RaiaDrogasil

Earnings Presentation- 2013

March 18th, 2014


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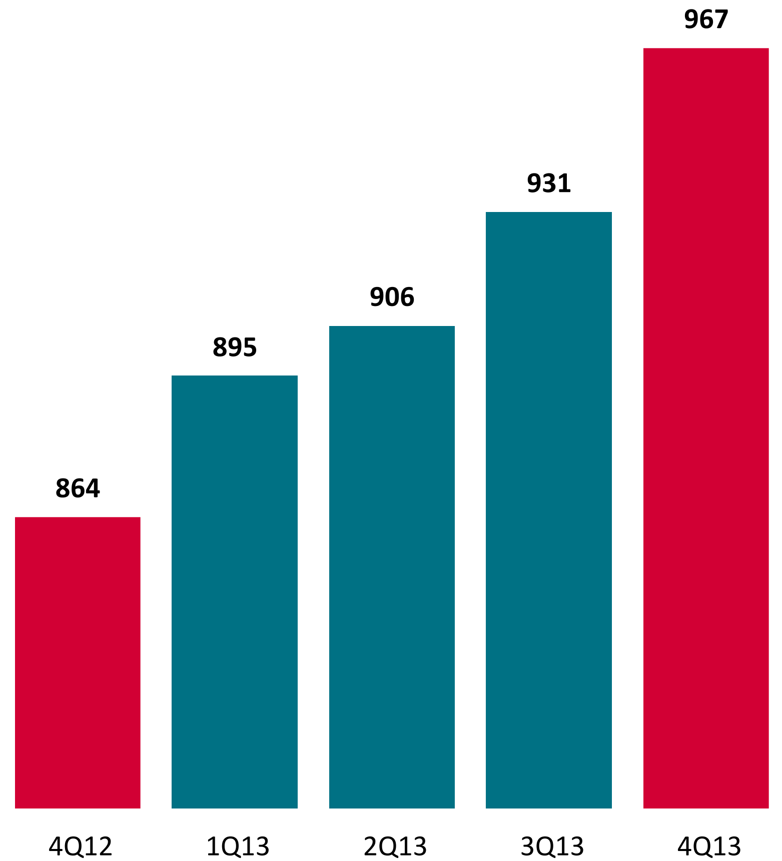
Annual Highlights

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

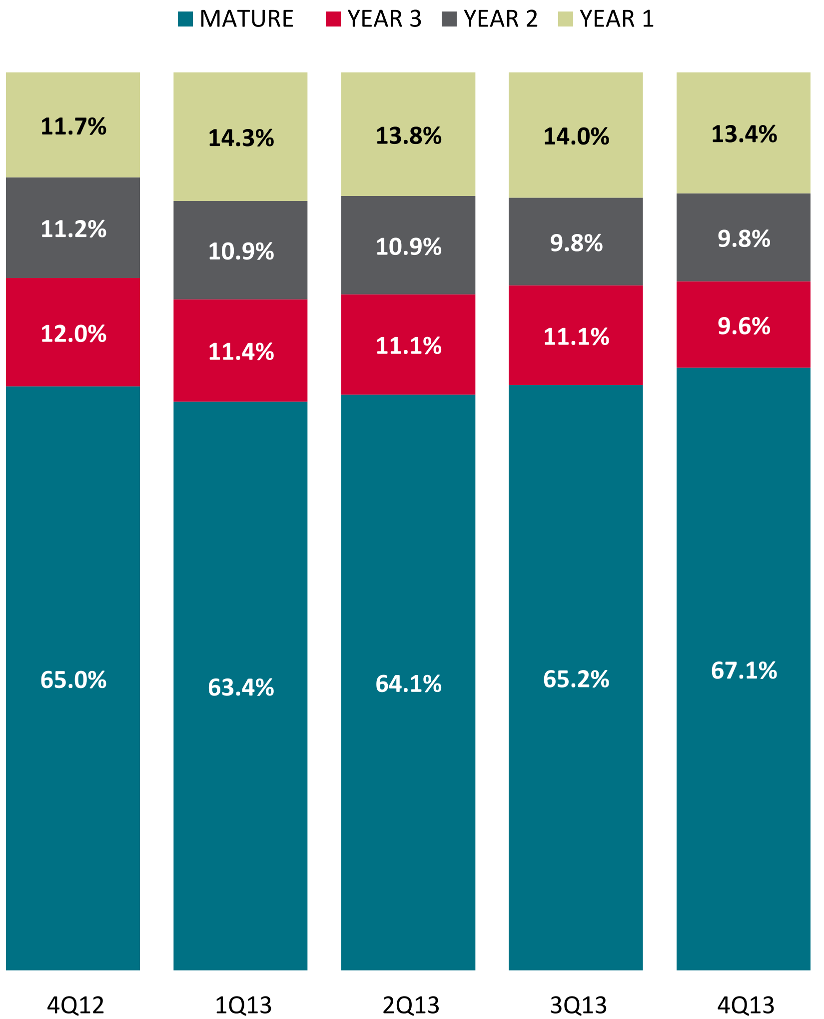
We opened 131 stores, closed 24 and suspended 4 in 2013 (opened 41 stores, closed 4 and suspended 1 net store in the 4Q13). 32.8% of stores are still in maturation.

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)

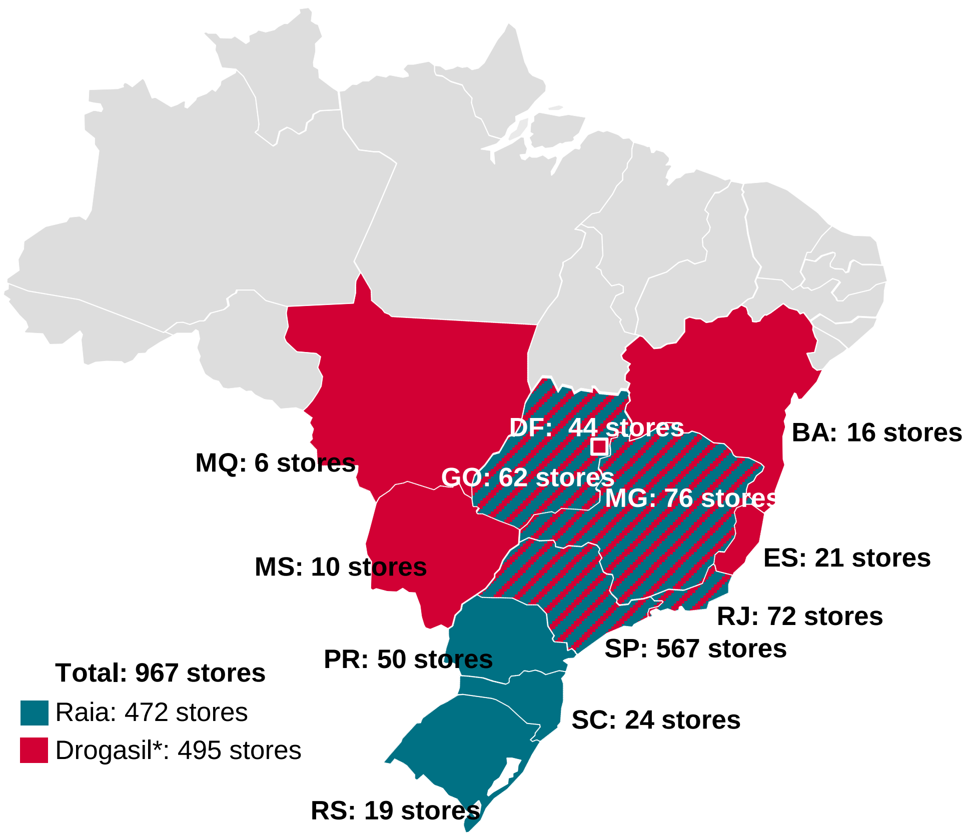
Age Structure of Store Portfolio



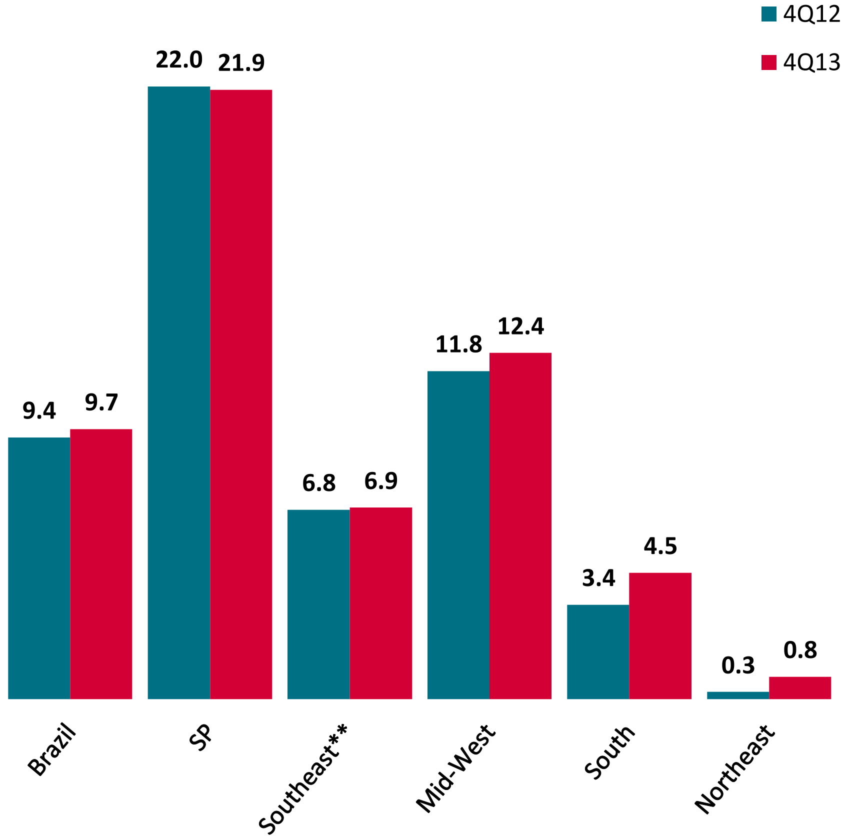
* Does not include suspended stores, which have been temporarily closed to be rebranded.

Comparable market share increased by 0.3 percentage point, with a slight share loss in SP and increases in all other markets.

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

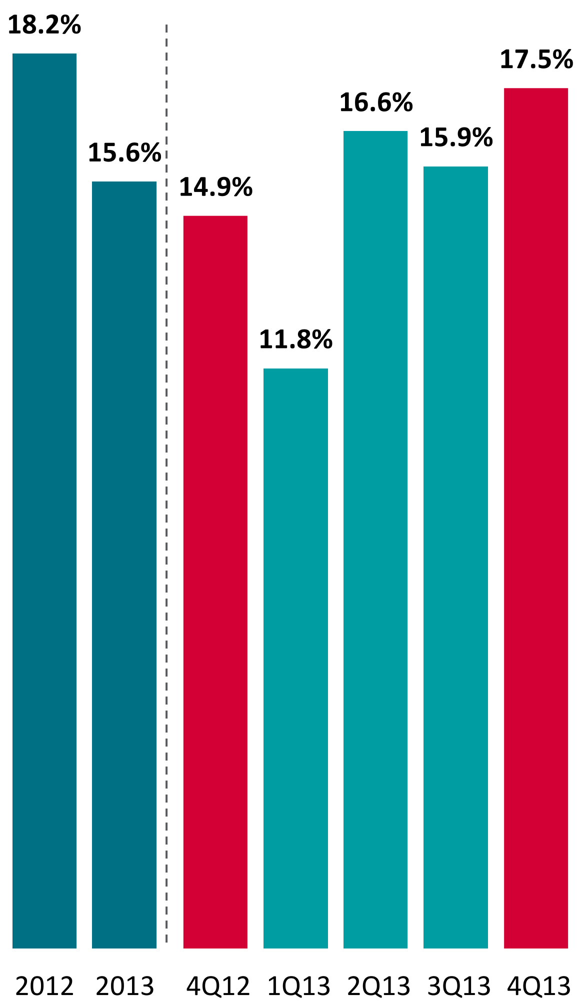
* Includes Farmasil stores

** Excludes São Paulo

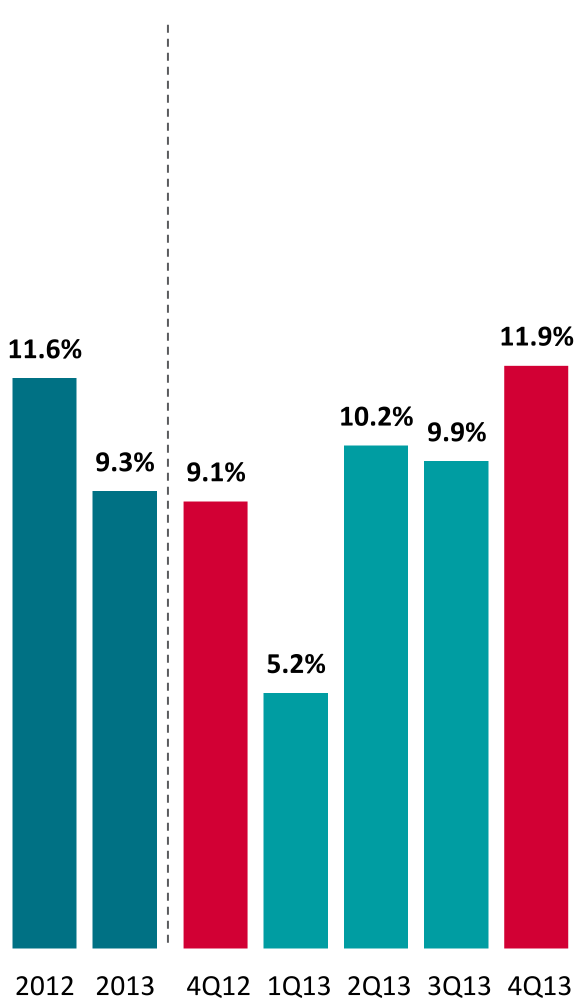
*** Comparable Market Share, excluding new informants added to the panel during 2013. Our national market share including the full panel was of 9.4%

Gross revenues increased by 15.6%, with 9.3% for same stores and 4.7% for mature stores (17.5%, 11.9% and 6.0% in the 4Q13, with a positive calendar effect of 0.4%).

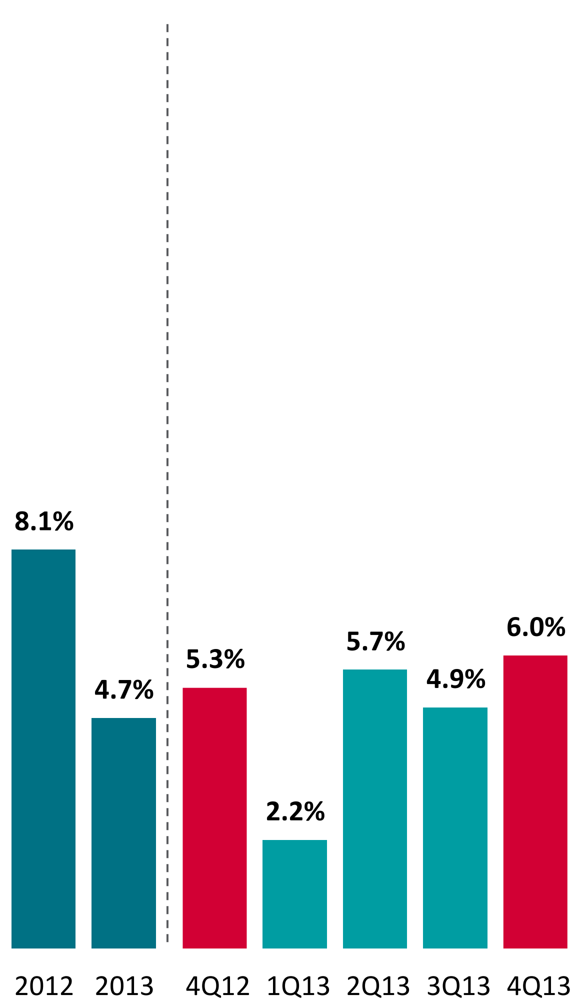
Growth – Total Sales



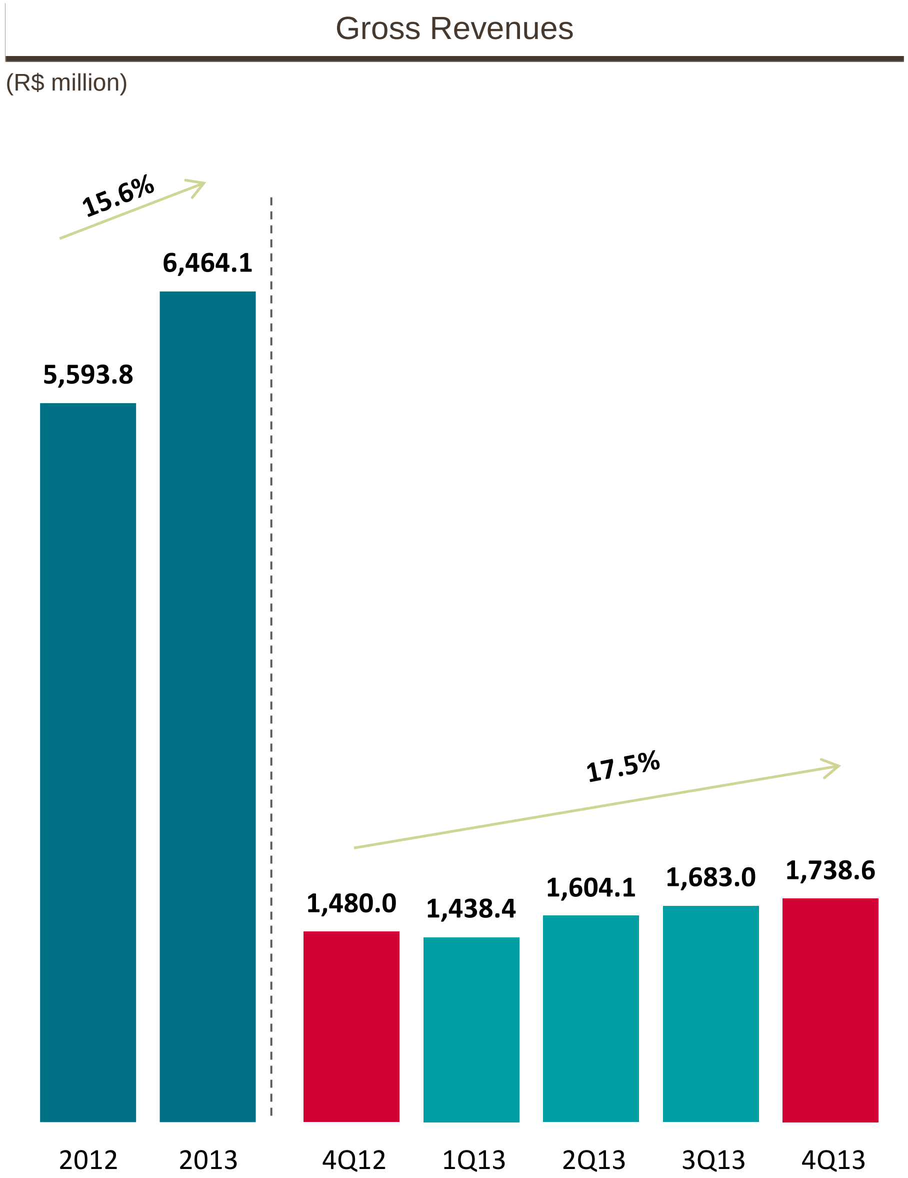
Growth – Same Store Sales

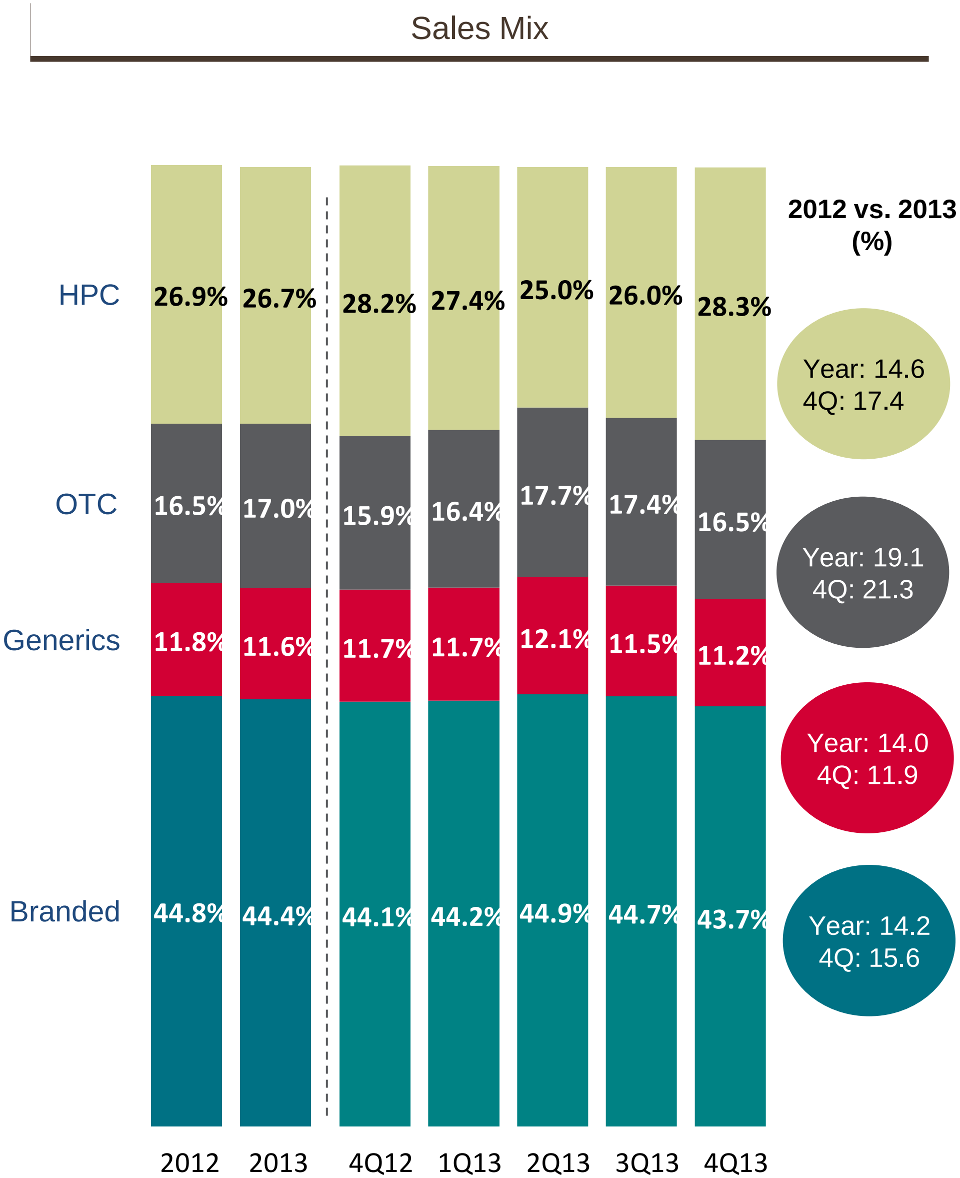


Growth – Mature Stores



OTC was the highlight of the year by growing 19.1% (21.3% in the 4Q13). Generics grew slightly below Branded in the year, with 14.0% (11.9% in the 4Q13)

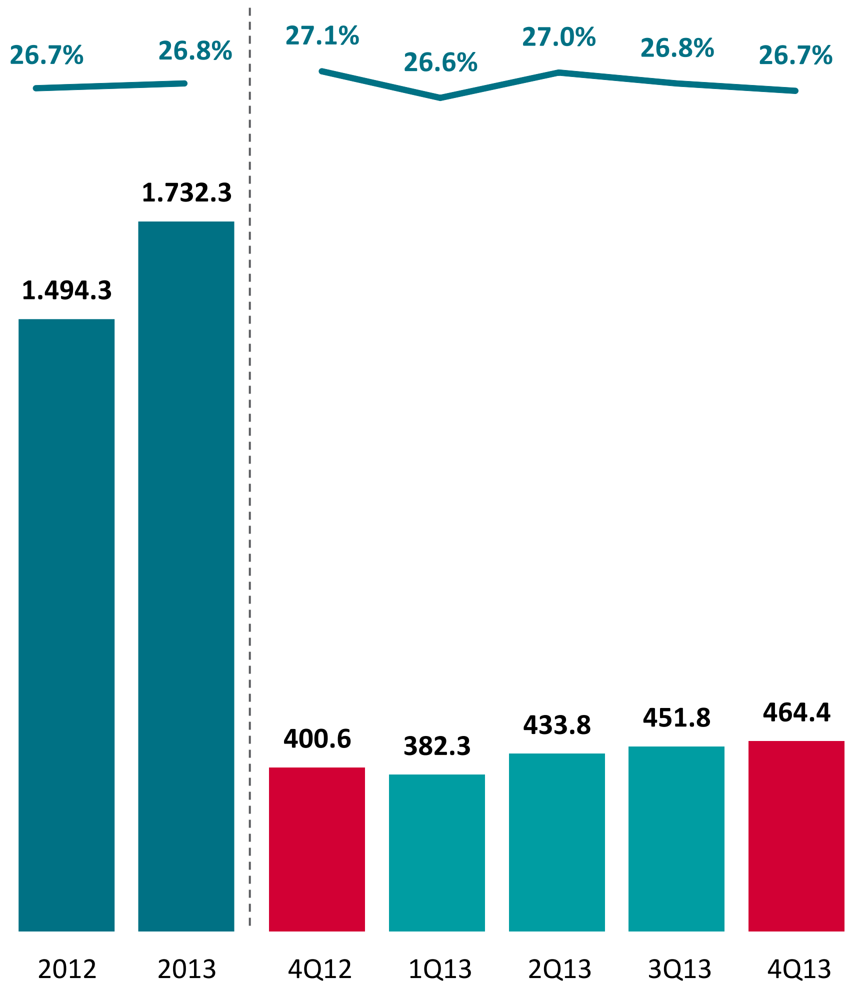




Gross margins increased by 0.1% (0.4% reduction in the 4Q13). Cash cycle improved by 1.8 day (5.9 days reduction excluding taxes on inventories due to change in tax regime).

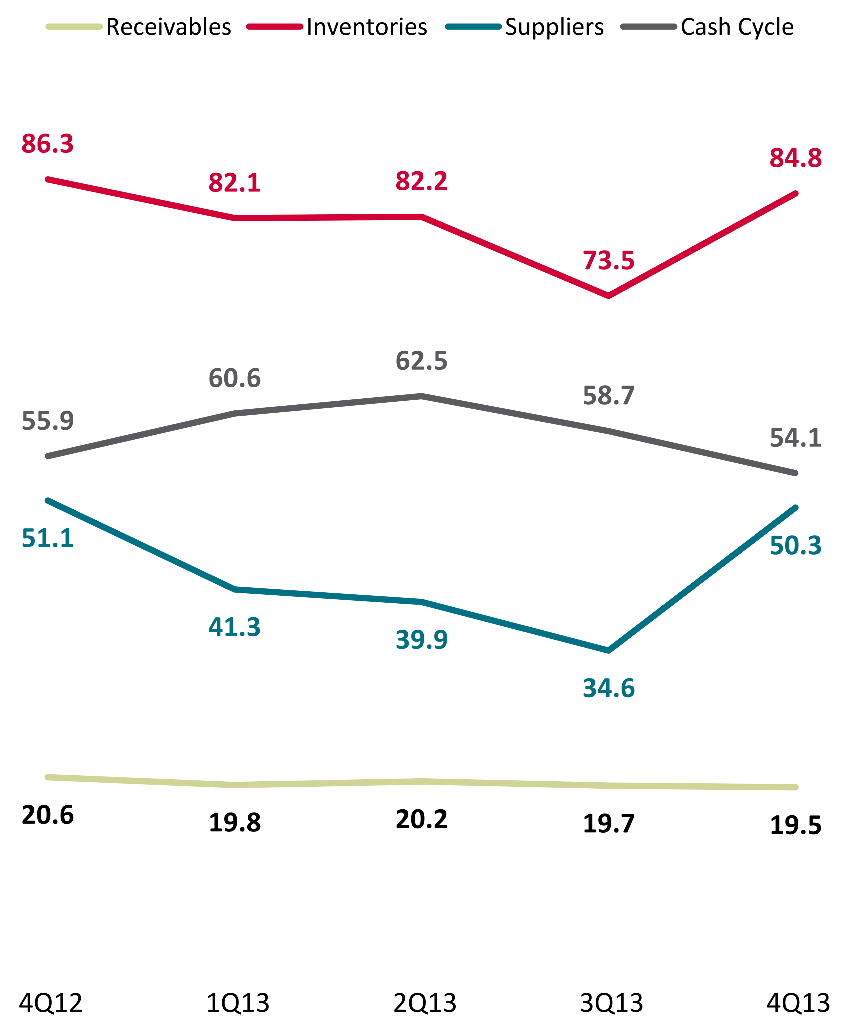
Gross Margin

(R$ million, % of Gross Revenues)

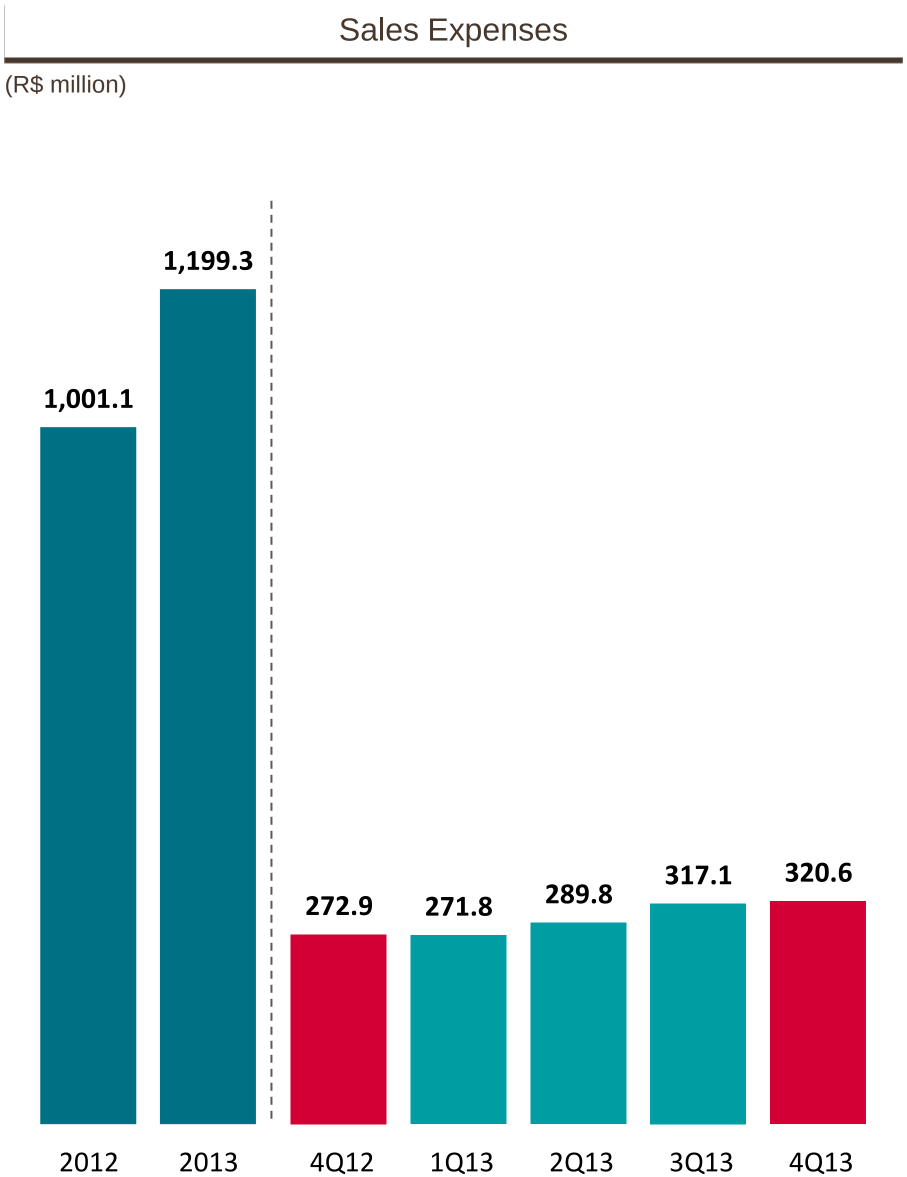


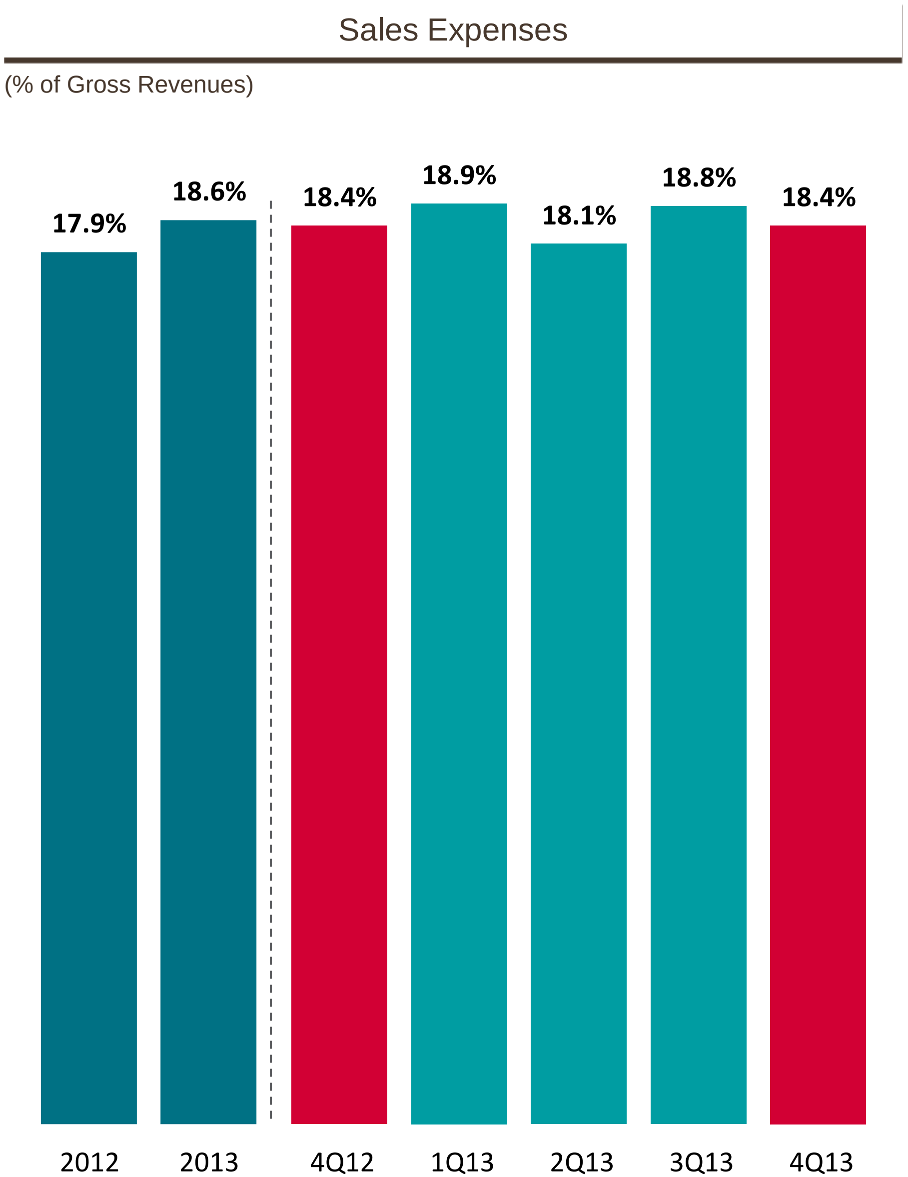
Cash Cycle

(COGS Days, Gross Revenues Days)



Sales expenses increased by 0.7% due to inflation on payroll (0.3%) and rentals (0.2%) and to marketing expenses (0.2%). Stable 4Q13 leveraged by improvement in sales.

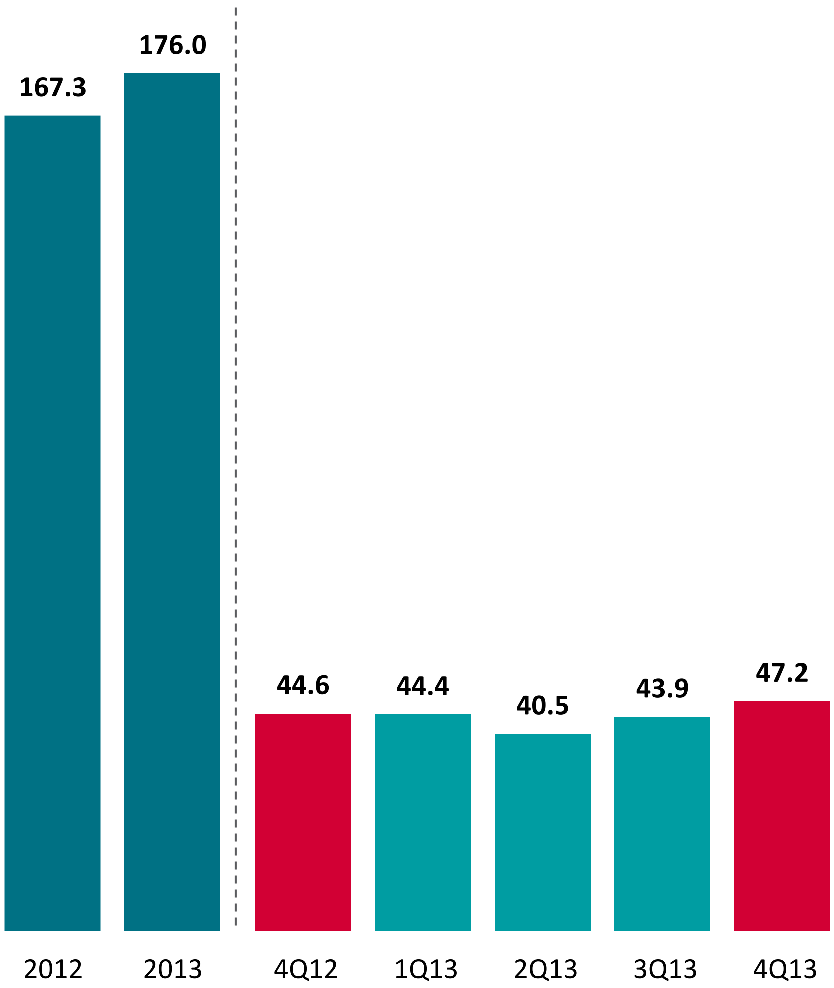




Administrative expenses constant in inflation-adjusted terms, resulting in a dilution of 0.3 percentage point both in the year and in the quarter

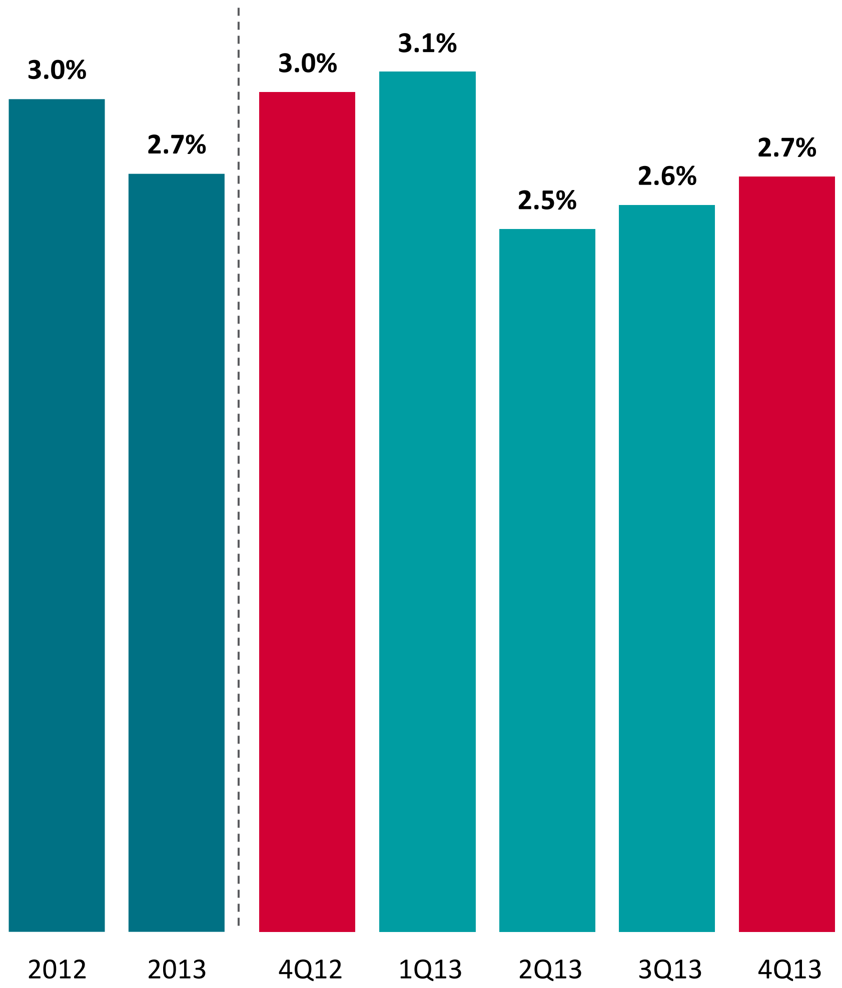
General and Administrative Expenses

(R$ million)

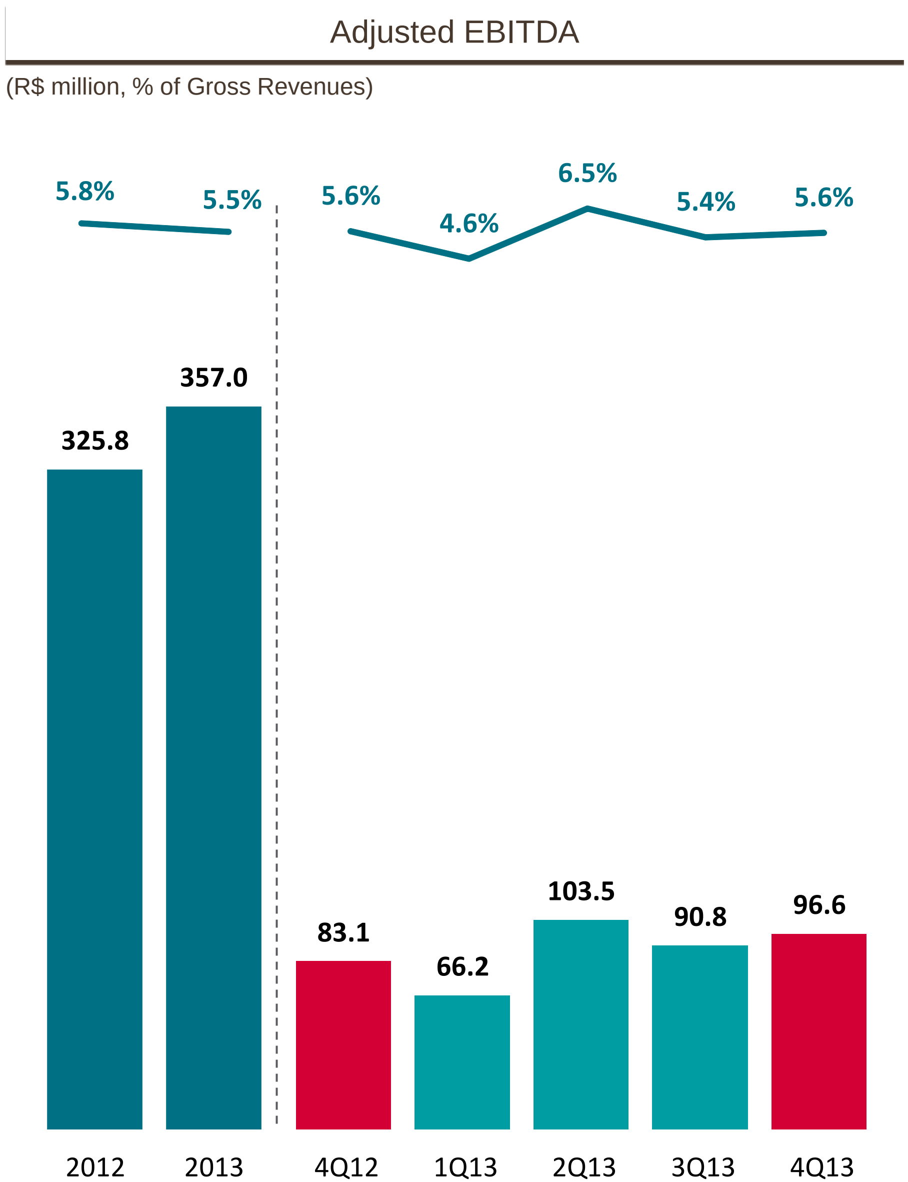


General and Administrative Expenses

(% of Gross Revenues)



EBITDA margin reduction of 0.3 percentage point due to the lower growth of mature stores. 4Q13 in line with previous year

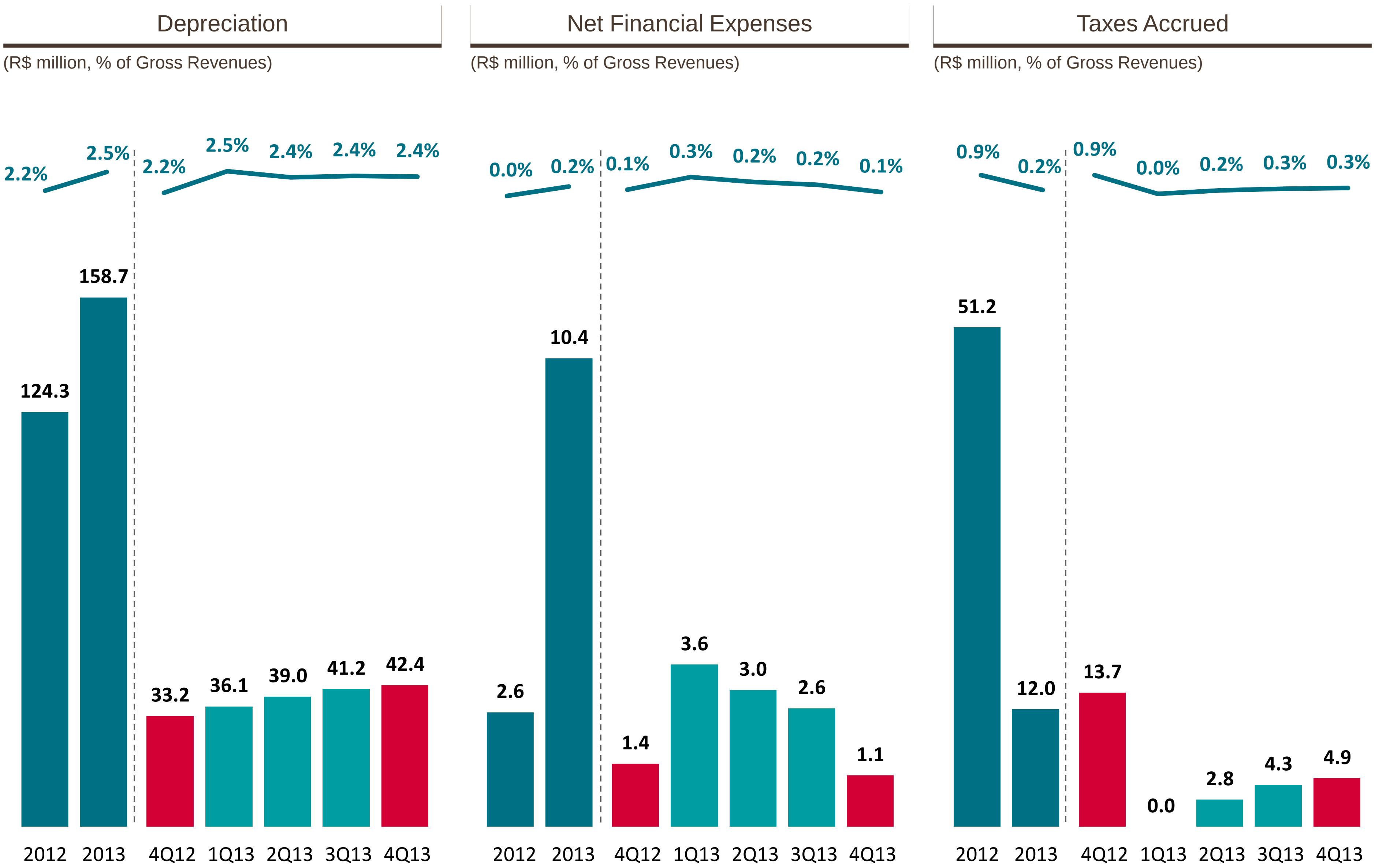


836* stores operating since 4Q12:
(performance in the 4Q13)

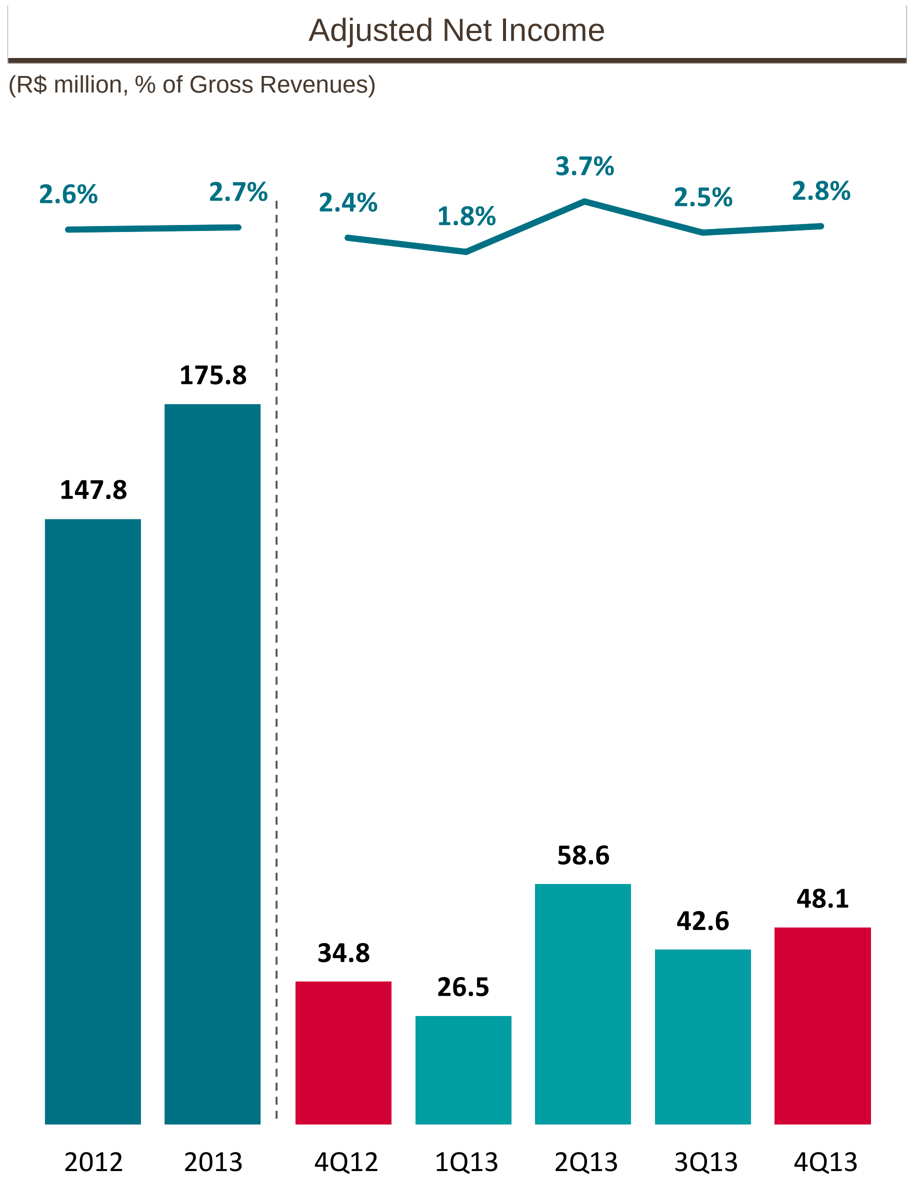
- R$ 1.6 billion of Gross Revenues
- R$ 104.2 million of EBITDA
- EBITDA margin of 6.4%

* 864 stores at year-end, less 28 stores closed or suspended

Increases in depreciation (0.3 p.p) and in net financial expenses (0.2 p.p) were more than offset by the tax shield on goodwill amortization (0.7 p.p.)



Slight net margin improvement driven by tax shield on goodwill amortization, which offset pressures from EBITDA margin, depreciation and net financial expenses



Non-recurring expenses totaled R$ 48.5 million in 2013 and R$ 14.5 million in the quarter. Very low non-recurring expenses are expected from the 1Q14

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)**

Positive free cash flow (R$ 45.3 million) and total cash flow (R$ 22.3 million), reflecting an improvement in working capital management

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

Sustainability

- **Social Inclusion: > 900 handicapped employees (Side by Side Project)**

- **Social Mobilization: R$ 3.3 million raised in 2013 to fund selected NGOs**

  - *Sorria (Droga Raia)* - R$ 1.7 million, R$ 12.2 million donated to GRAACC (reference youth cancer center) since 2008

  - *"Bem +" (Drogasil)* - Launched in 2013: R$ 0.9 million donated to Obra do Berço (NGO that assists needy families)

  - *Solidary Change (Drogasil)* - R$ 0.7 million donated to AACD (NGO that assists disabled children)

- **Environment: Collection and disposal of returned medicines (Conscient Waste Program)**

  - Scope: 231 Droga Raia stores

  - Results: > 22 tons disposed according to best environmental practices

  - Environmental Impact: Preservation of up to 9 thousand litters of water that could be contaminated by such waste.

Bem+
VIDA • SAÚDE • EDUCAÇÃO • CULTURA • LAZER
A revista da Associação "Obra do Berço"

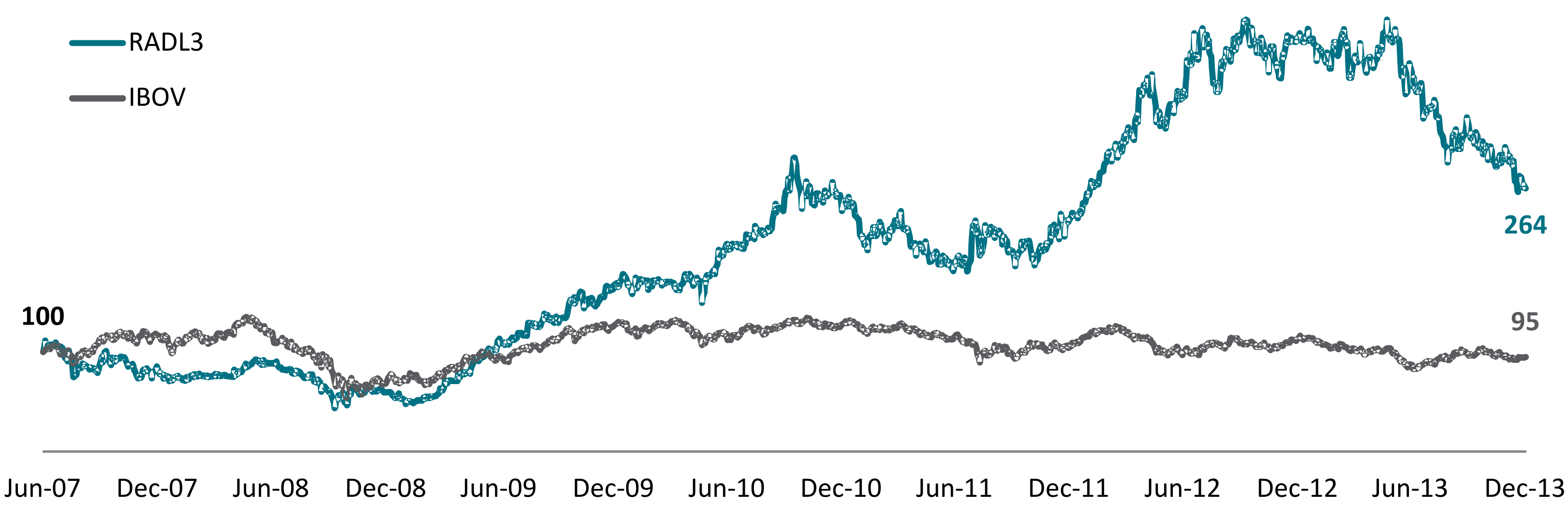
sorria
PARA SER FELIZ AGORA

Programa
Descarte Consciente

We ended 2013 with a share price of R$ 14.78, a price reduction of 35.9% versus a decrease in the IBOVESPA of 15.5% in the same period

Share Evolution

(Base 100)



Number of Shares (thousand)	330,386
Stock Quote - December 31st (R$)	14.78
Market Cap (R$ billion)	4.9
Average Trading Volume 2013 (R$ million)	22.9

Challenges for 2014

- **Sustainable Growth with Financial Discipline**
  - 130 new store openings
  - Financial Discipline (high marginal returns, financial self-sufficiency)
  - Increase density in mature markets and entry into new markets
  - Focus on new formats (eg: Farmasil)

- **Productivity Gains**
  - Focus on initiatives to grow mature stores above inflation
  - Reengineering store processes (simplify, enhance productivity, improve customer service)
  - Control administrative expenses and extend their dilution
  - Increase gross margins (strengthen CM and purchasing, advance private label and generics)

- **Omni Chanel**
  - Integrated store and e-commerce operation, holistic relationship with customer
  - *Upgrade* IT structure paving the way for our long-term strategy

- **Incentive Alignment and Retention**
  - Long-term incentive scheme based on restricted shares (instead of options)
  - Program will be voted by General Assembly in substitution for existing Stock-Option program