

Earnings Presentation – 3Q14

November 7th, 2014

Disclaimer

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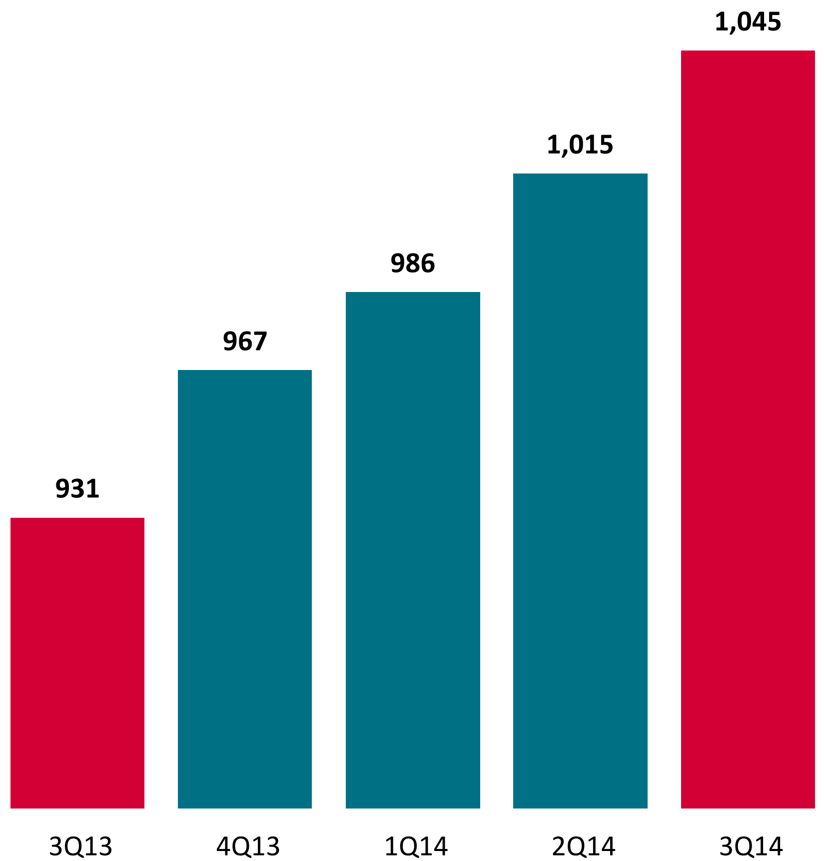
Highlights of the Quarter

- **Drugstores:** 1,045 stores in operation (33 openings and three closures)
- **Gross Revenues:** R$ 2.0 billion, 18.3% of growth (10.9% for same-store sales)
- **Gross Margin:** 27.5% of gross revenues, a 0.7 percentage point margin increase
- **Adjusted EBITDA:** R$ 139.9 million, an EBITDA margin of 7.0% and an increase of 54.1%
- **Adjusted Net Income:** R$ 80.5 million, a net margin of 4.0% and an increase of 88.8%
- **Cash Flow:** R$ 22.4 million positive free cash flow, R$ 29.0 million total cash flow

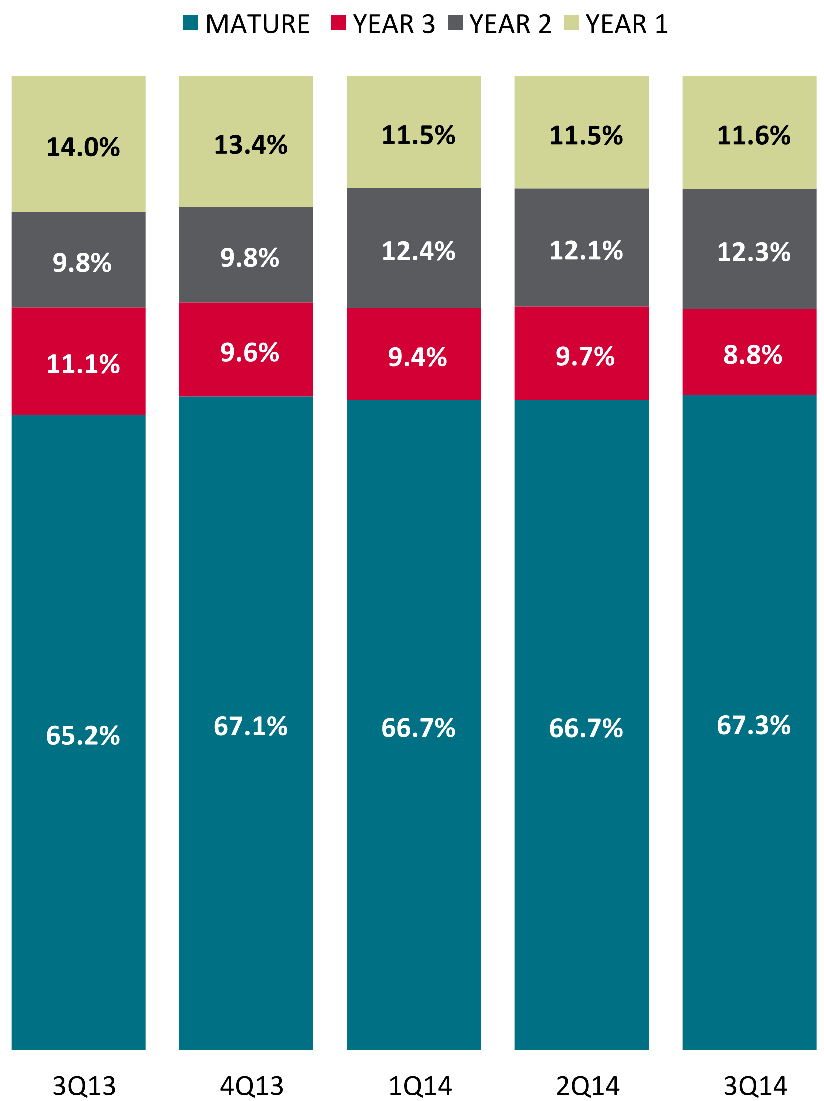
We opened 33 stores and closed three. We are opening the remaining 50 stores in the 4Q14 to fulfill our store opening guidance. 32.7% of our stores still undergoing maturation.

Store Count*



	3Q13	4Q13	1Q14	2Q14	3Q14
Opened	29	41	18	29	33
Closed	(6)	(4)	(1)	(2)	(3)
Reopenings/(Suspentions))	2	(1)	2	2	0

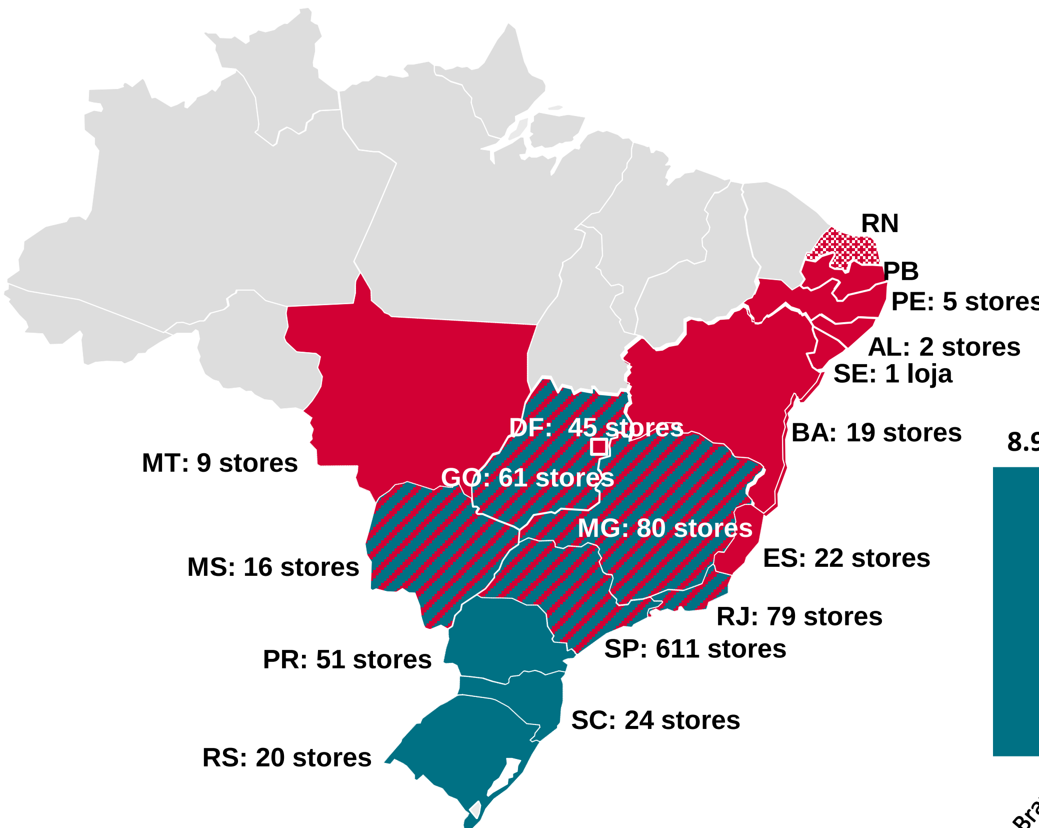
Age Structure of Store Portfolio



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

Comparable market share increased by 0.4 p.p., with growth in all markets. We recently entered Pernambuco, Sergipe, Alagoas and Paraíba (November) and will open Rio Grande do Norte.

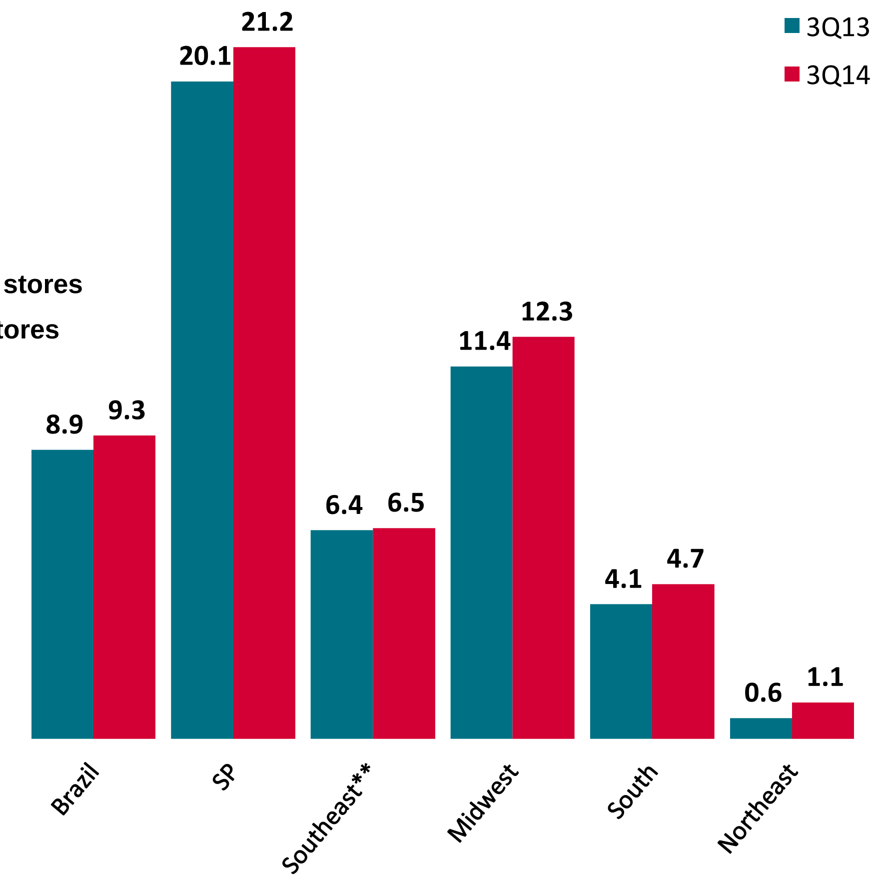
Geographic Presence



Total: 1.045 stores

- Raia: 500 stores
- Drogasil*: 545 stores
- Future Markets

Market Share (September ‘14)***



PHARMACEUTICAL MARKET DISTRIBUTION BY REGION (SEPTEMBER '14)

Brazil	SP	Southeast**	Midwest	South	Northeast
100.0%	26.4%	24.5%	8.8%	16.7%	18.8%

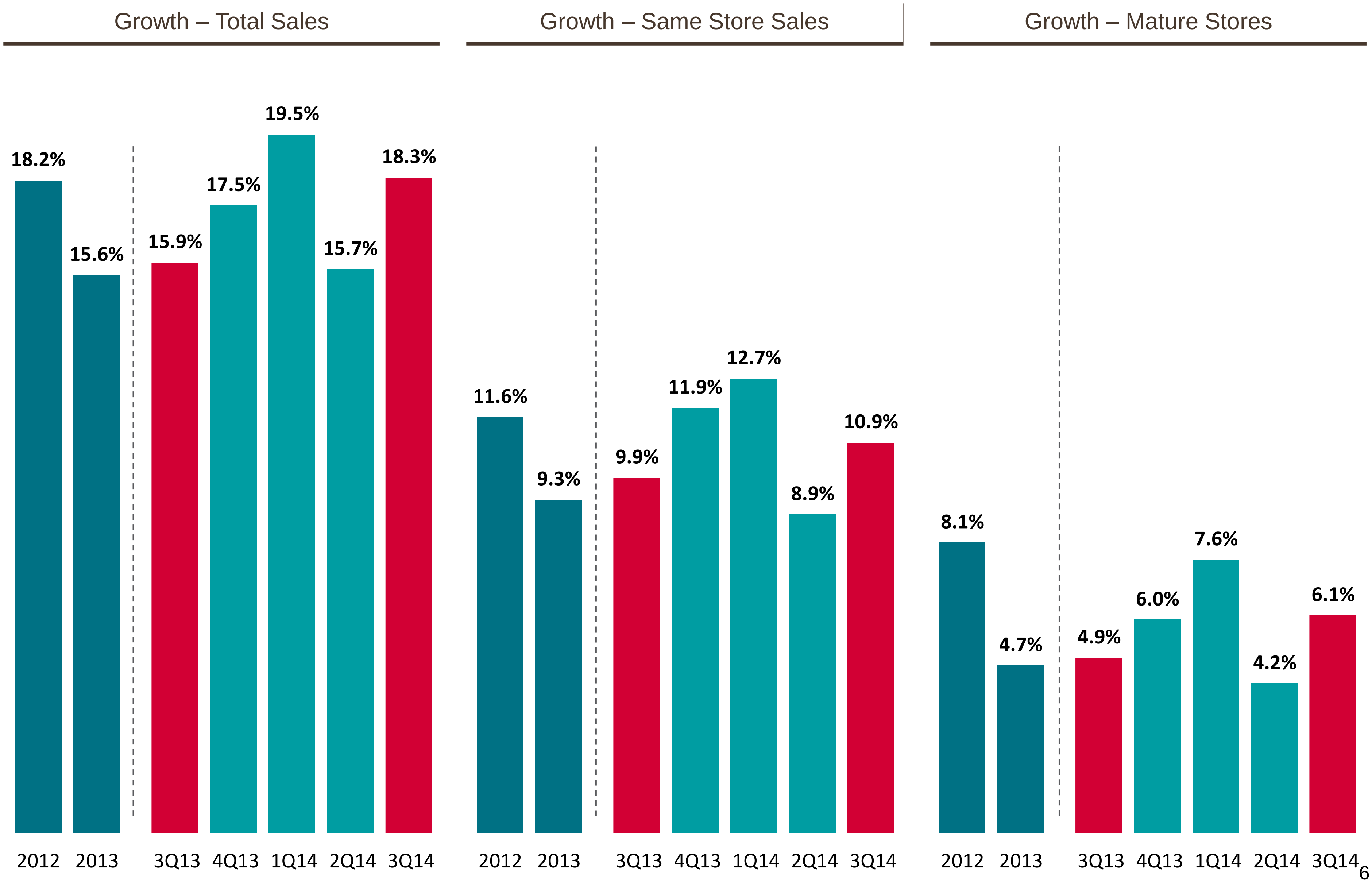
Source: IMS Health

* Includes Farmasil stores

** Excludes São Paulo

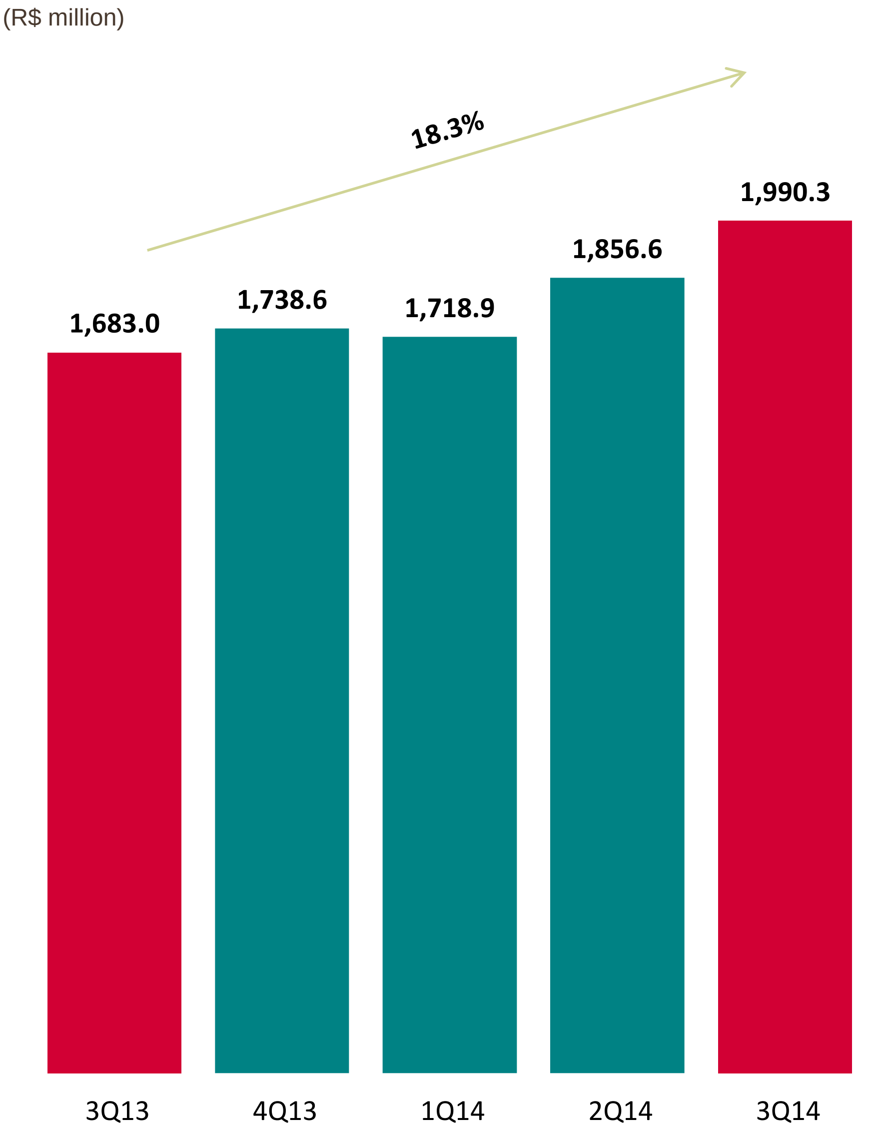
*** Comparable Market Share, excluding new informants added to the panel during the last twelve months. Our national market share including the full panel was of 9.0%

Revenues increased by 18.3%, with 10.9% for same stores and 6.1% for mature stores. Positive calendar effect of 0.7 p.p. fully offset by the negative impact of the World Cup in July.

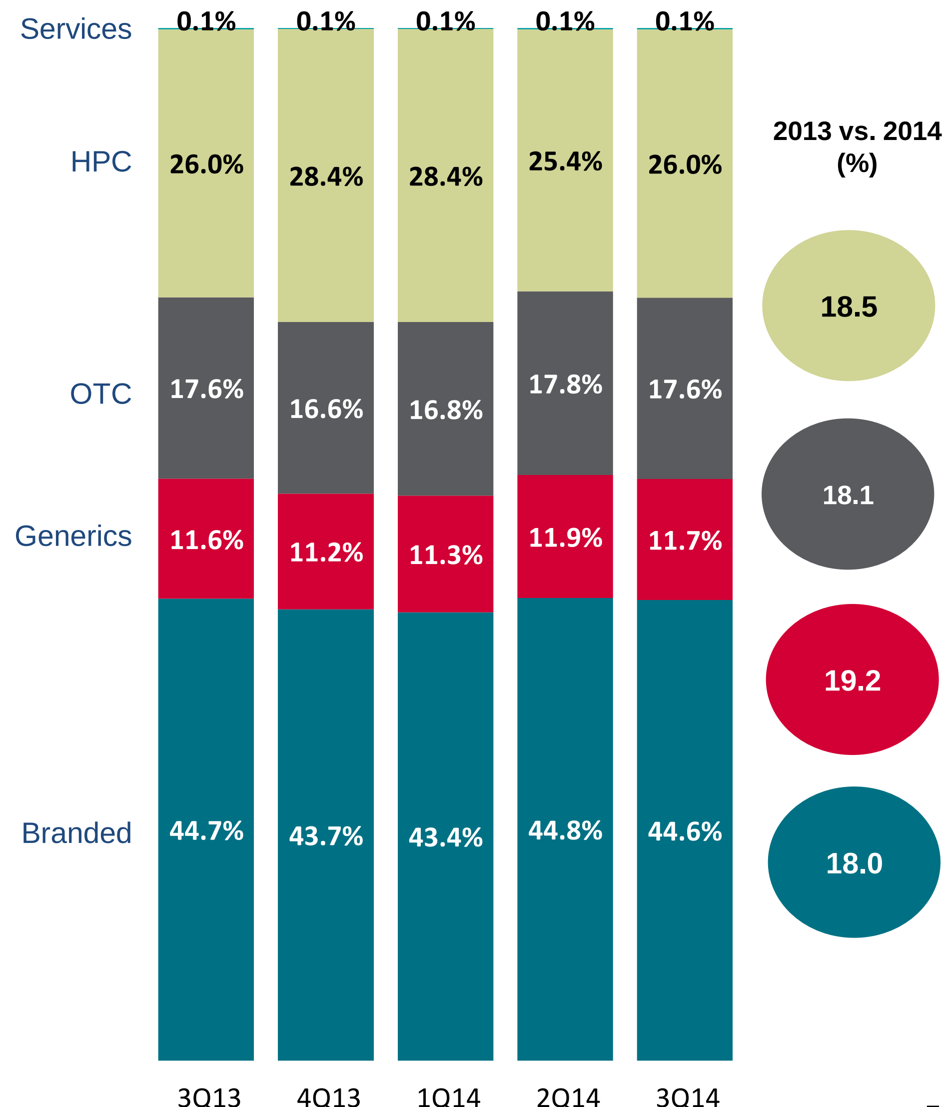


Constant product mix when compared to the 3Q13. Generics increased by 0.1 percentage point at the expense of Branded, while the other categories remained flat.

Gross Revenues



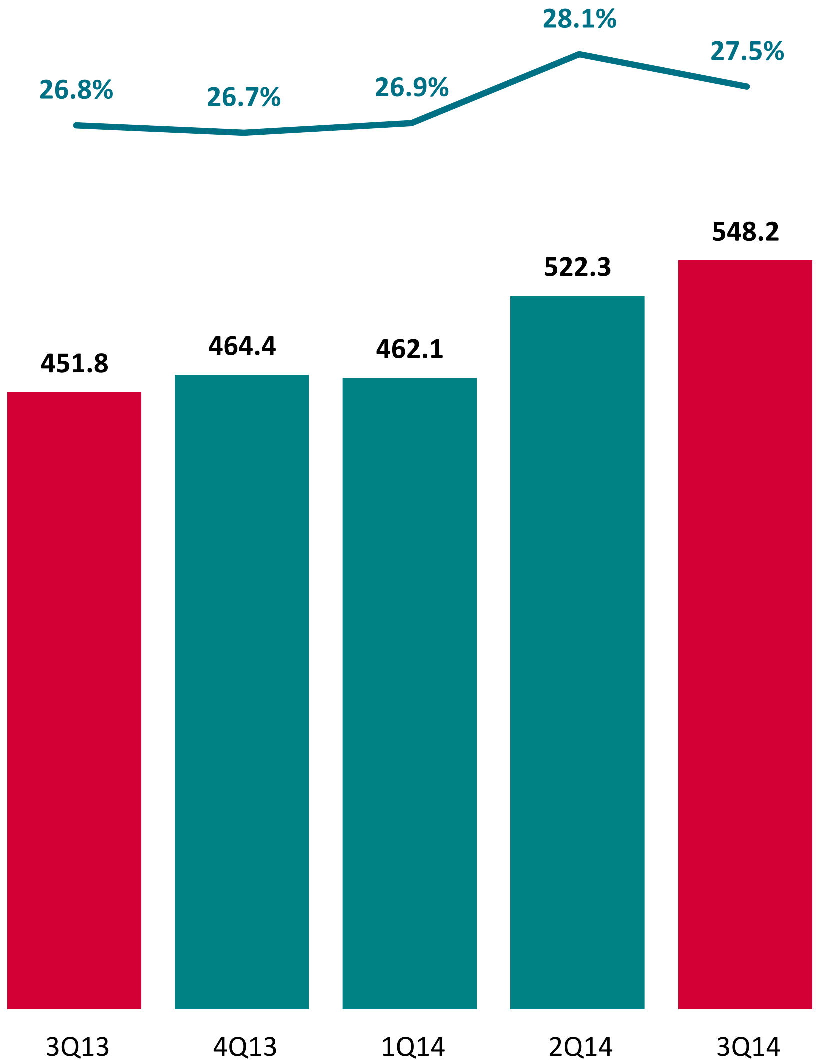
Sales Mix



Gross margin increased by 0.7 p.p. due to the return to tax substitution regime, better purchasing terms and tactical price adjustments. Cash cycle reduction of 1.3 day.

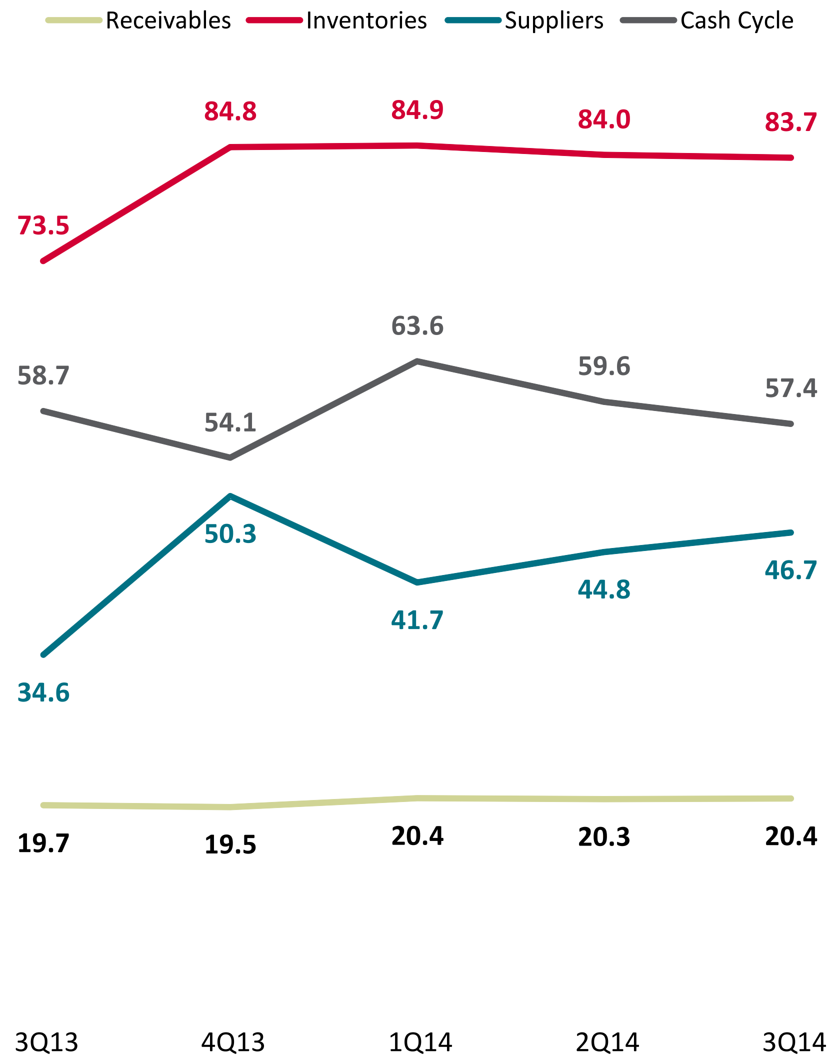
Gross Margin

(R$ million, % of Gross Revenues)

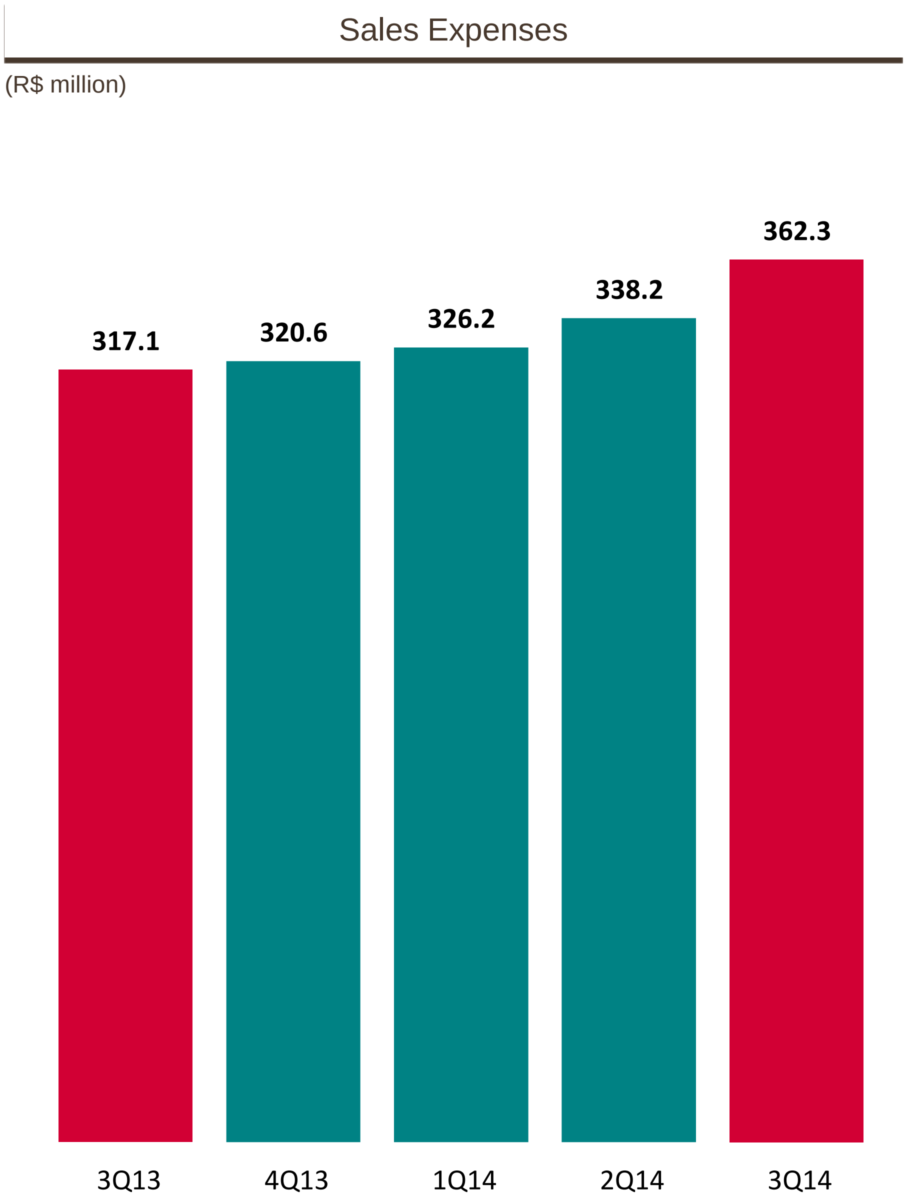


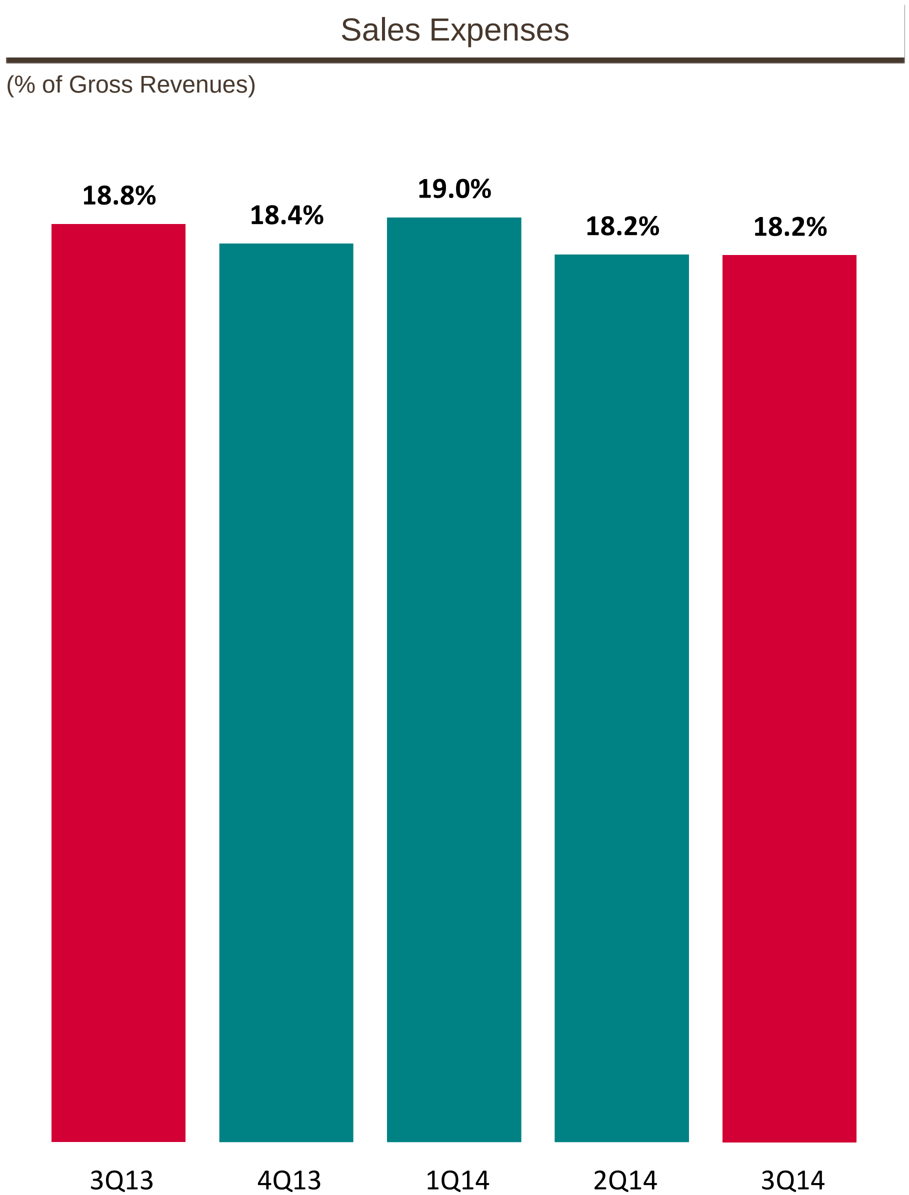
Cash Cycle

(COGS Days, Gross Revenues Days)



Achieved a dilution of 0.6 p.p. in sales expenses due to the slower pace in staff replenishment, one-off social charges in the 3Q13, strong new stores performance and slower opening pace.

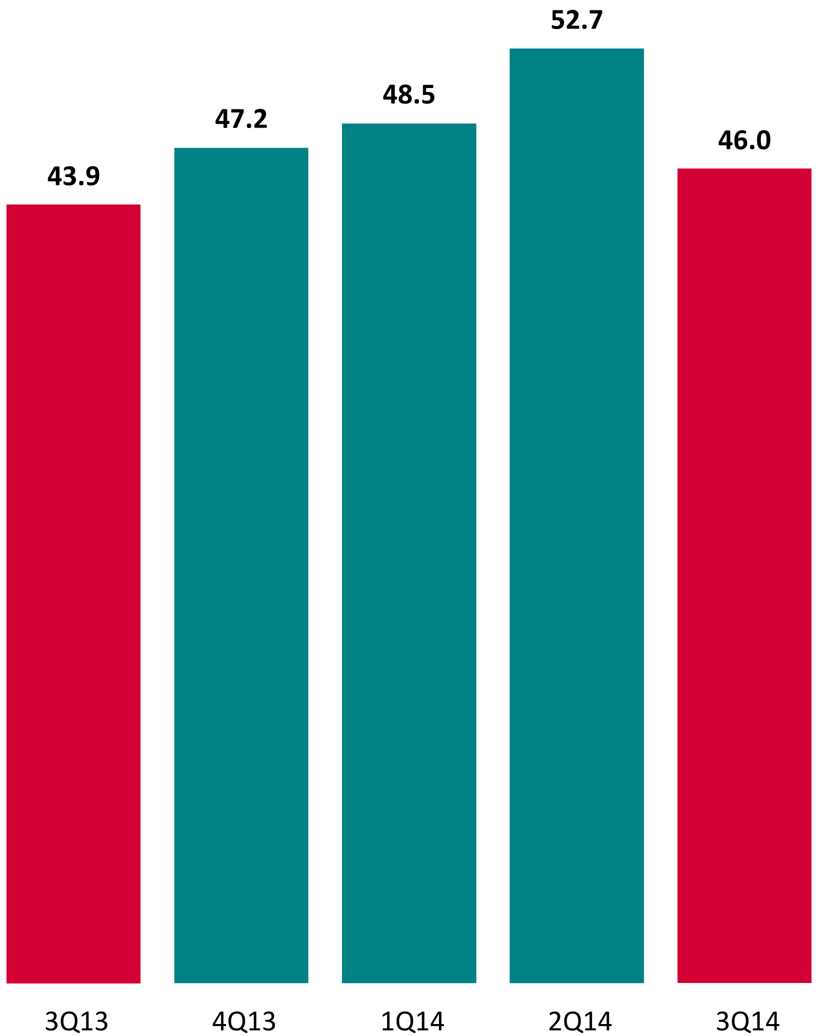




G&A decreased by 0.3 percentage point. Reduction in variable compensation allowance of 0.2 percentage point driven by excess provisioning of variable compensation in the 1H14.

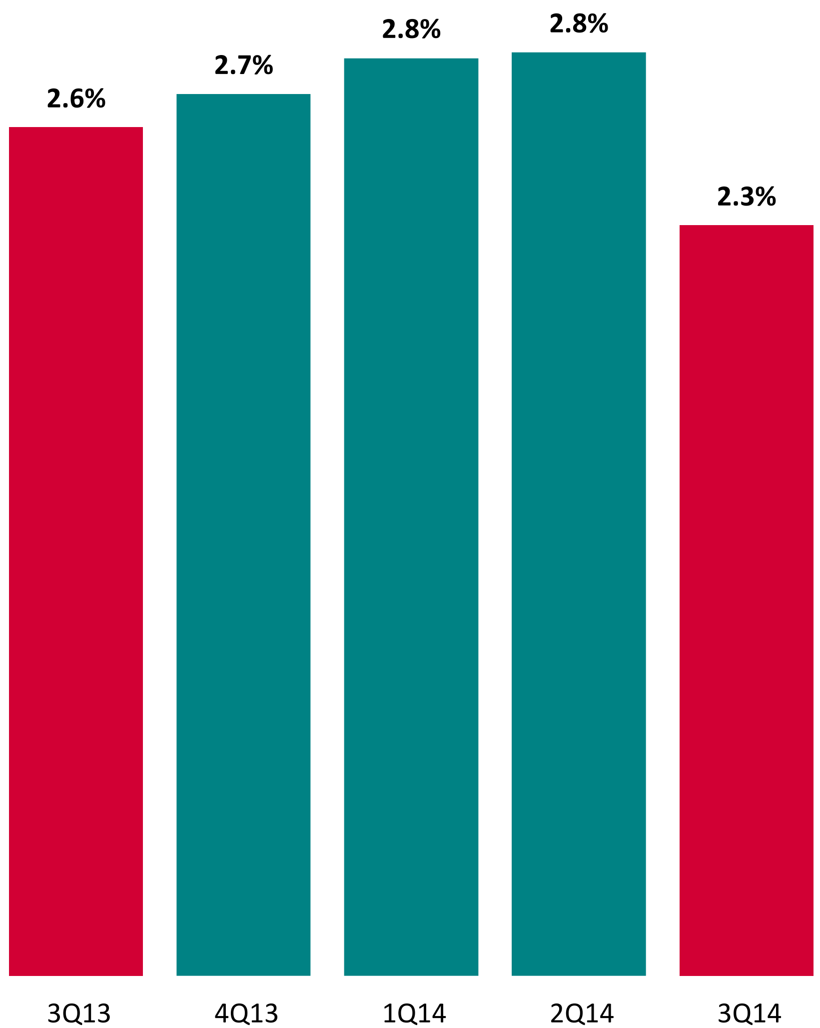
General and Administrative Expenses

(R$ million)



General and Administrative Expenses

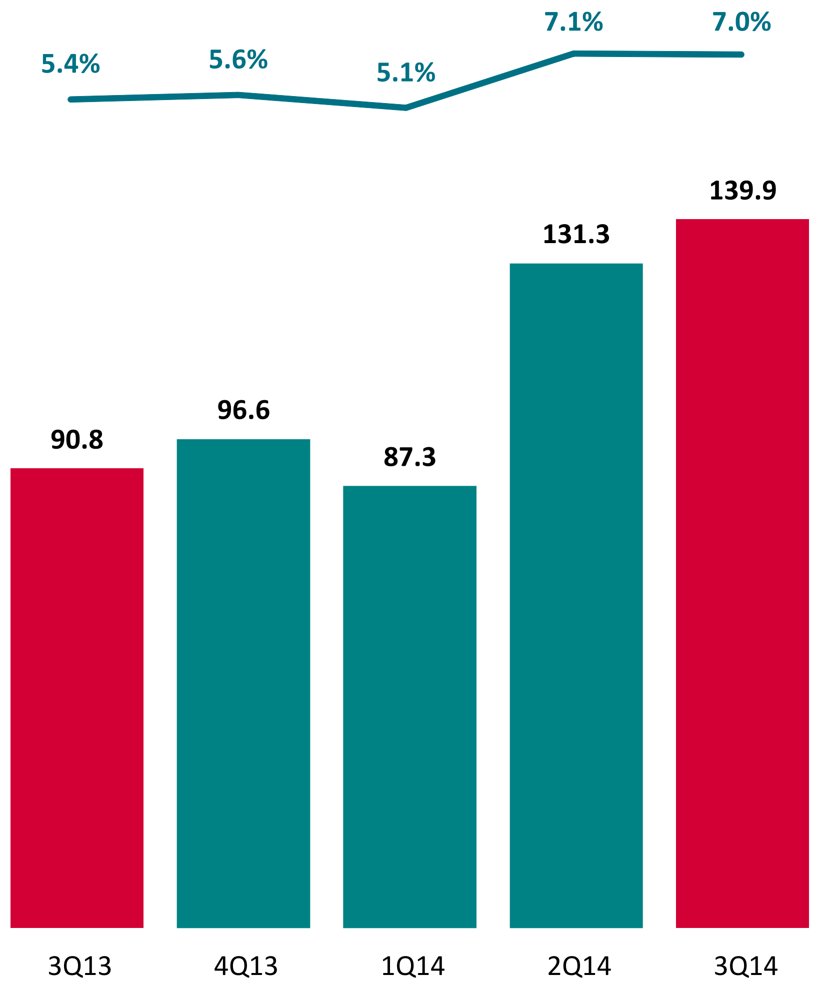
(% of Gross Revenues)



EBITDA increased 54.1% with a 1.6 p.p. margin increase driven by higher gross margins (+0.7 p.p.) and by a dilution in the SG&A (+0.9 p.p.).

Adjusted EBITDA

(R$ million, % of Gross Revenues)

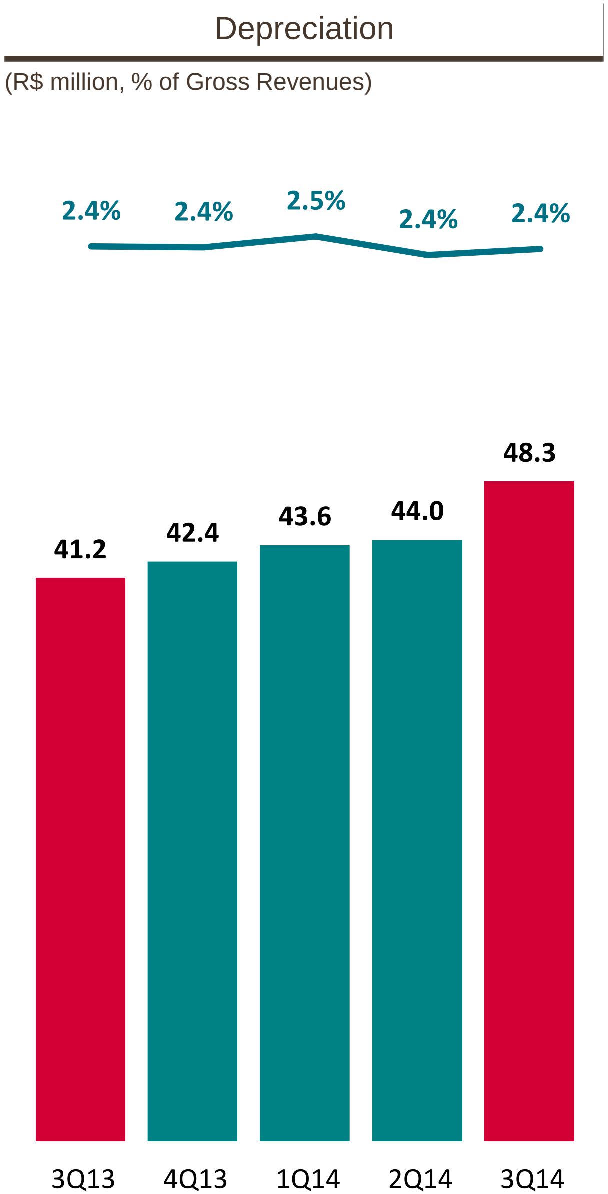


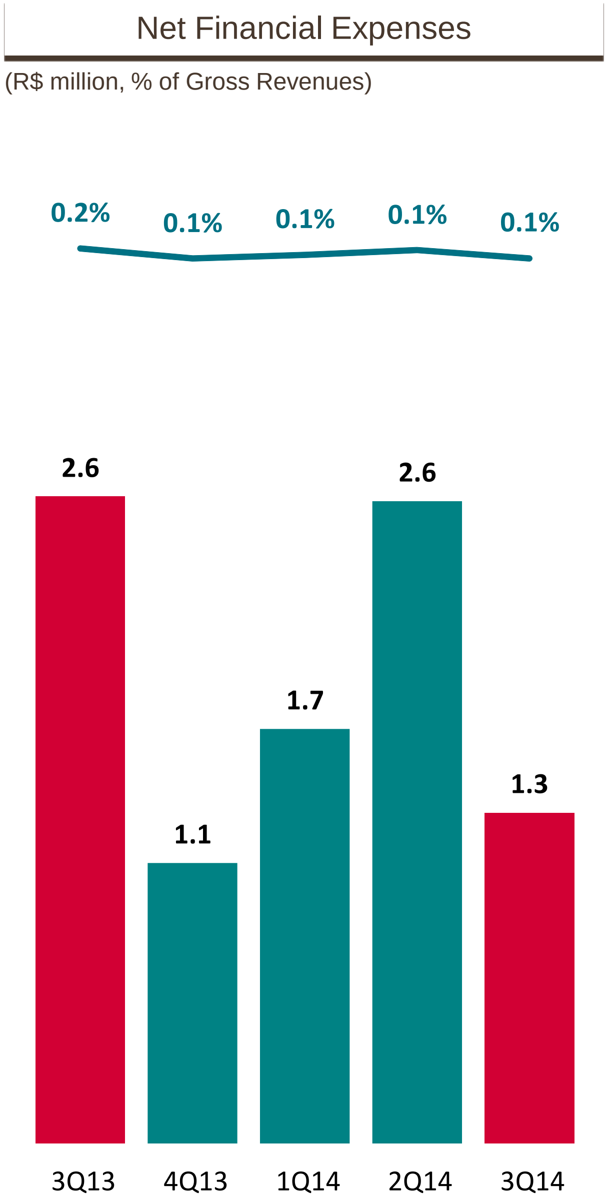
965* stores operating since 4Q13:
(performance in the 2Q14)

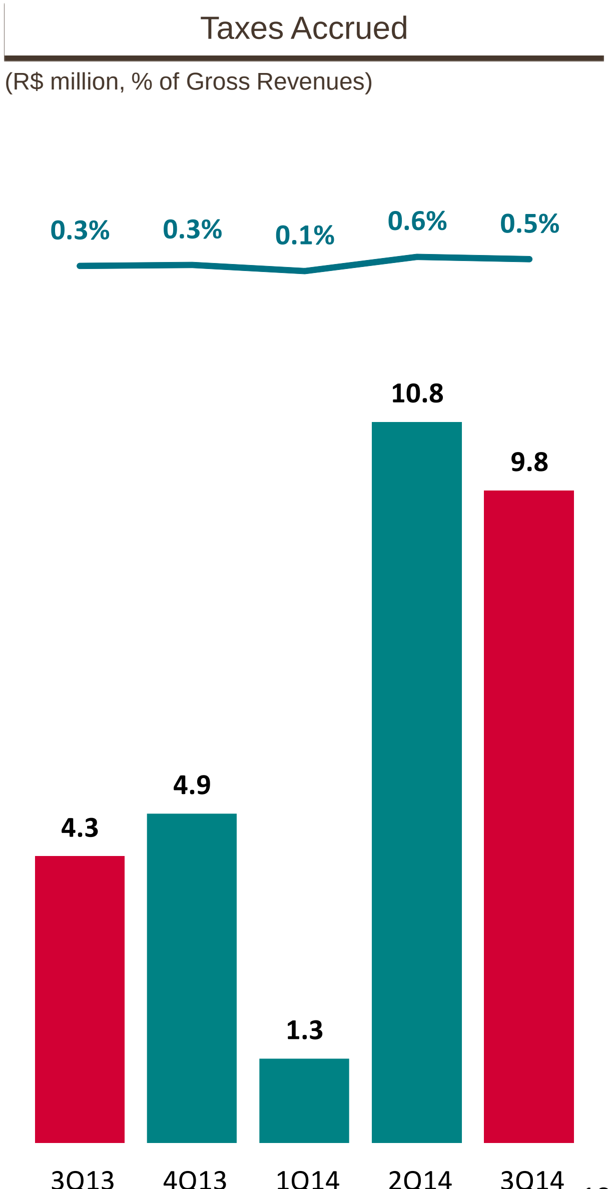
- R$ 1.9 billion of Gross Revenues
- R$ 146.8 million of EBITDA
- EBITDA margin of 7.6%

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

The higher EBITDA and the lower net financial expense absorbed the tax increase arising from the improvement in operating performance.



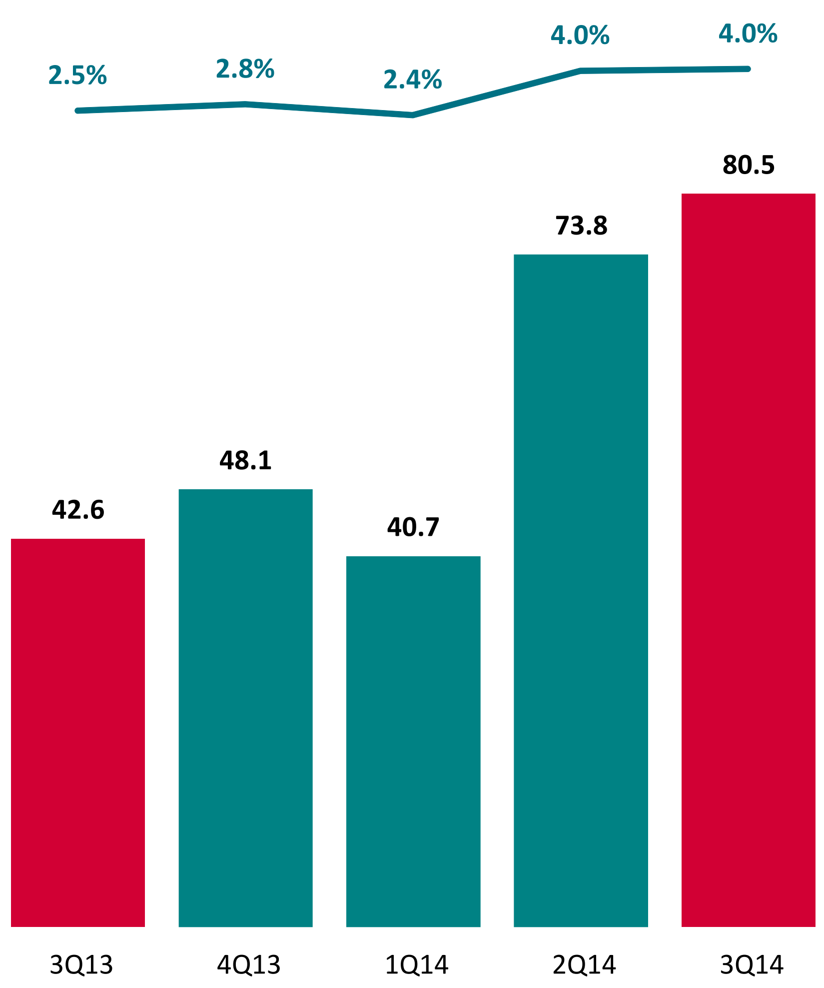




Adjusted net income increased by 88.8%, with a 1.5 p.p. margin improvement. Non-recurring expenses amounted to R$ 2.8 million.

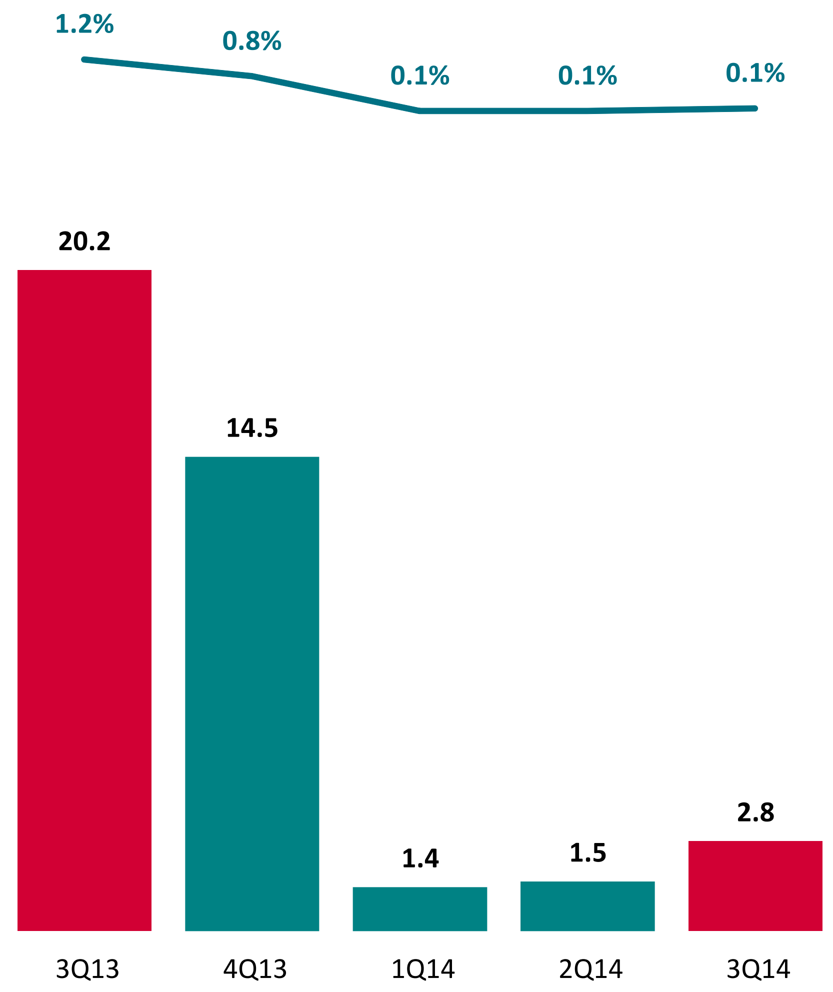
Adjusted Net Income

(R$ million, % of Gross Revenues)



Non-Recurring Expenses

(R$ million, % of Gross Revenues)



Operating cash flow (R$ 87.0 million) has fully financed the investments (R$ 64.6 million) undertaken in the quarter.

Cash Flow *(R$ million)*	3Q14	3Q13	9M14	9M13
Adjusted EBIT	**91.6**	**49.6**	**222.6**	**144.1**
Non-Recurring Expenses	(2.8)	(20.2)	(5.6)	(34.0)
Income Tax (34%)	(30.2)	(10.0)	(73.8)	(37.4)
Taxshield from Goodwill Amortization	10.7	12.1	32.1	19.7
Depreciation	48.3	41.2	136.0	116.3
Others	(8.6)	(5.7)	(6.2)	9.7
Resources from Operations	**109.1**	**67.1**	**305.0**	**218.3**
Cash Cycle*	(49.7)	30.4	(192.6)	(121.4)
Other Assets (Liabilities)	27.7	23.6	29.9	52.8
Operating Cash Flow	**87.0**	**121.1**	**142.3**	**149.7**
Investments	**(64.6)**	**(63.4)**	**(187.4)**	**(175.3)**
Free Cash Flow	**22.4**	**57.7**	**(45.0)**	**(25.6)**
Interest on Equity	-	-	(17.0)	(13.0)
Net Financial Expenses	(1.3)	(2.6)	(5.7)	(9.3)
Share Buyback	-	-	(20.9)	-
Income Tax (Tax benefit over financial expenses and interest on equity)	7.9	2.8	19.3	11.6
Total Cash Flow	**29.0**	**57.9**	**(69.3)**	**(36.2)**

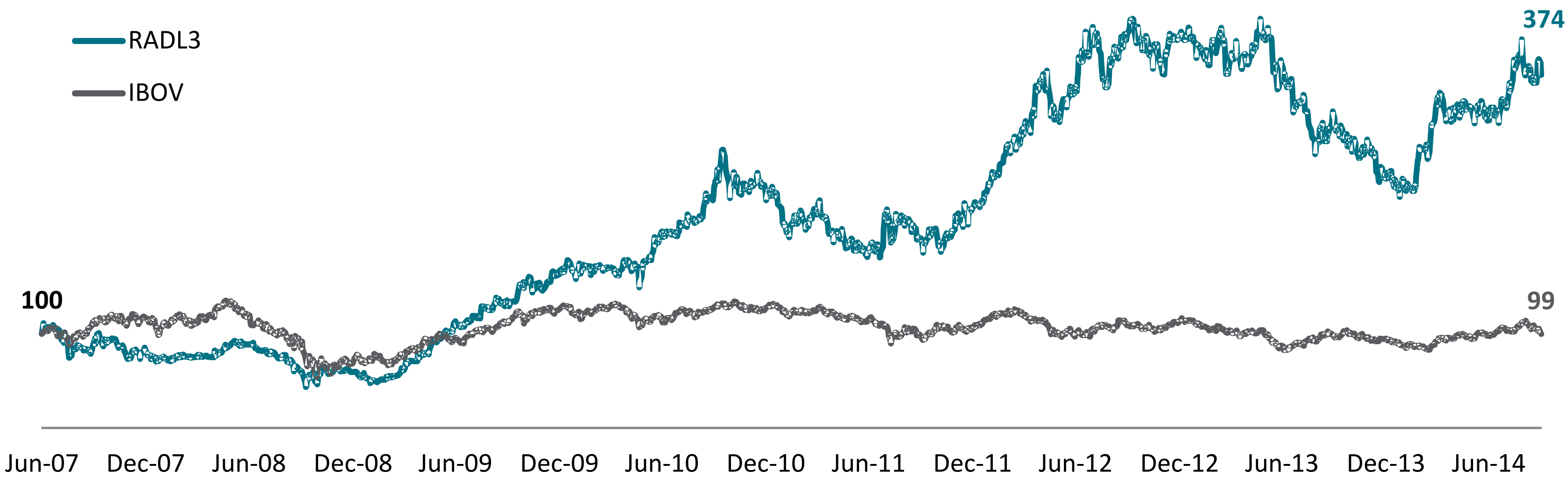
* Cash cycle includes variation in accounts receivables, inventories and suppliers

** Does not include financing cash flow

We ended the 3Q14 with a YTD increase of 41.7% versus an IBOVESPA increase of 5.1%. Annual returns since the Drogasil IPO totaled 19.9%, while returns since the Raia IPO totaled 20.1%.

Share Evolution

(Base 100)



Number of Shares (thousand)	330,386
Stock Quote - September 30 th (R$)	20.94
Market Cap (R$ billion)	6.9
Average Trading Volume 3Q14 (R$ million)	18.0