RaiaDrogasil

EARNINGS RELEASE 2013

São Paulo, March 17th, 2014. RaiaDrogasil S.A. (BM&FBovespa: RADL3) announces today its results for the 4th quarter of 2013 (4Q13) and for the fiscal year of 2013. The consolidated financial statements of RaiaDrogasil S.A. for the period ended December 31st, 2013 were prepared in accordance with IFRS and were reviewed by our independent auditors in accordance with Brazilian and international standards of auditing. Such financial statements were prepared in Reais and all growth rates are related to the same period of 2012.

As a result of the creation of RaiaDrogasil, we incurred both in 2013 and in 2012 on certain non-recurring expenses related to the integration and to the alignment of certain accounting practices between the entities. To facilitate a better understanding and analysis of our operating performance, we are supplementally presenting adjusted results for 2013 and 2012 excluding the effects of non-recurring expenses.

In April and May we recorded a reduction in social charges on labor, a line which was classified in the 2Q13 as part of Taxes, Discounts and Returns since it was calculated as a percentage of revenues. In order to maintain historical comparability, we reclassified such charges to Sales Expenses.

2013 HIGHLIGHTS:

- **Drugstores: 967 stores in operation (131 openings and 24 closures in 2013)**
- **Gross Revenues: R$ 6.5 billion, 15.6% of growth (9.3% for same-store sales)**
- **Gross Margin: 26.8% of gross revenues, a 0.1 percentage point margin increase**
- **Adjusted EBITDA: R$ 357.0 million, an increase of 9.6%, an EBITDA margin of 5.5%**
- **Adjusted Net Income: R$ 175.8 million, 2.7% of net margin**
- **Cash Flow: R$ 45.3 million positive free cash flow, R$ 22.3 million total cash flow**

RADL3: **R$ 16.00/share**

Number of Shares: **330,386,000**

Market Cap: **R$ 5,268 million**

Closing: **March 14th, 2014**

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Summary	2012	2013	4Q12	1Q13	2Q13	3Q13	4Q13
(R$ thousand)							
# of Stores (end of period)	864	967	864	895	906	931	967
Store Openings	101	131	42	36	25	29	41
Store Closures	(13)	(24)	(6)	(4)	(10)	(6)	(4)
Net Reopenings/(Suspensions)	0	(4)	0	(1)	(4)	2	(1)
# of Stores (average)	803	902	843	879	897	920	950
Head Count	20,113	21,482	20,113	20,274	21,195	21,268	21,482
Pharmacist Count	3,004	3,322	3,004	3,073	3,207	3,260	3,322
# of Tickets	125,548	133,923	32,205	30,958	33,596	34,567	34,803
Gross Revenues	5,593,835	6,464,103	1,479,979	1,438,405	1,604,091	1,682,958	1,738,649
Gross Profit (Adjusted)	1,494,258	1,732,297	400,578	382,340	433,760	451,785	464,412
% of Gross Revenues	26.7%	26.8%	27.1%	26.6%	27.0%	26.8%	26.7%
EBITDA (Adjusted)	325,845	357,035	83,094	66,165	103,472	90,791	96,607
% of Gross Revenues	5.8%	5.5%	5.6%	4.6%	6.5%	5.4%	5.6%
Net Income (Adjusted)	147,761	175,810	34,784	26,486	58,634	42,623	48,067
% of Gross Revenues	2.6%	2.7%	2.4%	1.8%	3.7%	2.5%	2.8%
Free Cash Flow	(180,708)	45,276	(72,350)	(48,490)	(34,819)	57,736	70,849

LETTER TO OUR SHAREHOLDERS

The 2013 fiscal year was marked by challenges related to our results that ended up frustrating our financial expectations for the year. However, 2013 was also a year of major breakthroughs towards the fulfillment of the vision that guided the formation of Raia Drogasil, by laying the foundation that will allow us to push forward the consolidation of the Brazilian drugstore industry as well as to spearhead a prosperity cycle starting in 2014.

We ended the year with R$ 6.5 billion in gross revenues, a 15.6% growth when compared to 2012. We opened 131 stores and closed 24 as part of a portfolio optimization program. Our organic growth, along with the same-store sales growth, generated a revenue increase of R$ 0.9 billion in 2013, approximately the total revenues of the eighth largest chain in Brazil, thus expanding our industry leadership. We reiterate our guidance of 130 new store openings in 2014 and our belief in being able to sustain significant growth for many years to come, both through our current store formats and through new and innovative formats such as Farmasil, which remains in the pilot stage with 15 stores in operation by the end of 2013.

Our adjusted EBITDA totaled R$ 357.0 million, a 5.5% margin over gross revenues. This represented a margin reduction of 0.3 percentage point when compared to 2012, which was mainly due to a mature store growth of only 4.7% versus an inflation (CPI) of 5.9% in 2013, thus reducing the operating leverage at our stores. Our adjusted net income amounted to R$ 175.8 million, a net margin of 2.7%, while our cash flow from operations reached R$ 282.1 million. We invested R$ 236.8 million in fixed assets with strong financial discipline, by seeking marginal returns consistent with our track record while generating a positive free cash flow of R$ 45.3 million in the year.

On July 23, Raia Drogasil underwent an important management change with the appointment of Marcilio D'Amico Pousada as our new CEO. Marcilio brought 25 years of deep retail experience and a renewed focus on execution and in store operations.

This renewed focus on execution brought significant progress to our integration. We concluded an exhaustive upgrade in our proprietary retail platform, in which we incorporated every vital feature of both Droga Raia and Drogasil to be shared across our brands, and in September, we finally started the rollout. By the end of 2013, we had already migrated 53 Drogasil stores and two distribution centers to the new unified platform, paving the way to the full unification of our corporate systems on February 28th, 2014, as well as to the unification of our store check-out system, the final step of the integration that shall be completed by the second semester of 2014.

Our new unified retail platform will be instrumental in allowing us to reach a new level of execution, by entailing the full integration of our logistics network and by providing several advanced proprietary features such as in pricing, promotions, inventory management and in CRM, among others, that will be shared across all our stores and brands. Furthermore, it will also result in fully unified management processes and organizational structure at our back office.

This emphasis in execution went beyond the integration: we undertook a bold store renovation program (175 stores in 2013 and 216 scheduled for 2014), significantly strengthened our product assortment and merchandising at Drogasil, implemented differentiated services for specific customer segments at Droga Raia, systematically trained our staff, and boosted advertising in recent markets to consolidate our brand, among other initiatives. At the corporate level, we implemented a rigorous cost management program and a new variable compensation model based on global and individual performance targets, which entail full accountability by each executive.

Following a year of significant challenges and accomplishments, we believe our successful integration and renewed focus on execution bring us closer to the initial goal of Raia Drogasil: combining unique assets and competencies to be shared across two iconic brands in Brazilian retail, which will empower us to achieve leaps in execution, in customer service and in value creation to our shareholders.

CHALLENGES FOR 2014

Since the inception of Raia Drogasil on November 2011, we have strived to maintain the identity and the core strengths of each brand while leveraging our assets and competencies across the entire Organization.

We believe our systems integration is generating major breakthroughs, positioning Raia Drogasil for delivering strong value creation to our clients, employees and shareholders.

Therefore, we have established four main priorities for 2014:

Sustainable Growth with Financial Discipline: we intend to continue opening 130 stores per year in the upcoming years with strong financial discipline by seeking high marginal returns, in line with our track record, and by maintaining our financial self-sufficiency through a positive free cash flow generation, such as in 2013. With fiercer competition and a denser presence year after year, we intend to combine the increase in our density in mature markets with the entry into new markets, especially in the Northeastern region. Moreover, it will be paramount to invest in new store formats such as Farmasil, still in the pilot stage to validate its business model, as well as in different formats for Raia and Drogasil, either through compact stores or thorough larger formats.

Productivity Gains: with the completion of the integration of our corporate systems and with the beginning of the unification of our store check-out systems, we intend to do undertake a comprehensive review of our processes, especially in our stores, in order to simplify our activities, to enhance our productivity and to improve our service standards to our customers. The sustainable margin expansion that we expect will depend upon the effective dilution of our sales expenses under a scenario of inflationary pressures. Therefore, our focus will be on initiatives that promote sustainable growth above inflation for our mature stores and that may allow us to reduce sales expenses without affecting our service standards. At the corporate level, we will intensify the control of our administrative expenses, which will also be vital to our margin expansion. Another major focus will be in increasing our gross margins by strengthening our category management and purchasing structure and by boosting the penetration of generics and of proprietary brands.

Omni channel: we are one of the leaders in phone sales and in e-commerce in our industry. However, we still manage it as a stand-alone operation, without any integration with our stores. We are strong believers in an integrated omni channel operation aimed at enhancing the shopping experience of our clients and at providing a holistic relationship with them. This is a mid-term journey, but we are already moving in this direction. In 2013, we consolidated Droga Raia's phone sales and e-commerce operations as a single service under the ***drogaraia.com*** brand and launched the ***drogasil.com*** service in December. Furthermore, we also unified our fulfillment for both brands in a single site, and we are already planning the upgrade of our IT infrastructure in 2014, laying the foundation to reach our vision in the following years.

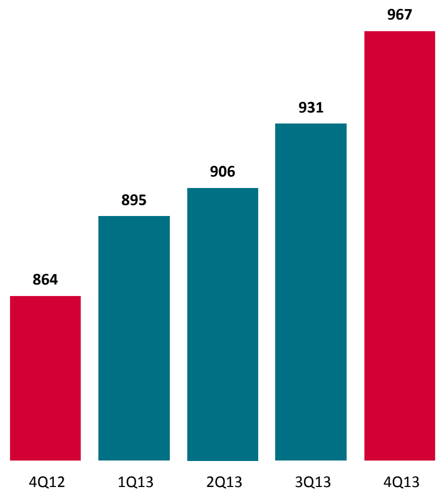
Compensation Alignment: we have significantly improved our management model in 2013 through a management compensation program based on global and individual targets with full accountability by each executive. We intend to enhance this model in 2014 by paying bonuses in restricted shares, which depends on the approval by our General Assembly. We intend to turn our main executives (CEO, VPs and directors) into shareholders, in order to align long-term interests as well as to establish an efficient retention mechanism for our main talents.

STORE DEVELOPMENT

We opened a total of 131 new stores in 2013 and closed 24, ending the year with 967 stores in operation, including the temporary suspension of four stores for rebranding.

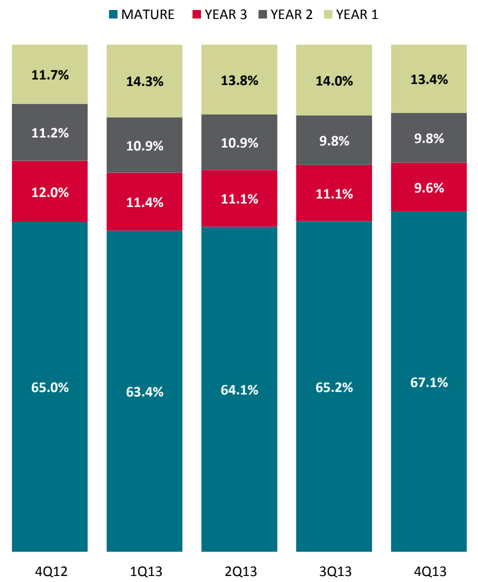
RaiaDrogasil

Store Count*



	4Q12	1Q13	2Q13	3Q13	4Q13
Opened	42	36	25	29	41
Closed	(6)	(4)	(10)	(6)	(4)
Reopenings/(Suspentions)	0	(1)	(4)	2	(1)

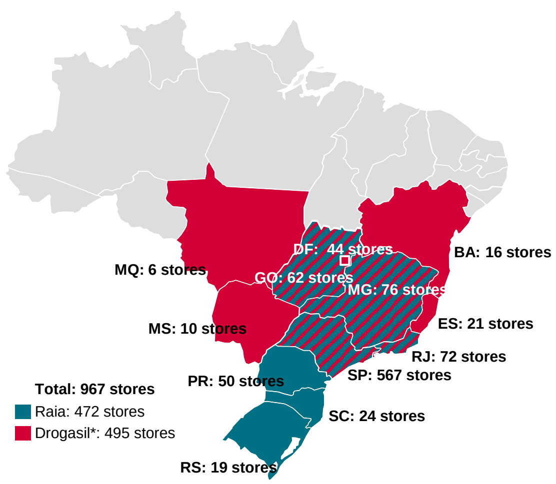
Age Structure of Store Portfolio



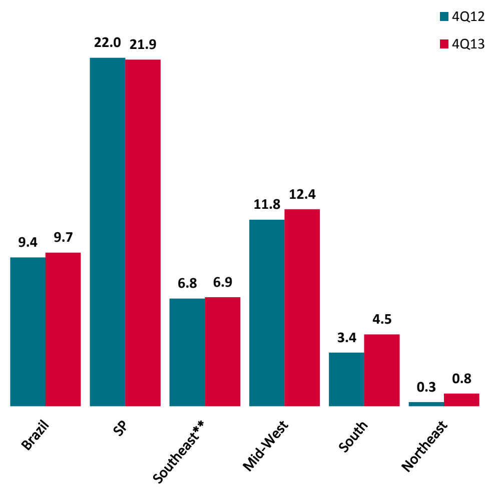
* Does not include suspended stores, which have been temporarily closed to be rebranded.

At the end of the period, 32.8% of our stores were still in the process of maturation, and had not yet reached their full potential in terms of revenues and profitability.

Geographic Presence



Market Share (December '13)***



PHARMACEUTICAL MARKET DISTRIBUTION BY REGION (DECEMBER' 2013)

Brazil	SP	Southeast**	Mid-West	South	Northeast
100.0%	27.5%	24.6%	8.5%	17.3%	17.7%

Source: IMS Health
* Includes Farmasil stores
** Excludes São Paulo
*** Comparable Market Share, excluding new informants added to the panel during 2013. Our national market share including the full panel was of 9.4%

We ended 2013 with a comparable market share of 9.7%, a 0.3 percentage point increase versus the previous year.

Our operations in São Paulo lost 0.1 percentage point of market share, due to the underperformance of one of our brands. We recorded a market share gain in every other region where we operate.

We highlight the increase in the Northeast, where we reached a market share of 0.8% (even though we only operate in Bahia), a 0.5 percentage point gain when compared to the same period of 2012.

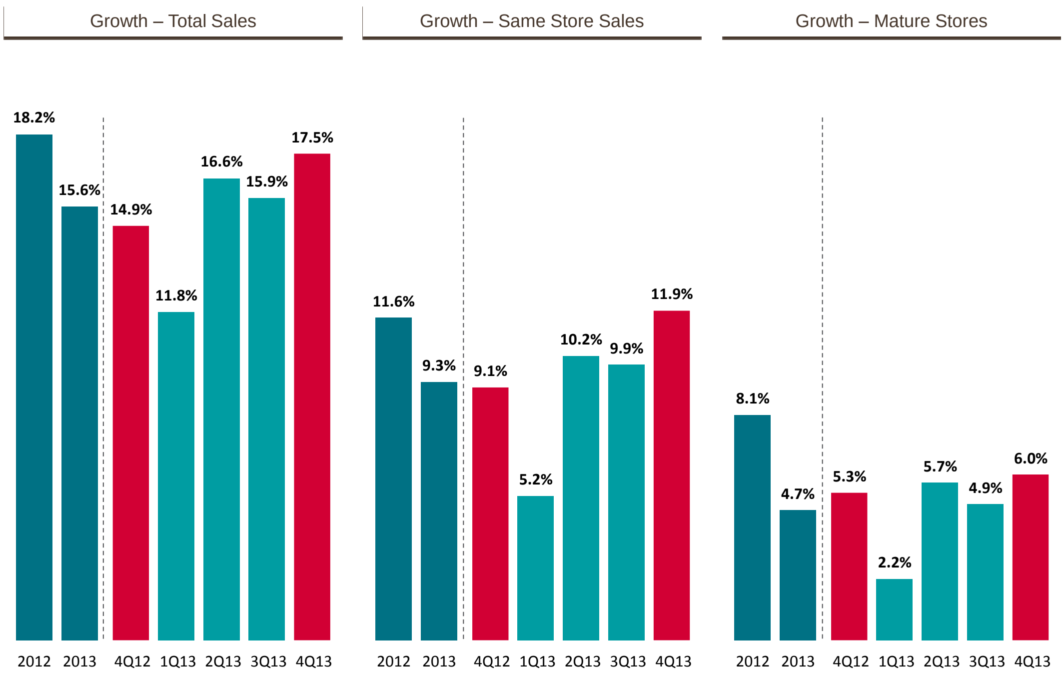
We also recorded a 1.1 percentage point increase in the South, due to the consolidation of our brand that led to the acceleration of store maturation in recent markets, as well as in the Mid-West, due to an acquisition in Goiás and to our progress in Mato Grosso and in Mato Grosso do Sul, offsetting a market share loss in Distrito Federal, where we have not opened stores in the last three years.

Finally, we recorded a slight market share gain of 0.1 percentage point in the Southeast (not including São Paulo), leveraged by our growth in Rio de Janeiro and Espírito Santo.

It is important to highlight that these figures have been adjusted by IMS Health in order to preserve historical comparability by excluding new informants who have been added to the panel during 2013. Considering the inclusion of the new informants, our national market share by year-end was of 9.4%.

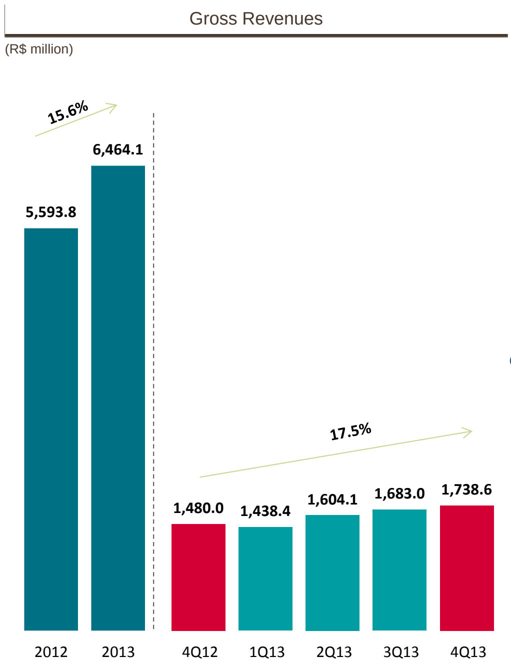
GROSS REVENUES

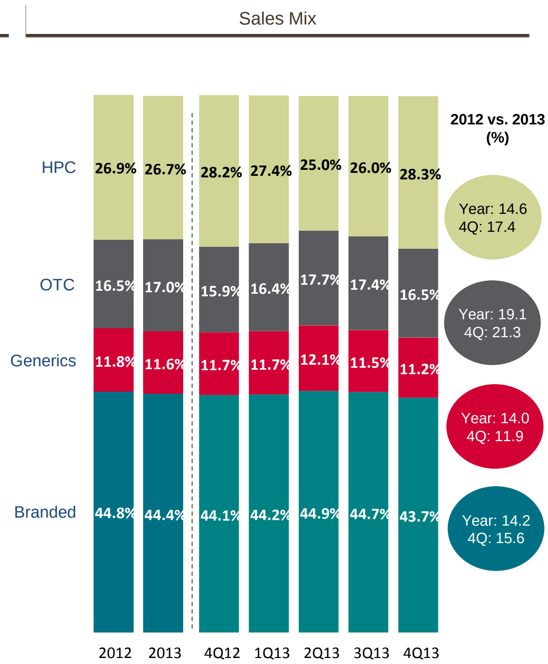
We ended 2013 with gross revenues of R$ 6,464.1 million, a 15.6% increase over 2012.



Excluding the stores that were closed or temporarily suspended during the year, our revenues would have grown 16.8%, an increase of 1.2 percentage point. We recorded an average growth of 9.3% for our same-store sales, while our mature stores grew by 4.7%.

We ended the 4Q13 with a revenue growth of 17.5%, which corresponded to an increase in same-store sales of 11.9% and in mature stores of 6.0%, in line with inflation (CPI). We experienced a positive calendar effect of 0.4% in the quarter when compared to the previous year.





OTC was the main highlight of the year and of the quarter by growing 19.1% and 21.3%, respectively, which amounted to an increase in the sales mix of 0.5 percentage point in 2013 and of 0.6% in the quarter. The absence of new relevant launches has penalized the participation of generics in our sales mix.

It is important to highlight that the sales mix classification hereby adopted differs from the one previously reported, which employed different criteria for Raia and for Drogasil. The main changes have been the reclassification of health-related and convenience products at Drogasil, which migrated from HPC to OTC, as it is done in Raia, and the reclassification of OTC generics at Raia to the generics category, as it is done at Drogasil. For a better understanding, we have reclassified the full data series.

GROSS PROFIT

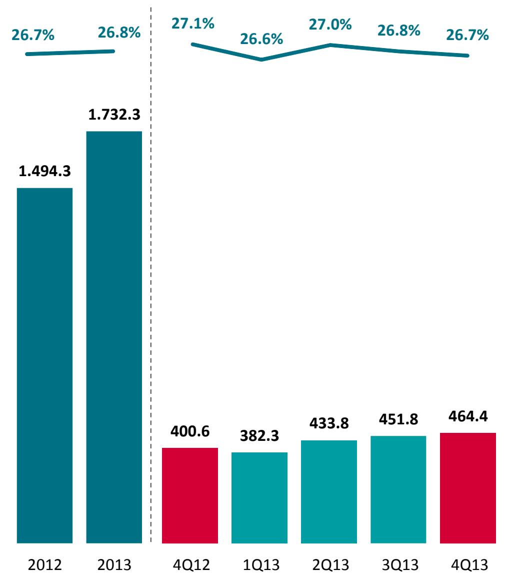
We recorded in 2013 a gross margin of 26.8%, a 0.1 percentage point increase when compared to 2012.

We ended the 4Q13 with a gross profit of R$ 464.4 million, equivalent to 26.7% of gross margin, a 0.4 percentage point decrease. The reduction in gross margin stemmed mainly from the strong comp base of the 4Q12.

It is important to highlight that in December we returned to the tax substitution regime in the state of São Paulo, and as a result, all our purchases are now done with the taxes withheld by our suppliers and passed to us as part of the cost of goods sold, instead of paying our own ICMS (state taxes) when shipping to the stores. This change will allow us to fully recover our margin loss that we recorded during the adoption of the previous tax regime of approximately 0.4 percentage point. We estimate that our gross margin will be fully normalized from the 2Q14, after the full rotation of our inventories.

Gross Margin

(R$ million, % of Gross Revenues)



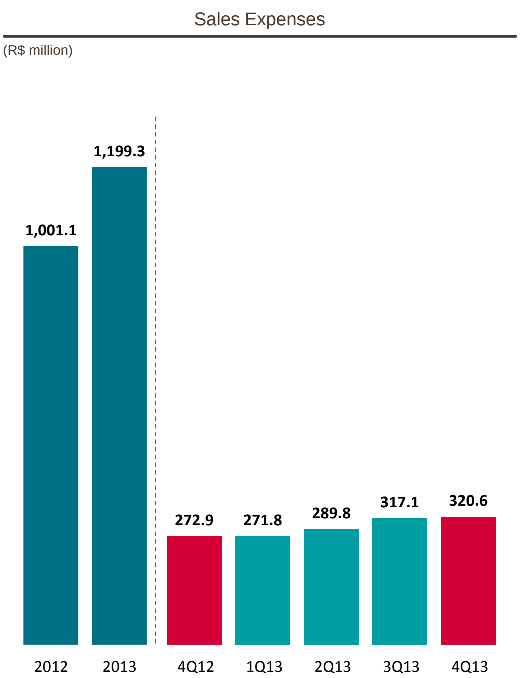
SALES EXPENSES

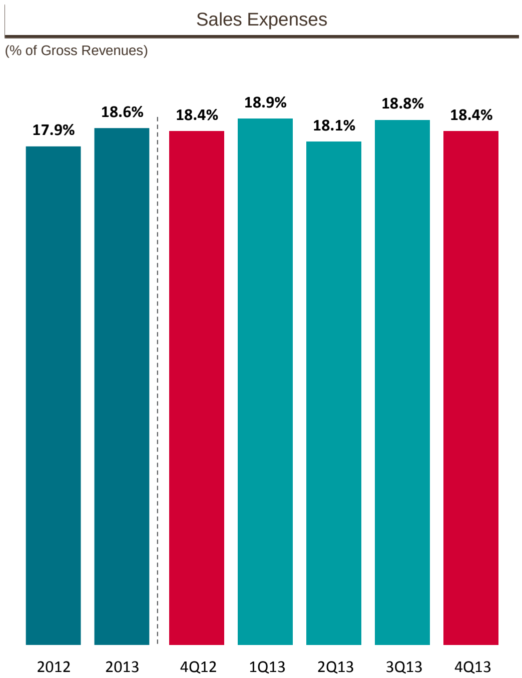
Sales expenses totaled R$ 1,199.3 million in the year, amounting to 18.6% of gross revenues.

The main drivers to this 0.7 percentage point increase were the inflation pressure on payroll (0.3 percentage point) and on rentals (0.2 percentage point). Additionally, we increased marketing expenses (0.2 percentage point) in order to accelerate store maturation in recent markets, mainly in the Southern and Mid-Western regions.

The annual salary readjustment for our employees in São Paulo (stores, DCs and administrative) exceeded inflation by 2.2 percentage points, pressuring personnel expenses. Additionally, the steep appraisal of the Brazilian property market over the years has pressured our rental expenses, especially due to the at-market renegotiation of expired contracts.

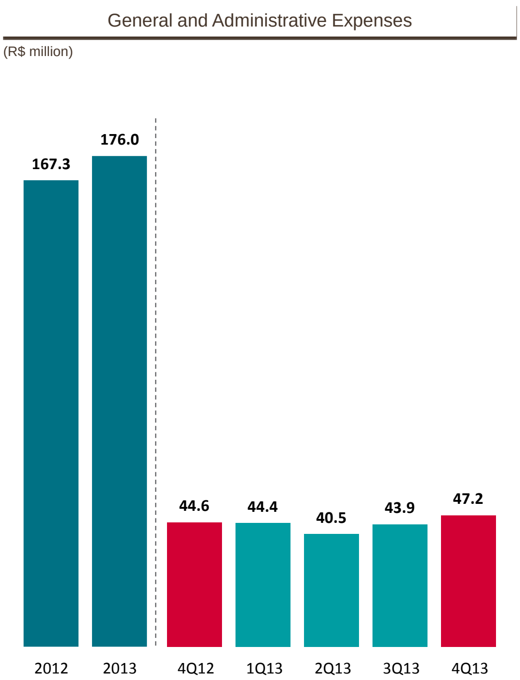
In the 4Q13, sales expenses totaled 18.4% of gross revenues, in line with the previous year, due to a greater expense absorption that stemmed from mature stores growth (6.0%) in line with inflation (5.9%) and from efficiency gains allowed by the optimization of our store portfolio. Marketing (0.2%), rental (0.1%) and new stores (0.1%) expenses were compensated by a dilution in personnel expenses (0.1%) and in other expenses (0.3%).

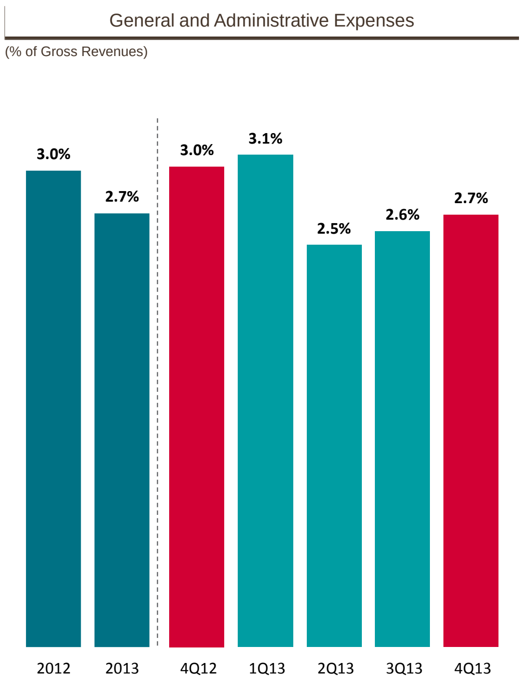




GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R$ 176.0 million in 2013, equivalent to 2.7% of gross revenues, a 0.3 percentage point dilution when compared to the previous year.





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In the 4Q13, general and administrative expenses totaled R$ 47.2 million, equivalent to 2.7% of gross revenues, generating in the quarter the same 0.3 percentage point reduction verified over the full year.

This expense dilution reflects operating leverage achieved through the growth of our operations, as our general and administrative expenses in the 4Q13 remained constant in real terms (5.8% increase versus an inflation of 5.9%).

These efficiency gains have been intensified since the formation of Raia Drogasil in the 4Q11, as we increased our store portfolio by 19.8% and reduced 1.0% of general and administrative expenses in real terms ever since by realizing back-office synergies.

The amounts reported do not include non-recurring expenses, such as store closures, consulting, legal and accounting and severance payments.

EBITDA

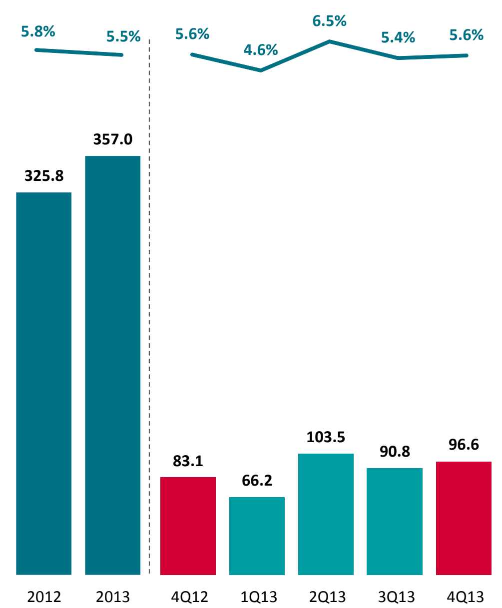
We recorded an EBITDA of R$ 357.0 million in 2013, a 9.6% increase and a margin decrease of 0.3 percentage point. The 0.7 percentage point increase in selling expenses was partially offset by a 0.1 percentage point improvement in gross margins and by a 0.3 percentage point dilution in general and administrative expenses.

In the 4Q13, we recorded an EBITDA growth of 16.2%, and maintained our margin at 5.6%, in line with the previous year. We were able to fully compensate the reduction in gross margins (0.3 percentage point) by maintaining the same level of sales expenses and diluting general and administrative expenses (0.3 percentage point).

Stores in the opening, closing or suspension process during the year reduced our EBITDA by R$ 35.4 million in 2013 (R$ 7.6 million in the quarter). Therefore, if we considered only the 836 stores in operation since the end of 2012 (864 stores at year-end, less 28 stores closed or suspended in 2013) and the full absorption of logistics as well as general and administrative expenses by such stores, our adjusted EBITDA would have totaled R$ 392.4 million (R$ 104.2 million in the 4Q13), equivalent to an EBITDA margin of 6.8% over the respective gross revenues (6.4% in the quarter).

Adjusted EBITDA

(R$ million, % of Gross Revenues)

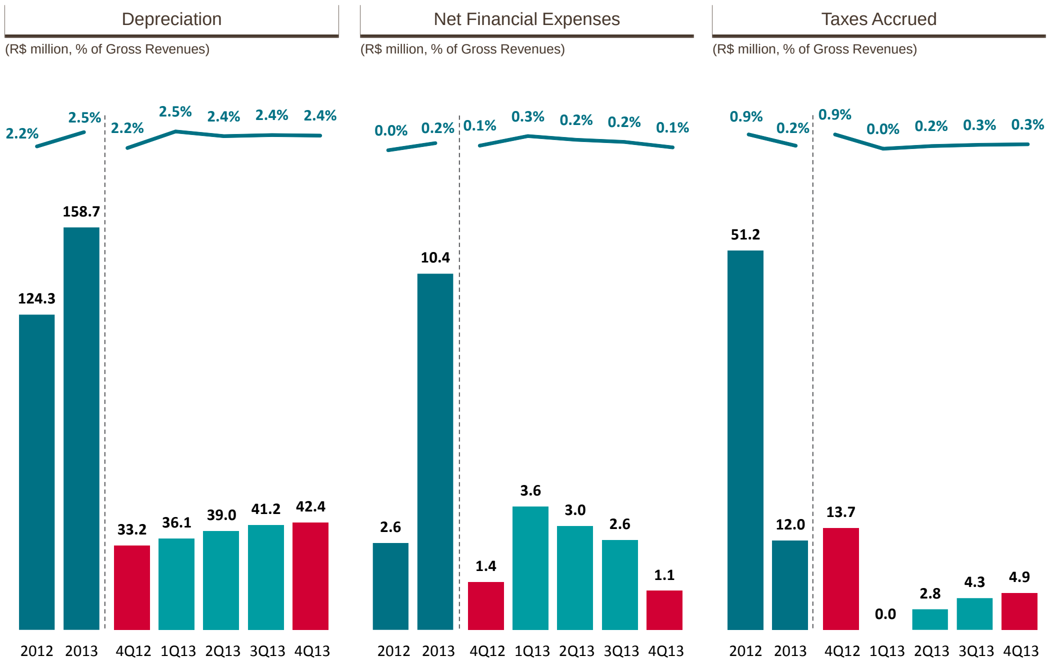


DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

Net financial expenses increased by 0.2 percentage point, reflecting an average net debt increase in the year. In the quarter, our net financial expenses remained in line with that of the previous year.

Depreciation expenses have totaled R$ 158.7 million in 2013, equivalent to 2.5% of gross revenues, an incremental pressure of 0.3 percentage point due to the acceleration of our store opening pace since the end of 2012. In the quarter, depreciation expenses reached R$ 42.4 million, or 2.4% of gross revenues, an increase of 0.2 percentage point compared to same period of the previous year.

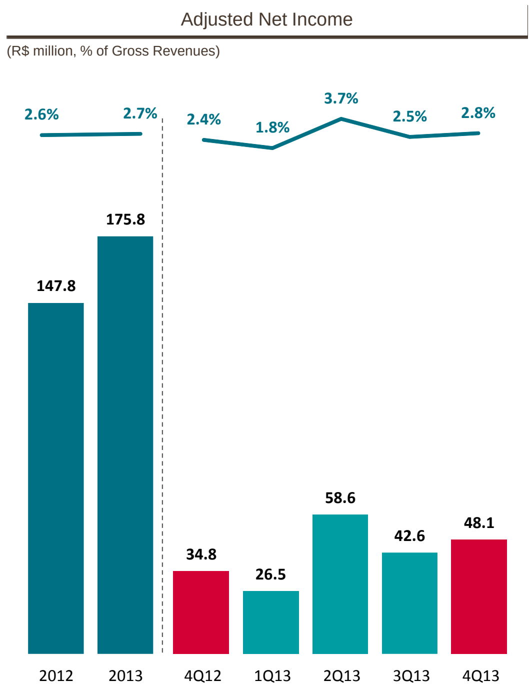
The tax shield from the goodwill amortization amounted to R$ 42.8 million in 2013 (R$ 10.7 million in the quarter), reducing the taxes accrued by 0.7% (0.6% in the quarter), from 0.9% in 2012 to 0.2% in 2013. It is important to mention that the goodwill amortization has been reflected in our adjusted net income since the 4Q12.



ADJUSTED NET INCOME

We recorded an adjusted net income of R$ 175.8 million in 2013, a 2.7% net margin and a 0.1 percentage point increase in the year. In the 4Q13 we recorded an adjusted net income of R$ 48.1 million, equivalent to 2.8% of net margin, a 0.4 percentage point increase versus the 4Q12.

Our lower EBITDA margin (0.3 percentage point) and the increases recorded both in depreciation (0.3 percentage point) and in net financial expenses (0.2 percentage point) were offset by lower tax payments stemming from the tax shield from the goodwill amortization (0.7 percentage point).



NON-RECURRING EXPENSES

In 2013 we incurred in R$ 48.5 million in non-recurring expenses (R$ 14.5 million in the 4Q13), according to the table below:

Adjustments *(R$ million)*	**1Q13**	**2Q13**	**3Q13**	**4Q13**	**2013**
Integration Expenses	**(10.2)**	**(8.1)**	**(12.3)**	**(17.5)**	**(48.1)**
Legal and Accounting	(1.6)	(0.8)	(0.5)	(0.2)	(3.2)
Consulting	(0.7)	(1.9)	(0.7)	(3.7)	(7.1)
Store and Raia Office Closures	(2.2)	(1.6)	(4.4)	(7.3)	(15.5)
Farmácia Popular Program	(5.5)	(3.7)	(2.2)	(1.8)	(13.3)
Severance	(0.1)	(0.0)	(4.5)	(4.4)	(9.1)
Expenses from Previous Years	**4.5**	**0.0**	**(7.8)**	**3.0**	**(0.4)**
Gains (Losses) from Previous Years	4.5	0.0	(7.8)	3.0	(0.4)
Total	**(5.7)**	**(8.1)**	**(20.2)**	**(14.5)**	**(48.5)**

We recorded in the year R$ 9.1 million in severance payments (R$ 4.4 million in the 4Q13), including a provision for changes to be effected in 2014, and R$ 15.5 million in asset write-offs (non-cash) from store closures as part of our store portfolio optimization program. We also booked R$ 7.1 million in consulting expenses (R$ 3.7 million in the quarter reflecting the systems integration roll-out) and R$ 3.2 million in legal and accounting expenses related to the incorporation of Raia (R$ 0.2 million in the 4Q13).

Additionally, we booked R$ 13.3 million (R$ 1.8 million in the quarter) in expenses to subsidize the Farmácia Popular program in stores that had not yet recovered their licenses. Farmácia Popular is a government program in which selected drugs are sold with little or no co-pays, as the government subsidizes its cost. Due to the fact that the Droga Raia stores lost their licenses after the incorporation and that it took several months to reclaim them, we decided to assume this cost during the transition in order to minimize disruptions to our clients, which damage could far exceed the subsidized amounts. It is important to mention that we have fully recovered these licenses and these subsidies have ended in 2013.

We expect a very low level of non-recurring expenses in 2014, which will be mainly consulting expenses as we finish our systems integration. We have concluded our store optimization program, will not bear any further expenses related to the Farmácia Popular Program, and do not anticipate additional severance expenses in 2014, since they have already been provisioned in the 4Q13.

CASH CYCLE

We ended 2013 with a reduction of 1.8 day when compared to 2012. It is important to highlight that the return to the tax substitution regime in December has increased inventories by 4.1 days, due to the required payment of taxes on inventories. On a comparable basis, excluding the effect of this change in tax regime, we recorded a reduction of 5.9 days when compared to 2012, reflecting an improvement in operating efficiency.

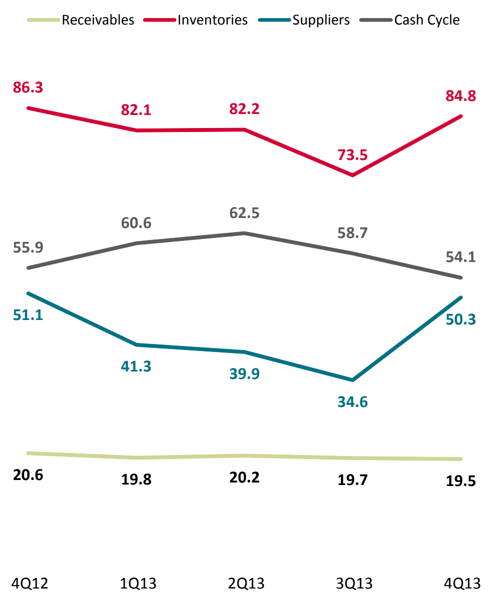
This cash cycle improvement stemmed from a reduction of 1.5 day in inventories, already incorporating the taxes on inventories, and of 5.6 days on a fully comparable basis, which already reflects the improvement in our purchasing strategy implemented between 2Q13 and 3Q13.

It is important to highlight that our average days of suppliers, which had significantly decreased during the last two quarters as we reduced our purchases and ceased to generate invoices for several generics manufacturers, has already returned to their historical levels as our inventory replenishment normalized.

Finally, days of receivables was reduced by 1.1 day due to a favorable calendar effect.

Cash Cycle

(COGS Days, Gross Revenues Days)



CASH FLOW

We recorded a positive free cash flow of R$ 45.3 million in 2013, a significant improvement over the cash consumption of R$ 180.7 million recorded in 2012. Our operating cash flow (R$ 282.1 million) has fully financed the investments (R$ 236.8 million) undertook in the period.

Cash Flow *(R$ million)*	4Q13	4Q12	2013	2012
Adjusted EBIT	**54.2**	**49.9**	**198.3**	**201.5**
Non-Recurring Expenses	(14.5)	(26.5)	(48.5)	(40.9)
Income Tax (34%)	(13.5)	(8.0)	(50.9)	(54.6)
Taxshield from Goodwill Amortization	2.6	-	22.3	-
Depreciation	42.4	33.2	158.7	124.3
Others	15.0	13.6	24.7	36.0
Resources from Operations	**86.2**	**62.3**	**304.6**	**266.4**
Cash Cycle*	14.2	(57.2)	(107.2)	(216.1)
Other Assets (Liabilities)	31.9	35.6	84.7	27.0
Operating Cash Flow	**132.4**	**40.7**	**282.1**	**77.3**
Investments	**(61.5)**	**(113.0)**	**(236.8)**	**(258.0)**
Free Cash Flow	**70.8**	**(72.3)**	**45.3**	**(180.7)**
Interest on Equity	(16.4)	(21.4)	(29.3)	(34.1)
Net Financial Expenses	(1.1)	(1.4)	(10.4)	(2.5)
Income Tax (Tax benefit over financial expenses and interest on equity)	5.1	0.5	16.8	14.5
Total Cash Flow	**58.5**	**(94.6)**	**22.3**	**(202.9)**

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

** Does not include financing cash flow

In the 4Q13, we generated a free cash flow of R$ 70.8 million. Resources from operations amounted to R$ 86.2 million, which corresponded to 5.0% of our gross revenues, while working capital employed totaled R$ 46.1 million. We recorded a positive operating cash flow of R$ 132.4 million in the period.

Fixed asset investments amounted to R$ 236.8 million in the year versus R$ 258.0 million in 2012, including R$ 151.9 million in store development, R$ 7.0 million in rebranding, R$ 36.8 million in existing stores renovation, and R$ 41.1 million in infrastructure.

We generated a total cash flow, including net financial expenses and interest on own equity, of R$ 22.3 million in 2013 (R$ 58.5 million in 4Q13), versus a cash consumption of R$ 202.9 million recorded in 2012 (R$ 94.6 million in 4Q12).

We booked R$ 10.4 million in net financial expenses (R$ 1.1 million in the quarter) and paid R$ 29.3 million in interest on own equity, which were offset by the respective tax shield of R$ 16.8 million in the period (R$ 5.1 million in the quarter). Finally, we accrued R$ 38.9 million in interest on own equity in 2013 (R$ 14.0 million in the quarter).

INDEBTEDNESS

At the end of the year our net debt amounted to only R$ 2.9 million. Our total gross debt totaled R$ 244.8 million, of which 100% is comprised by BNDES (Brazilian Economic and Social Development Bank) lines. Of our total indebtedness, 65.7% is long-term and 34.3% relates to the short-term parcels of our long-term debt. We ended the quarter with a total cash position (cash and marketable securities) of R$ 241.9 million.

On October 15th, BNDES granted us a new financing line of R$ 706.0 million to fund a five-year investment program (2013-2017). The resources shall be claimed annually to reimburse investments previously made. We have already received R$ 106.9 million between December, 2013 and January, 2014, and expect to receive another R$ 14.0 million in the upcoming months. We estimate that a total of R$ 140.0 million per year shall be reimbursed between 2014 and 2017. It is important to mention that the actual amounts may vary, since they depend on the investments actually made over the term of the contract. The cost of this line varies by the type of investment, but, on average, we expect it to be similar to the Brazilian Interbank Deposit Certificate Rate (CDI).

SUSTAINABILITY

We employ over 900 disabled people as part of the *Lado a Lado* (Side by Side) social inclusion program, of which the vast majority works at our stores with direct contact with our customers. Additionally, the social programs conducted at our stores have raised approximately R$ 3.3 million to social causes in 2013.

In 2013, Droga Raia has raised over R$ 1.7 million to the Instituto Ayrton Senna (an education-driven NGO) and to the GRAACC (a youth cancer excellence center) through the sale of the Sorria magazine. Since the beginning of the project in 2008, we have raised a total of R$ 12,2 million to the GRACC, a significant contribution in funding a new hospital within its complex in São Paulo.

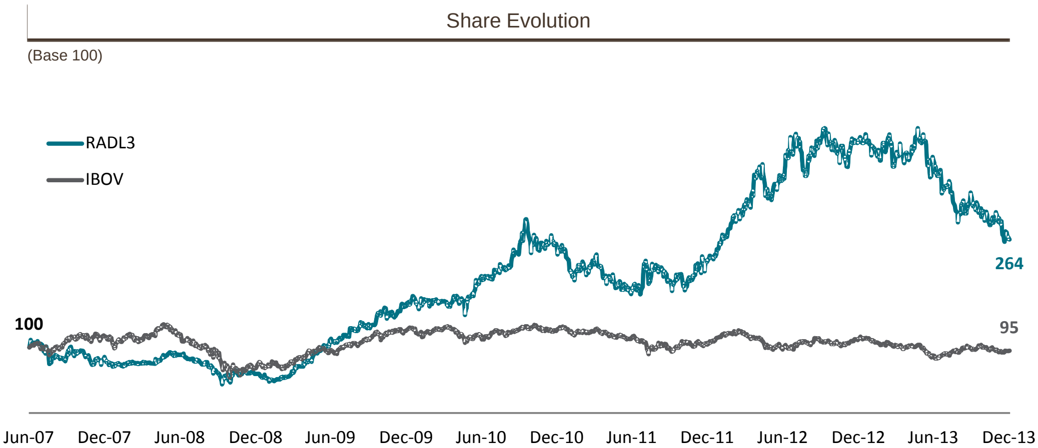
Also in 2013, we launched at Drogasil the “Bem +” social magazine, leveraging our learning with the “Sorria” magazine and boosting our capacity to mobilize social resources. Already in its first year, “Bem +“ sold over 260,000 copies and contributed with approximately R$ 0.9 million to Obra do Berço, an NGO focused on supporting unassisted families. Also at Drogasil, the Troco Solidário (Solidary Change) program has raised over R$ 0.7 million by suggesting that clients round up their purchases in order to donate the difference to AACD (an NGO focused on children with disabilities).

Finally, we discarded over 22 tons of expired or unused medications returned by our customers with the due sanitary measures as part of a pioneering and voluntary waste management program developed by us in Brazil, which is now available at 231 Droga Raia stores. We estimate that, if inappropriately discarded, the collected volume could have contaminated up to nine million liters of water.

CAPITAL MARKETS

Considering our share price on December 31st of R$ 14.78, we have posted a negative return of 35.9% in the year, 20.4 percentage points below the IBOVESPA, that was down by 15.5% over the same period.

In 2013, our average daily trading volume was of R$ 22.9 million.



Since the IPO of Drogasil, we achieved a cumulative increase of 163.9% when compared to a negative return of 5.3% of the IBOVESPA over the same period, a compound annual return of 14.2% in the period.

Considering the IPO of Raia in December of 2010, the cumulative return in the period amounted to 41.1% when compared to a decrease of 24.2% by the IBOVESPA, a compounded annual return of 12.0%. These figures do not include dividends and interest on own capital paid over the period.

RaiaDrogasil

Adjusted Income Statement *(R$ thousand)*	4Q12	4Q13	2012	2013
Gross Revenues	**1,479,979**	**1,738,649**	**5,593,836**	**6,464,103**
Taxes, Discounts and Returns	(53,446)	(58,677)	(213,108)	(220,462)
Net Revenues	**1,426,533**	**1,679,972**	**5,380,728**	**6,243,641**
Cost of Goods Sold	(1,025,955)	(1,215,560)	(3,886,470)	(4,511,345)
Gross Profit	**400,578**	**464,412**	**1,494,258**	**1,732,297**
Operational (Expenses) Revenues				
Sales	(272,853)	(320,641)	(1,001,103)	(1,199,257)
General and Administrative	(44,631)	(47,164)	(167,310)	(176,005)
Other Operational Expenses, Net				
Operational Expenses	**(317,484)**	**(367,805)**	**(1,168,413)**	**(1,375,262)**
EBITDA	**83,094**	**96,607**	**325,845**	**357,035**
Depreciation and Amortization	(33,162)	(42,446)	(124,327)	(158,736)
Operational Earnings before Financial Results	**49,932**	**54,161**	**201,518**	**198,299**
Financial Expenses	(4,826)	(4,975)	(18,902)	(20,310)
Financial Revenues	3,421	3,830	16,352	9,863
Financial Expenses/Revenues	**(1,405)**	**(1,145)**	**(2,550)**	**(10,447)**
Earnings before Income Tax and Social Charges	**48,527**	**53,016**	**198,968**	**187,852**
Income Tax and Social Charges	(13,743)	(4,949)	(51,207)	(12,042)
Net Income	**34,784**	**48,067**	**147,761**	**175,810**

Income Statement *(R$ thousand)*	4Q12	4Q13	2012	2013
Gross Revenues	**1,479,979**	**1,738,649**	**5,593,835**	**6,464,103**
Taxes, Discounts and Returns	(53,446)	(58,677)	(213,107)	(231,184)
Net Revenues	**1,426,533**	**1,679,972**	**5,380,728**	**6,232,919**
Cost of Goods Sold	(1,025,955)	(1,215,560)	(3,888,079)	(4,512,743)
Gross Profit	**400,578**	**464,412**	**1,492,649**	**1,720,176**
Operational (Expenses) Revenues				
Sales	(275,705)	(320,641)	(1,002,330)	(1,188,077)
General and Administrative	(47,146)	(47,164)	(171,450)	(176,463)
Other Operational Expenses, Net	(21,090)	(14,470)	(33,918)	(47,066)
Operational Expenses	**(343,941)**	**(382,275)**	**(1,207,698)**	**(1,411,606)**
EBITDA	**56,637**	**82,137**	**284,951**	**308,570**
Depreciation and Amortization	(33,162)	(42,446)	(124,327)	(158,736)
Operational Earnings before Financial Results	**23,475**	**39,691**	**160,624**	**149,834**
Financial Expenses	(4,826)	(4,975)	(18,902)	(20,310)
Financial Revenues	3,421	3,830	16,352	9,863
Financial Expenses/Revenues	**(1,405)**	**(1,145)**	**(2,550)**	**(10,447)**
Earnings before Income Tax and Social Charges	**22,070**	**38,546**	**158,074**	**139,387**
Income Tax and Social Charges	(20,663)	(10,727)	(53,219)	(38,402)
Net Income	**1,407**	**27,818**	**104,855**	**100,985**

Assets	2012	2013
(R$ thousand)		
Current Assets		
Cash and Cash Equivalents	166,963	241,885
Accounts Receivable	335,771	373,260
Inventories	973,396	1,132,620
Taxes Receivable	96,316	38,658
Other Accounts Receivable	116,772	108,953
Following Fiscal Year Expenses	4,646	8,200
	1,693,864	1,903,574
Non-Current Assets		
Deposit in Court	11,010	10,763
Taxes Receivable	9,614	11,859
Other Credits	1,178	728
Property, Plant and Equipment	454,322	536,629
Intangible	1,170,198	1,150,539
	1,646,322	1,710,518
ASSETS	3,340,186	3,614,093

Liabilities and Shareholder's Equity	**2012**	**2013**
(R$ thousand)		
Current		
Suppliers	575,587	671,455
Loans and Financing	60,712	83,944
Salaries and Social Charges Payable	92,899	116,352
Taxes Payable	40,489	65,920
Dividend and Interest on Equity	5,451	9,464
Provision for Lawsuits	4,129	4,912
Other Accounts Payable	84,009	67,956
	863,276	1,020,003
Non-Current Assets		
Loans and Financing	131,460	160,881
Provision for Lawsuits	9,721	8,021
Income Tax and Social Charges deferred	64,021	93,980
Other Accounts Payable	7,049	4,224
	212,251	267,107
Shareholder's Equity		
Common Stock	908,639	908,639
Capital Reserves	1,039,935	1,039,935
Revaluation Reserve	13,127	12,941
Income Reserves	294,721	357,169
Additional Dividend Proposed	8,237	8,298
	2,264,659	2,326,983
LIABILITIES AND SHAREHOLDERS' EQUITY	3,340,186	3,614,093

RaiaDrogasil

Cash Flow	4Q12	4Q13	2012	2013
Earnings before Income Tax and Social Charges	**22,070**	**38,546**	**158,074**	**139,387**
Adjustments				
Depreciations and Amortization	33,162	42,446	124,327	158,736
P,P&E and Intangible Assets residual value	5,203	5,227	6,896	9,888
Provisioned Lawsuits	6,575	524	7,738	2,856
Provisioned Inventories Loss	2,681	5,854	5,909	15,267
Allowance for Doubtful Accounts	3,713	200	5,614	(1,039)
Interest Expenses	4,314	4,383	16,164	17,326
	77,718	**97,180**	**324,722**	**342,421**
Assets and Liabilities variation				
Accounts Receivable	(19,527)	(21,396)	(90,974)	(28,592)
Inventories	(146,672)	(189,940)	(164,330)	(174,492)
Other Short Term Assets	(26,997)	24,868	5,014	60,648
Long Term Assets	67,469	(10,960)	36,745	(2,868)
Suppliers	108,951	225,556	39,220	95,868
Salaries and Social Charges	(27,689)	(22,907)	439	23,455
Taxes Payable	(8,135)	31,306	(21,855)	25,898
Other Liabilities	29,917	6,758	3,699	(28,695)
Rent Payable	1,083	2,861	2,934	6,273
Cash from Operations	**56,118**	**143,326**	**135,614**	**319,916**
Income Tax and Social Charges Paid	(12,034)	(2,544)	(30,280)	(14,173)
Net Cash from (invested) Operational Activities	**44,084**	**140,782**	**105,334**	**305,743**
Investment Activities Cash Flow				
P,P&E and Intangible Acquisitions	(113,360)	(61,559)	(259,639)	(238,207)
P,P&E Sale Payments	313	14	1,680	1,397
Net Cash from Investment Activities	**(113,047)**	**(61,545)**	**(257,959)**	**(236,810)**
Financing Activities Cash Flow				
Funding	62,184	80,278	108,746	106,399
Payments	(19,877)	(19,620)	(81,829)	(60,420)
Interest Paid	(3,423)	(4,026)	(13,219)	(10,651)
Interest on Equity and Dividends Paid	(21,362)	(16,351)	(34,081)	(29,339)
Net Cash from Funding Activities	**17,522**	**40,281**	**(20,383)**	**5,989**
Cash and Cash Equivalents net increase	**(51,441)**	**119,518**	**(173,008)**	**74,922**
Cash and Cash Equivalents in the beggining of the period	**218,404**	**122,367**	**339,971**	**166,963**
Cash and Cash Equivalents in the end of the period	**166,963**	**241,885**	**166,963**	**241,885**

IBRX IBRA IGCT ITAG IGC ICON SMLL RADL3 NOVO MERCADO BM&FBOVESPA

2013 Results Conference Calls – March 18th, 2014

Portuguese
at 10:00 am (Brasília) / 9:00 am (US ET)

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English
at 12:00 pm (Brasília) / 11:00 am (US ET)

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