



People,
Health and
Well-being

RaiaDrogasil S.A.

Earnings Presentation: 2Q17

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

July 28, 2017

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HIGHLIGHTS OF THE QUARTER:

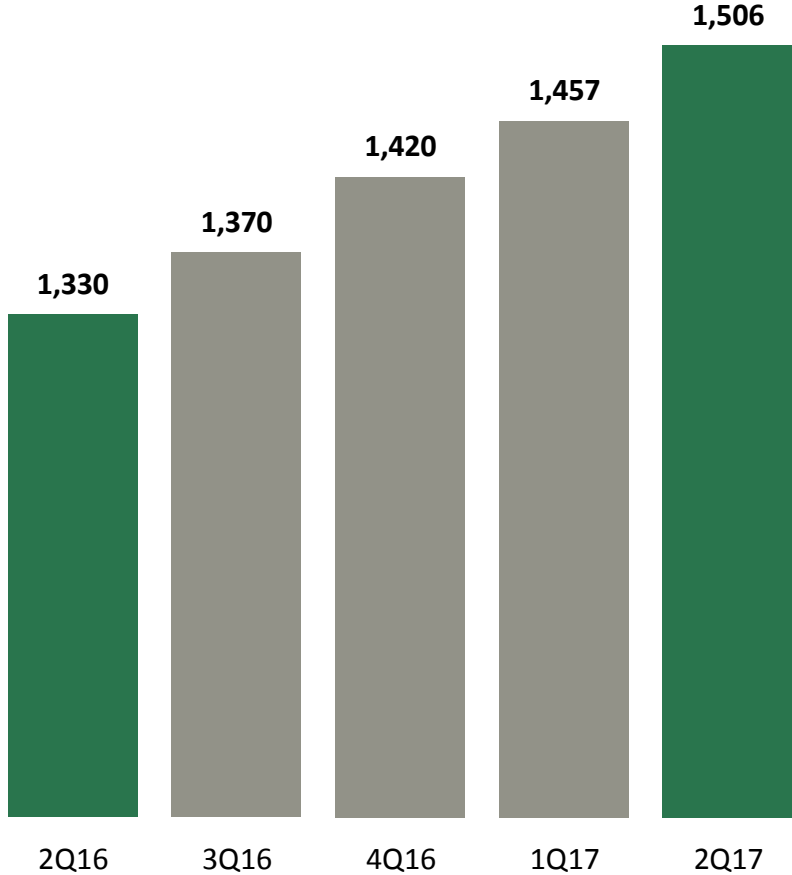
- **Drugstores:** 1,506 stores in operation (54 openings and 5 closures)
- **Gross Revenue:** R\$ 3.4 billion, a 16.0% growth (6.1% retail same-store sales growth)
- **Gross Margin:** 29.4% of gross revenues, a 2.1 percentage point decrease
- **EBITDA:** R\$ 301.1 million, 8.9% margin, a 1.5 percentage point margin decrease
- **Net Income:** R\$ 138.0 million, 4.1% of net margin
- **Cash Flow:** R\$ 64.9 million negative free cash flow, R\$ 134.0 million total cash consumption



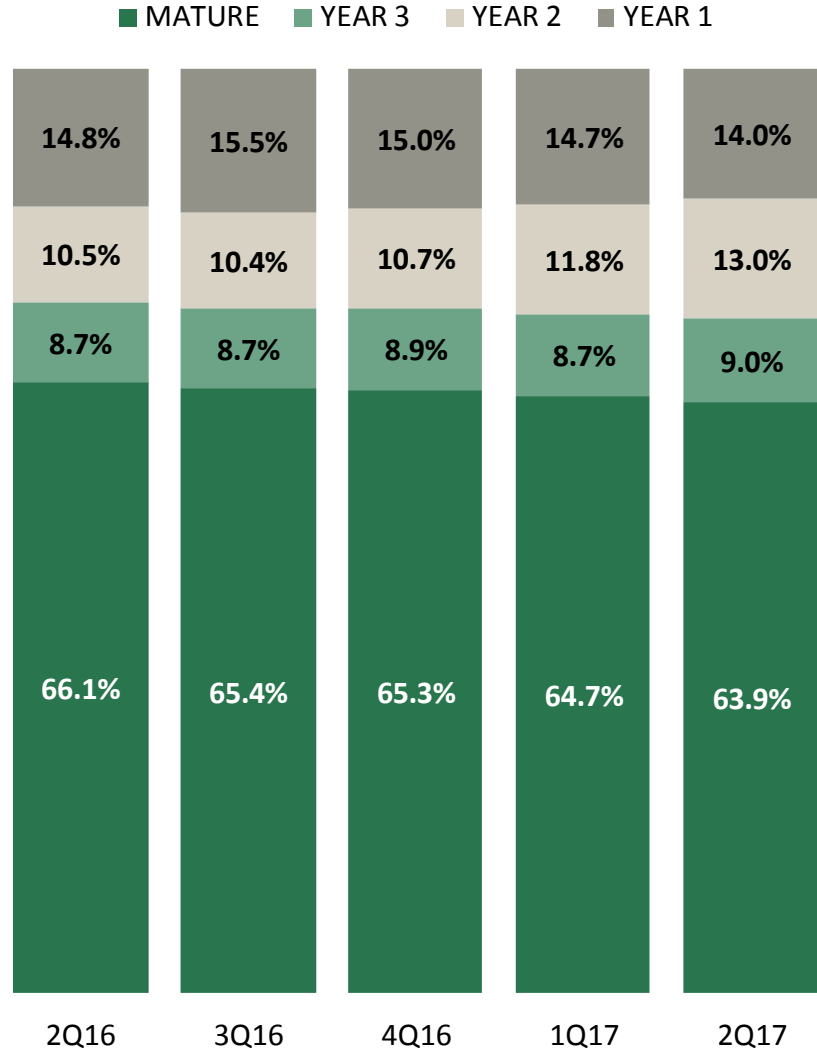


We opened 54 stores in the 2Q17 and 211 new stores over the last 12 months. At the end of the period, 36.1% of our stores were still maturing (highest since 2Q13).

Store Count*



Age Structure of Store Portfolio



	2Q16	3Q16	4Q16	1Q17	2Q17
Openings	58	53	62	42	54
Closures	(2)	(13)	(12)	(5)	(5)

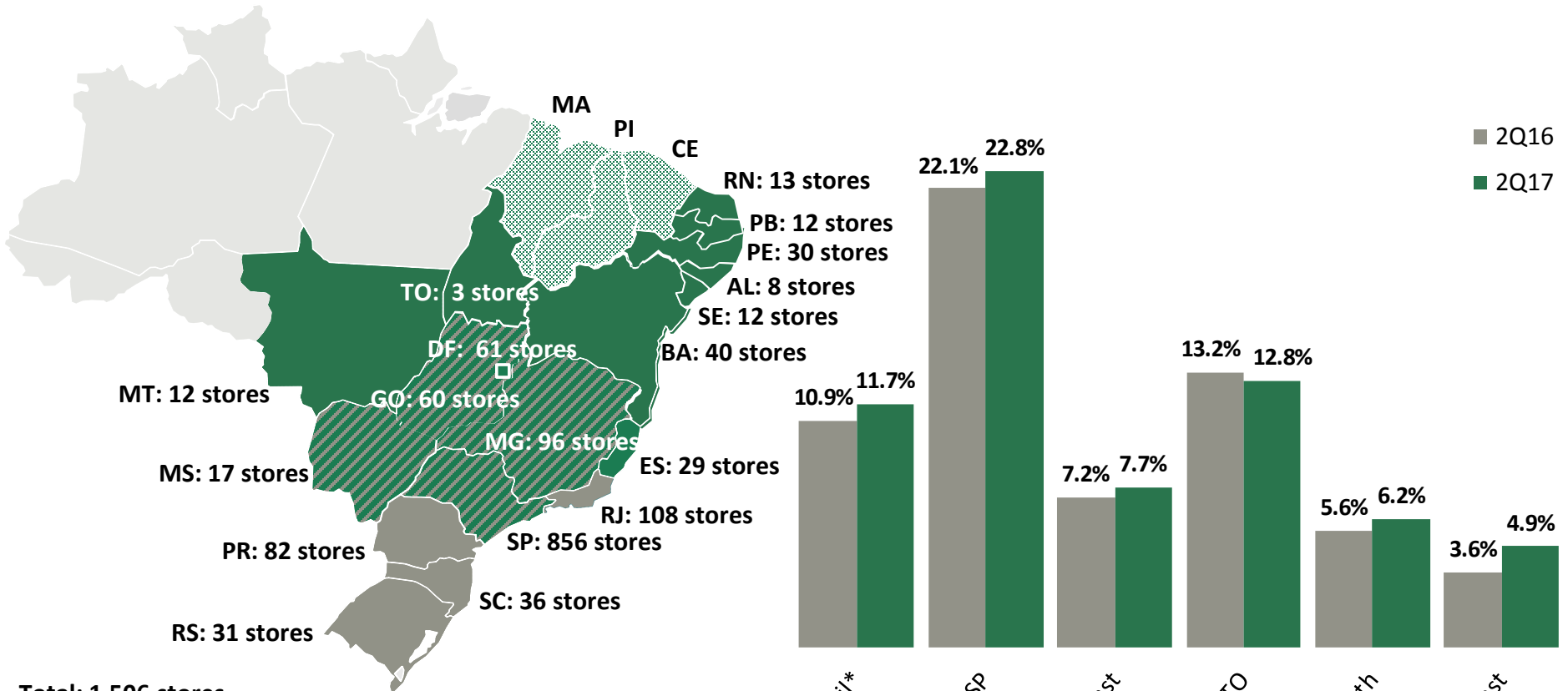
* Includes three 4Bio stores.



We gained share in 4 of 5 regions, reaching 11.7% national market share, an increase of 0.8 p.p. Entered the state of Ceará (NE) in July with 4 openings in Fortaleza. Signed locations in MA and PI.

Geographic Presence

Market Share



Total: 1,506 stores
 ■ Raia: 715 stores
 ■ Drogasil: 768 stores
 ■ Future markets
 * Farmasil: 20 stores
 * 4Bio: 3 stores

PHARMACEUTICAL MARKET BREAKDOWN BY REGION (%)

Region	Brazil*	SP	Southeast	Midwest + TO	South	Northeast
Market Share (%)	100.0%	26.8%	24.2%	9.7%	16.2%	18.7%

Source: IMS Health

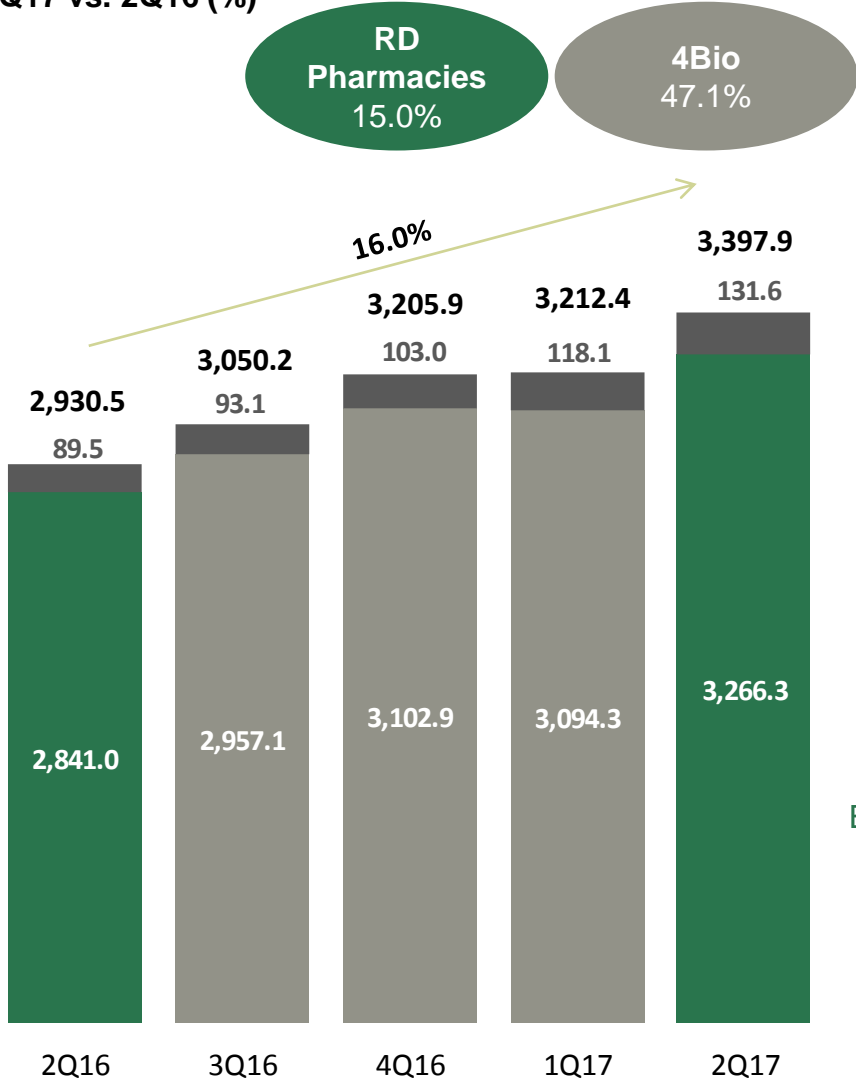
* Includes 4Bio only for Brazil total.



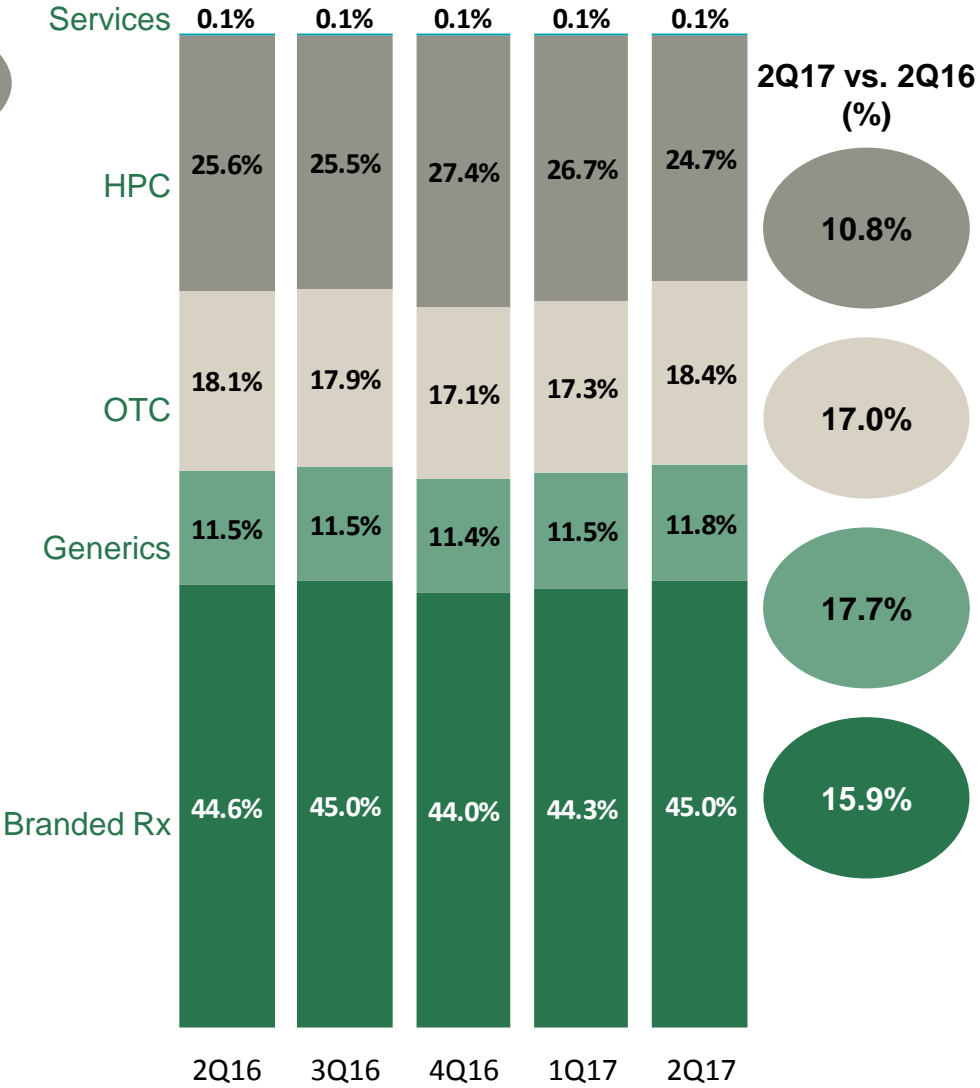
Retail grew 15.0% and 4Bio 47.1%. Generics were the highlight of the quarter (0.3 p.p. increase in the sales mix), followed by OTC and Branded Rx, at the expense of HPC.

Consolidated Gross Revenue

2Q17 vs. 2Q16 (%)



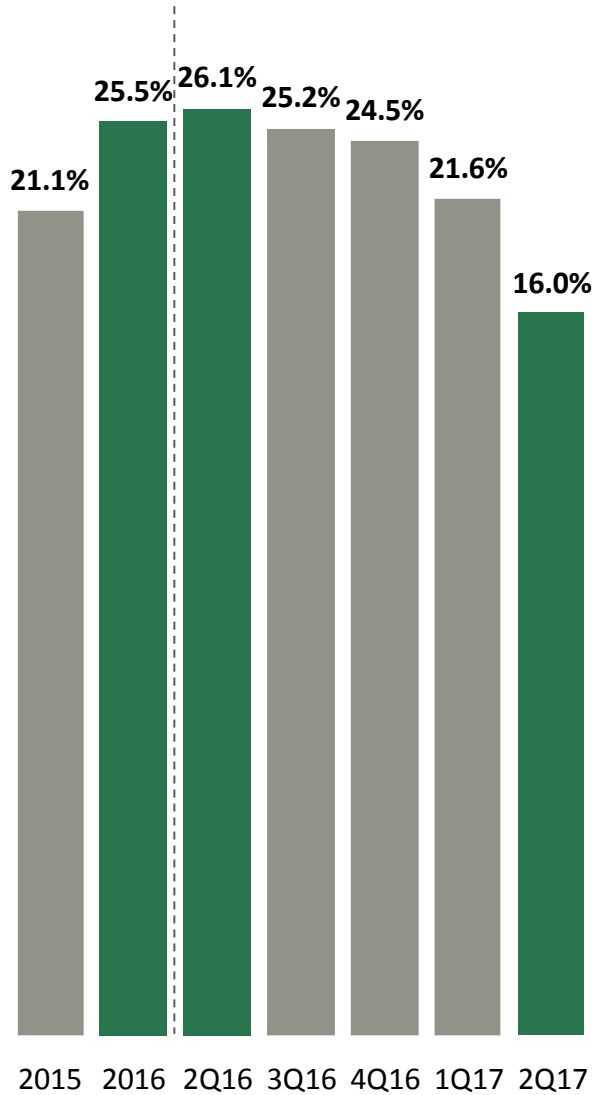
Retail Sales Mix



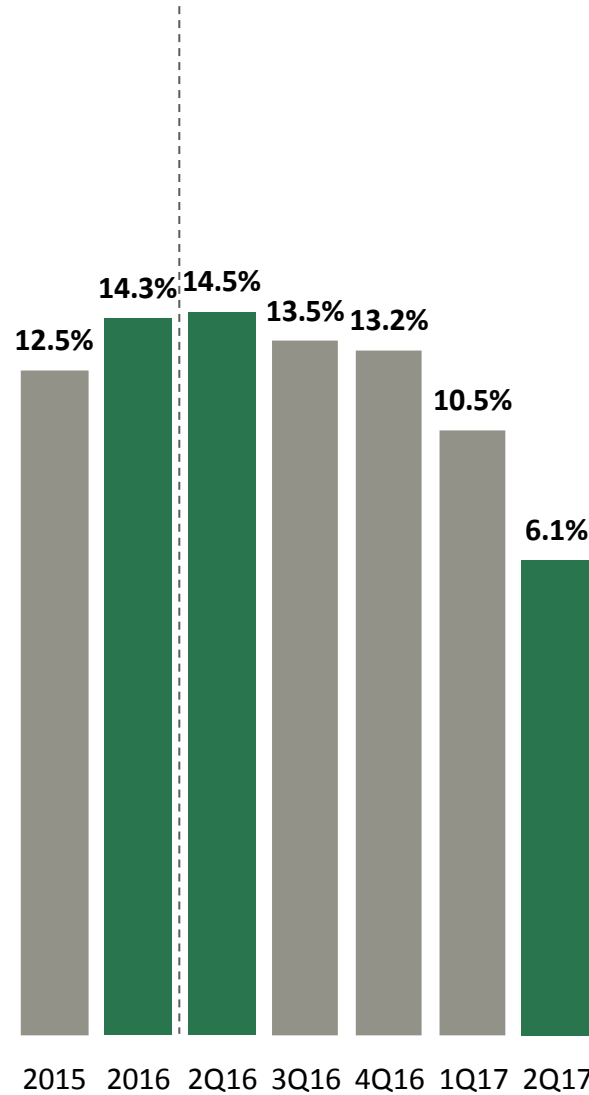


Retail grew 16.0% with 2.0% for mature stores (negative calendar effect of 0.8%). Considering only May and June, revenues increased by 17.4% with 3.4% for mature stores, in line with CPI of 3.0%.

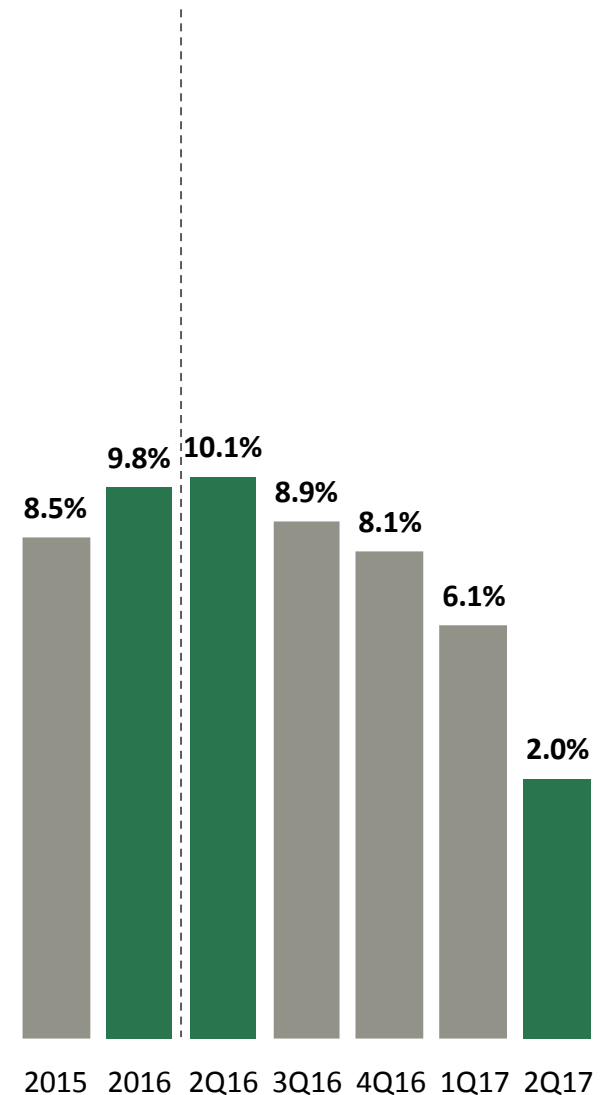
Consolidated Revenue Growth



Same Store Sales Growth*



Mature Stores Growth*

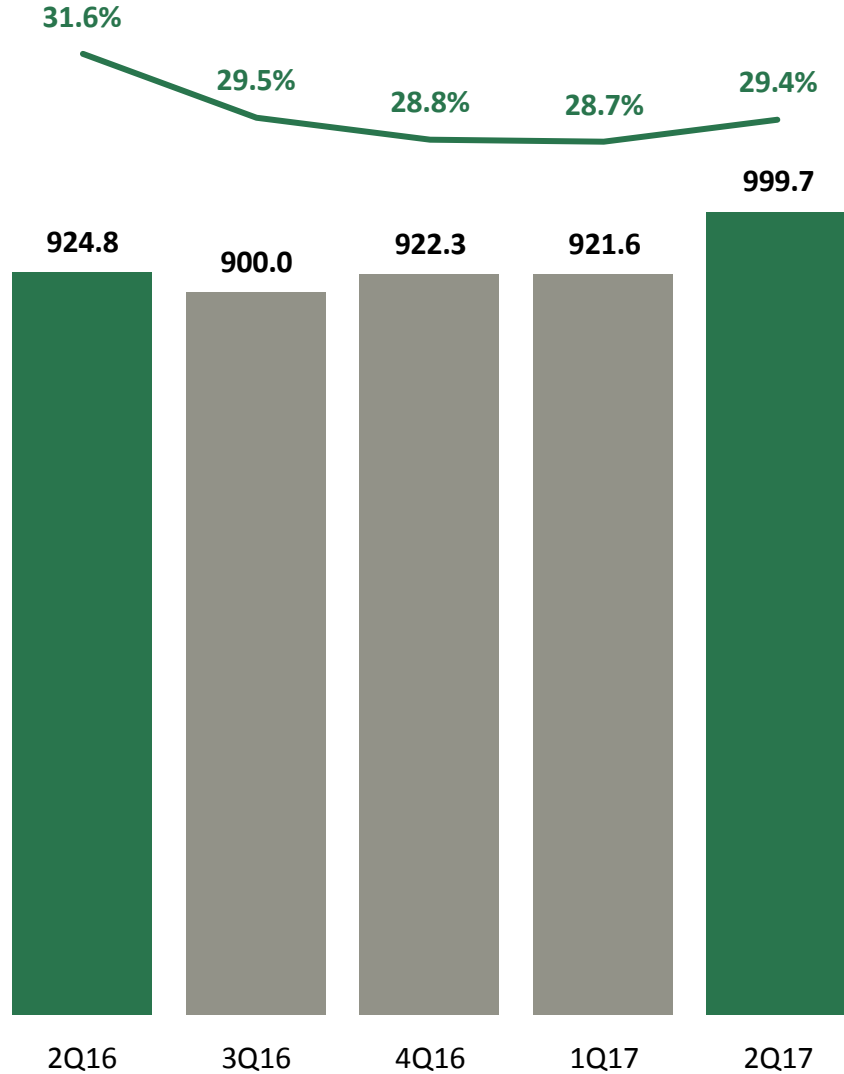


* Only retail

Consolidated gross margin fell 2.1 p.p. mainly due to lower inflationary gains on inventories (1.6 p.p. for retail and 0.3 p.p. for 4Bio). NPV adjustment reduced gross margins by another 0.2 p.p..

Gross Margin

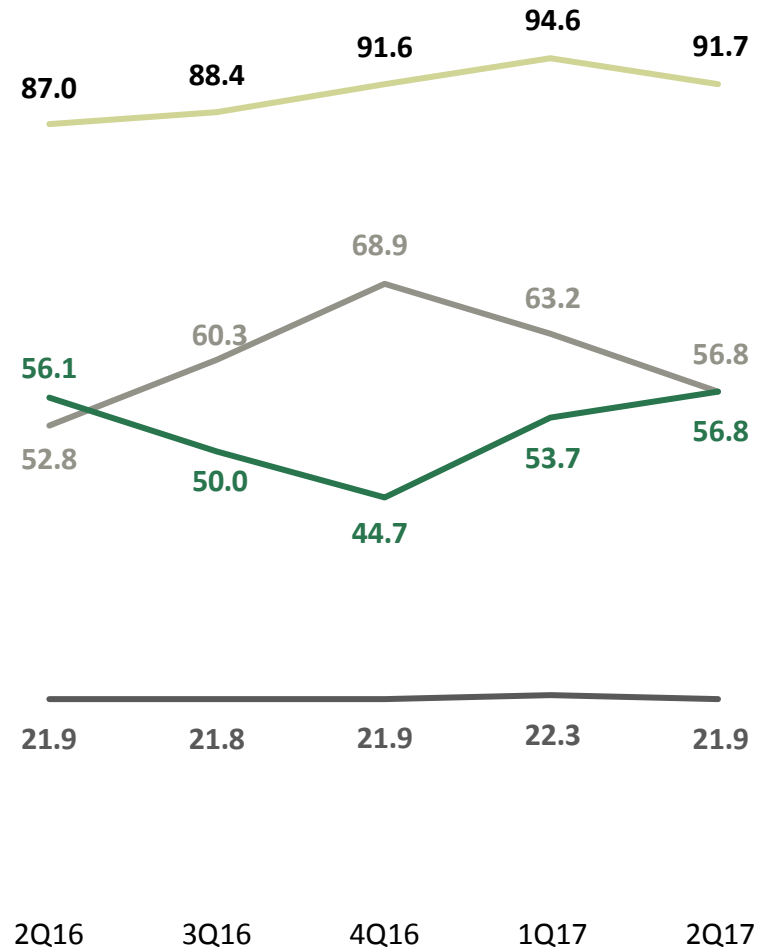
(R\$ million, % of Gross Revenues)



Cash Cycle*

(COGS Days, Gross Revenues Days)

Receivables Inventories Suppliers Cash Cycle



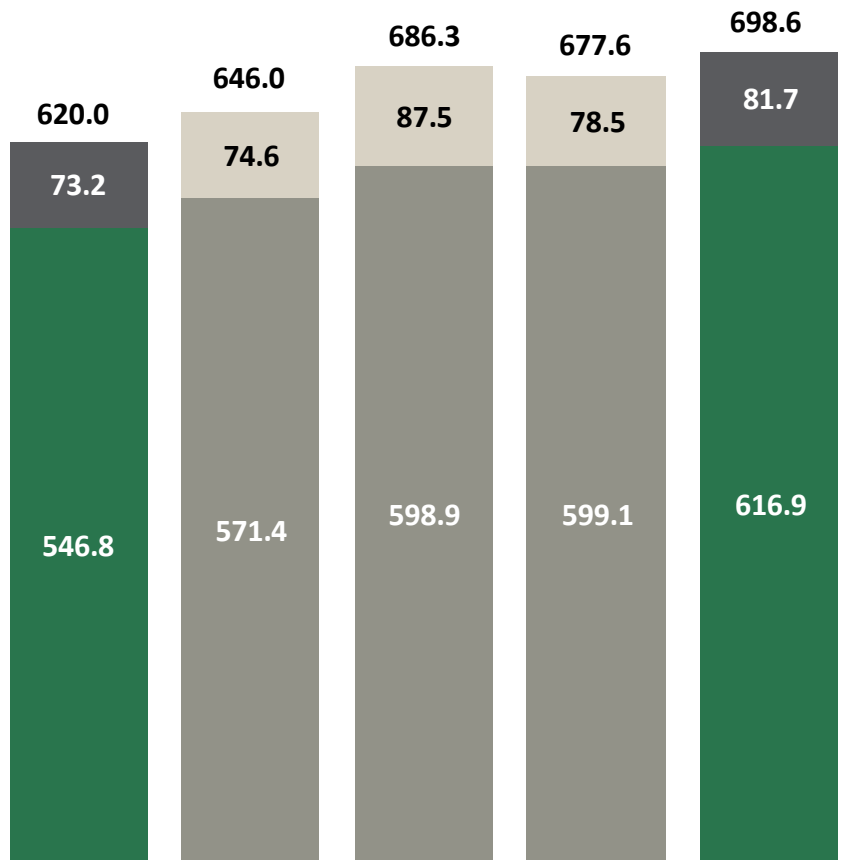
* Adjusted by discounted receivables.



SG&A diluted by 0.6 p.p. Payroll, electricity, acquiring fees, pre-operational, marketing, logistics, write-offs, 4Bio and G&A diluted by 0.1 p.p. each. Rentals increased 0.3 p.p. (9.5% IGPM in 2H16).

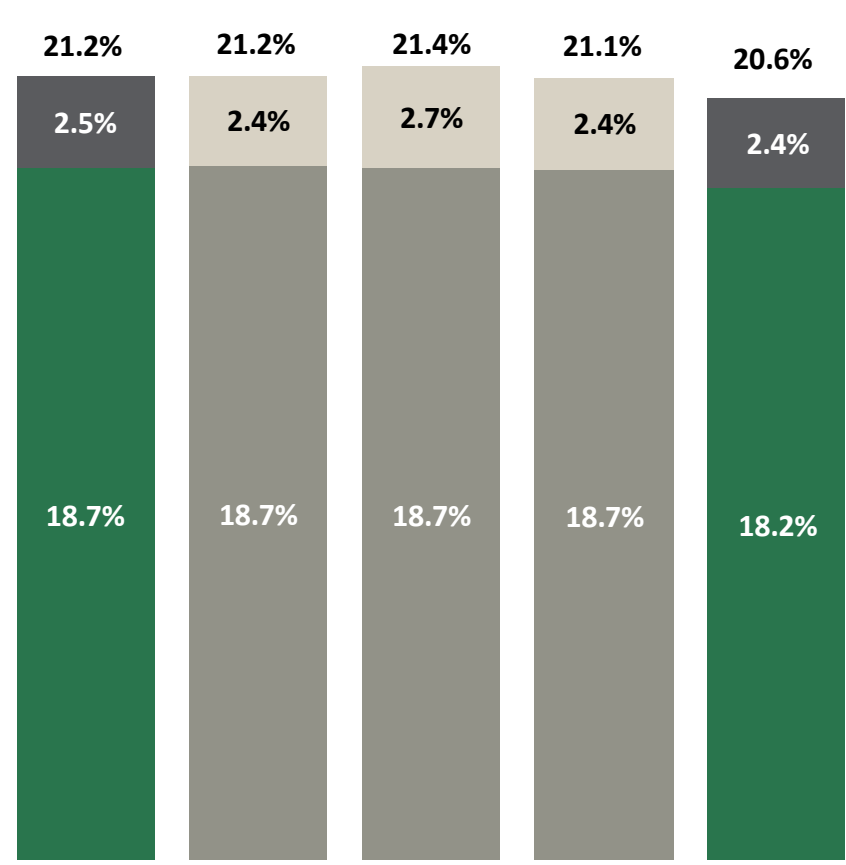
Operating Expenses

(R\$ million)



Operating Expenses

(% of Gross Revenues)

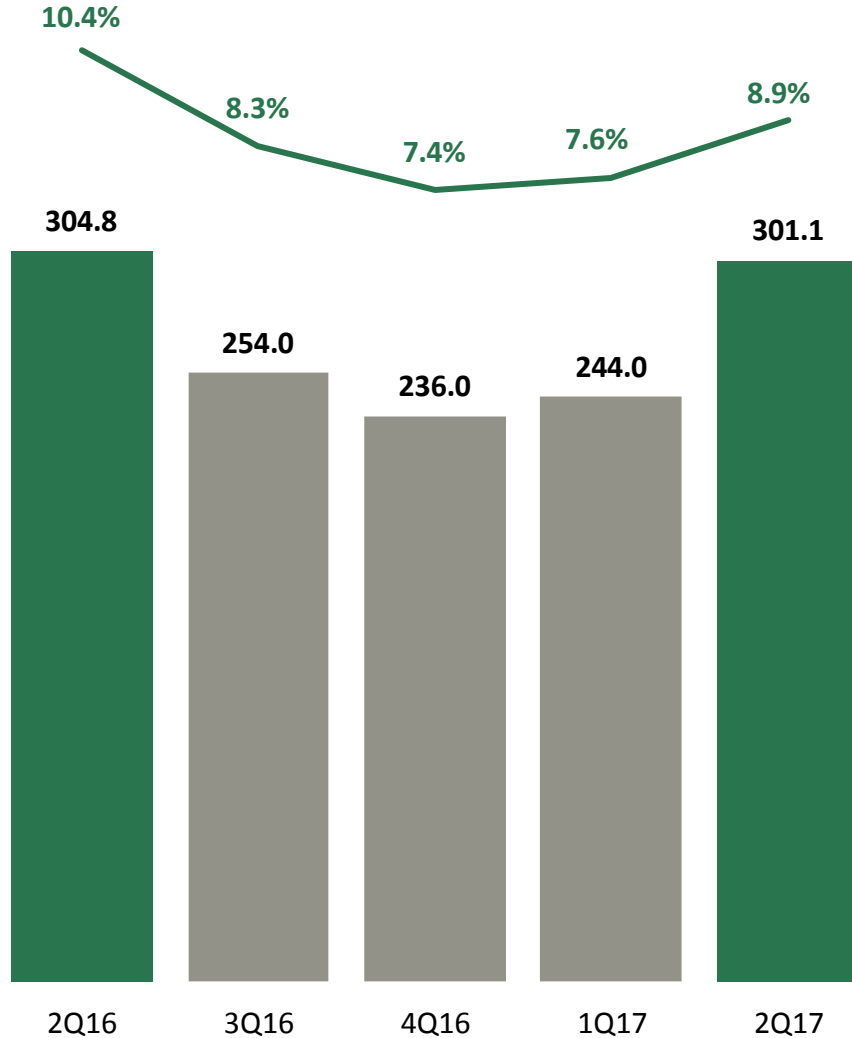


■ Sales Expenses ■ General & Administrative Expenses

EBITDA totaled R\$ 301.1 MM, with margin of 8.9%. Seasonal margin pressure of 2.1 p.p. partially offset by 0.6 p.p. structural expense dilution. New stores penalized EBITDA by R\$ 8.5 MM.

Adjusted EBITDA

(R\$ million, % of Gross Revenues)



1,410* stores operating since 2016:
(performance in the 2Q17)

- R\$ 3.3 billion of Gross Revenues
- R\$ 309.5 million of EBITDA
- EBITDA margin of 9.3%

RD Pharmacies

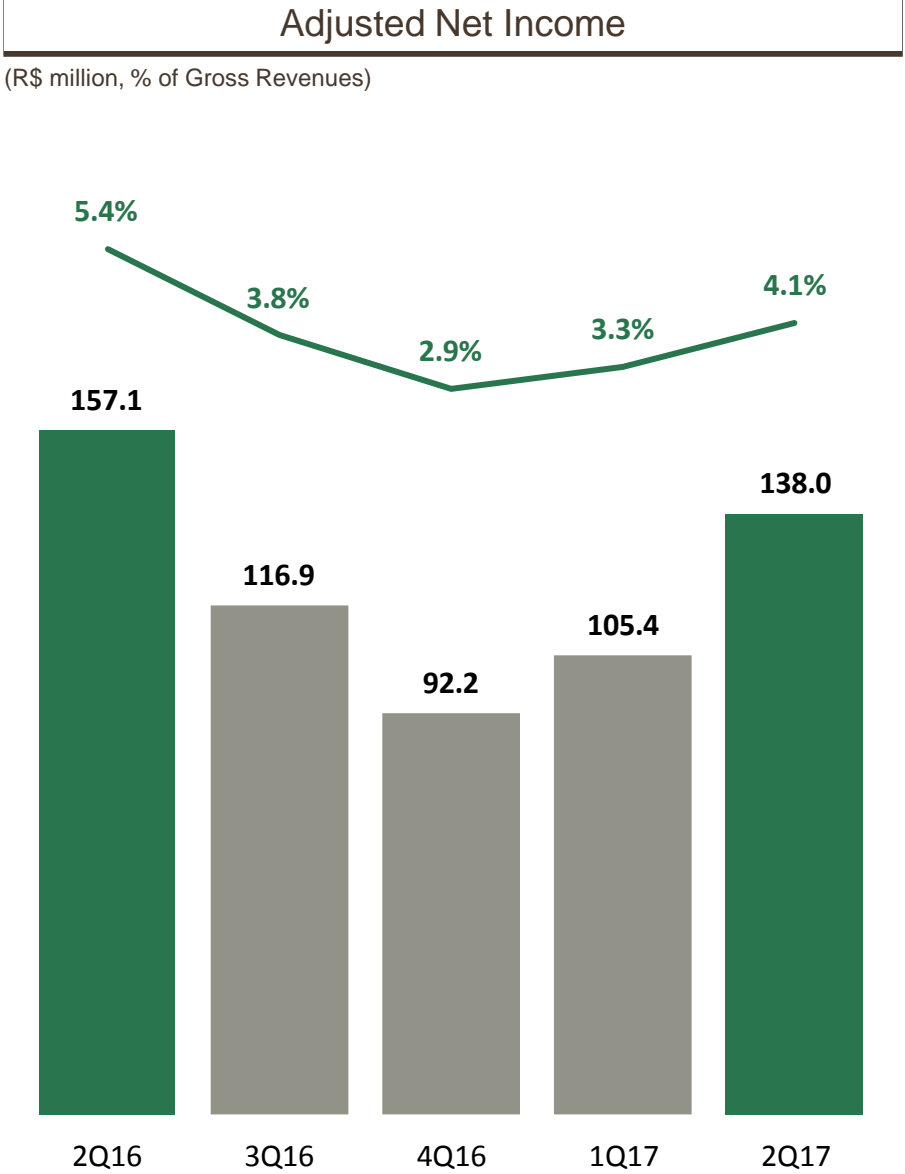
- R\$ 297.7 million of EBITDA
- EBITDA margin of 9.1%

4Bio

- R\$ 3.4 million of EBITDA
- EBITDA margin of 2.6%

* 1420 stores by the end of the 4Q16 less 10 stores closed.

Adjusted net income totaled R\$ 138.0 million in the 2Q17, a decrease of 12.2% over the same period of the previous year due to the lower EBITDA margin.



Negative Free Cash Flow of R\$ 47.5 million and Total Cash Flow of R\$ 134.0 million



Cash Flow	2Q17	2Q16	YTD '17	YTD '16
<i>(R\$ million)</i>				
Adjusted EBIT	219.6	238.2	386.1	368.1
NPV Adjustment	(11.1)	(11.7)	(32.2)	(22.1)
Non-Recurring Expenses	-	-	(2.2)	-
Income Tax (34%)	(70.9)	(77.0)	(119.6)	(117.6)
Depreciation	81.5	66.6	159.0	129.5
Others	3.9	9.2	20.2	8.5
Resources from Operations	223.0	225.3	411.3	366.4
Cash Cycle*	(149.2)	(165.5)	(395.9)	(372.0)
Other Assets (Liabilities)**	31.9	38.9	52.7	32.3
Operating Cash Flow	105.7	98.7	68.1	26.6
Investments	(153.2)	(111.8)	(288.3)	(210.7)
Free Cash Flow	(47.5)	(13.1)	(220.2)	(184.1)
Interest on Equity	(85.1)	(71.5)	(85.2)	(71.5)
Net Financial Expenses***	(16.7)	(12.5)	(27.7)	(17.4)
Income Tax (Tax benefit over financial expenses and interest on equity)	22.3	20.5	43.4	38.4
Total Cash Flow	(134.0)	(83.2)	(296.7)	(241.3)

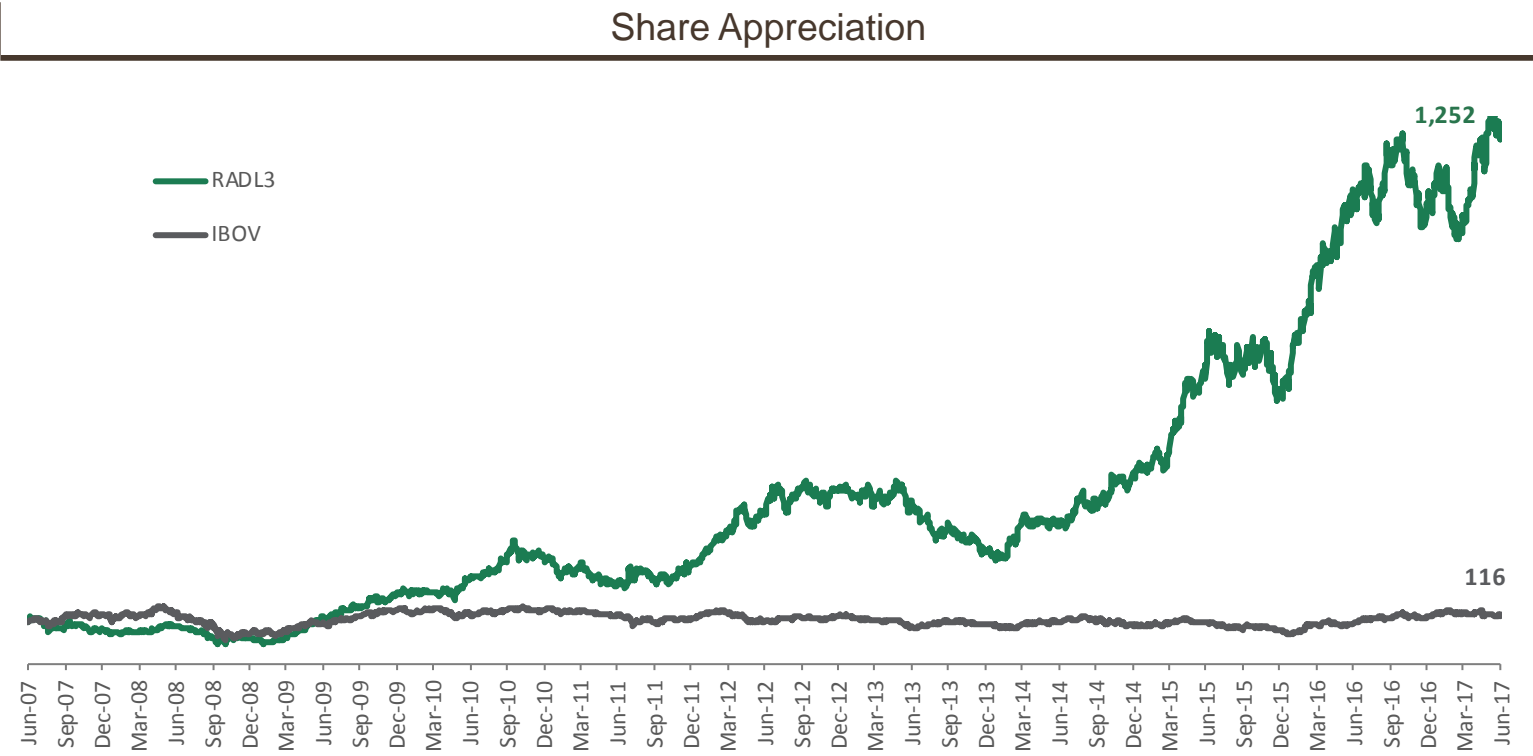
*Includes adjustments to discounted receivables.

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

***Excludes NPV adjustments.



Since the IPO of Drogasil, we achieved a cumulative share appreciation of 1,152.0% and an average annual shareholder return of 28.7%. Considering the IPO of Raia, the average annual return was 33.7%.



Performance 2017

RADL3: 14.6%
BOVESPA: 4.4%
Alpha: 10.2%
Average Trading Volume RADL3: R\$ 90.6 M

Paving the Way for a Sustainable Margin Expansion

- **Successfully navigated a very challenging quarter**
 - ✓ Very high gross margin pressure: price increase of 3.1%, with 1.4% for 4Bio, vs. 11.8% in 2016
 - ✓ Lower revenue growth due to the April calendar: 3 long holidays in a single month

- **The margin pressure hides great structural trends**
 - ✓ Healthy structural growth: total revenue growth of 17.6% in May and June, 3.4% for mature stores
 - ✓ Solid structural gross margin: pressures are seasonal and temporary
 - ✓ Record expense dilution: structural gains in Labor, Credit Card, Pre-Operational and Other expenses
 - ✓ Rentals pressure will be reduced: IGPM of 9.5% in 2H16 (2/3 of contracts readjusted), already -0.8% in 2Q17

- **Many transformational initiatives on the way**
 - ✓ New loyalty programs for Raia and Drogasil: All stores rolled-out by September with Exclusive Offers
 - ✓ New Drogasil store identity: All new stores from August, 50 renovations in 2017 (mostly top stores)
 - ✓ Entry into Ceará: Very important market, great initial numbers
 - ✓ New Pricing Platform: Early stage of implementation

- **2017 Earnings Releases**

- 3Q: October 26th, 2017

- **RD Day 2017**

- November 10th, 2017
- Villa Bisutti, São Paulo

- **Scheduled Investor Conferences**

- August 15th to 17th: **Annual Brazil Conference**, Santander (São Paulo)
- August 22th **Brazil Consumer and Healthcare Check-Up**, J.P. Morgan (São Paulo)
- September 11th to 13th: **Annual Latin America Conference**, Morgan Stanley (London)
- November 14th to 15th : **Annual CEO Conference**, Bradesco (New York)