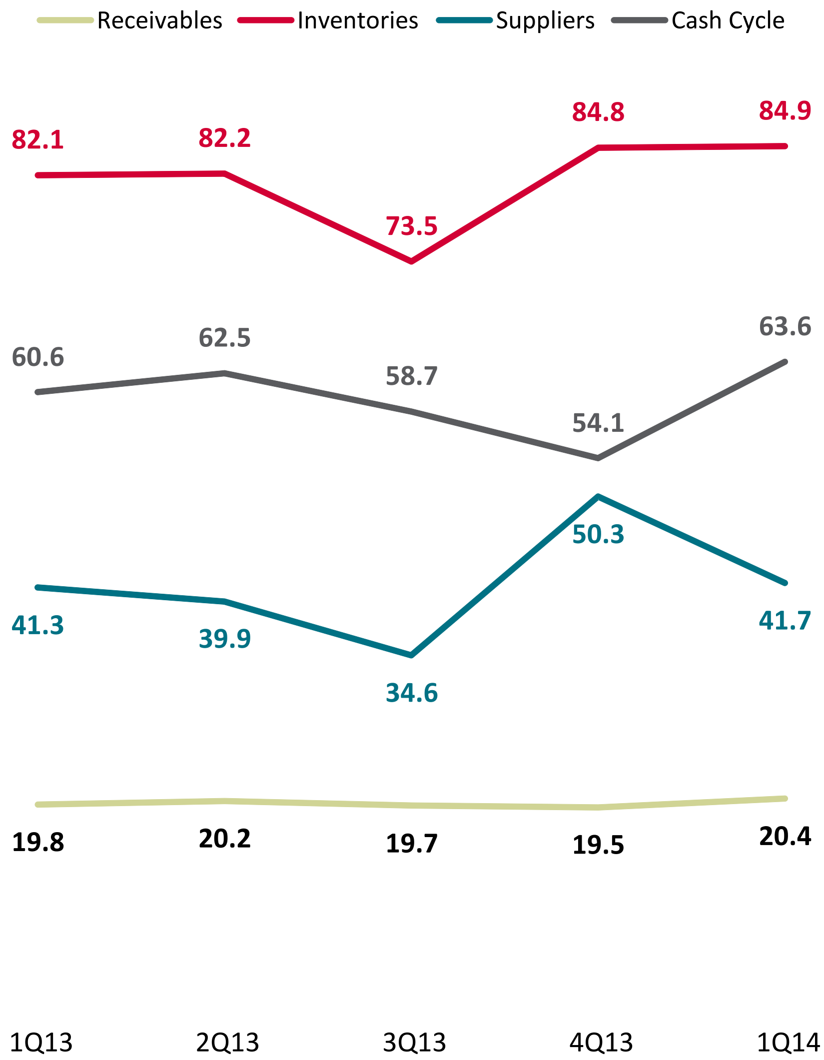
Gross Margin

(R$ million, % of Gross Revenues)

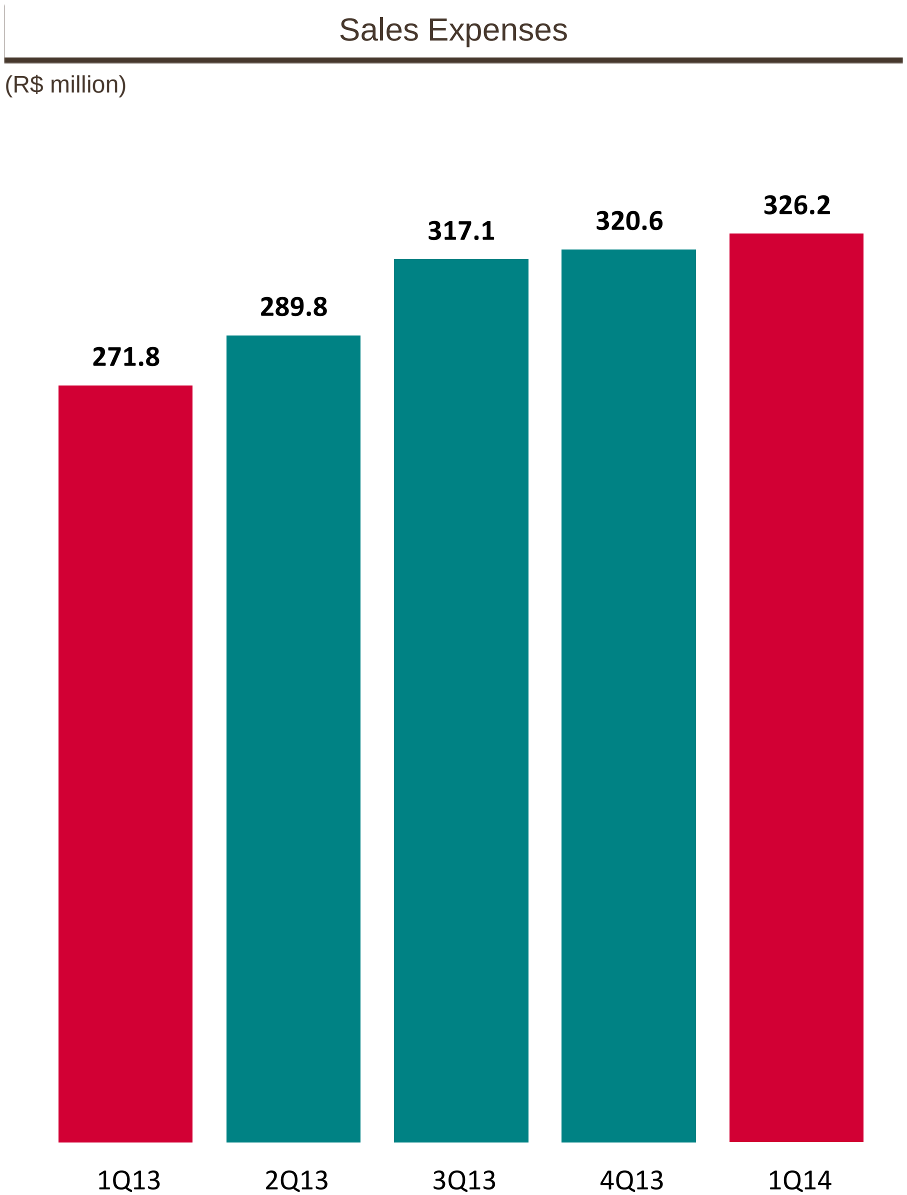


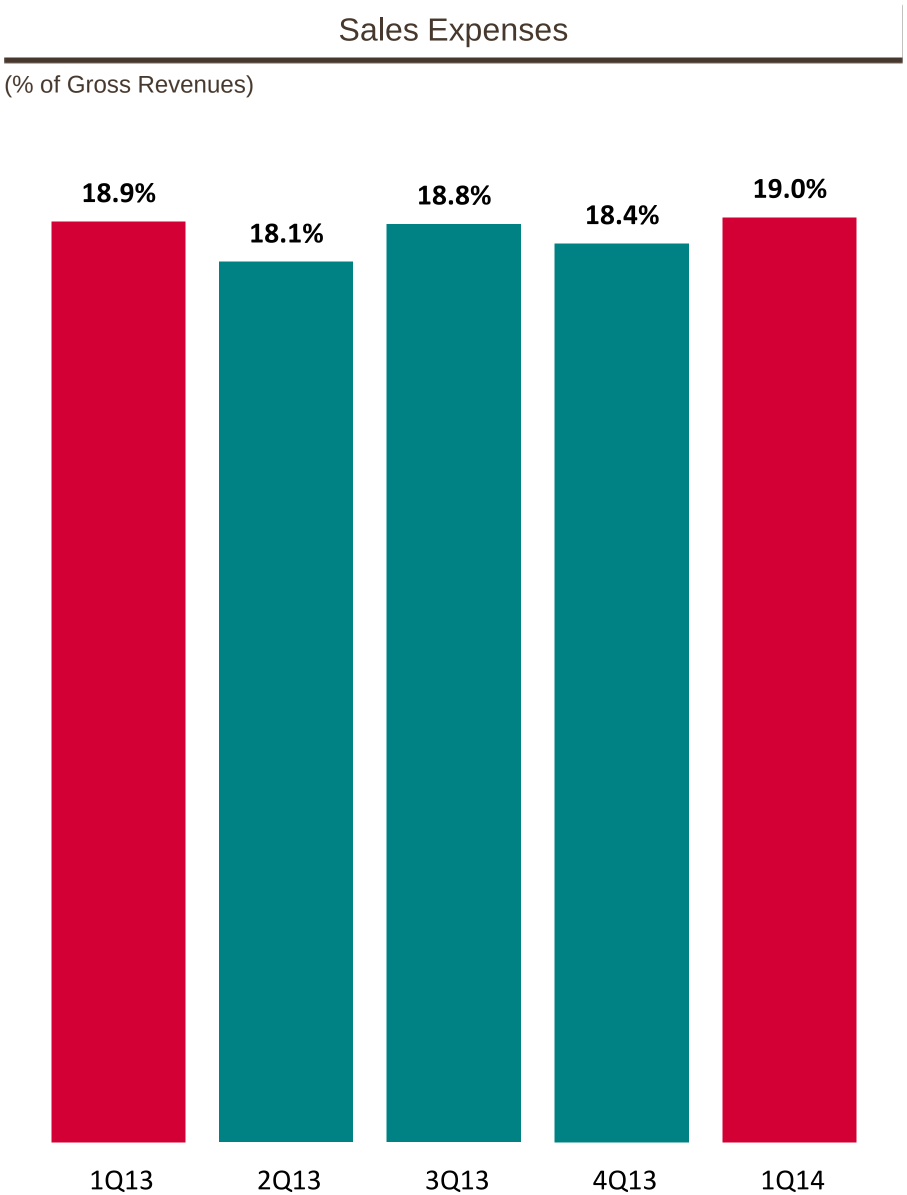
Cash Cycle

(COGS Days, Gross Revenues Days)



Sales expenses increased by 0.1%. Salaries and rental increased each by 0.1% while store opening expenses reduced by 0.1%.

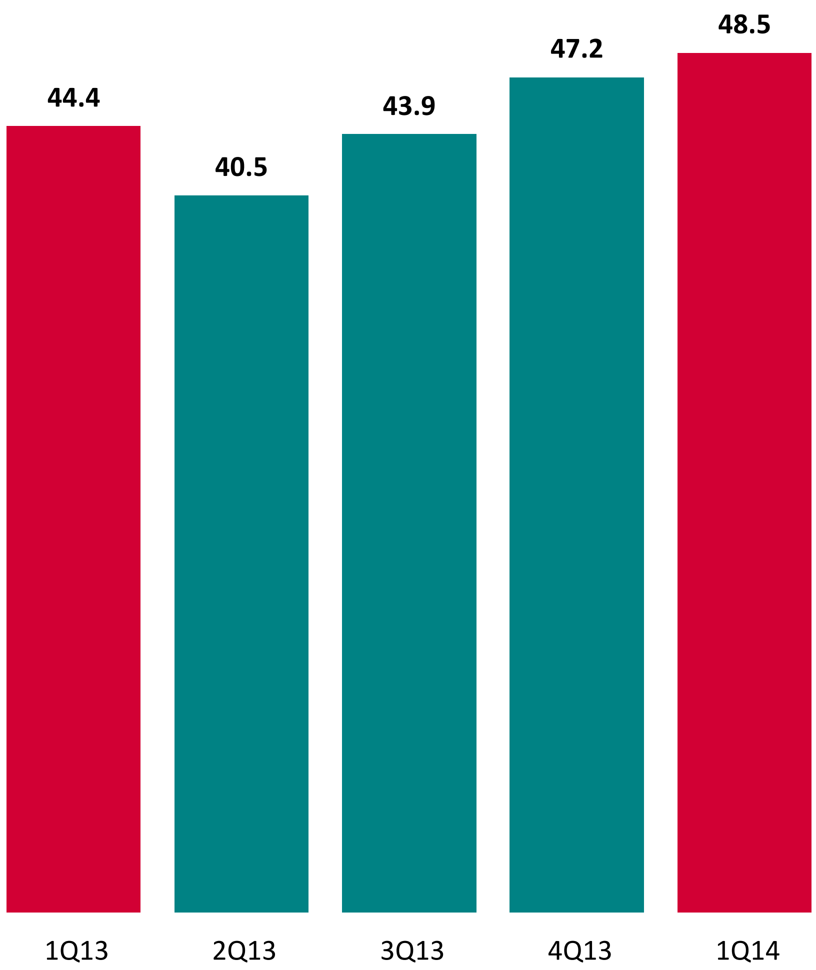




Administrative expenses nearly constant on inflation-adjusted terms, resulting in a dilution of 0.3 percentage point in the quarter.

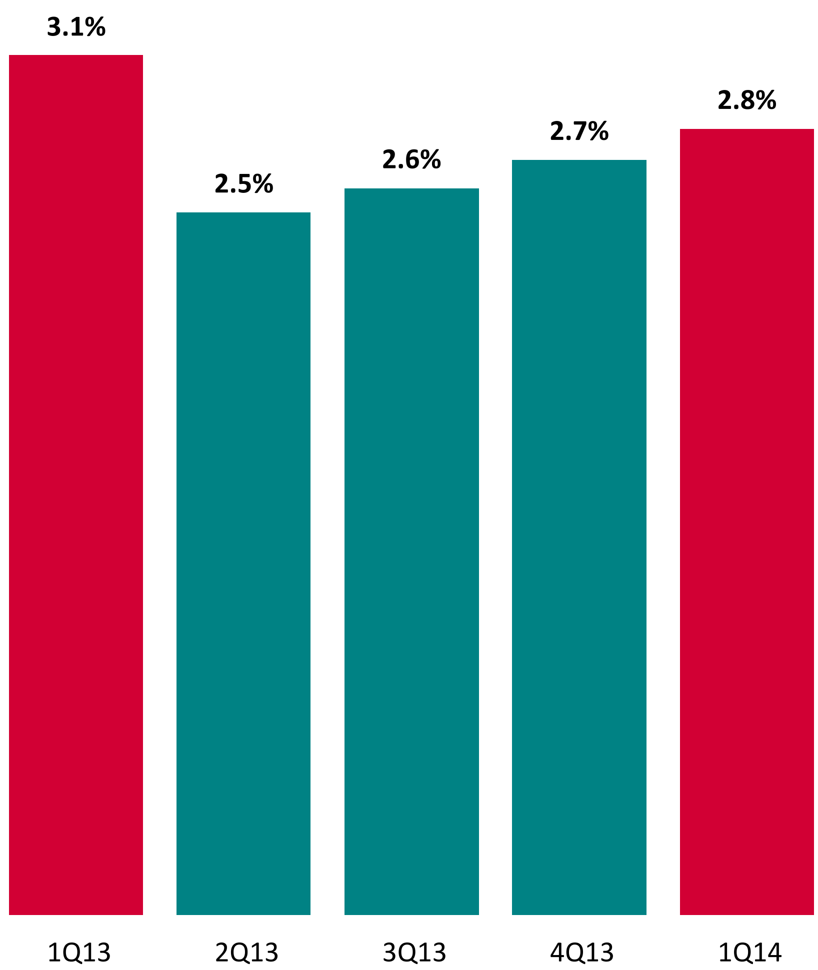
General and Administrative Expenses

(R$ million)



General and Administrative Expenses

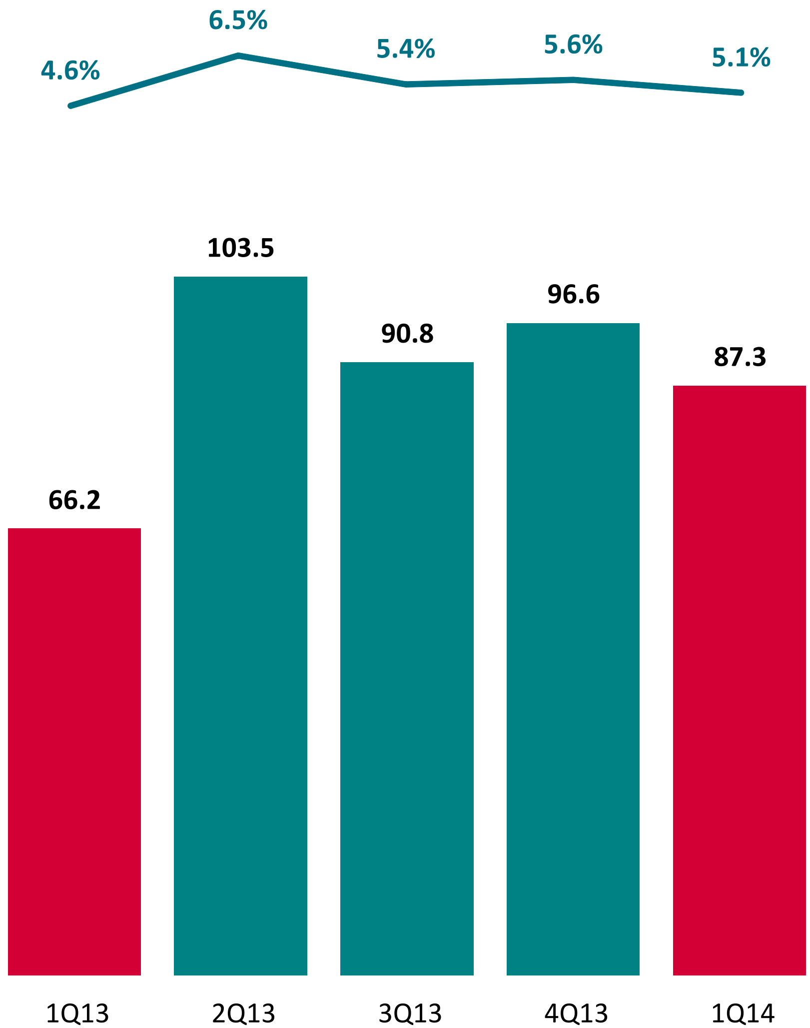
(% of Gross Revenues)



EBITDA margin increase of 0.5 percentage point leveraged by gross margin increase (0.3%) and by a dilution in operating expenses (0.2%).

Adjusted EBITDA

(R$ million, % of Gross Revenues)

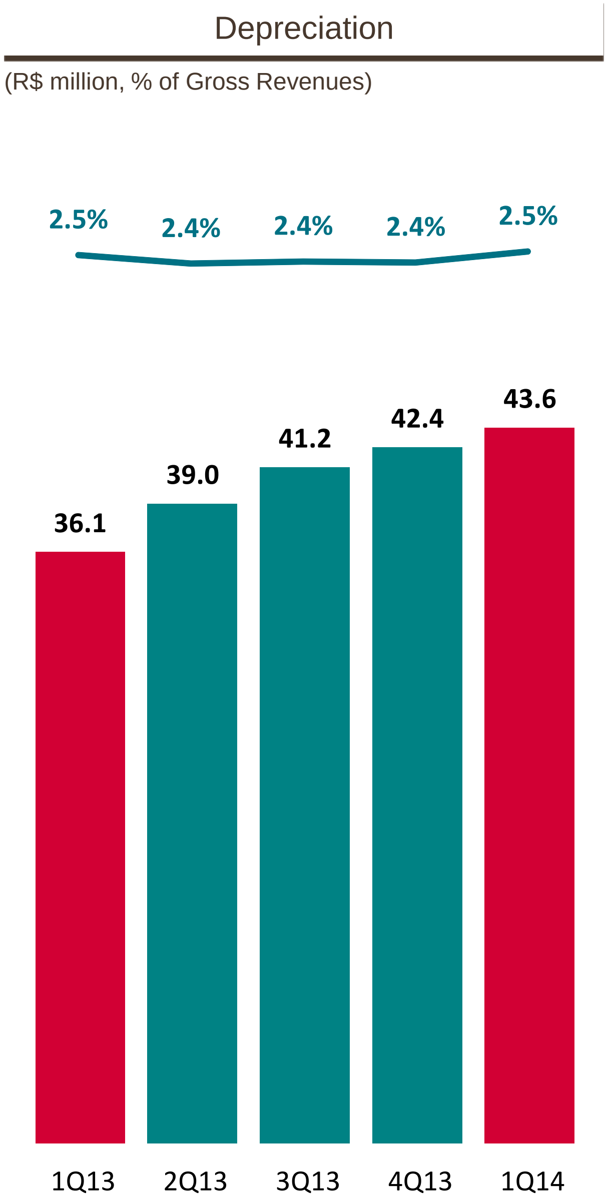


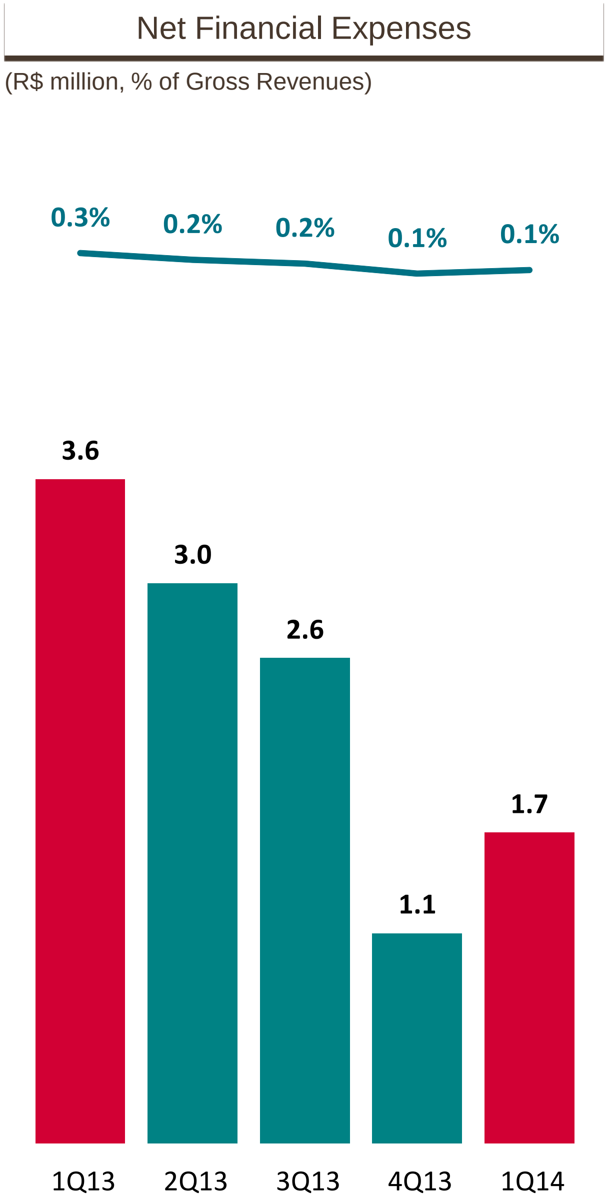
968* stores operating since 4Q13:
(performance in the 1Q14)

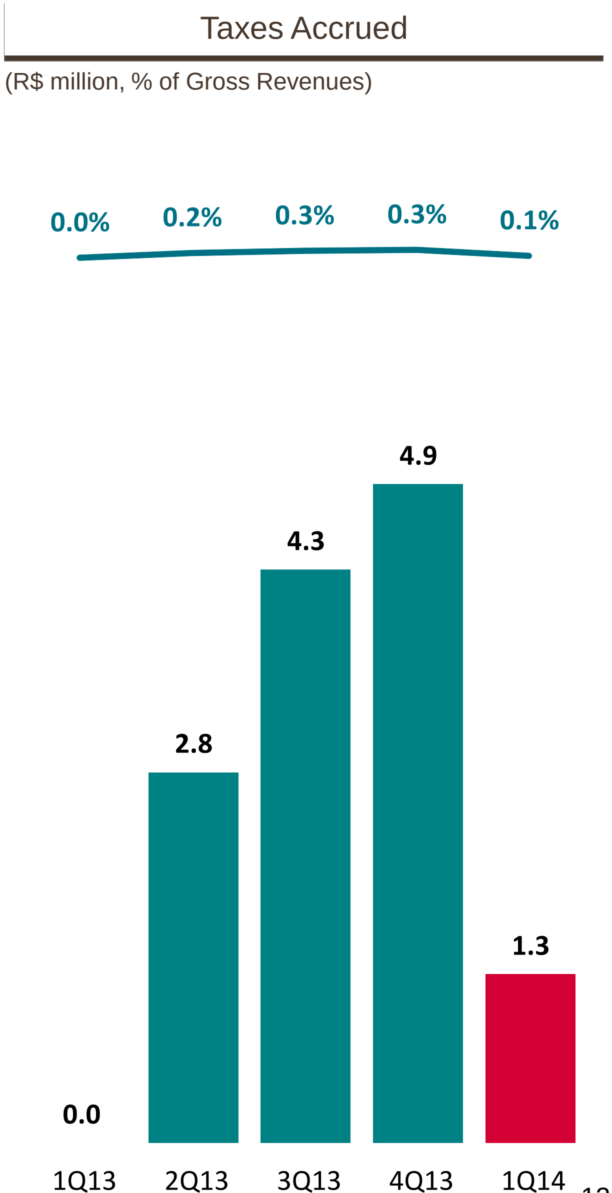
- R$ 1.7 billion of Gross Revenues
- R$ 94.0 million of EBITDA
- EBITDA margin of 5.5%

* 967 stores at year-end, less one store closed and plus two net reopenings

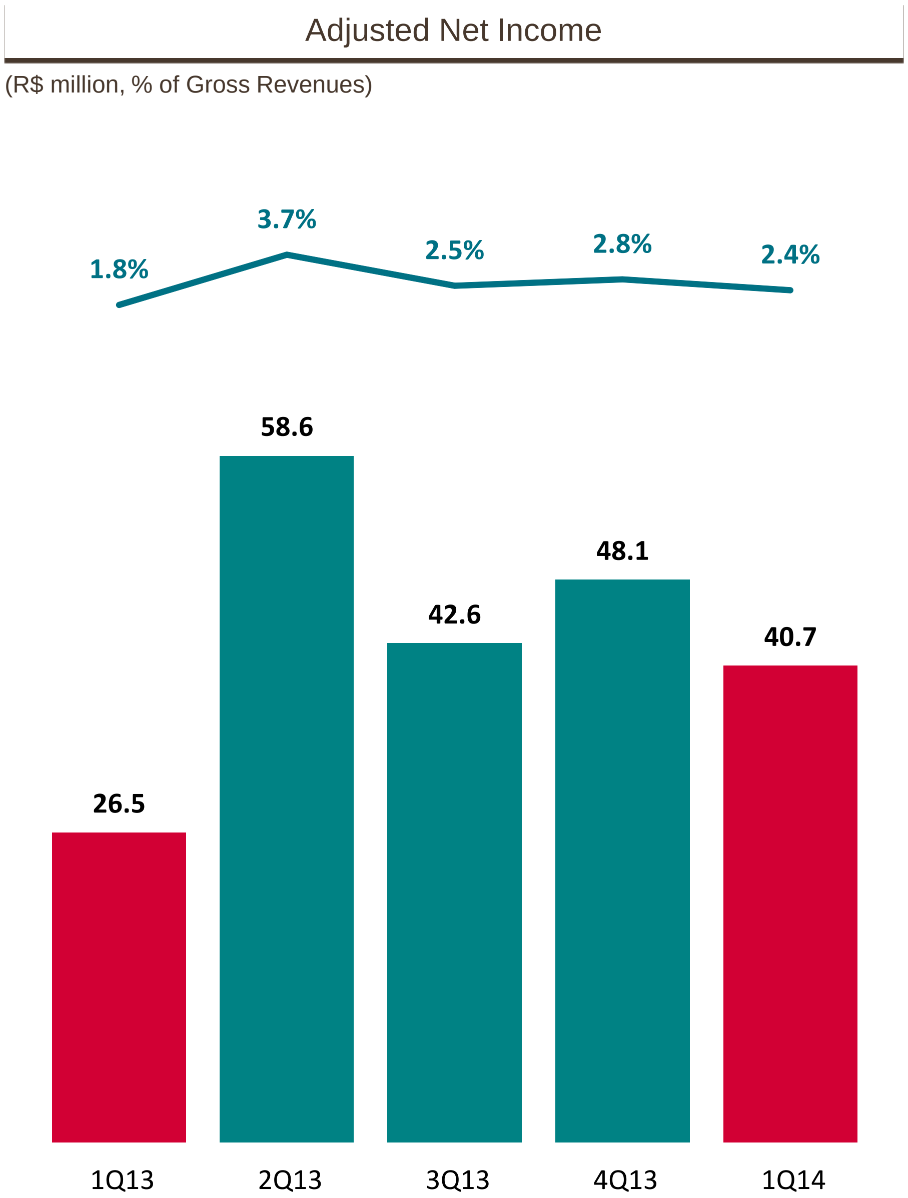
Constant depreciation and a reduction net financial expenses (0.2%) more than absorbed the slight tax increase arising from a better operating performance (0.1%).







Adjusted net margin improved by 0.6%, driven by the EBITDA margin increase (+0.5%), by a reduction in financial expenses (+0.2%) and by a slight tax increase (-0.1%).



Non-recurring expenses totaled R$ 1.4 million, a strong reduction versus 2013, due to the end of Farmácia Popular subsidies, store closure program and severance expenses.

Adjustments *(R$ million)*	**1Q13**	**2Q13**	**3Q13**	**4Q13**	**1Q14**
Integration Expenses	**(10.2)**	**(8.1)**	**(12.3)**	**(17.5)**	**(1.4)**
Legal and Accounting	(1.6)	(0.8)	(0.5)	(0.2)	0.0
Consulting	(0.7)	(1.9)	(0.7)	(3.7)	(0.7)
Store and Raia Office Closures	(2.2)	(1.6)	(4.4)	(7.3)	0.0
Farmácia Popular Program	(5.5)	(3.7)	(2.2)	(1.8)	0.0
Severance	(0.1)	(0.0)	(4.5)	(4.4)	0.0
System Integration	0.0	0.0	0.0	0.0	(0.6)
Expenses from Previous Years	**4.5**	**0.0**	**(7.8)**	**3.0**	**0.0**
Losses (Gains) from Previous Years	4.5	0.0	(7.8)	3.0	0.0
Total	**(5.7)**	**(5.7)**	**(20.2)**	**(14.5)**	**(1.4)**

Negative free cash flow of R$ 119.0 million and total cash flow of R$ 117.8 million, due to the unfavorable cash cycle seasonality of the first quarter.

Cash Flow *(R$ million)*	1Q14	1Q13
Adjusted EBIT	**43.7**	**30.1**
Non-Recurring Expenses	(1.4)	(5.7)
Income Tax (34%)	(14.4)	(8.3)
Taxshield from Goodwill Amortization	10.7	3.6
Depreciation	43.6	36.1
Others	(6.5)	(0.6)
Resources from Operations	**75.8**	**55.1**
Cash Cycle*	(129.1)	(55.4)
Discounted Receivables	-	(34.5)
Other Assets (Liabilities)	(13.2)	3.7
Operating Cash Flow	**(66.5)**	**(31.0)**
Investments	**(52.5)**	**(51.9)**
Free Cash Flow	**(119.0)**	**(83.0)**
Interest on Equity	(0.4)	0.0
Net Financial Expenses	(1.7)	(3.6)
Income Tax (Tax benefit over financial expenses and interest on equity)	3.2	2.4
Total Cash Flow	**(117.8)**	**(84.2)**

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

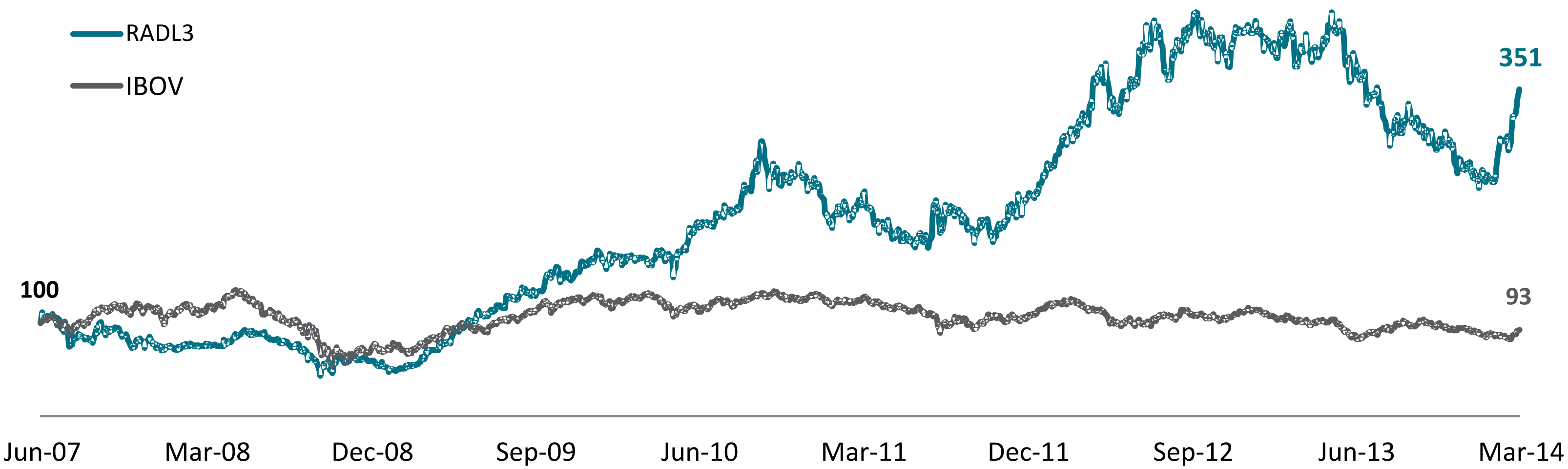
** Does not include financing cash flow

*** Net debt of R$ 25.2 million at the end of the 4Q12 and of R$ 109.4 million on the 1Q13, considering as debt the R$ 34.5 million of the receivables discounted

We ended the quarter with a share price of R$ 19.63, a YTD increase of 32.8% versus an IBOVESPA decrease of 2.1% in the same period.

Share Evolution

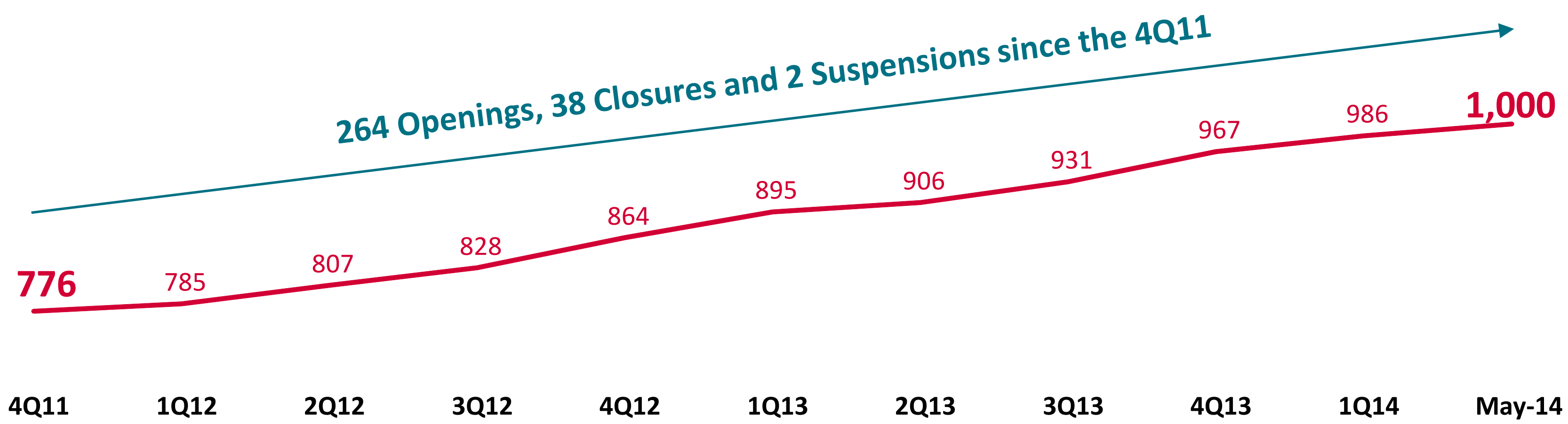
(Base 100)



Number of Shares (thousand)	330,386
Stock Quote - March 31st (R$)	19.63
Market Cap (R$ billion)	6.5
Average Trading Volume 1Q14 (R$ million)	24.6

Celebrating One Thousand Stores with Landmark Openings in GRU Airport and Recife

STORE COUNT SINCE THE FORMATION OF RAIA DROGASIL



GRU AIRPORT, SÃO PAULO

BOA VIAGEM, RECIFE