



EARNINGS RELEASE 3Q14

São Paulo, November 6th, 2014. Raia Drogasil S.A. (BM&FBovespa: RADL3) announces today its results for the 3rd quarter of 2014 (3Q14). The consolidated quarterly information of Raia Drogasil S.A. for the period ended September 30th, 2014 was prepared in accordance with IFRS and was reviewed by our independent auditors in accordance with Brazilian and international standards of auditing. Such quarterly information was prepared in Reais and all growth rates are related to the same period of 2013.

As a result of the creation of RaiaDrogasil, we incurred both in 2014 and in 2013 on certain non-recurring expenses related to the integration. To facilitate a better understanding and analysis of our operating performance, we are supplementally presenting adjusted results for 2014 and 2013 excluding the effects of non-recurring expenses.

In April and in May of 2013 we recorded a reduction in social charges on labor, a line which was classified 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.

HIGHLIGHTS:

- **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

RADL3: R\$ 23.17/share

Number of Shares: 330,386,000

Market Cap: R\$ 7,655 million

Closing: November 5th, 2014

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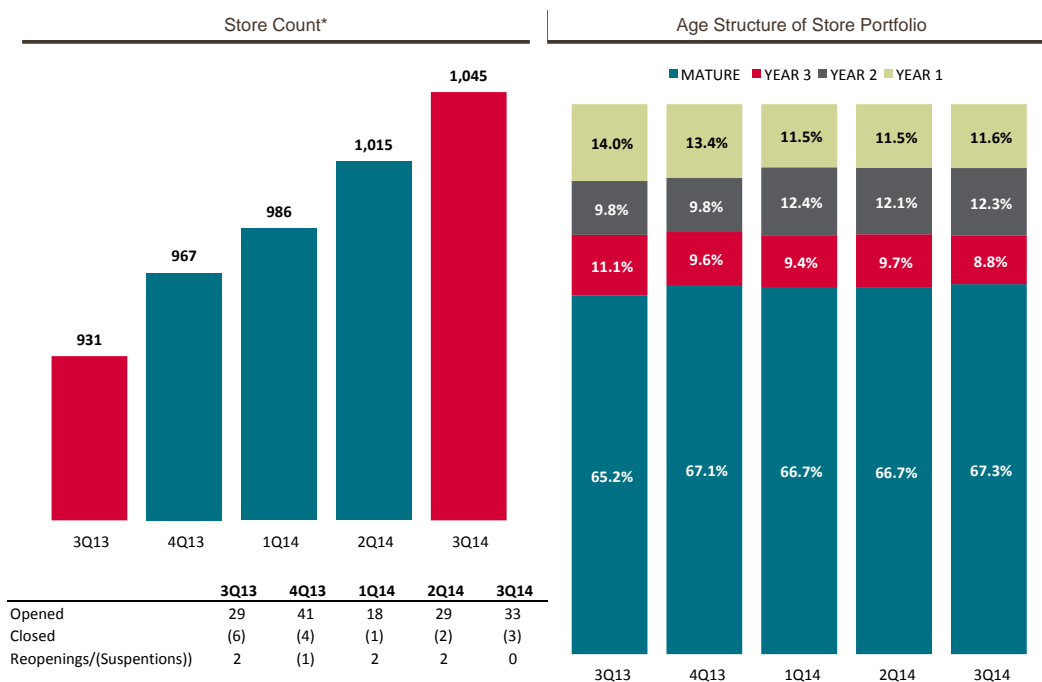
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Summary	3Q13	4Q13	1Q14	2Q14	3Q14
<i>(R\$ thousand)</i>					
# of Stores (end of period)	931	967	986	1,015	1,045
Store Openings	29	41	18	29	33
Store Closures	(6)	(4)	(1)	(2)	(3)
Net Reopenings/(Suspensions)	2	(1)	2	2	0
# of Stores (average)	920	950	977	1,003	1,032
Head Count	21,268	21,482	21,578	22,090	22,753
Pharmacist Count	3,260	3,322	3,451	3,587	3,747
# of Tickets	34,567	34,803	34,078	36,078	37,536
Gross Revenues	1,682,958	1,738,649	1,718,910	1,856,576	1,990,328
Gross Profit (Adjusted)	451,785	464,412	462,109	522,254	548,200
% of Gross Revenues	26.8%	26.7%	26.9%	28.1%	27.5%
EBITDA (Adjusted)	90,791	96,607	87,323	131,295	139,947
% of Gross Revenues	5.4%	5.6%	5.1%	7.1%	7.0%
Net Income (Adjusted)	42,623	48,067	40,720	73,820	80,494
% of Gross Revenues	2.5%	2.8%	2.4%	4.0%	4.0%
Net Income	18,618	27,818	29,131	62,120	67,979
% of Gross Revenues	1.1%	1.6%	1.7%	3.3%	3.4%
Free Cash Flow	57,736	70,849	(118,953)	51,479	22,446



STORE DEVELOPMENT

We opened 33 new stores and closed three, ending the quarter with 1,045 stores in operation. In the 9M14 we opened a total of 80 stores. We reiterate our gross store opening guidance of 130 new stores for the year.



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

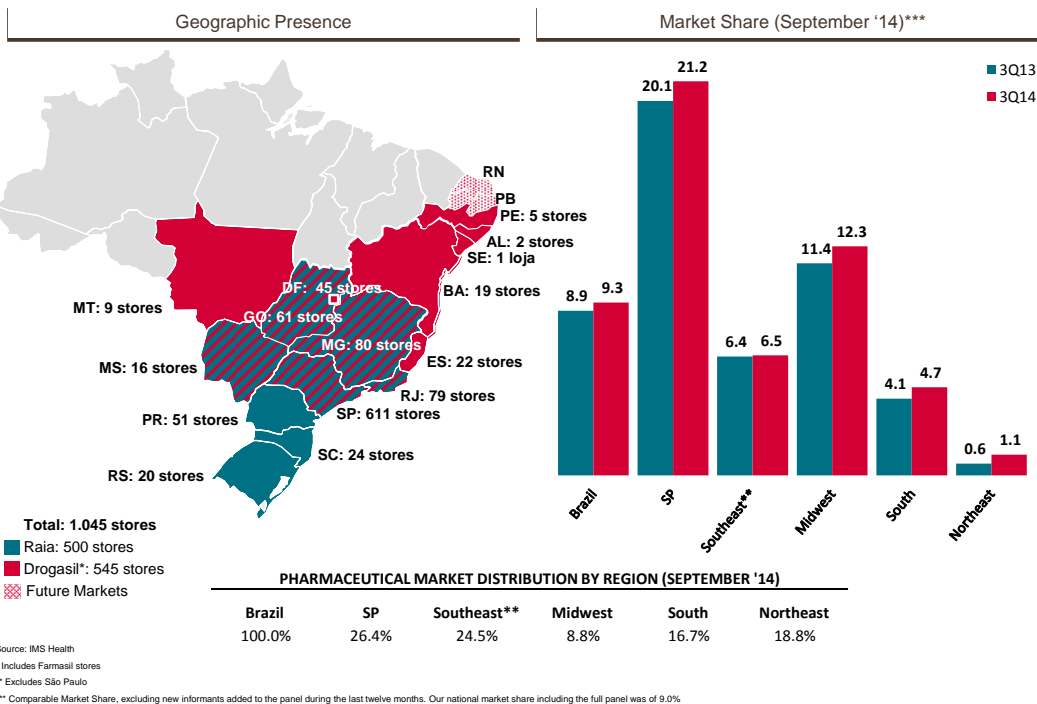
At the end of the period, 32.7% of our stores were still in the process of maturation, and had not yet reached their full potential in terms of revenues and profitability.

Our comparable national market share reached 9.3%, a 0.4 percentage point increase when compared to the 3Q13. Our market share figures have been adjusted by IMS Health to exclude new informants to preserve historical comparability. Considering the inclusion of new informants, our national market share totaled 9.0%.

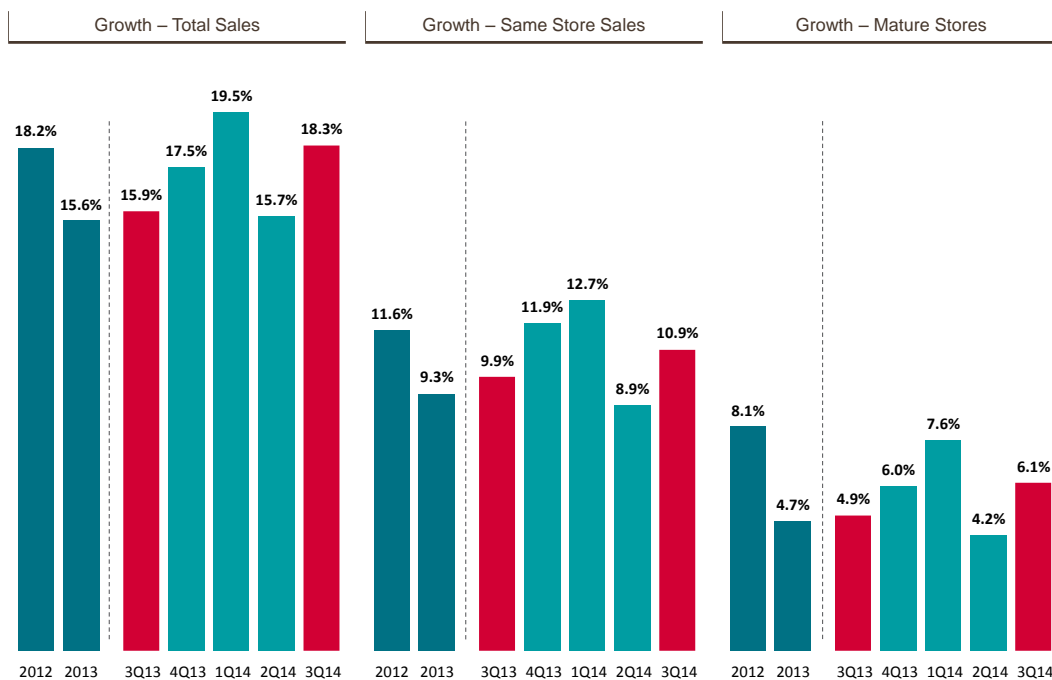
We have increased our market share in all our regions. Our main highlight was São Paulo, where we recorded a 1.1 percentage point increase leveraged by our organic expansion and by the progressive recovery of one of our brands, which had lost market share in 2013. In the remaining states of the Southeast region, our market share increased by 0.1 percentage point, driven by the favorable performances in our stores, especially in Rio de Janeiro and in Espírito Santo.

In the Midwest region, we recorded a 0.9 percentage point increase due to strong performances in Mato Grosso do Sul, Mato Grosso and Distrito Federal, as well as in Goiás. We also recorded an excellent performance in the Southern region, where our market share increased by 0.6 percentage point, driven by store maturation in Paraná and in Santa Catarina and by geographic expansion in Rio Grande do Sul.

Finally, our market share in the Northeast region reached 1.1%, due to our growth in Bahia and to our recent entry in Pernambuco, Sergipe and Alagoas. It is important to highlight that we are further expanding our presence in the region through our entry in Paraíba (November 5th) and in Rio Grande do Norte (December).



GROSS REVENUES



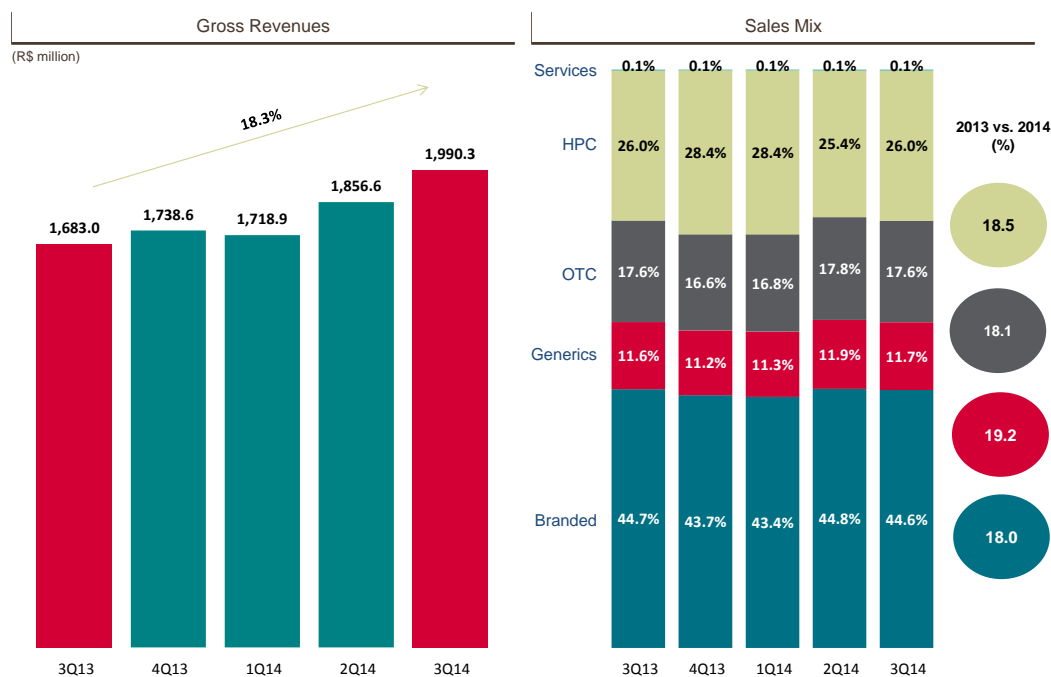


We ended the quarter with gross revenues of R\$ 1,990.3 million, an 18.3% increase over 2013.

The stores closed or suspended over the last twelve months have penalized our growth by 0.5 percentage point (18.8% growth when excluding those stores from the comp base).

We recorded a sales growth of 10.9% for our same-store and of 6.1% for our mature stores. The quarter had a positive calendar effect of 0.7%, which was fully offset by the negative impact of the World Cup in July, which penalized our growth also by 0.7 percentage point.

Our sales mix remained in line when compared to the 3Q13. The only variation recorded was a slight increase of 0.1 percentage point in generics at the expense of branded, which receded proportionally.



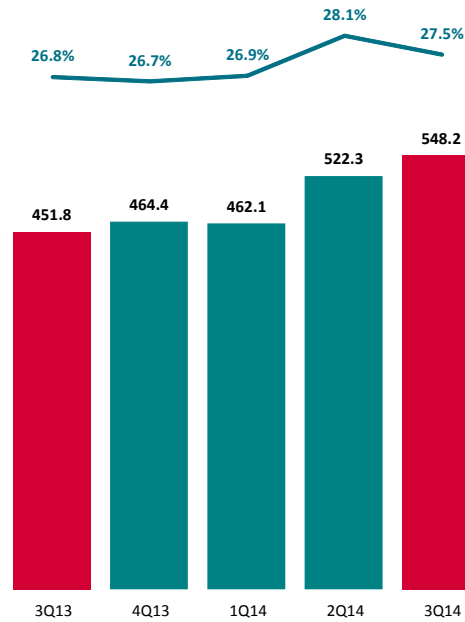
GROSS PROFIT

We achieved a gross margin of 27.5% in the quarter, a 0.7 percentage point increase when compared to the 3Q13.

The return to the tax substitution regime in São Paulo in December 2013 relieved the tax burden we had experienced since the 3Q12, generating a positive impact of 0.4 percentage point. Additionally, we obtained better purchasing terms with suppliers and pursued tactical changes in pricing, which increased our gross margin by 0.3 percentage point.

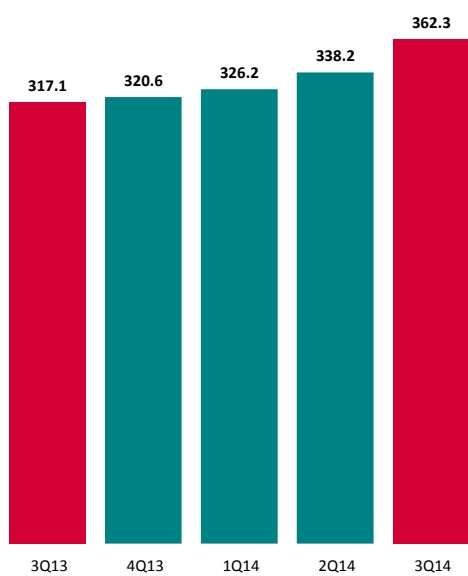


Gross Margin
(R\$ million, % of Gross Revenues)

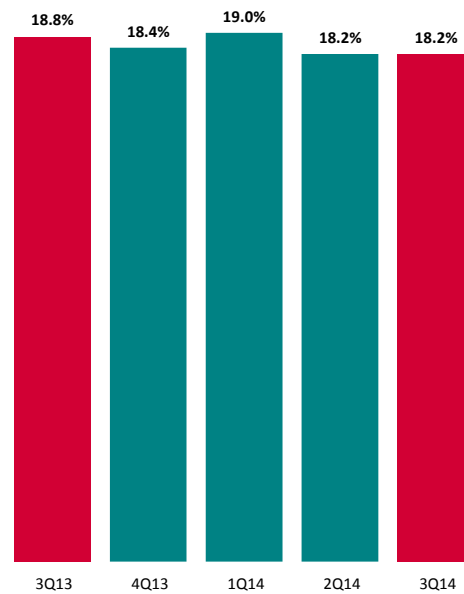


SALES EXPENSES

Sales Expenses
(R\$ million)



Sales Expenses
(% of Gross Revenues)





Sales expenses totaled R\$ 362.3 million in the 3Q14, a 0.6 percentage point decrease over the previous year. We experienced a 0.2 percentage point dilution in payroll, mainly due to the slower pace of staff replenishment at the stores in July and in August. The annual salary readjustment, which occurs every July, was of 7.6% in 2014 versus 8.5% in 2013. Additionally, we recorded a 0.2 percentage point reduction in social charges due to one-off pressures recorded in the 3Q13.

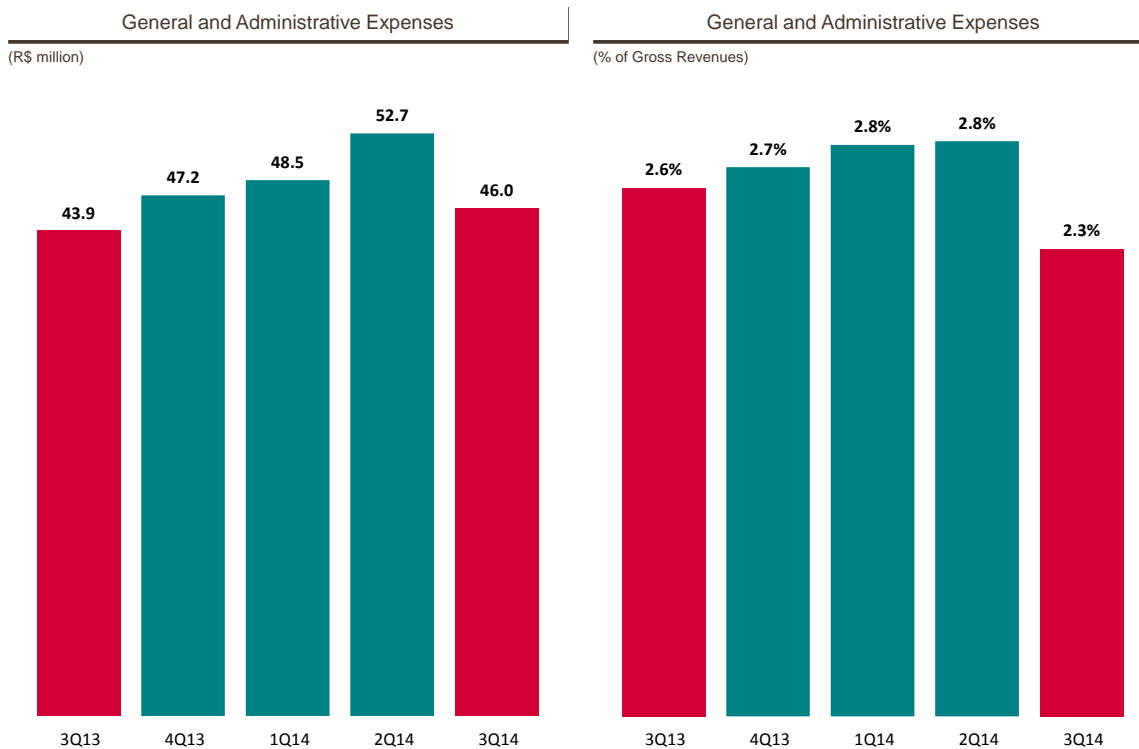
Finally, the expense pressure from new stores amounted to only 0.2% of gross revenues, a 0.3 percentage point reduction over the 3Q13. This improvement was driven by the strong sales performance recorded in our recently opened stores and by the slightly slower pace of store openings in the 9M14 when compared to the previous year (80 stores versus 90 stores in the 9M13).

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses amounted to R\$ 46.0 million, equivalent to 2.3% of gross revenues, a 0.3 percentage point dilution when compared to the previous year.

We experienced in the 3Q14 a reduction in our variable compensation allowance of approximately 0.2 percentage point in order to offset an excess provisioning that happened in the 1H14 related to our long-term incentive program based on restricted shares.

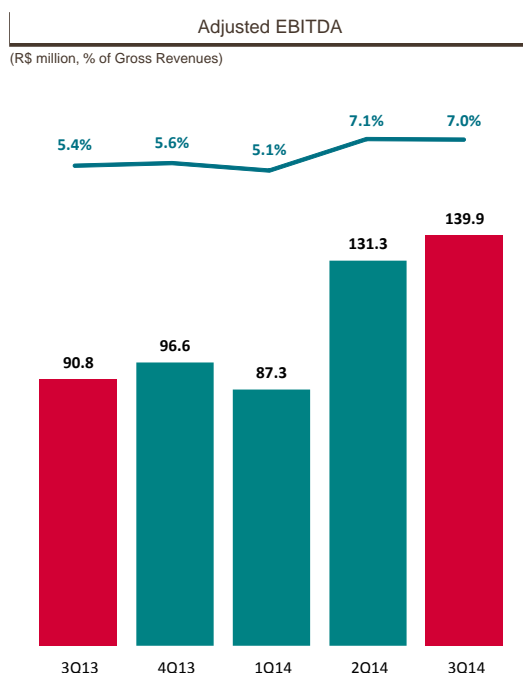
Non-recurring expenses amounted to R\$ 2.8 million in the quarter.





EBITDA

We recorded an EBITDA of R\$ 139.9 million, a 54.1% increase over the 3Q13. The gross margin increase of 0.7 percentage point, combined with the 0.9 percentage point dilution in the SG&A led to an EBITDA margin expansion of 1.6 percentage point.



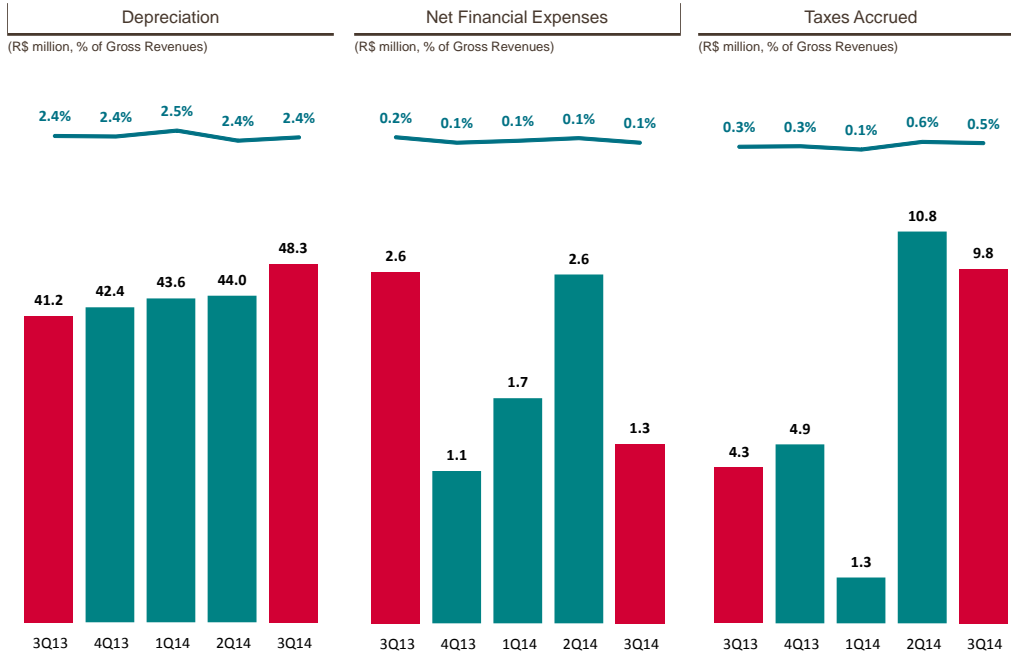
New stores already opened in the year, as well as those that were in the opening process, reduced the EBITDA by R\$ 6.9 million in the 3Q14. Therefore, if we consider only the 965 stores in operation since the end of 2013 and the full absorption of logistics as well as of general and administrative expenses by such stores, our adjusted EBITDA would have totaled R\$ 146.8 million, equivalent to an EBITDA margin of 7.6% over the respective gross revenues.

DEPRECIATION, NET FINANCIAL EXPENSES AND INCOME TAXES

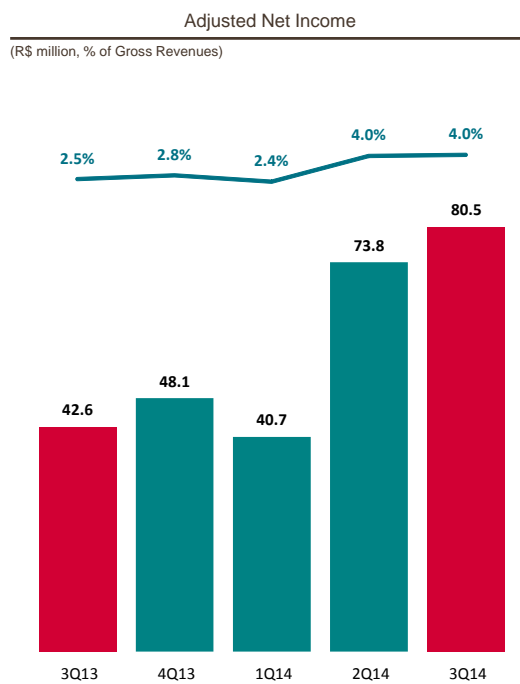
Depreciation expenses totaled R\$ 48.3 million in the 3Q14, equivalent to 2.4% of gross revenues, and remained in line with the same period of the previous year.

We recorded a dilution in net financial expenses of 0.1 percentage point reflecting a lower level in net debt and interest as a percentage of gross revenues when compared to the previous year.

We booked R\$ 9.8 million in taxes, equivalent to 0.5% of gross revenues, a 0.2 percentage point increase, thus reflecting the improvement in our profitability when compared to the previous year. This amount includes the tax shield of the goodwill amortization effect of R\$ 10.7 million.



ADJUSTED NET INCOME



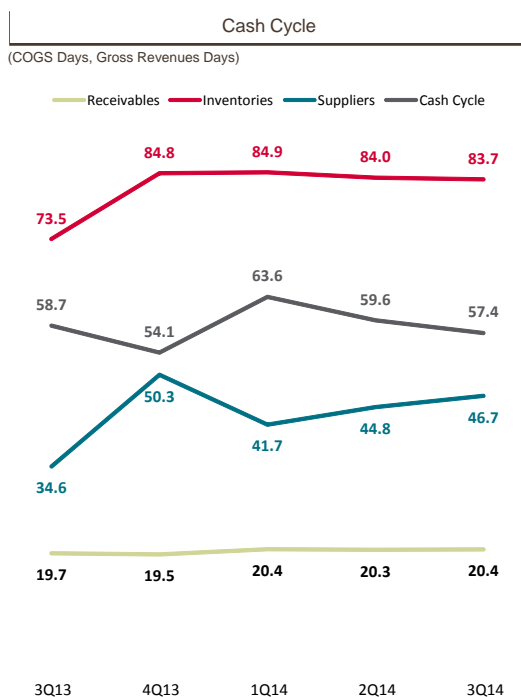


We recorded an adjusted net income of R\$ 80.5 million, an 88.8% increase over the 3Q13, equivalent to an adjusted net margin of 4.0%. This 1.5 percentage point margin improvement over the 3Q13 stemmed from a 1.6 percentage point increase in our EBITDA margin combined with a reduction in financial expenses of 0.1 percentage point and partially offset by an income tax increase of 0.2 percentage point.

It is important to highlight that our reported net income (after non-recurring expenses and not including the tax shield from goodwill amortization) increased 265.1% over the previous year due to the previously mentioned operating and financial improvements as well as to a radical reduction in non-recurring expenses.

CASH CYCLE

We ended the quarter with a cash cycle reduction of 1.3 day when compared to the 3Q13.



We recorded an increase in inventories of 10.2 days. Taxes on inventories arising from our return to the tax substitution regime in the 4Q13 increased our days of inventories by 4.5 days. Therefore, on a comparable basis, we recorded an increase of 5.7 days versus the 3Q13, when a reduction in our purchases to decrease excess inventories of generics had reduced our inventories days. Additionally, accounts payable increased by 12.1 days due to the week comp base of the 3Q13, when the lack of generation of new generics invoices penalized accounts payable.

Finally, receivables increased by 0.7 day when compared to the previous year.

CASH FLOW

We generated a positive free cash flow of R\$ 22.4 million in the quarter. Our operating cash flow (R\$ 87.0 million) has fully financed the investments (R\$ 64.6 million) undertaken in the period.

Cash Flow <i>(R\$ million)</i>	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

Resources from operations amounted to R\$ 109.1 million, equivalent to 5.5% of our gross revenues, while working capital employed totaled R\$ 22.0 million, resulting in an operating cash flow of R\$ 87.0 million in the period.

Fixed asset investments amounted to R\$ 64.6 million versus R\$ 63.4 million in the same period of 2013, including R\$ 41.2 million in new store openings, R\$ 13.1 million in existing stores renovation, and R\$ 10.3 million in infrastructure.

We generated a total cash flow of R\$ 29.0 million in the 3Q14, including R\$ 1.3 million in net financial expenses, which was fully offset by the tax shield of R\$ 7.9 million in the period.

In the 9M14, we recorded a free cash flow consumption of R\$ 45.0 million and a total cash flow consumption of R\$ 69.3 million, both due to the favorable cash cycle seasonality recorded in December, that penalizes the comparison with every other month of the year.

Finally, we accrued R\$ 22.0 million in interest on equity in the quarter.



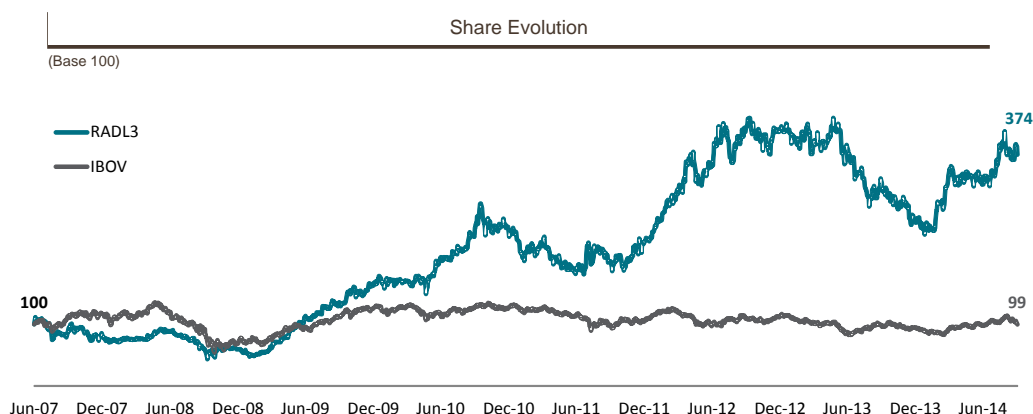
INDEBTEDNESS

At the end of the quarter, our net debt amounted to R\$ 72.2 million versus R\$ 61.4 million recorded in the same period of the previous year.

Our gross debt totaled R\$ 222.0 million, of which 100% is comprised by BNDES (Brazilian Economic and Social Development Bank) lines. Of our total indebtedness, 55.5% is long-term while 44.5% 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\$ 149.8 million.

CAPITAL MARKETS

Considering our share price of R\$ 20.94 on September 30th, we have posted a return of 41.7% in the year, 36.6 percentage points above the IBOVESPA, which increased by 5.1% over the same period.



In the 3Q14, our average daily trading volume was of R\$ 18.0 million.

Since the IPO of Drogasil, we achieved a cumulative increase of 273.9% when compared to a negative return of 0.5% of the IBOVESPA over the same period, a compound annual return of 19.9%.

Considering the IPO of Raia in December of 2010, the cumulative return in the period amounted to 99.9% when compared to a decrease of 20.4% by the IBOVESPA, a compound annual return of 20.1%. These figures do not include dividends and interest on equity paid over the period.

Adjusted Income Statement

(R\$ thousand)

	3Q13	3Q14	9M13	9M14
Gross Revenues	1,682,958	1,990,328	4,725,454	5,565,813
Taxes, Discounts and Returns	(57,421)	(67,998)	(161,785)	(193,978)
Net Revenues	1,625,537	1,922,329	4,563,670	5,371,835
Cost of Goods Sold	(1,173,752)	(1,374,129)	(3,295,785)	(3,839,272)
Gross Profit	451,785	548,200	1,267,885	1,532,563
Operational (Expenses) Revenues				
Sales	(317,061)	(362,287)	(878,616)	(1,026,746)
General and Administrative	(43,933)	(45,967)	(128,841)	(147,253)
Other Operational Expenses, Net				
Operational Expenses	(360,994)	(408,254)	(1,007,457)	(1,173,999)
EBITDA	90,791	139,947	260,428	358,564
Depreciation and Amortization	(41,220)	(48,300)	(116,290)	(135,964)
Operational Earnings before Financial Results	49,571	91,647	144,138	222,600
Financial Expenses	(4,823)	(6,227)	(15,335)	(19,139)
Financial Revenues	2,183	4,878	6,033	13,477
Financial Expenses/Revenues	(2,640)	(1,349)	(9,302)	(5,662)
Earnings before Income Tax and Social Charges	46,931	90,297	134,836	216,939
Income Tax and Social Charges	(4,308)	(9,803)	(7,093)	(21,904)
Net Income	42,623	80,494	127,743	195,034

Income Statement

(R\$ thousand)

	3Q13	3Q14	9M13	9M14
Gross Revenues	1,682,958	1,990,328	4,725,454	5,565,813
Taxes, Discounts and Returns	(57,421)	(67,998)	(172,506)	(193,978)
Net Revenues	1,625,537	1,922,329	4,552,948	5,371,835
Cost of Goods Sold	(1,173,752)	(1,374,129)	(3,297,184)	(3,839,272)
Gross Profit	451,785	548,200	1,255,764	1,532,563
Operational (Expenses) Revenues				
Sales	(322,162)	(362,287)	(867,435)	(1,026,746)
General and Administrative	(44,694)	(45,967)	(129,300)	(147,253)
Other Operational Expenses, Net	(14,300)	(2,754)	(32,595)	(5,622)
Operational Expenses	(381,156)	(411,007)	(1,029,330)	(1,179,621)
EBITDA	70,629	137,193	226,434	352,942
Depreciation and Amortization	(41,220)	(48,300)	(116,290)	(135,964)
Operational Earnings before Financial Results	29,409	88,893	110,144	216,978
Financial Expenses	(4,823)	(6,227)	(15,336)	(19,139)
Financial Revenues	2,183	4,878	6,033	13,477
Financial Expenses/Revenues	(2,640)	(1,349)	(9,303)	(5,662)
Earnings before Income Tax and Social Charges	26,769	87,544	100,841	211,317
Income Tax and Social Charges	(8,151)	(19,565)	(27,674)	(52,087)
Net Income	18,618	67,979	73,167	159,230



Assets	3Q13	3Q14
<i>(R\$ thousand)</i>		
Current Assets		
Cash and Cash Equivalents	122,367	149,768
Accounts Receivable	364,639	445,430
Inventories	948,534	1,264,466
Taxes Receivable	58,136	38,060
Other Accounts Receivable	96,374	121,493
Following Fiscal Year Expenses	11,889	10,861
	<u>1,601,939</u>	<u>2,030,078</u>
Non-Current Assets		
Deposit in Court	10,276	12,649
Taxes Receivable	11,202	15,585
Other Credits	715	876
Property, Plant and Equipment	518,411	609,690
Intangible	1,156,102	1,130,070
	<u>1,696,706</u>	<u>1,768,870</u>
ASSETS	<u>3,298,645</u>	<u>3,798,948</u>

Liabilities and Shareholder's Equity

(R\$ thousand)

	<u>3Q13</u>	<u>3Q14</u>
Current		
Suppliers	445,899	704,648
Loans and Financing	79,878	98,756
Salaries and Social Charges Payable	139,259	173,499
Taxes Payable	39,721	38,350
Dividend and Interest on Equity	22,049	44,429
Provision for Lawsuits	4,948	5,188
Other Accounts Payable	58,884	77,285
	<u>790,638</u>	<u>1,142,154</u>
Non-Current Assets		
Loans and Financing	103,933	123,243
Provision for Lawsuits	8,463	8,943
Income Tax and Social Charges deferred	87,876	115,159
Other Accounts Payable	2,868	3,294
	<u>203,140</u>	<u>250,640</u>
Shareholder's Equity		
Common Stock	908,639	908,639
Capital Reserves	1,039,935	1,019,037
Revaluation Reserve	12,988	12,802
Income Reserves	294,721	357,169
Accrued Income	48,584	108,507
	<u>2,304,867</u>	<u>2,406,154</u>
LIABILITIES AND SHAREHOLDERS' EQUITY	<u>3,298,645</u>	<u>3,798,948</u>



	3Q13	3Q14	9M13	9M14
Cash Flow				
Earnings before Income Tax and Social Charges	26,769	87,544	100,841	211,317
Adjustments				
Depreciations and Amortization	41,220	48,300	116,290	135,964
P,P&E and Intangible Assets residual value	2,723	259	4,661	684
Provisioned Lawsuits	114	(845)	2,329	2,222
Provisioned Inventories Loss	(237)	2,441	9,413	5,004
Allowance for Doubtful Accounts	(469)	(1,502)	(1,246)	(762)
Provisioned Store Closures				3,081
Interest Expenses	4,154	5,670	12,943	18,035
	74,274	141,867	245,231	375,545
Assets and Liabilities variation				
Accounts Receivable	13,769	(30,145)	(7,189)	(83,951)
Inventories	60,148	(95,361)	15,448	(136,848)
Other Short Term Assets	13,559	(5,688)	35,780	724
Long Term Assets	2,282	(2,231)	8,092	(5,757)
Suppliers	(43,491)	75,792	(129,688)	28,224
Salaries and Social Charges	28,065	20,710	46,362	57,147
Taxes Payable	(7,448)	2,655	(5,408)	(29,589)
Other Liabilities	(13,321)	4,091	(35,450)	(2,431)
Rent Payable	477	8,141	3,412	9,804
Cash from Operations	128,314	119,831	176,590	212,868
Income Tax and Social Charges Paid	(2,918)	(20,531)	(11,629)	(38,866)
Net Cash from (invested) Operational Activities	125,396	99,300	164,961	174,002
Investment Activities Cash Flow				
P,P&E and Intangible Acquisitions	(64,564)	(64,594)	(176,648)	(188,164)
P,P&E Sale Payments	1,186		1,383	793
Net Cash from Investment Activities	(63,378)	(64,594)	(175,265)	(187,371)
Financing Activities Cash Flow				
Funding			26,121	37,703
Payments	(13,112)	(23,921)	(40,800)	(63,455)
Interest Paid	(96)	(4,525)	(6,625)	(15,112)
Share Buyback				(20,898)
Interest on Equity and Dividends Paid			(12,988)	(16,986)
Net Cash from Funding Activities	(13,208)	(28,446)	(34,292)	(78,748)
Cash and Cash Equivalents net increase	48,810	6,260	(44,596)	(92,117)
Cash and Cash Equivalents in the beginning of the period	73,557	143,508	166,963	241,885
Cash and Cash Equivalents in the end of the period	122,367	149,768	122,367	149,768



3Q14 Results Conference Calls – November 7th, 2014

Portuguese

at 10:00 am (Brasília) / 7:00 am (NY)

Dial in access:
+55 (11) 2188-0155
Conference ID: Raia Drogasil

Replay (available 'til 11/14/2014):
+55 (11) 2188-0400

English

at 12:00 pm (Brasília) / 9:00 am (NY)

Dial in access:
+1 (646) 843-6054
+55 (11) 2188-0155
Conference ID: Raia Drogasil

Replay (available 'til 11/14/2014):
+55 (11) 2188-0400

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For more information, please contact our Investor Relations department.

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