People, Health and Well-being

RaiaDrogasil S.A.

EARNINGS PRESENTATION:

3Q17

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

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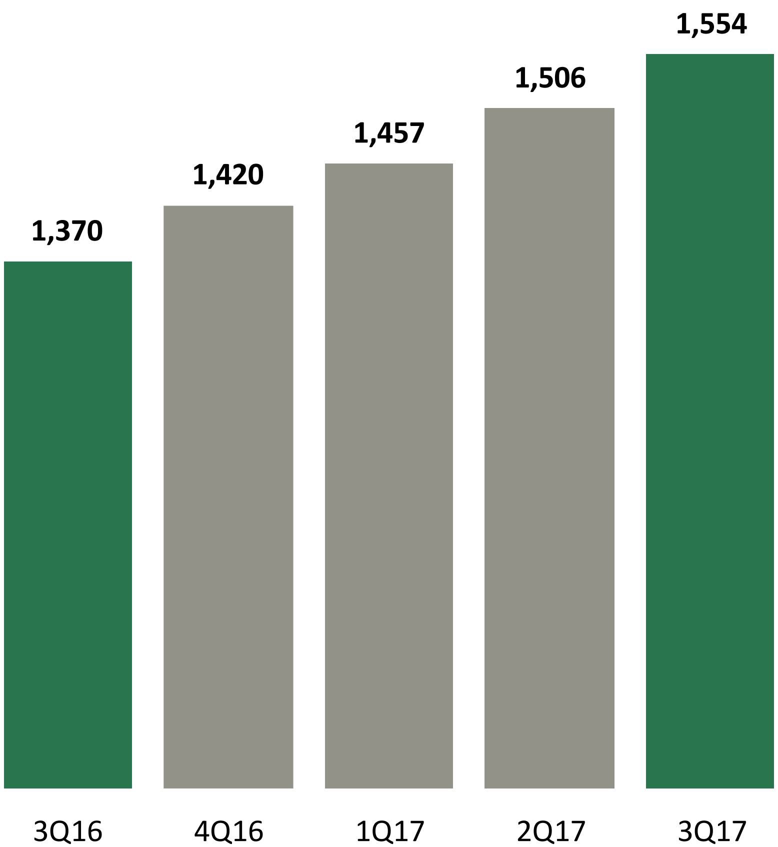
HIGHLIGHTS OF THE QUARTER:

- **Drugstores:** 1,554 stores in operation (54 openings and 6 closures)
- **Gross Revenue:** R$ 3.6 billion, a 17.4% growth (7.6% retail same-store sales growth)
- **Gross Margin:** 28.5% of gross revenues, a 1.0 percentage point decrease
- **EBITDA:** R$ 296.5 million, 8.3% margin, in line with the 3Q16
- **Net Income:** R$ 136.5 million, 3.8% of net margin, an increase of 16.8%
- **Cash Flow:** R$ 102.1 million free cash flow, R$ 102.8 million of total cash generation

STORE DEVELOPMENT

We opened 54 new stores in the 3Q17 and 150 over the last nine months of 2017. At the end of the period, 36.4% of our stores were still maturing (highest since 2Q13).

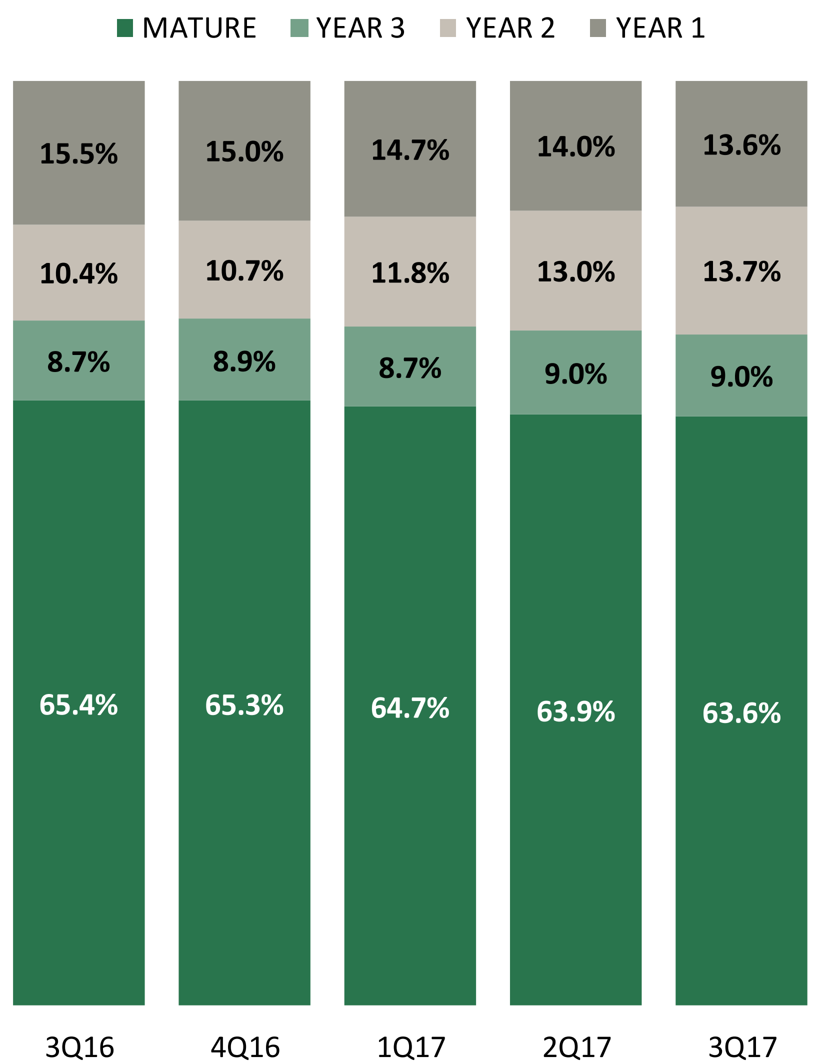
Store Count*



	3Q16	4Q16	1Q17	2Q17	3Q17
Openings	53	62	42	54	54
Closures	(13)	(12)	(5)	(5)	(6)

* Includes three 4Bio stores.

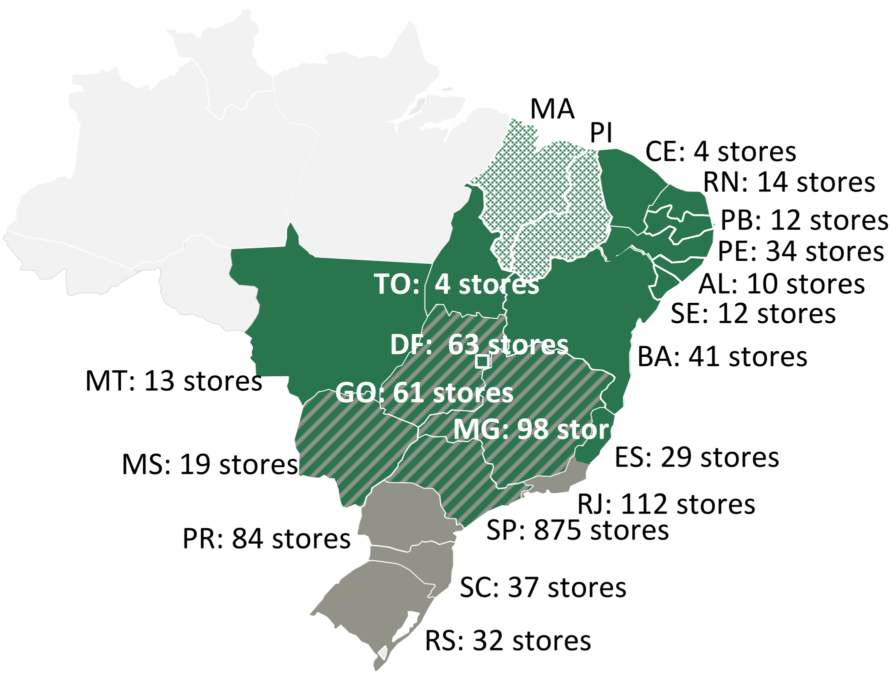
Age Structure of Store Portfolio



WE GAINED SHARE IN 4 OF 5 REGIONS

We reached 11.7% national market share, an increase of 0.6 p.p. Also, we entered the state of Ceará (NE) in July with 4 openings in Fortaleza. Signed locations in MA and PI.

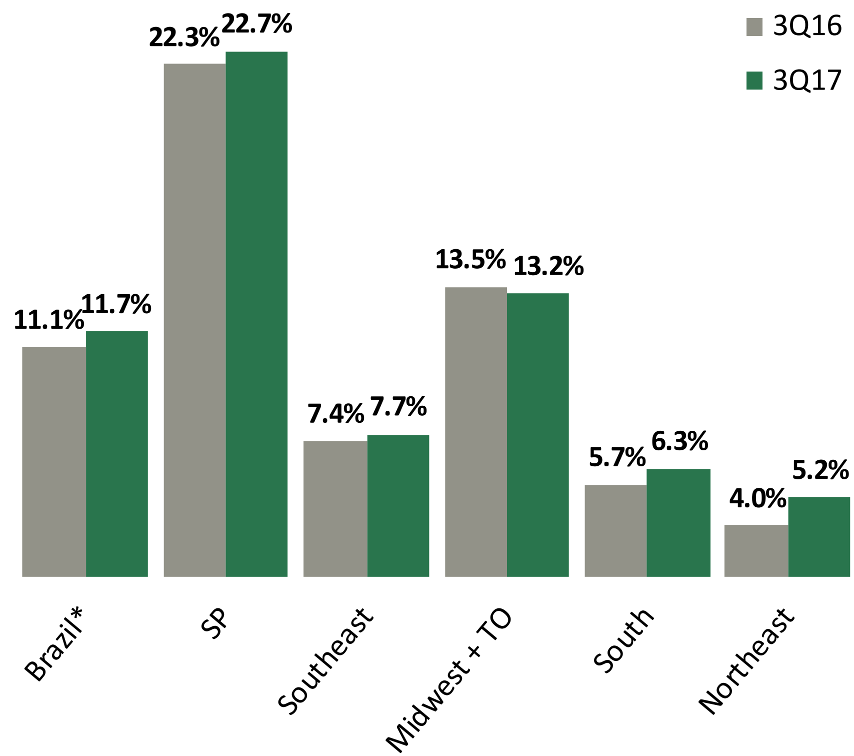
Geographic Presence



Total: 1,554 stores

- Raia: 730 stores
- Drogasil: 800 stores
- Future markets
- ∗ Farmasil: 21 stores
- ∗ 4Bio: 3 stores

Market Share



PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

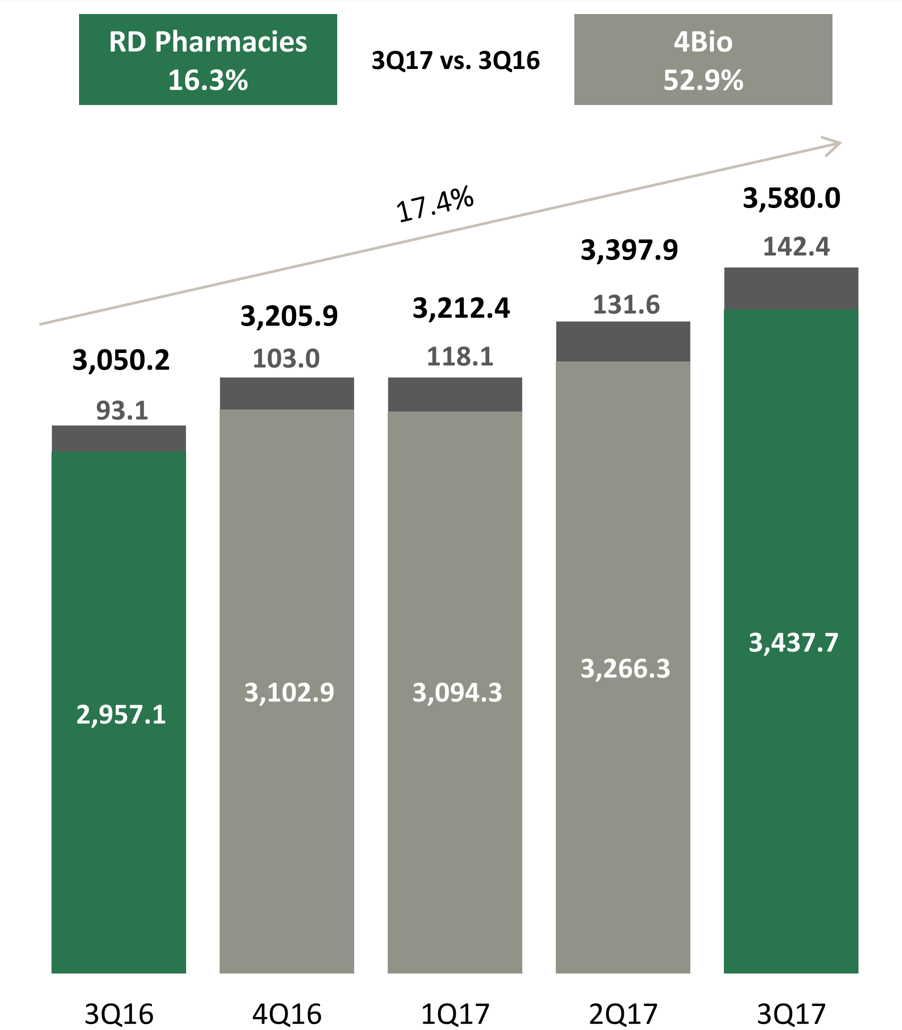
Brazil*	SP	Southeast	Midwest + TO	South	Northeast
100.0%	26.6%	24.5%	9.6%	16.4%	18.6%

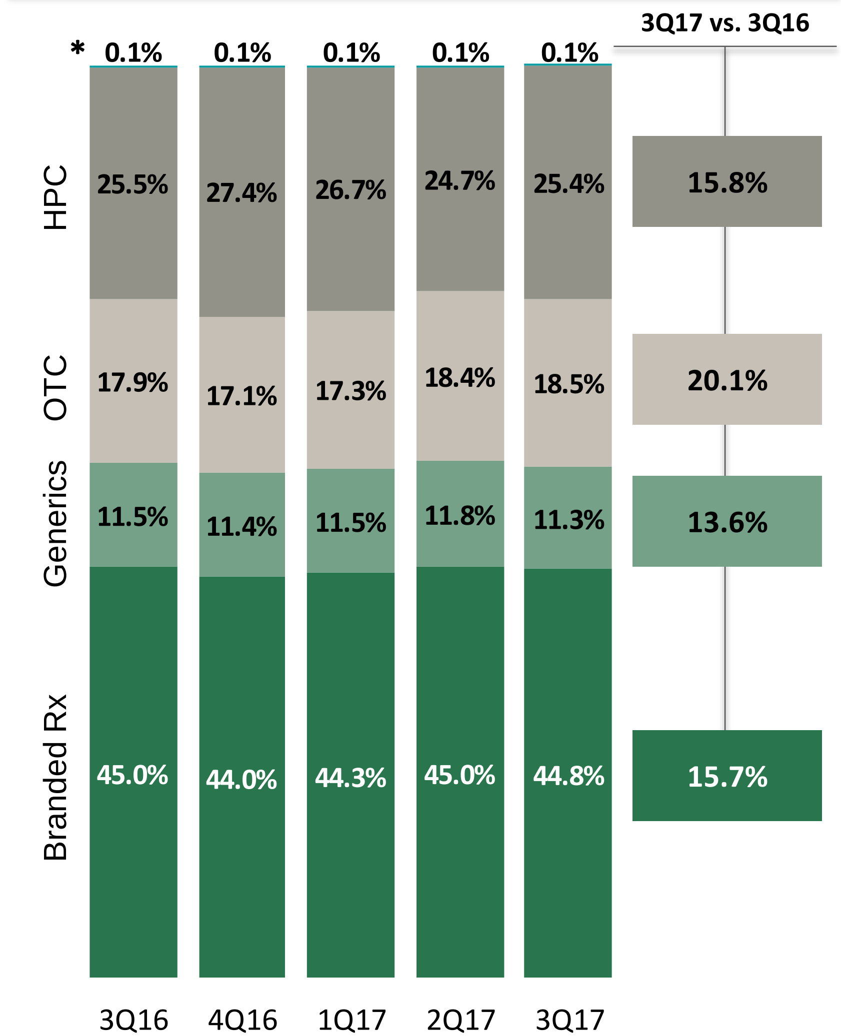
Source: IMS Health

* Includes 4Bio only for Brazil total.

RETAIL OPERATIONS GREW 16.3% AND 4BIO 52.9%

OTC was the highlight of the quarter (0.6 p.p. increase in the sales mix), followed by HPC and Pharma, as both Branded and Generics lost 0.2 p.p. in the sales mix.

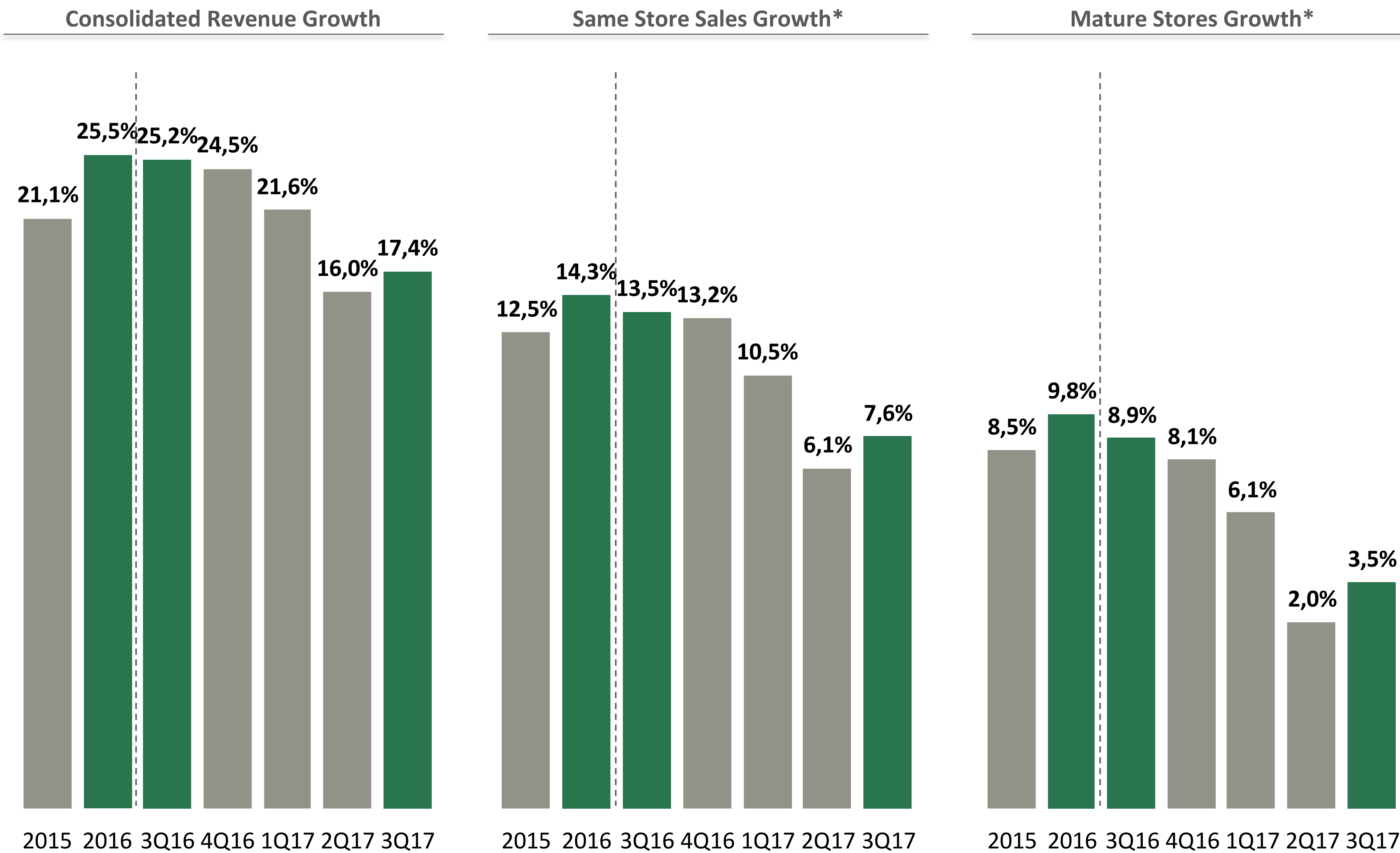




* Services

REVENUE GROWTH OF 17.4%, WITH 3.5% FOR MATURE STORES

Negative calendar effect of 0.1% and easier 3Q16 comps due to the Rio Olympic Games.



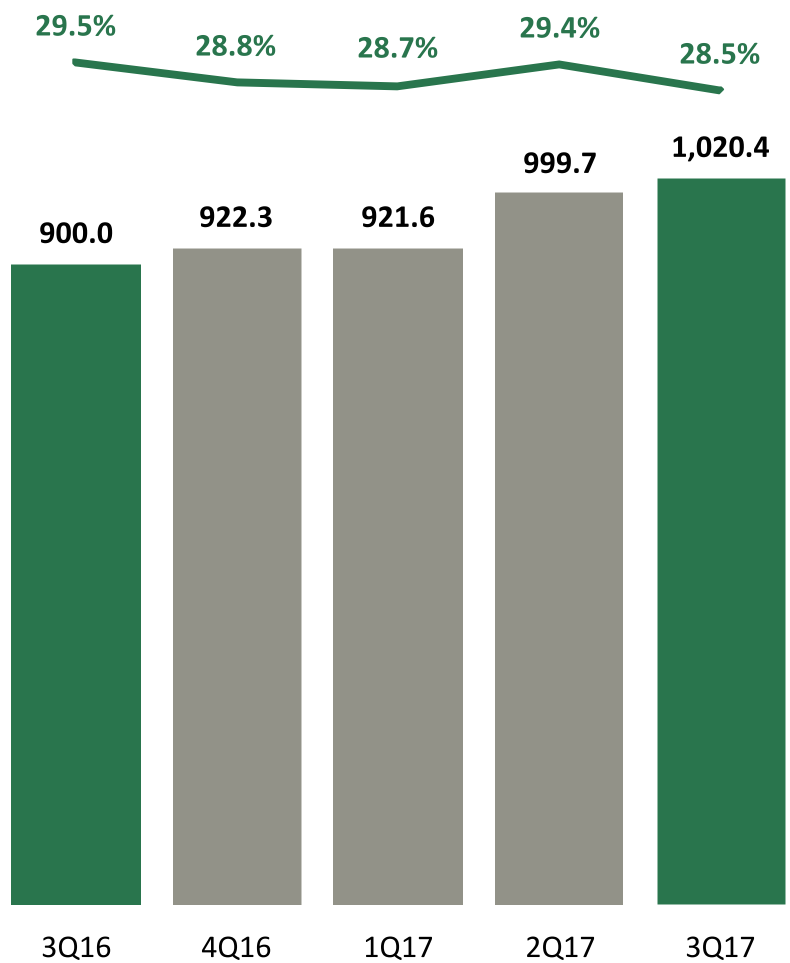
* Retail only

GROSS MARGIN AND CASH CYCLE

Gross margin decreased by 1.0 p.p. mainly due to lower inflationary gains on inventories (0.7 p.p.). NPV adjustment and 4Bio reduced gross margins by another 0.3 p.p. each, which was mitigated by other gains (0.3 p.p.).

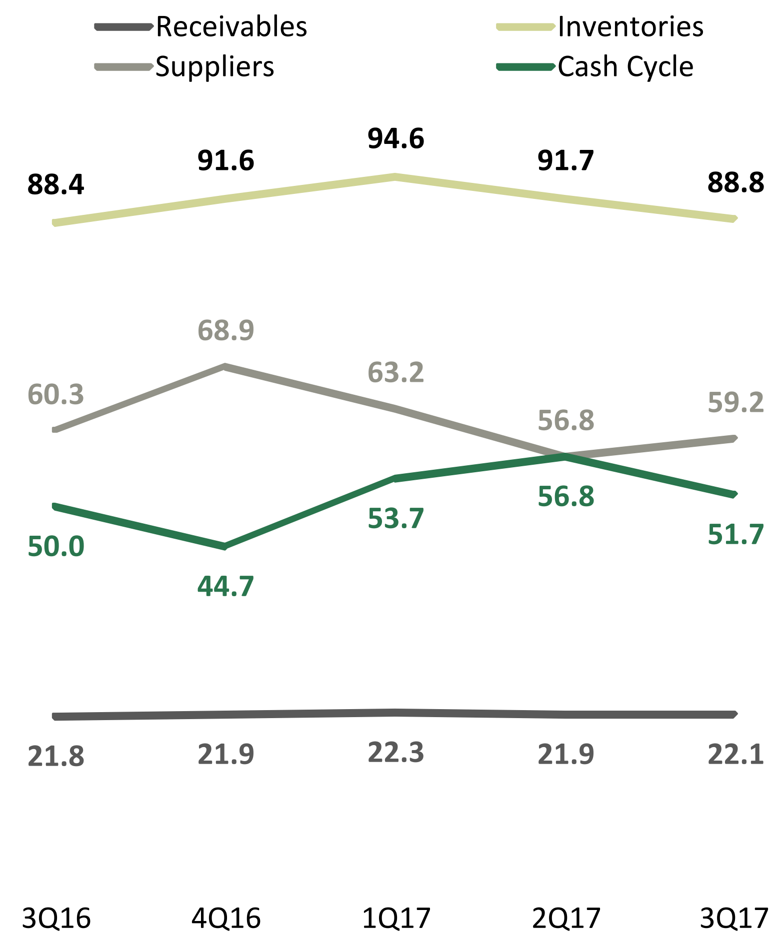
Gross Margin

R$ Million, % Of Gross Revenues



Cash Cycle*

COGS Days, Gross Revenues Days

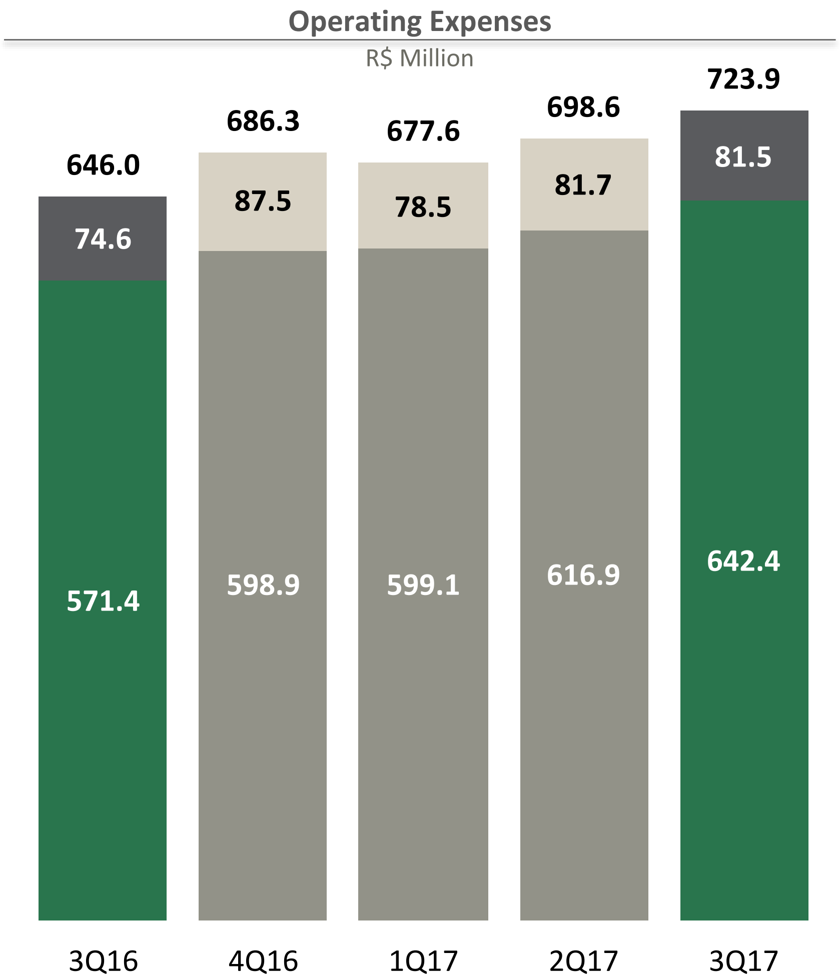


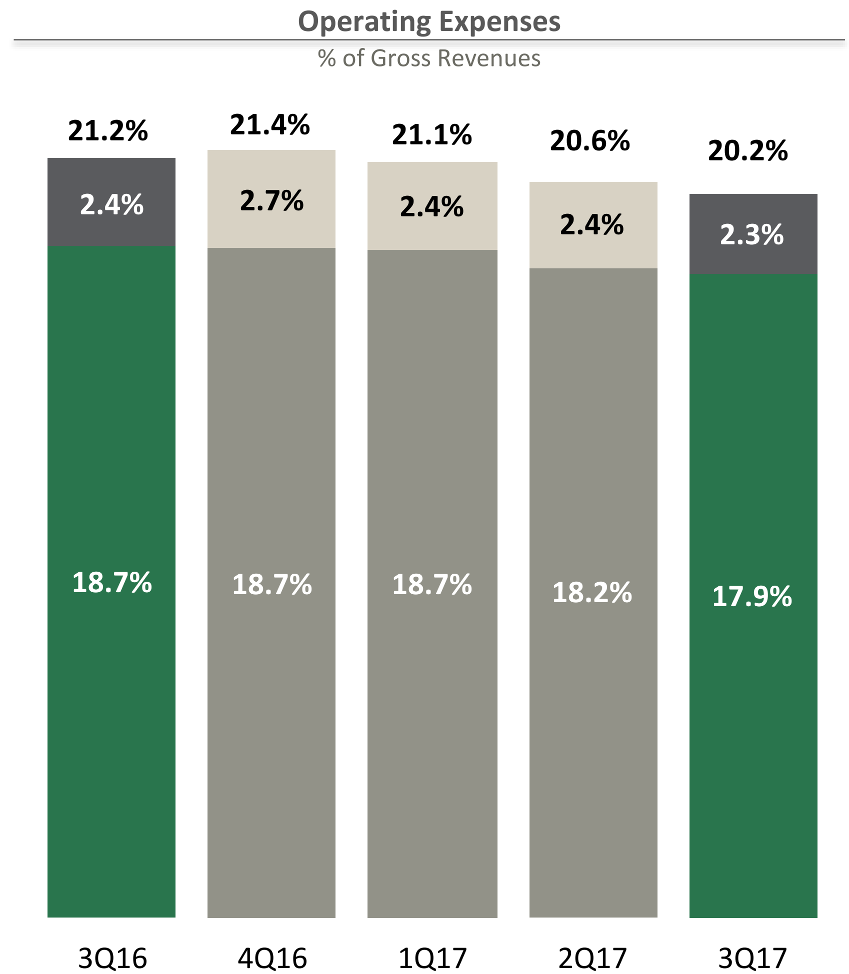
* Adjusted by discounted receivables.

SG&A EXPENSES DILUTED BY 1.0 P.P.

Personnel expenses were diluted by 0.5 p.p. Marketing, pre-operating expenses, G&A and 4Bio diluted by 0.1 p.p. each. Rentals pressured 0.1 p.p., offset by 0.1 p.p. dilution in other expenses.

Dilution of 0.4 p.p. versus the 2Q17 (G&A, rental, electricity and asset write-offs diluted 0.1 p.p. each).





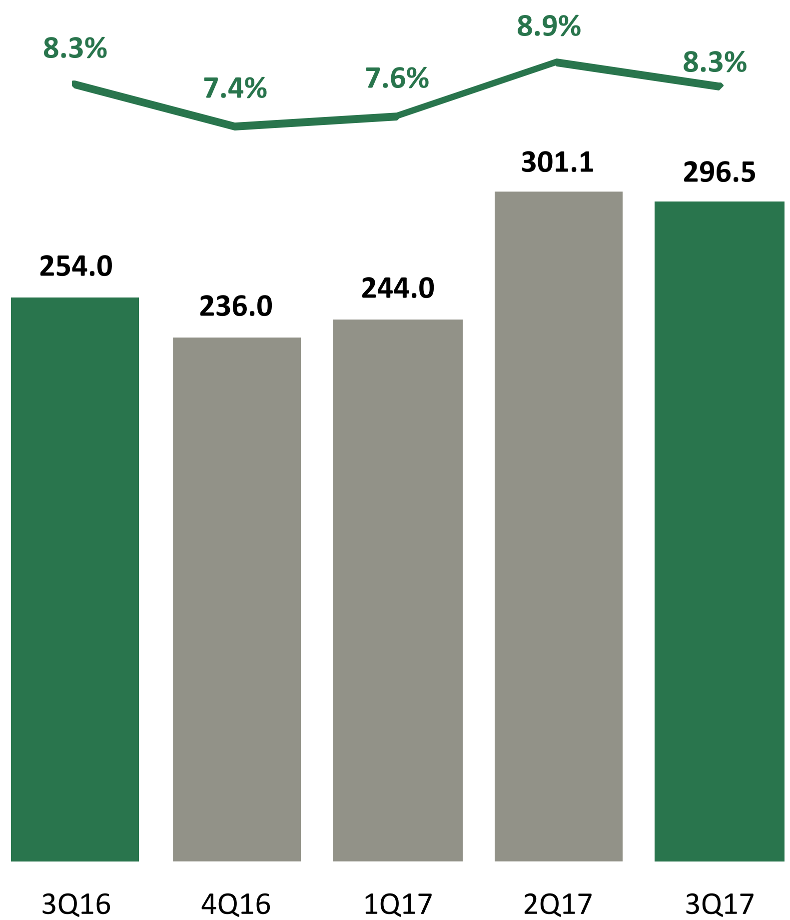
Sales Expenses General & Administrative Expenses

EBITDA TOTALED R$ 296.5 MM, WITH 8.3% MARGIN

Gross margin pressure of 1.0 p.p. totally offset by 1.0 p.p. structural expense dilution. New stores penalized EBITDA by R$ 3.0 MM.

Adjusted EBITDA

R$ Million, % Of Gross Revenues



1,404* stores operating since 2016:
(performance in the 3Q17)

- R$ 3.4 billion of Gross Revenues
- R$ 299.4 million of EBITDA
- EBITDA margin of 8.8%

RD Pharmacies

- R$ 294.0 million of EBITDA
- EBITDA margin of 8.6%

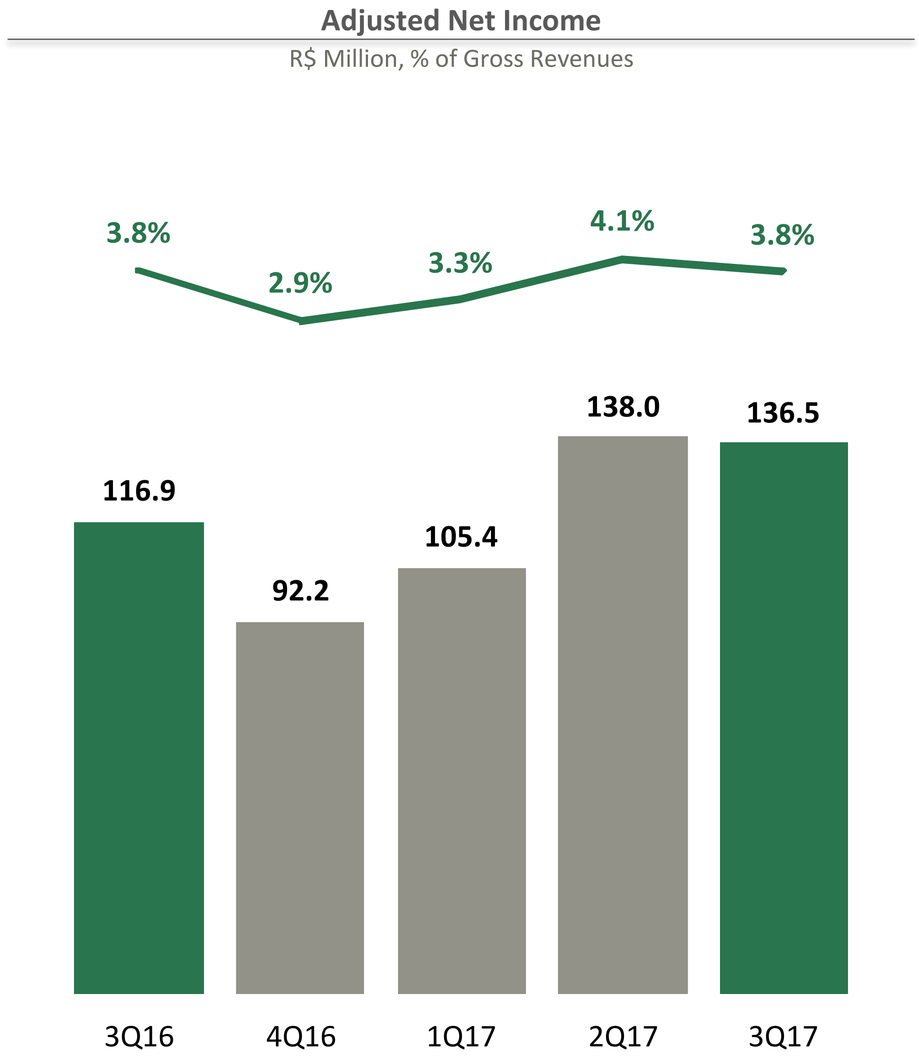
4Bio

- R$ 2.5 million of EBITDA
- EBITDA margin of 1.8%

* 1420 stores by the end of the 4Q16 less 16 stores closed.

NET INCOME TOTALED R$ 136.5 MILLION IN THE 3Q17

An increase of 16.8% over the same period of the previous year.



FREE CASH FLOW OF R$ 102.1 MILLION

Total cash generation of R$ 102.8 million.

Cash Flow	3Q17	3Q16	YTD '17	YTD '16
(R$ million)				
Adjusted EBIT	**209.7**	**183.5**	**595.8**	**551.6**
NPV Adjustment	(17.0)	(24.8)	(49.3)	(46.9)
Non-Recurring Expenses	-	-	(2.2)	-
Income Tax (34%)	(65.5)	(54.0)	(185.1)	(171.6)
Depreciation	86.8	70.5	245.8	200.0
Others	3.2	2.3	23.4	10.8
Resources from Operations	**217.1**	**177.5**	**628.4**	**543.9**
Cash Cycle*	30.7	80.5	(365.2)	(291.5)
Other Assets (Liabilities)**	45.7	40.9	98.4	73.2
Operating Cash Flow	**293.6**	**299.0**	**361.6**	**325.6**
Investments	**(191.4)**	**(143.7)**	**(479.7)**	**(354.4)**
Free Cash Flow	**102.1**	**155.3**	**(118.1)**	**(28.8)**
Interest on Equity	(0.0)	(0.0)	(85.2)	(71.5)
Income Tax Paid over Interest on Equity	(6.9)	(6.6)	(14.0)	(13.3)
Net Financial Expenses***	(14.7)	(9.4)	(42.3)	(26.9)
Income Tax (Tax benefit over financial expenses and interest on equity)	22.3	19.9	65.7	58.3
Total Cash Flow	**102.8**	**159.2**	**(193.9)**	**(82.1)**

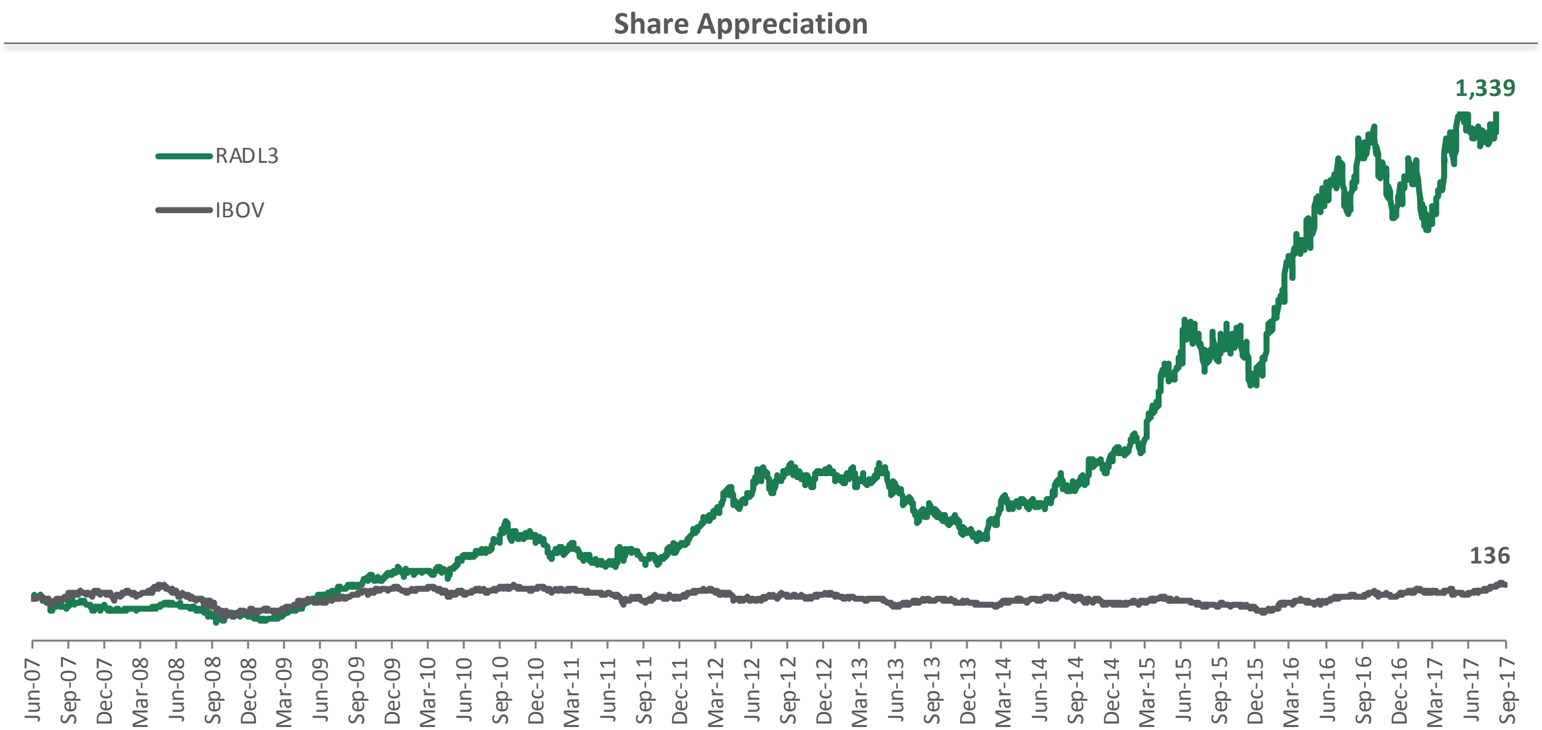
*Includes adjustments to discounted receivables.

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

***Excludes NPV adjustments.

RADL3 SHARES APPRECIATED BY 7.2% IN THE 3Q17

Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,239.3% with an average annual return of 28.8%. Considering the IPO of Raia, the average annual return was 33.6%.



Performance in 2017

RADL3: 22.6%
BOVESPA: 23.4%
Alpha: -0.8%
Average Trading Volume RADL3: R$ 81.3 MM

PAVING THE WAY FOR A SUSTAINABLE MARGIN EXPANSION

Successfully navigated a challenging quarter

- Significant gross margin pressure: *residual effect of the high price cap increase in the 3Q16 comp base*
- Softer revenue comp base: *3Q16 affected by the Rio Olympics Games*

The flat EBITDA margin hides great structural trends

- Amazing expansion quality: *new stores keep delivering strong and steady marginal returns*
- Solid structural gross margin: *gross margin is healthy, comp base was artificially high*
- Record expense dilution: *structural gains in Labor, Pre-Operational and Corporate expenses*
- Rentals pressure already ceding: *Dilution of 0,1 p.p. versus the 2Q17 due to negative IGPM (- 1.45% LTM)*

Many transformational initiatives on the way

- New loyalty programs for Raia and Drogasil: *Full implementation during the quarter, including Exclusive Offers*
- New Drogasil store identity: *All new stores from August, 50 renovations in 2017 (mostly top stores)*
- Entry into Ceará: *Very important and competitive market, great initial numbers*
- New Pricing Platform: *Early stage of implementation*

CAPITAL MARKETS HIGHLIGHTS

2017 Results

- **4Q:** February 22nd, 2018

RD Day 2017

- November 10th, 2017, 8:00 AM
- Casa Bisutti, São Paulo

Scheduled Investor Conferences

- November 14th to 15th: **Bradesco 7th Annual CEO Forum**, Bradesco (New York)
- November 28th to 30th: **10th Brazil Opportunities Conference**, JP Morgan (São Paulo)
- January 8th and 9th: **36th Annual Healthcare Conference**, JP Morgan (San Francisco)
- January 10th to 12th: **10th Annual Latin America Executive Conference**, Morgan Stanley (Miami)